Dominion Water & Sanitation District

Financial Statements
with Independent Auditor's Report

December 31, 2025

HINKLE & COMPANY PC
Strategic Business Advisors

Dominion Water & Sanitation District
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December 31, 2025

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditor's Report

Board of Directors
Dominion Water & Sanitation District
Douglas County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Dominion Water & Sanitation District (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, such as the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hinkle & Company.pc

Englewood, Colorado
July 20, 2026

This discussion and analysis is intended to provide an overview of the financial activities of Dominion Water & Sanitation District (the "District" or "Dominion") for the year ended December 31, 2025. This analysis should be read in conjunction with the District's 2025 audited financial statements.

FINANCIAL HIGHLIGHTS

The District's operations continued to expand in 2025 due to the continued growth of the master plan community known as Sterling Ranch.

- **Operating Revenues –** Water and sewer service revenues increased to $5,767,532 in 2025 from $4,802,232 in 2024. The increase in revenue is primarily the result of an increase in the amount of water purchased by the Sterling Ranch Community Authority Board (the "CAB") for its residential and commercial customers in Sterling Ranch due largely to the continued growth in home closings and rate increases.

- **Water and Sewer Tap Fees –** The District collected $12,680,439 in tap fees in 2025, a decrease of $4,921,499 from the $17,601,938 collected in 2024. The District collected tap fees on 253 single-family lots in 2025 compared to 340 single-family units and 264 multifamily units in 2024.

- **Net Position –** The District's Net Position ("Net Position," defined as Total Assets and Deferred Outflow of Resources less Total Liabilities) at December 31, 2025 totaled $25,873,964 compared to $23,995,296 at December 31, 2024.

- **Cash and Investments –** Total Cash and Investments at December 31, 2025 totaled $34,836,173 and includes liquid cash equivalents and short-term and long-term restricted investments. Restricted cash and investments at December 31, 2025 of $29,195,750 are managed by the Trustee for the District's Series 2022 Bonds and are held for payment of debt service, to maintain debt service fund reserves, and to pay for eligible capital project expenditures. In addition, the District held $1,582,265 in restricted investments related to the ARPA Grant discussed below.

- **Due from Other Governments –** Due from Other Governments of $8,531,082 at December 31, 2025 includes $7,465,029 in funding remaining from the CAB related to initial obligation of $12,002,676 pursuant to an intergovernmental agreement executed in 2024. The remaining obligation will provide funding for future wholesale capital projects of the District.

FINANCIAL SUMMARY AND ANALYSIS

REVENUES AND EXPENDITURES

- Water and sewer service revenues of $5,767,532 increased 20% in 2025 compared to revenues of $4,802,232 in 2024. The increase is primarily the result of (i) a 15% increase in the amount of water purchased by the CAB for its residential and commercial customers due largely to the continued growth in homes closed in in Sterling Ranch, (ii) rate increases and (iii) increases in usage related to parks, landscaping, and other amenities that the CAB maintains, partially offset a decrease in the amount of construction water used by the Developer and others in connection with development and construction activities in Sterling Ranch.

- Operating Expenses increased to $10,900,775 in 2025 from $8,761,433 in 2024. The 24% increase is due primarily to increases in costs to manage and oversee the continued expansion of the District's operations, including i) water system operations and maintenance ("O&M") costs, (ii) wastewater system O&M costs, and (iii) depreciation and amortization. Water system O&M costs increased 39% due primarily to higher water delivery costs as a result of (i) an increase in the amount of water provided to the CAB to serve the CAB's growing customer base and (ii) commencing use of the WISE water delivery system in 2025 where water delivery and operational costs are higher. Wastewater system O&M costs increased 14% primarily due to the increase in the CAB's customer base. Depreciation expense increased 74% in 2025 due primarily to an increase in depreciable assets placed in service in late 2024 and in 2025 largely related to commencement of use of the WISE system.

- Non-operating revenue decreased from $19,283,793 in 2024 to $18,261,000 in 2025 due primarily to a $4,921,499 decrease in Tap Fees collected, partially offset by $4,030,537 in revenue from a $20,482,400 American Rescue Plan Act ("ARPA") Grant that the District secured in 2024. As of December 31, 2025, $14,953,778 in funding was available under the ARPA Grant.

- Interest on Bonds and Notes totaled $11,291,890 in 2025 as compared to $11,273,135 in 2024. The increase of $18,755 was principally the result of an increase in interest expense on the District's Junior Limited Revenue Promissory Notes largely offset by reductions in interest expense on the District's other bonds and debt.

NET POSITION

The Net Position of the District increased to $25,873,964 at December 31, 2025 as compared to $23,995,296 at December 31, 2024. The increase in Net Position of $1,878,668 in 2025 is due to Nonoperating Revenues and Expenses of $6,880,078 offset by a Net Loss from Operations of $5,001,410.

CURRENT ASSETS

Current assets decreased $7,360,059 to $43,479,266 at December 31, 2025 from $50,839,325 at December 31, 2024 due primarily to the use of funds for capital projects in 2025, partially offset by interest income of $1,400,454 generated in 2025. Total Cash and Investments were $34,836,173 at December 31, 2025 as compared to $38,131,242 at December 31, 2024.

CAPITAL ASSETS

At December 31, 2025, the District's Capital Assets, net of Accumulated Depreciation, totaled $180,514,679, an increase of $12,165,913 from a total of $168,348,766 in net Capital Assets as of December 31, 2024. The increase was due to expenditures associated with the District's ongoing capital projects, partially offset by an increase in Accumulated Depreciation.

LONG-TERM LIABILITIES

Long-Term Liabilities totaled $192,150,366 at December 31, 2025 as compared to $191,969,284 at December 31, 2024. The $181,082 increase is due to the increase in accrued interest on the District's Junior Limited Revenue Promissory Notes largely offset by principal payments on the District's bonds and debt. Principal payments totaled $2,871,993 in 2025 as compared to $2,897,171 in 2024. Principal payments in 2025 included $2,130,000 in scheduled principal payments and $437,000 in Extraordinary Mandatory Redemption principal payments on the District's Series 2022 Bonds.

MARKET CONDITIONS

Construction of new homes and home sales in Sterling Ranch will continue to provide (i) additional service revenues for the District to fund its operating expenses and (ii) tap fees necessary to fund debt service and capital projects. The District, among other things, is reliant on (i) the developer of Sterling Ranch to continue to entitle property and market and sell lots to home builders, and (ii) the home builders to continue to construct and sell homes to homebuyers. Additionally, the development of commercial, schools and other non-residential activities will also be important factors to the District's operations in the future. The District also expects to provide water and wastewater services to other retail districts within the District's service area in the future. New home construction and sales as well as commercial activities are significantly impacted by a number of factors, including (i) the overall health of the economy, (ii) the real estate market, both locally and nationally, (iii) mortgage interest rates, (iv) inflation, (v) the level of spec and existing home inventory, and (vi) the availability of land.

LONG-TERM PLANNING

As part of its long-term planning activities, the District, among other things, conducts periodic reviews of its Capital Improvement Plan ("CIP"). As part of the CIP review, project assumptions such as estimated costs, project timing and capital needs are updated and reevaluated by Management and the Board of Directors of the District. The timing of capital improvements is related primarily to the growth of the Sterling Ranch community. The District also conducts periodic reviews of its rates and fees as well as long-term water and wastewater master plan evaluations to (i) determine what additional improvements are needed to meet future growth within the District's service area, (ii) ensure that revenues will be sufficient to support the cost of operations, debt service, and future capital projects, and (iii) ensure the responsiveness, redundancy, and reliability of the water and wastewater systems. Additional CIP reviews, master plan evaluations and rate and fee studies will be conducted in the future as the buildout of the Sterling Ranch community and other communities within the District's service area continues.

Basic Financial Statements

Dominion Water & Sanitation District
Statement of Net Position
Proprietary Fund
December 31, 2025

Assets	
Current Assets	
Cash and Investments	$ 4,058,158
Cash and Investments - Restricted	30,778,015
Due from Other Governments	8,531,082
Prepaid Expenses	112,011
Total Current Assets	43,479,266
Noncurrent Assets	
Capital Assets,	
Capital Assets, Not Being Depreciated	63,957,417
Capital Assets, Being Depreciated, Net	116,557,262
Total Capital Assets	180,514,679
Other Long-Term Assets	
Utility Deposit	7,048
Total Other Long-Term Assets	7,048
Total Noncurrent Assets	180,521,727
Total Assets	$ 224,000,993
Deferred Outflow of Resources	
Cost of Refunding	$ 1,114,808
Total Deferred Outflow of Resources	$ 1,114,808
Liabilities	
Current Liabilities	
Accounts Payable	$ 1,834,258
Retainage Payable	265,634
Accrued Liabilities	501,478
Accrued Salaries	129,100
Accrued Interest Payable - Notes	
Notes Payable	104,210
Bonds Payable	639,524
Current Portion of Long-term Debt	
Bonds Payable	2,235,000
Subordinate Promissory Note	175,000
CWCB Loan	98,704
Lease Payable - Office Building	33,087
Unearned Revenue	1,065,476
Deposits	10,000
Total Current Liabilities	7,091,471
Long-Term Liabilities	
Bonds Payable	130,528,000
Junior Limited Revenue Promissory Notes - Principal	41,962,159
Junior Limited Revenue Promissory Notes - Accrued Interest	11,925,108
Subordinate Promissory Note	4,090,000
CWCB Loan	3,645,099
Total Long-Term Liabilities	192,150,366
Total Liabilities	199,241,837
Net Position	
Unrestricted	25,873,964
Total Net Position	$ 25,873,964

See Notes to the Financial Statements.

Dominion Water & Sanitation District

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2025

Operating Revenues		
Water Service Fees		
Residential	$	3,037,621
Construction		730,539
Irrigation		484,092
Sewer Service Fees		1,515,280
Other Income		131,833
Total Operating Revenues		5,899,365
Operating Expenses		
Personnel		1,307,011
Contracted Services		834,022
District Office		307,537
Employee Development & Stakeholder Engagement		99,745
Financial Services & Grants		65,105
General Operations & Maintenance		452,788
Water Operations & Maintenance		3,773,422
Wastewater Operations & Maintenance		1,528,626
Depreciation and Amortization		2,532,519
Total Operating Expenses		10,900,775
Net Loss from Operations		(5,001,410)
Nonoperating Revenues and Expenses		
Interest Income		1,400,454
Water Tap Fees		10,213,819
Sewer Tap Fees		2,466,620
Grant Revenue		4,160,858
Other Nonoperating Revenue		19,249
Interest on Bonds and Notes Payable		(11,291,890)
Cost of Issuance		(89,032)
Total Nonoperating Revenues and Expenses		6,880,078
Change in Net Position		1,878,668
Net Position, *Beginning of Year*		23,995,296
Net Position, *End of Year*	$	25,873,964

See Notes to the Financial Statements.

Dominion Water & Sanitation District

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2025

Cash Flows From Operating Activities	
Cash Received from Customers	$ 5,910,005
Cash Paid to Suppliers/Contractors	(4,226,432)
Cash Paid to Employees	(1,511,529)
Net Cash Used In Operating Activities	172,044
Cash Flows From Capital and Related Financing Activities	
Capitalized Accrued Interest on Debt	3,159,873
Tap Fees Received	12,680,439
CAB Contribution and Other Income	4,085,848
Grant Revenue	4,160,858
Acquisition of Capital Assets	(14,698,432)
Payments on Long-Term Debt Obligations	(2,871,993)
Payment of Interest on Long-Term Debt Obligations	(11,295,127)
Cost of Issuance	(89,032)
Net Cash Provided by Capital and Related Financing Activities	(4,867,566)
Cash Flows From Investing Activities	
Investment Income Received	1,400,454
Net Cash Provided by Investing Activities	1,400,454
Net Change in Cash and Cash Equivalents	(3,295,068)
Cash and Cash Equivalents, *Beginning of Year*	38,131,241
Cash and Cash Equivalents, *End of Year*	$ 34,836,173

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income (Loss)	$ (5,001,410)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	2,532,519
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	10,640
Prepaid Expenses	(12,248)
Accounts and Retainage Payable	1,049,352
Accrued Liabilities and Salaries	527,715
Unearned Revenue	1,065,476
Net Cash Used In Operating Activities	$ 172,044

See Notes to the Financial Statements.

Note 1: Reporting Entity

Dominion Water & Sanitation District (the District or Dominion) is a quasi-governmental entity created under Colorado’s Title 32 Special District Act. The District was formed in 2004 for the purpose of providing certain public improvements, facilities, and wholesale services to and for the use and benefit of retail districts located within the District's Service Area. These retail districts must meet the requirements of the District’s Rules and Regulations in order to receive service. Since its inception, the District has primarily provided wholesale water and wastewater service to the Sterling Ranch Community Authority Board (the CAB), which is the retail provider of water and wastewater services to the master planned community known as Sterling Ranch. The District’s service area encompasses approximately 33,000 acres located in Northwest Douglas County and is defined as an overlay district within Douglas County Zoning Resolution Section 18A Water Supply Overlay District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2: Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's accounting records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred.

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The District distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation and amortization of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budget

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

The District did not amend its annual budget for the year ended December 31, 2025.

Cash and Investments

The District considers all highly liquid assets that are readily convertible to cash or have a maturity of three months or less to be cash equivalents.

Leases

The District determines if an arrangement is a lease at inception. Leases are included as right-to-use assets in capital assets and as leases payable in noncurrent liabilities in the statement of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Note 2: Summary of Significant Accounting Policies (Continued)

Leases *(Continued)*

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, and less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position. For individual lease contracts where information about the discount rate implicit in the lease is not included, the District has elected to use the incremental borrowing rate to calculate the present value of expected lease payments.

Capital Assets

Capital assets, which include land, buildings, plant, infrastructure, and equipment, are reported at historical cost or estimated historical cost if purchased or constructed. Capital assets which are contributed or donated to the District are recorded at estimated acquisition value at the date of contribution or donation. Capital assets are defined by the District as those assets with a cost of $5,000 or greater and an estimated useful life in excess of one year.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Infrastructure	30 - 60 years
Buildings and Improvements	40 - 50 years
Machinery and Equipment	5 - 20 years
Vehicles and Equipment	5 - 10 years

Cost of Refunding

The deferred cost of bond refunding is being amortized using the interest method over the life of the bonds. The amortization amount is a component of interest expense, and the unamortized deferred cost is reflected as a deferred outflow of resources.

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain of the District's capital assets have been reclassified to conform to the District's current capital asset categories. See Note 4 regarding Capital Assets.

Subsequent Events

Management of the District has evaluated subsequent events through July 20, 2026, the date the financial statements were available to be issued.

Note 3: Cash and Investments

Cash and investments as of December 31, 2025 are classified in the accompanying financial statements as follows:

		2025
Statement of Net Position:		
Cash and Investments	$	4,058,158
Cash and Investments - Restricted		30,778,015
Total	$	34,836,173

Cash and investments as of December 31, 2025 consist of the following:

		2025
Deposits with Financial Institutions		
Unrestricted	$	915,275
Restricted		816,280
Investments		33,104,618
Total	$	34,836,173

Note 3: Cash and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has adopted a deposit policy, which follows state statutes, for custodial risk.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District's cash deposits had a bank and a carrying balance of $1,731,555. $250,000 per institution is insured through the FDIC and the balance is collateralized in single institution pools.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which the District may invest, which include the following. State statutes do not address custodial risk. Under State statutes, investment instruments which meet defined rating and risk criteria include:

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings established by the nationally recognized statistical rating organizations, depending on the type of investment.

Note 3: Cash and Investments (Continued)

Investments *(Continued)*

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer, except for corporate securities.

Local Government Investment Pools - As December 31, 2025, the District had $28,220,759 invested in the Colorado Local Government Liquid Assets Trust (Colotrust). The Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds.

The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to $1.00. Colotrust is rated AAAm by Standard & Poor's. Colotrust records its investments at fair value and the District records its investment in Colotrust at net asset value as determined by fair value. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

As of December 31, 2025, the District had the following investments:

Investment	S&P Rating	Carrying Amount	Less Than One Year	Less Than Five Years
Unrestricted				
Money Market Securities	AAAm	$ 3,142,883	$ 3,142,883	$ -
Restricted				
Government & Agency Bonds	Aaa	4,377,219	1,432,137	2,945,082
Corporate Bonds	Aaa	506,640	506,640	-
Money Market Securities	AAAm	25,077,876	25,077,876	-
Total		$ 33,104,618	$ 30,159,536	$ 2,945,082

Note 4: Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/24	Additions	Disposals/ Retirements	Transfers	Balance 12/31/25
Capital Assets, *Not Being Depreciated*					
Water Rights	$ 30,270,067	$ 73,621	$ -	$ -	$ 30,343,688
Land	961,465	-	-	-	961,465
Construction-in-Progress					
Water Supply	21,221,588	3,880,037	-	(18,705,842)	6,395,783
Master Planning	-	-	-	-	-
Water System	4,210,269	426,497	-	(271,852)	4,364,914
Wastewater System	13,038,670	8,893,697	-	(40,800)	21,891,567
Total Capital Assets, *Not Being Depreciated*	69,702,059	13,273,852	-	(19,018,494)	63,957,417
Capital Assets, *Being Depreciated*					
Water System	68,838,539	1,090,349	-	271,852	70,200,740
Water Supply	20,763,941	200,699	-	18,705,842	39,670,482
Wastewater System	14,933,290	102,718	-	40,800	15,076,808
Vehicles	34,931	30,814	-	-	65,745
Right-to-Use Lease Building	331,607	-	-	-	331,607
Total Capital Assets, *Being Depreciated*	104,902,308	1,424,580	-	19,018,494	125,345,382
Less Accumulated Depreciation					
Water System	(3,865,400)	(1,358,193)	-	-	(5,223,593)
Water Supply	(1,766,946)	(819,476)	-	-	(2,586,422)
Wastewater System	(357,363)	(316,416)	-	-	(673,779)
Vehicles	(33,767)	(5,273)	-	-	(39,040)
Right-to-Use Lease Building	(232,125)	(33,161)	-	-	(265,286)
Total Accumulated Depreciation	(6,255,601)	(2,532,519)	-	-	(8,788,120)
Total Capital Assets, *Being Depreciated, net*	98,646,707	(1,107,939)	-	19,018,494	116,557,262
Total Capital Assets, *net*	$ 168,348,766	$ 12,165,913	$ -	$ -	$ 180,514,679

Depreciation and amortization expense for the year ended December 31, 2025 was charged to Operating Expenses.

Note 5: Long-Term Liabilities

The following is an analysis of the changes in the District's long-term Liabilities for the year ended December 31, 2025:

	Balance 12/31/24	Additions	Deletions	Balance 12/31/25	Due Within One Year
Bonds Payable					
Revenue Refunding and Improvement Bonds					
Series 2022	$ 135,330,000	$ -	$ (2,567,000)	$ 132,763,000	$ 2,235,000
Notes Payable					
Series 2020A Subordinate Promissory Note	4,430,000	-	(165,000)	4,265,000	175,000
CWCD Promissory Note	3,839,353	-	(95,550)	3,743,803	98,704
Junior Limited Revenue Promissory Notes					
Series 2022 - Principal	34,446,159	-	-	34,446,159	-
Series 2022 - Accrued Interest	5,076,549	2,633,753	-	7,710,302	-
Series 2017 - Principal	7,516,000	-	-	7,516,000	-
Series 2017 - Accrued Interest	3,688,686	526,120	-	4,214,806	-
	58,996,747	3,159,873	(260,550)	61,896,070	273,704
Leases Payable					
Office Building	77,530	-	(44,443)	33,087	33,087
	77,530	-	(44,443)	33,087	33,087
Total	$ 194,404,277	$ 3,159,873	$ (2,871,993)	$ 194,692,157	$ 2,541,791

Revenue Refunding and Improvement Bonds, Series 2022

The District issued the Series 2022 Bonds (the Bonds) on September 15, 2022, in the amount of $137,935,000.

Proceeds of the Bonds
Pursuant to the terms of the Trust Indenture (Indenture) for the Bonds, net proceeds from the sale of the Bonds, along with certain other legally available funds then held by the Trustee related to the District's Tap Fee Revenue Bonds, Series 2016, were used to:

(i) refund certain outstanding obligations of the District (the "Refunding Project")
(ii) fund a deposit to the Project Fund;
(iii) fund a deposit to the Reserve Fund in the amount of the Reserve Fund Requirement;
(iv) fund a deposit to the Debt Service Fund; and
(v) pay the costs of issuance of the Bonds.

The Refunding Project includes the payment in full or in part of the outstanding principal of and interest on, and any prepayment or redemption premium in connection with the following:

(i) Tap Fee Revenue Bonds, Series 2016;
(ii) Junior Limited Revenue Promissory Notes, Series 2017A (the Series 2017A Notes);
(iii) Subordinate Limited Revenue Promissory Water Note, Series 2017B (the Series 2017B Notes); and
(iv) Subordinate Limited Revenue Promissory Water Note, Series 2017C (the Series 2017C Notes)

Note 5: Long-Term Liabilities (Continued)

Revenue Refunding and Improvement Bonds, Series 2022 *(Continued)*

Bond Details
The Bonds bear interest at rates ranging from 5.000% to 5.875%, payable semi-annually on June 1 and December 1, (each, an Interest Payment Date) beginning on December 1, 2022. Principal payments on the Bonds are due annually on each December 1, beginning on December 1, 2024. The Bonds mature on December 1, 2052.

To the extent the principal of any Bond is not paid when due, the principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such unpaid interest shall compound on each Interest Payment Date, at the rate then borne by the Bond.

The Bonds are subject to Extraordinary Mandatory Redemption provisions as described in the Indenture.

Events of Default of the Bonds
Events of default occur if the District fails to impose the Tap Fee, or to apply the Tap Fee Revenues as required by the Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

Unused lines of credit
The Bonds do not have any unused lines of credit.

Collateral
No assets have been pledged as collateral on the Bonds.

Termination Events
The Bonds are not subject to early termination.

Acceleration
The Bonds are not subject to acceleration.

Optional Redemption
The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2028, and on any date thereafter, upon payment of the par amount of the Bonds, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

Date of Redemption	Redemption Premium
December 1, 2028, to November 30, 2029	3.00%
December 1, 2029, to November 30, 2030	2.00%
December 1, 2030, to November 30, 2031	1.00%
December 1, 2031, and thereafter	0.00%

Note 5: Long-Term Liabilities (Continued)

Revenue Refunding and Improvement Bonds, Series 2022 *(Continued)*

Revenues
The Bonds are payable solely from and to the extent of the following Revenues:

(i) Tap Fee Revenues;
(ii) Net Service Charge Revenues defined as Service Charges, less Operations and Maintenance Costs; and
(iii) any other legally available amounts that the District may designate by resolution of the Board, to be paid to the Trustee for deposit into the Revenue Fund.

Reserve Fund
The Bonds are additionally secured by the Reserve Fund, which was initially funded with proceeds of the Bonds in the amount of the Reserve Requirement of $9,973,463. Amounts on deposit in the Reserve Fund on the final maturity date of the Bonds are to be applied to the payment of the Bonds on such date.

The District's Bonds will mature as follows:

Year Ended December 31,	Principal	Interest	Total
2026	$ 2,235,000	$ 7,674,284	$ 9,909,284
2027	2,345,000	7,562,534	9,907,534
2028	2,460,000	7,445,284	9,905,284
2029	2,590,000	7,316,134	9,906,134
2030	2,730,000	7,180,159	9,910,159
2031 - 2035	16,015,000	33,533,393	49,548,393
2036 - 2040	21,240,000	28,311,627	49,551,627
2041 - 2045	28,255,000	21,294,229	49,549,229
2046 - 2050	37,595,000	11,959,146	49,554,146
2051 - 2052	17,298,000	1,509,933	18,807,933
	$ 132,763,000	$ 133,786,723	$ 266,549,723

Subordinate Limited Revenue Promissory Water Note, Series 2020A Note

On March 27, 2020, the District issued a Subordinate Limited Revenue Promissory Note, Series 2020A (2020A Note), in the amount of $5,000,000. Proceeds from the 2020A Note were used to finance a portion of the construction costs relating to water infrastructure. The 2020A Note bears interest of 6.5% per annum payable on the 15th day of June and December with a final maturity date of December 15, 2040.

Note 5: Long-Term Liabilities (Continued)

CWCB Loan

On April 1, 2020, the District entered a loan with the Colorado Water Conversation Board (CWCB) in the amount of $4,191,990. Proceeds from the CWCB loan were used to finance the Chatfield Reservoir Reallocation and adaptive management plan relating to the Chatfield Reallocation Project. The CWCB Loan bears interest of 3.3% per annum. Interest and principal are payable on the 1st day of each April in the total amount of $222,249 per year, with a final maturity date on April 1, 2050.

Junior Limited Revenue Promissory Notes

On December 27, 2017, the District issued the Series 2017A Notes to Sterling Ranch, LLC (SR LLC or the Developer) and affiliated entities. The Series 2017A Notes bear simple interest of 7% per annum, with interest payments, if any, due on the 20th of each December. The Notes were issued by the District for the purpose of financing the costs of wholesale water and wastewater facilities. A portion of the Series 2017A Notes were refunded in connection with the issuance of the Bonds.

On November 15, 2022, the District issued its Junior Limited Revenue Promissory Note, Series 2022A-1 (2022A-1 Note), in the aggregate principal amount of $28,894,120. The 2022A-1 Note bears interest of 6.5% per annum, and interest payments are due on the 20th of each December. Accrued but unpaid interest compounds each December 20. The 2022A-1 Note was issued by the District in payment of previous advances made by SR LLC and affiliated entities for the purpose of financing the costs of wholesale water and wastewater facilities plus accrued interest on such advances.

On November 15, 2022, the District issued its Junior Limited Revenue Promissory Note, Series 2022A-2 (2022A-2 Note), in the aggregate principal amount of $5,552,039. The 2022A-2 Note bears interest of 7.5% per annum, and interest payments are due on the 20th of each December. Accrued but unpaid interest compounds each December 20. The Note was issued by the District in payment of previous advances made by SR LLC and affiliated entities for the purpose of financing operating and maintenance costs plus accrued interest on such advances.

Office Building Lease

The District leases office space under a capital lease which will expire on October 1, 2026. The incremental borrowing rate at the commencement of the agreement in 2017 was 4.25%.

Note 5: Long-Term Liabilities (Continued)

Office Building Lease *(Continued)*

The future minimum lease obligations and net present value of these minimum lease payments are as follows:

Year Ended December 31,	Principal	Interest	Total
2026	$ 33,087	$ 15,035	$ 48,122
	$ 33,087	$ 15,035	$ 48,122

Right-to-use assets acquired through the outstanding lease are shown below:

Governmental Activities	
Right-to-Use Lease Office Building	$ 331,607
Less: Lease Asset Accumulated Amortization	(265,286)
Net Carrying Value	$ 66,321

Note 6: Economic Dependency

The District has not yet established a revenue base sufficient to pay operational and certain capital expenditures. Until an independent revenue base is established, continuation of operations in the District and construction of certain public improvements may require funding from the Developer and others in the future.

Note 7: Related Parties

SR LLC is the owner of most of the undeveloped land in Sterling Ranch. SR LLC, Sterling Ranch Development Company (DevCo, formally the Master Developer for Sterling Ranch), and certain of their affiliated entities (collectively with SR LLC and DevCo, the SR Entities) advanced funds to the District in prior years under various funding agreements. See Note 8 with respect to outstanding funding agreements as of December 31, 2025. Certain members of the Board of Directors of the District hold interests in the SR Entities or are otherwise associated with the SR Entities and may have conflicts of interest in dealing with the District. Such members currently constitute less than 50% of the membership of the Board of Directors of the District.

During 2025, the District and DevCo entered into an agreement whereby DevCo agreed to provide finance and operational support services to the District. The District incurred expenses of $171,875 in 2025 for such services.

Note 8: Agreements

Advance and Reimbursement Agreement

On February 2, 2005, the District entered into the Advance and Reimbursement Agreement (the Agreement) with SR LLC. Pursuant to the Agreement, SR LLC agreed to advance funds to the District to pay for capital and operational expenses when the District's revenues and other funding sources are not sufficient to pay for such expenses. The District will pay interest, from the date of each advance, at the rate of 7% per annum. The District's repayment of advances under this Agreement is subject to annual appropriation and shall be applied first to interest, then to principal of the advances. The District's reimbursement obligation is subordinate to any bonded indebtedness of the District hereafter created. As of December 31, 2025, no amounts were outstanding under the Agreement.

Water and Wastewater Agreement for Sterling Ranch

On December 10, 2013, Dominion entered into the Wholesale Water and Wastewater Service Agreement for Sterling Ranch (the Service Agreement) with the CAB effective January 6, 2014, to, among other things, provide wholesale water and wastewater service to Sterling Ranch Filing No. 1 (Filing 1). The Service Agreement was subsequently amended (i) effective December 7, 2016, to provide wholesale water and wastewater service to future filings in Sterling Ranch and (ii) effective October 17, 2017, to add contracted retail service operations and maintenance activities.

Dominion and CAB Capital Infrastructure Agreement

In connection with the construction of public improvements and other projects necessary to serve property in Filing 1 (the Filing 1 Improvements), the District pledged its water and wastewater tap fees (the Filing 1 Tap Fees) to the CAB for use by the CAB in constructing the Filing 1 Improvements. The Filing 1 Tap Fees totaled $25,805,000. In December 2024, the District entered into an Intergovernmental Funding and Construction Agreement (the CAB IGA) with the CAB whereby the CAB (i) transferred ownership to the District of certain capital assets valued at $13,802,324 which were constructed and paid by the CAB as part of the Filing 1 Improvements and (ii) agreed to fund up to $12,002,676 of the cost of future capital projects of the District. As of December 31, 2025, the CAB’s remaining funding requirement under the CAB IGA totaled $7,465,029.

Note 8: Agreements (Continued)

Dominion and Roxborough Intergovernmental Agreement

On October 1, 2020, the District entered into an Intergovernmental Agreement for Temporary Lease of and Acquisition of Capacity in the Roxborough Wastewater Conveyance System (the Roxborough IGA) with the Roxborough Water and Sanitation District (Roxborough). Pursuant to the Roxborough IGA, Roxborough agrees to lease to the District limited unused capacity in Roxborough's wastewater conveyance system on a temporary and nonemergency basis and to secure permanent capacity in the "O" interceptor (the O-Line) to secure permanent conveyance of wastewater sludge to South Platte Renew (SPR, formerly known as the Littleton-Englewood Wastewater Treatment Facility), and to temporarily convey District wastewater to SPR. Under the terms of the Roxborough IGA, the District pays Roxborough both a Capital Asset Lease Payment and Operations Fee. Additionally, the District has made additional payments to Roxborough identified in the Roxborough IGA, of which a portion of such payments are available to fund, among other things, replacement pumps, backup generator and flow equalization basin, as necessary to provide the capacity set forth in the Roxborough IGA.

Water, Infrastructure and Supply Efficiency (WISE)

On August 24, 2010, the District entered into an intergovernmental agreement (the South Metro IGA) to become a member of the South Metro Water Supply Authority (the Authority or SMWSA). The South Metro IGA created an authority consisting of members in both Douglas and Arapahoe Counties to bring renewable water supplies from the Cities of Aurora and Denver, when available. Beginning in September 2007, the Authority, on behalf of its members, began exploring a regional water delivery project between Aurora Water and Denver Water. This intergovernmental project included multiple studies preceding and following the District's joining of SMWSA.

On April 17, 2013, the District, along with nine other members, formed the South Metro WISE Authority (SM WISE Authority) pursuant to the SM WISE Authority Formation and Organizational IGA (WISE IGA). The Authority is a regional water supply project that was formed to implement the Water Infrastructure and Supply Efficiency Project (WISE) and help maximize the use of the water resources available to its members.

On December 13, 2013, the South Metro WISE Authority entered into the WISE Partnership-Water Delivery Agreement (WDA). The WDA is an agreement between the City and County of Denver, Colorado, acting by and through its board of water commissioners (Denver); the City of Aurora, Colorado, acting by and through its utility enterprise (Aurora); and the Authority to provide a projected annual average total of 10,000 acre-feet of renewable water.

Each representative member owns an apportioned share of capacity within the SM WISE Authority and/or WISE infrastructure, defined as core infrastructure, WISE infrastructure, and infrastructure necessary to deliver WISE water to a smaller subset of members (Local Infrastructure). Each member of WISE is further obligated to pay for costs of certain infrastructure, which are necessary for the operation of the WISE project.

Note 8: Agreements (Continued)

Water, Infrastructure and Supply Efficiency (WISE) *(Continued)*

Each member pays their apportioned share of the WISE overhead costs each fiscal year in accordance with minimum payment obligations pursuant to the WISE IGA which is also driven by the greater of (i) actual water delivered or (ii) the member's pro rata share of the annual average water delivered.

In May 2025, the District began taking water deliveries through the WISE system.

Note 9: Grants

American Rescue Plan Act Grant

On August 13, 2024, the District and the County entered into an intergovernmental agreement (the ARPA IGA) whereby the County allocated $20,482,400 in American Rescue Plan Act (ARPA) funds to be used by the District towards the costs for (i) the design and construction of a wastewater collection and treatment plant, force main and lift station, (ii) the extension of a waterline and installation of a meter vault, and (iii) certain other projects as described in the ARPA IGA. The ARPA IGA requires that all ARPA funds be expended by December 31, 2026. As of December 31, 2025, $5,528,622 had been funded by the County and $14,953,778 is available to be funded under the ARPA IGA. During 2025, the District recognized $4,030,537 in net revenue and related to the ARPA IGA. As of December 31, 2025, deferred revenue related to the ARPA IGA totaled $1,065,476.

Other Grants

The District is currently managing grants it has been awarded from the CWCB and other agencies, including the following:

> South Platte Diversion - Awarded in September 2024 by the CWCB for a total contract amount of $1,154,906 including a matching requirement of $288,727, resulting in a grant of $866,179. This grant will assist the District in its 30% and 60% designs of the South Platte Diversion project. As of December 31, 2025, $26,477 had been received by the District under the terms of the grant.

During 2025, the District recognized $130,321 in revenue related to these grants.

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or volunteers; and natural disasters.

Note 10: Risk Management (Continued)

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to, among other things, provide property, general liability, public officials liability, employee dishonesty and crime, automobile, equipment breakdown, and workers' compensation coverage to its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool. Settled claims have not exceeded coverage limits during 2025 or in any prior year.

The District pays annual premiums to the Pool for their liability and property insurance. In the event the aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and surplus funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess unassigned surplus funds the Pool determines is not needed for purposes of the Pool may be returned to members pursuant to a distribution formula.

The Pool also assists members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

Note 11: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

The amendment excludes enterprise funds from its provisions. Enterprise funds are defined as government owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue from all state and local governments combined. The District believes it is an exempt enterprise under the definitions of TABOR and that the terms of TABOR did not apply to the District during the year ended December 31, 2025.

Supplementary Information

Dominion Water & Sanitation District

Proprietary Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Revenues			
Tap Fees	$ 17,139,951	$ 12,680,439	$ (4,459,512)
Service Fees	5,584,641	5,767,532	182,891
Grant Revenue	-	4,160,858	4,160,858
Other Revenue	14,761,918	1,551,536	(13,210,382)
Total Revenue	37,486,510	24,160,365	(13,326,145)
Expenditures			
General and Administrative Expenses			
Personnel	1,455,150	1,307,011	148,139
Contracted Personnel	599,900	834,022	(234,122)
Office Expenses	124,488	130,863	(6,375)
Equipment	18,120	15,340	2,780
IT & Communications	112,480	42,805	69,675
Insurance	125,169	118,529	6,640
Employee Development & Engagement	48,506	52,064	(3,558)
Stakeholder Engagement	39,795	47,681	(7,886)
Grants	50,000	40,685	9,315
Financial Services	-	24,420	(24,420)
Total General and Administrative Expenses	2,573,608	2,613,420	(39,812)
Operations and Maintenance Expenses			
General			
General O&M	464,435	452,788	11,647
Total General	464,435	452,788	11,647
Water System			
Water Delivery	1,914,436	2,412,190	(497,754)
Distribution and Storage	257,011	227,437	29,574
Water Treatment Operations	1,131,567	1,119,087	12,480
Drinking Water Regulatory Compliance	-	14,708	(14,708)
Total Water System	3,303,014	3,773,422	(470,408)
Wastewater System			
Collection System O&M	940,806	980,888	(40,082)
Wastewater Conveyance Operations	570,747	541,954	28,793
Wastewater Regulatory Compliance	-	5,784	(5,784)
Total Wastewater System	1,511,553	1,528,626	(17,073)
Total Operations and Maintenance Expenses	5,279,002	5,754,836	(475,834)

(Continued)

Dominion Water & Sanitation District

Proprietary Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2025
(Continued)

	Original and Final Budget	Actual	Variance *Positive (Negative)*
Expenditures (Continued)			
Debt Service			
Interest	$ 8,223,105	$ 11,291,890	$ (3,068,785)
Principal	2,390,550	2,871,993	(481,443)
Cost of Issuance	-	89,032	(89,032)
Total Debt Service	10,613,655	14,252,915	(3,639,260)
Capital Expenses			
General			
Capital	-	469,970	(469,970)
Total General	-	469,970	(469,970)
Water System			
Water Supply Capital Planning	823,463	702,372	121,091
WISE/Castle Rock/Parker Infrastructure	4,076,642	3,264,373	812,269
Raw Water Treatment	975,000	87,213	887,787
Drinking Water Treatment	752,500	525,435	227,065
Drinking Water Conveyance	800,000	957,636	(157,636)
Total Water System	7,427,605	5,537,029	1,890,576
Wastewater System			
Capital Planning	150,000	20,567	129,433
Roxborough Agreements	820,677	145,761	674,916
Conveyance	6,011,000	3,996,285	2,014,715
Treatment Plant	8,000,000	4,528,820	3,471,180
Total Wastewater System	14,981,677	8,691,433	6,290,244
Total Capital Expenses	22,409,282	14,698,432	7,710,850
Total Expenditures	40,875,547	37,319,603	3,555,944
Net Income Budget Basis	$ (3,389,037)	(13,159,238)	$ (9,770,201)
Reconciliation to GAAP Basis			
Capital Outlay		14,698,432	
Capital Contributions from CAB		-	
Depreciation		(2,532,519)	
Debt Principal		2,871,993	
Change in Net Position, *GAAP Basis*		$ 1,878,668	

Dominion Water & Sanitation District

Revenue Refunding and Improvement Bonds, Series 2022
Schedule of Debt Service Requirements to Maturity
For the Year Ended December 31, 2025

Bond and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2026	$ 2,235,000	$ 7,674,284	$ 9,909,284
2027	2,345,000	7,562,534	9,907,534
2028	2,460,000	7,445,284	9,905,284
2029	2,590,000	7,316,134	9,906,134
2030	2,730,000	7,180,159	9,910,159
2031	2,870,000	7,036,834	9,906,834
2032	3,025,000	6,886,159	9,911,159
2033	3,180,000	6,727,346	9,907,346
2034	3,370,000	6,540,521	9,910,521
2035	3,570,000	6,342,533	9,912,533
2036	3,775,000	6,132,795	9,907,795
2037	3,995,000	5,911,014	9,906,014
2038	4,235,000	5,676,308	9,911,308
2039	4,485,000	5,427,502	9,912,502
2040	4,750,000	5,164,008	9,914,008
2041	5,025,000	4,884,945	9,909,945
2042	5,320,000	4,589,726	9,909,726
2043	5,630,000	4,277,176	9,907,176
2044	5,965,000	3,946,413	9,911,413
2045	6,315,000	3,595,969	9,910,969
2046	6,685,000	3,224,963	9,909,963
2047	7,080,000	2,832,219	9,912,219
2048	7,495,000	2,416,269	9,911,269
2049	7,935,000	1,975,938	9,910,938
2050	8,400,000	1,509,757	9,909,757
2051	8,895,000	1,016,257	9,911,257
2052	8,403,000	493,676	8,896,676
Total Expenses	$ 132,763,000	$ 133,786,723	$ 266,549,723

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Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Dominion Water & Sanitation District
Douglas County, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Dominion Water & Sanitation District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle & Company, PC

Englewood, Colorado
July 20, 2026

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditor's Report on Compliance for Each Major Federal Program, Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

Board of Directors
Dominion Water & Sanitation District
Douglas County, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Dominion Water & Sanitation District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended December 31, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hinkle & Company, pc

Englewood, Colorado
July 20, 2026

Dominion Water & Sanitation District

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF TREASURY				
Passed-through Douglas County, Colorado -				
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	ARPA - 08132024	$ 4,034,388	$ -
TOTAL U.S. DEPARTMENT OF TREASURY			4,034,388	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,034,388	$ -

See Notes to the Schedule of Expenditures of Federal Awards.

Dominion Water & Sanitation District

Notes to the Schedule of Expenditures of Federal Awards
December 31, 2025

Note 1: Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Dominion Water & Sanitation District (the District) under programs for the federal government for the year ended December 31, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The District does not charge a *de minimis* indirect cost rate.

Dominion Water & Sanitation District

Schedule of Findings and Questioned Costs

December 31, 2025

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

The independent auditor's report on internal control over financial reporting described:

- Material weaknesses identified? ☐ Yes ☒No
- Significant deficiencies? ☐ Yes ☒ None reported
- Noncompliance considered material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

- Material weaknesses? ☐ Yes ☒ No
- Significant deficiencies? ☐ Yes ☒ None reported

Type of Auditor's report issued on compliance for major federal programs:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal program:

Assistance Listing Number	Cluster/Program
21.027	Coronavirus State and local Fiscal Recovery Funds (SLFRF)

Dollar threshold used to distinguish
Between Type A and Type B programs: $1,000,000.

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

(Continued)

Section II: Financial Statement Findings

Findings Required to be Reported by the Uniform Guidance

None.

Section III: Federal Award Findings and Questioned Costs

Findings Required to be Reported by the Uniform Guidance

None.

Dominion Water & Sanitation District

Summary Schedule of Prior Audit Findings
December 31, 2025

Section I: Financial Statement Findings

Findings Required to be Reported by the Uniform Guidance

No single audit required for the year ended December 31, 2024.

Section II: Federal Award Findings and Questioned Costs

Findings Required to be Reported by the Uniform Guidance

No single audit required for the year ended December 31, 2024.