# GRANT WATER & SANITATION DISTRICT
## Denver and Jefferson Counties, Colorado

### FINANCIAL STATEMENTS
### DECEMBER 31, 2025 and 2024

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## Independent Auditor's Report

Board of Directors
Grant Water and Sanitation District
Denver and Jefferson Counties, Colorado

***Opinions***

We have audited the accompanying financial statements of the Grant Water and Sanitation District (District) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's 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 financial position of the Grant Water and Sanitation District, as of December 31, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

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 Responsibility 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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 financial statements, and other knowledge we obtained during our audit of the 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.

***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Schilling & Company, Inc.

Highlands Ranch, Colorado
May 20, 2026

**GRANT WATER AND SANITATION DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

This discussion and analysis summarize Grant Water and Sanitation District's financial performance and activities for the fiscal years ended December 31, 2025, and 2024. It should be read together with the District's basic financial statements, beginning on page 1.

## FINANCIAL HIGHLIGHTS

- The District continued to focus on underdrain remediation and related repairs and maintenance in 2025 and 2024. Total repairs and maintenance were $549,961 in 2025 compared with $601,776 in 2024, including underdrain system maintenance of $262,908 in 2025 and $429,908 in 2024.

- The District's construction defects dispute activity decreased significantly in 2025. Legal and surety costs were $13,260 in 2025 compared to $179,281 in 2024. The higher litigation costs incurred in 2024 were directly related to the District's construction defect dispute with the contractor and its bonding company, which resulted in a partial settlement agreement in favor of Grant Water and Sanitation District. The final related settlement proceeds were officially received into the District's bank account on March 31, 2026. The District also recorded a $39,648 loss on disposal of capital assets in 2025 related to prior project costs

- In 2025, the District amended the budget as repairs and maintenance and capital outlay expenditures were significantly more than anticipated in the 2025 budget. These increases were partially offset by lower legal and surety costs and lower major repairs contingency spending. In 2024, revenues and expenditures were generally in line with budgets except for the additional calcium removal efforts and the construction defects lawsuit.

A recap of the capital projects and significant maintenance undertaken by the District in 2024 and 2025 includes the following:

- In 2025, the District incurred $674,805 of capital outlay on the budgetary/cash basis, primarily for sewer system and underdrain system improvements. Net capital assets increased by $303,646 after additions, disposals, and depreciation/amortization, and projects in progress decreased to $6,541 at year end.

- In 2024, the District planned to replace approximately 430 lineal feet of sewer main at an estimated cost of $384,000, but after advertising the project for bid, no bids were received. In lieu of replacing the sewer main, the District put the main on an accelerated cleaning schedule.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and

Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Non-financial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event, giving rise to the change occurs, regardless of the timing of the related cash flow. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

## FINANCIAL SUMMARY AND ANALYSIS

### NET POSITION

| | December 31, | | |
|---|---|---|---|
| | **2025** | **2024** | **2023** |
| **ASSETS** | | | |
| Current assets | $ 3,752,188 | $ 4,211,642 | $ 3,996,916 |
| Capital assets | 6,330,992 | 6,027,346 | 6,336,682 |
| Total assets | 10,083,180 | 10,238,988 | 10,333,598 |
| **LIABILITIES** | | | |
| Current liabilities | 119,774 | 150,122 | 96,382 |
| Total liabilities | 119,774 | 150,122 | 96,382 |
| **NET POSITION** | | | |
| Net investment in capital assets | 6,330,992 | 6,027,346 | 6,336,682 |
| Unrestricted | 3,632,414 | 4,061,520 | 3,900,534 |
| Total net position | $ 9,963,406 | $ 10,088,866 | $ 10,237,216 |

Current assets decreased by $459,454 from 2024 to 2025 and increased by $214,726 from 2023 to 2024. The 2025 decrease was primarily due to the maturity and use of investments to fund capital outlay and operating needs, partially offset by higher cash equivalents. The District collected $139,513 in interest earnings in 2025 and $146,430 in 2024. The District also had positive fair value adjustments to its investments of $22,740 in 2025 and $49,517 in 2024.

The District's current liabilities decreased by $30,348 from 2024 to 2025. The decrease was primarily due to accounts payable which can fluctuate depending on activity at year end and the timing of vendor invoices.

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's net position decreased by $125,460 in 2025 and by $148,350 in 2024. In 2025, net investment in capital assets increased by $303,646, while unrestricted net position decreased by $429,106, reflecting significant capital outlay and continued repairs and maintenance. In 2024, net position was reduced primarily because of increased calcium removal in the underdrain system.

**CHANGES IN NET POSITION**

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2025** | **2024** | **2023** |
| **REVENUES** | | | |
| **OPERATING REVENUE** | | | |
| Service fees | $ 607,346 | $ 650,279 | $ 782,482 |
| Inspection fees | 12,000 | 13,300 | 10,750 |
| Other fees and fines | 20,465 | 16,135 | 13,315 |
| Total operating revenue | 639,811 | 679,714 | 806,547 |
| **NONOPERATING REVENUE** | | | |
| Net investment income | | | |
| Interest | 139,513 | 146,430 | 130,445 |
| Net increase (decrease) in fair value of investments | 22,740 | 49,517 | 54,264 |
| Capital reserve fees | 243,000 | 140,175 | - |
| Litigation settlement | - | 150,000 | - |
| Total nonoperating revenue | 405,253 | 486,122 | 184,709 |
| **CAPITAL CONTRIBUTIONS** | | | |
| System development fees | 41,920 | 13,300 | - |
| | 41,920 | 13,300 | - |
| Total revenues | 1,086,984 | 1,179,136 | 991,256 |
| **EXPENSES** | | | |
| **OPERATING AND GENERAL AND ADMINISTRATIVE** | | | |
| Operating | 941,093 | 986,952 | 725,483 |
| General and administrative expenses | 231,703 | 340,534 | 242,958 |
| Total operating and general and administrative expenses | 1,172,796 | 1,327,486 | 968,441 |
| **NONOPERATING EXPENSE** | | | |
| Loss on disposal of capital assets | 39,648 | - | - |
| Total nonoperating expenses | 39,648 | - | - |
| Total expenses | 1,212,444 | 1,327,486 | 968,441 |
| **CHANGE IN NET POSITION** | (125,460) | (148,350) | 22,815 |
| **NET POSITION - BEGINNING OF YEAR** | 10,088,866 | 10,237,216 | 10,214,401 |
| **NET POSITION - END OF YEAR** | $ 9,963,406 | $ 10,088,866 | $ 10,237,216 |

As shown above, the District's total revenues decreased by $92,152 from $1,179,136 in 2024 to $1,086,984 in 2025, after increasing from $991,256 in 2023 to $1,179,136 in 2024. The 2025 decrease was primarily due to no litigation settlement in 2025 and lower investment income, partially offset by higher capital reserve fees and system development fees. Service fees decreased from $650,279 to $607,346. Total expenses decreased from $1,327,486 to $1,212,444, primarily due to lower legal and surety costs and lower repairs and maintenance, partially offset by increased management fees and the $39,648 asset disposal loss.

## CAPITAL ASSETS

The District's investment in capital assets at December 31, 2025, amounted to $6,330,992 (net of accumulated depreciation/amortization). This investment in capital assets includes sanitary sewer and underdrain systems, as well as purchased capacity in water and sanitary sewer systems owned by others. The analysis of changes in capital assets is as follows:

| | Balance at December 31, 2023 | Changes | Balance at December 31, 2024 | Changes | Balance at December 31, 2025 |
|---|---|---|---|---|---|
| Projects in progress | $ 22,444 | $ 15,309 | $ 37,753 | $ (31,212) | $ 6,541 |
| Master plan and geographic information system | 81,956 | - | 81,956 | 22,681 | 104,637 |
| Sewer system | 7,588,363 | - | 7,588,363 | 509,804 | 8,098,167 |
| Underdrain system | 2,164,018 | - | 2,164,018 | 112,792 | 2,276,810 |
| Purchased capacity | | | | | |
| Water | 1,784,634 | - | 1,784,634 | - | 1,784,634 |
| Sewer | 1,073,446 | - | 1,073,446 | - | 1,073,446 |
| Total assets | 12,714,861 | 15,309 | 12,730,170 | 614,065 | 13,344,235 |
| Accumulated depreciation/ amortization | (6,378,179) | (324,645) | (6,702,824) | (310,419) | (7,013,243) |
| Total capital assets, net | $ 6,336,682 | $ (309,336) | $ 6,027,346 | $ 303,646 | $ 6,330,992 |

As explained in the Financial Highlights section, the District undertook significant capital improvements in 2025, with budgetary/cash-basis capital outlay totaling $674,805. Additions and transfers increased sewer system assets by $509,804, underdrain system assets by $112,792, and master plan/GIS/software assets by $22,681, net of related decreases.

In 2024, the District did not undertake any capital improvements other than $15,309 of engineering design costs for planned capital improvements, which remained in projects in progress at year end.

## FUTURE ECONOMIC FACTORS AND RATES

The District's service fee changes for 2026 are as follows:

- For single family residential customers, the sewer service and capital reserve fee is increasing from $123.60 to $155.00, while the underdrain service and capital reserve fee is increasing from $218.40 to $264.00. This results in an overall annual increase of $77.00 in 2026.

- The District's multi-family customers annual sewer fee will increase from $80.00 to $93.00. Multi-family units with underdrains will see the annual underdrain charge decrease from $160.40 to $97.00, resulting in an overall decrease of $50.40 for multi-family units with underdrains.

- Those residential customers with average annual water usage above the District's average will be charged $2.40 per thousand gallons. The District's average annual water usage for 2026 increased from the 2025 AAWU of 52,976 gallons to an AAWU of 53,556 gallons.

A comparison of the District's service fee rates for the past two years, as well as for 2026, are shown below:

**District Fee Schedule Comparison**

| Year | 2026 | 2025 | 2024 |
|---|---|---|---|
| Non-residential Sewer Service & Capital Reserve Fee – per 1,000 gallons | $ 3.30 | $ 2.90 | $ 2.75 |
| Residential Sewer Service & Capital Reserve Fee – Single Family | $ 155.00 | $ 123.60 | $ 161.30 |
| Residential Sewer Service & Capital Reserve Fee – Multi-Family | $ 93.00 | $ 80.00 | $ 76.00 |
| Underdrain Service & Capital Reserve Fee – Single Family | $ 264.00 | $ 218.40 | $ 162.70 |
| Underdrain Service & Capital Reserve Fee – Multi Family | $ 97.00 | $ 160.40 | $ 154.00 |

The District plans to replace approximately 197 lineal feet of underdrain mains in 2026 at an estimated cost of $385,000. It also plans to finally complete the underdrain calcium remediation project and received the final settlement payout of the construction defects dispute with its contractor originating back in 2024.

## REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Grant Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Judy Simonson of Simonson & Associates, Inc., P. O. Box 1239, Evergreen, CO 80437.

# FINANCIAL STATEMENTS

**GRANT WATER AND SANITATION DISTRICT**
**STATEMENTS OF NET POSITION**
**December 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 3,507,526 | $ 3,104,625 |
| Investments | 198,624 | 1,076,247 |
| Accounts receivable | 10,172 | 3,202 |
| Accounts receivable - developers | 9,817 | 1,246 |
| Accrued interest receivable | - | 766 |
| Prepaid expenses | 26,049 | 25,556 |
| Total current assets | 3,752,188 | 4,211,642 |
| **CAPITAL ASSETS** | | |
| Projects in progress | 6,541 | 37,753 |
| Master plan, GIS and software | 104,637 | 81,956 |
| Sewer system | 8,098,167 | 7,588,363 |
| Underdrain system | 2,276,810 | 2,164,018 |
| Purchased capacity | | |
| Water | 1,784,634 | 1,784,634 |
| Sewer | 1,073,446 | 1,073,446 |
| | 13,344,235 | 12,730,170 |
| Less accumulated depreciation and amortization | (7,013,243) | (6,702,824) |
| Total capital assets | 6,330,992 | 6,027,346 |
| **TOTAL ASSETS** | $ 10,083,180 | $ 10,238,988 |
| **LIABILITIES AND NET POSITION** | | |
| **CURRENT LIABILITIES** | | |
| Accounts/retainage payable | $ 111,435 | $ 135,209 |
| Prepaid customer accounts | 8,339 | 9,515 |
| Other current liabilities | - | 5,398 |
| Total current liabilities | 119,774 | 150,122 |
| **NET POSITION** | | |
| Net investment in capital assets | 6,330,992 | 6,027,346 |
| Unrestricted | 3,632,414 | 4,061,520 |
| Total net position | 9,963,406 | 10,088,866 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 10,083,180 | $ 10,238,988 |

These financial statements should be read only in connection with the accompanying notes to financial statements.

**GRANT WATER AND SANITATION DISTRICT**
**STATEMENTS OF REVENUES, EXPENSES**
**AND CHANGES IN FUND NET POSITION**
**Years Ended December 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **OPERATING REVENUE** | | |
| Service fees | $ 607,346 | $ 650,279 |
| Inspection fees | 12,000 | 13,300 |
| Other fees and fines | 20,465 | 16,135 |
| Total operating revenue | 639,811 | 679,714 |
| **OPERATING EXPENSES** | | |
| Depreciation and amortization | 331,511 | 324,645 |
| Engineering | 46,328 | 42,841 |
| Repairs and maintenance | 549,961 | 601,776 |
| Inspection and license fees | 13,293 | 17,690 |
| Total operating expenses | 941,093 | 986,952 |
| Direct gain (loss) from operations | (301,282) | (307,238) |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | |
| Audit | 6,000 | 5,700 |
| Insurance | 25,556 | 24,795 |
| Election | 433 | 112 |
| Legal and surety costs | 13,260 | 179,281 |
| Management fees | 138,966 | 88,909 |
| Director's fees | 6,351 | 5,490 |
| Office and administration | 41,137 | 36,247 |
| Total general and administrative expenses | 231,703 | 340,534 |
| Loss from operations | (532,985) | (647,772) |
| **NONOPERATING REVENUE (EXPENSES)** | | |
| Net investment income | | |
| Interest | 139,513 | 146,430 |
| Net increase in fair value of investments | 22,740 | 49,517 |
| Capital reserve fees | 243,000 | 140,175 |
| Litigation settlement | - | 150,000 |
| Loss on disposal of capital assets | (39,648) | - |
| Total nonoperating revenue (expenses) | 365,605 | 486,122 |
| **INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS** | (167,380) | (161,650) |
| **CAPITAL CONTRIBUTIONS** | | |
| System development fees | 41,920 | 13,300 |
| | 41,920 | 13,300 |
| **CHANGE IN NET POSITION** | (125,460) | (148,350) |
| **NET POSITION - BEGINNING OF YEAR** | 10,088,866 | 10,237,216 |
| **NET POSITION - END OF YEAR** | $ 9,963,406 | $ 10,088,866 |

These financial statements should be read only in connection with the accompanying notes to financial statements.

**GRANT WATER AND SANITATION DISTRICT**
**STATEMENTS OF CASH FLOWS**
**Years Ended December 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from customers | $ 631,665 | $ 671,237 |
| Cash paid to vendors | (879,521) | (940,114) |
| Net cash required by operating activities | (247,856) | (268,877) |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Capital outlay | (674,805) | (15,309) |
| Capital reserve fees | 243,000 | 140,175 |
| System development fees | 41,920 | 13,300 |
| Litigation settlement | - | 150,000 |
| Net cash provided (required) by capital financing activities | (389,885) | 288,166 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Maturity of investments | 900,000 | 450,000 |
| Interest received | 140,642 | 149,076 |
| Net cash provided by investing activities | 1,040,642 | 599,076 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 402,901 | 618,365 |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 3,104,625 | 2,486,260 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 3,507,526 | $ 3,104,625 |
| **RECONCILIATION OF OPERATING INCOME(LOSS)TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES** | | |
| Loss from operations | $ (532,985) | $ (647,772) |
| Adjustments to reconcile loss from operations to net cash required by operating activities: | | |
| Depreciation and amortization | 331,511 | 324,645 |
| Effects of changes in operating assets and liabilities: | | |
| Receivables | (15,541) | (771) |
| Prepaid expenses | (493) | 1,281 |
| Payables and other liabilities | (30,348) | 53,740 |
| Net cash required by operating activities | $ (247,856) | $ (268,877) |
| **NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES** | | |
| Loss on disposal of capital assets | $ (39,648) | $ - |
| Changes in fair value of investments | $ 22,740 | $ 49,517 |

These financial statements should be read only in connection with the accompanying notes to financial statements.

## NOTE 1 – DEFINITION OF REPORTING ENTITY

Grant Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Denver and Jefferson Counties, Colorado. The District was established to provide water and sewer service to property within its service area primarily through intergovernmental agreements.

The District has no employees and all operations and administrative functions are contracted.

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.

As of December 31, 2025, the District had no authorized but unissued debt.

## 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.

### Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

### Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The District does not have any restricted resources currently.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the 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 appropriation can only be modified upon completion of notification and publication requirements. The District approved supplemental appropriations for the year ending December 31, 2025.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Capital Assets**

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District has recorded purchased capacity (see Note 4) which are water lines purchased or constructed by the District that are property of the Denver Water Board, but in which the District has capacity.

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

| | |
|---|---|
| Master plan and geographic | |
| Information system | 10 years |
| Sewer system | 5-40 years |
| Underdrain system | 40 years |
| Purchased capacity: | |
| Water | 40 years |
| Sewer | 40 years |

**System Development Fees and Contributed Lines**

System development fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at acquisition value at the date of contribution.

**Estimates**

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

### Reclassifications

For comparability, certain 2024 amounts have been reclassified where appropriate to conform to the 2025 financial statement presentation.

## NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2025 and 2024 statements of net position and statements of cash flows as follows:

| | 2025 | 2024 |
|---|---|---|
| Deposits with financial institutions | $ 77,480 | $ 208,716 |
| Investments | 3,628,670 | 3,972,156 |
| Total cash and investments | $ 3,706,150 | $ 4,180,872 |

| | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents: | | |
| Deposits with financial institutions | $ 77,480 | $ 208,716 |
| COLOTRUST - Plus+ | 1,660,987 | 1,546,269 |
| COLOTRUST - Edge | 1,769,059 | 1,349,640 |
| Total cash and cash equivalents | 3,507,526 | 3,104,625 |
| Investments: | | |
| U.S. Agency Obligations | 198,624 | 1,076,247 |
| Total investments | 198,624 | 1,076,247 |
| Total cash equivalents and investments | $ 3,706,150 | $ 4,180,872 |

### Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services 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 had cash deposits with a bank balance of $130,159 and a carrying balance of $77,480. At December 31, 2024, the District had cash deposits with a bank balance of $226,189 and a carrying balance of $208,716.

### Investments

The District follows state statutes regarding investments. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District held the following investments at December 31, 2025:

| Investment Type | Amount | Maturity |
|---|---|---|
| COLOTRUST - Plus+ | $ 1,660,987 | Weighted avg. under 60 days |
| COLOTRUST - Edge | 1,769,059 | Weighted avg. over 60 days |
| U.S. Agency Obligations | 198,624 | Mature in 2026 |
| Total investments | $ 3,628,670 | |

The District held the following investments at December 31, 2024:

| Investment Type | Amount | Maturity |
|---|---|---|
| COLOTRUST - Plus+ | $ 1,546,269 | Weighted avg. under 60 days |
| COLOTRUST - Edge | 1,349,640 | Weighted avg. over 60 days |
| U.S. Agency Obligations | 1,076,247 | Mature in 2025-2026 |
| Total investments | $ 3,972,156 | |

### Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2025 and 2024 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2025 and 2024, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAm by Standard and Poor's and the Edge portfolio is rated AAAf/S1 by Fitch Ratings.

### Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District also has investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

The valuation of the District's investments are as follows at December 31, 2025:

| | Amount | Level 1 Inputs |
|---|---|---|
| **Investments measured at fair value:** | | |
| U.S. Agency Obligations | $ 198,624 | $ 198,624 |
| Total investments at fair value | 198,624 | $ 198,624 |
| **Investments measured at NAV:** | | |
| COLOTRUST - Plus+ | 1,660,987 | |
| COLOTRUST - Edge | 1,769,059 | |
| Total investments at NAV | 3,430,046 | |
| Total investments | $ 3,628,670 | |

The valuation of the District's investments are as follows at December 31, 2024:

| | Amount | Level 1 Inputs |
|---|---|---|
| **Investments measured at fair value:** | | |
| U.S. Agency Obligations | $ 1,076,247 | $ 1,076,247 |
| Total investments at fair value | 1,076,247 | $ 1,076,247 |
| **Investments measured at NAV:** | | |
| COLOTRUST - Plus+ | 1,546,269 | |
| COLOTRUST - Edge | 1,349,640 | |
| Total investments at NAV | 2,895,909 | |
| Total investments | $ 3,972,156 | |

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to $1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a $10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than $10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

**Concentration of Credit Risk**

The District does not have a policy that addresses limitation on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* requires the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

At December 31, 2025, the District had the following investment concentrations:

| Investment Type | Amount | Percent of Total Portfolio |
|---|---|---|
| COLOTRUST - Plus+ | $ 1,660,987 | Not subject to disclosure |
| COLOTRUST - Edge | 1,769,059 | Not subject to disclosure |
| Federal Home Loan Bank | 198,624 | 5.47% |
| | $ 3,628,670 | |

At December 31, 2024, the District had the following investment concentrations:

| Investment Type | Amount | Percent of Total Portfolio |
|---|---|---|
| COLOTRUST - Plus+ | $ 1,546,269 | Not subject to disclosure |
| COLOTRUST - Edge | 1,349,640 | Not subject to disclosure |
| Freddie Mac | 196,468 | 4.95% |
| Federal Home Loan Bank | 489,721 | 12.33% |
| Federal Home Loan Mortgage Corp | 390,058 | 9.82% |
| | $ 3,972,156 | |

## NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

| | Balance at January 1, 2025 | Increases | Decreases | Balance at December 31, 2025 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Projects in progress | $ 37,753 | $ 665,705 | $ 696,917 | $ 6,541 |
| Capital assets, being depreciated/ amortized: | | | | |
| Master plan, geographic information system and software | 81,956 | 22,681 | - | 104,637 |
| Sewer system | 7,588,363 | 526,641 | 16,837 | 8,098,167 |
| Underdrain system | 2,164,018 | 126,632 | 13,840 | 2,276,810 |
| Purchased capacity | | | | |
| Water | 1,784,634 | - | - | 1,784,634 |
| Sewer | 1,073,446 | - | - | 1,073,446 |
| Total capital assets being depreciated/amortized | 12,692,417 | 675,954 | 30,677 | 13,337,694 |
| Less accumulated depreciation/ amortization for: | | | | |
| Master plan, geographic information system and software | 54,928 | 8,195 | - | 63,123 |
| Sewer system | 3,608,561 | 197,059 | 11,749 | 3,793,871 |
| Underdrain system | 940,604 | 55,338 | 9,343 | 986,599 |
| Purchased capacity | | | | |
| Water | 1,543,403 | 44,082 | - | 1,587,485 |
| Sewer | 555,328 | 26,837 | - | 582,165 |
| Total accumulated depreciation/ amortization | 6,702,824 | 331,511 | 21,092 | 7,013,243 |
| Total capital assets, net | $6,027,346 | $1,010,148 | $ 706,502 | $ 6,330,992 |

An analysis of the changes in capital assets for the year ended December 31, 2024 follows:

| | Balance at January 1, 2024 | Increases | Decreases | Balance at December 31, 2024 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Projects in progress | $ 22,444 | $ 15,309 | $ - | $ 37,753 |
| Capital assets, being depreciated/ amortized: | | | | |
| Master plan and geographic and information system | 81,956 | - | - | 81,956 |
| Sewer system | 7,588,363 | - | - | 7,588,363 |
| Underdrain system | 2,164,018 | - | - | 2,164,018 |
| Purchased capacity | | | | |
| Water | 1,784,634 | - | - | 1,784,634 |
| Sewer | 1,073,446 | - | - | 1,073,446 |
| Total capital assets being depreciated/amortized | 12,692,417 | - | - | 12,692,417 |
| Less accumulated depreciation/ amortization for: | | | | |
| Master plan and geographic and information system | 46,732 | 8,196 | - | 54,928 |
| Sewer system | 3,417,664 | 190,897 | - | 3,608,561 |
| Underdrain system | 886,504 | 54,100 | - | 940,604 |
| Purchased capacity | | | | |
| Water | 1,498,787 | 44,616 | - | 1,543,403 |
| Sewer | 528,492 | 26,836 | - | 555,328 |
| Total accumulated depreciation/ amortization | 6,378,179 | 324,645 | - | 6,702,824 |
| Total capital assets, net | $6,336,682 | $ (309,336) | $ - | $ 6,027,346 |

## NOTE 5 - NET POSITION

The District has net position consisting of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025 and 2024, the District had invested in capital assets of $6,330,992 and $6,027,346, respectively, equal to its net capital assets as the District has no outstanding debt.

## NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

### WATER SERVICE AGREEMENTS

#### Denver Water Board

The District has a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) which was renegotiated in 1994 whereby the Denver Water Department provides water in the District's service area and charges the users directly. The Denver Water Board has contracted to provide for service to future users within the District. All water lines within the District have been conveyed to the Denver Water Board which is responsible for maintenance and repair of those lines.

#### Participation Agreement

The District purchased Grant Properties I, Ltd's (GPI) participation cost in constructing facilities (Conduit 116) owned by the Denver Water Board in 1987. The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for $901,297. The purchased capacity is included under the caption Purchased capacity – water and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2025 and 2024 was $861,864 and $839,332, respectively.

### SEWER SERVICE AGREEMENTS

#### City of Littleton

The District has a service agreement with the City of Littleton (City) whereby the City provides sewage treatment service to the District's service area and charges the users directly. The District is to provide and maintain its own sewer lines and connection to the City's facilities.

#### Platte Canyon Water and Sanitation and Southwest Metropolitan Water and Sanitation Districts

These agreements relate to the purchase by the District of capacity in certain sewer trunk lines. The agreements with the districts provide for the sharing of maintenance expenses. In addition, the agreement with Southwest Metropolitan Water and Sanitation District provides for the sharing of replacement or rehabilitation costs. The agreement with Platte Canyon provide for the sharing of rehabilitation or replacement costs of some facilities. The purchased capacity is included under the caption Purchased capacity – sewer and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2025 and 2024 was $582,165 and $555,329, respectively.

**OTHER AGREEMENTS**

**Bowles Metropolitan District**
**Section 14 Metropolitan District**

These agreements are with the metropolitan districts whose boundaries are entirely within the District. The agreements provide for the metropolitan districts to construct and finance water and sewer lines not financed by the District and to transfer the sewer lines to the District for control and operation.

## NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

## NOTE 8 - 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 that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes that its operations qualify for this exclusion.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Some of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

# SUPPLEMENTAL INFORMATION

**GRANT WATER AND SANITATION DISTRICT**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**
**Year Ended December 31, 2025**

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Service fees | $ 602,340 | $ 607,346 | $ 607,346 | $ - |
| Capital reserve fees | 243,000 | 243,000 | 243,000 | - |
| Inspection fees | 10,000 | 12,000 | 12,000 | - |
| Other fees and fines | 13,000 | 20,465 | 20,465 | - |
| Net investment income | 120,000 | 139,513 | 139,513 | - |
| Increase in fair value of investments | - | - | 22,740 | 22,740 |
| System development fees & inspections | 10,000 | 41,920 | 41,920 | - |
| Litigation settlement | - | - | - | - |
| Total Revenues | 998,340 | 1,064,244 | 1,086,984 | 22,740 |
| **EXPENDITURES** | | | | |
| Engineering | 54,600 | 46,328 | 46,328 | - |
| Repairs and maintenance | 347,860 | 549,961 | 549,961 | - |
| Inspection and license fees | 10,680 | 13,293 | 13,293 | - |
| Audit | 6,000 | 6,000 | 6,000 | - |
| Insurance | 26,000 | 25,556 | 25,556 | - |
| Election costs | 1,000 | 433 | 433 | - |
| Legal and surety costs | 42,000 | 13,260 | 13,260 | - |
| Management fees | 120,000 | 138,966 | 138,966 | - |
| Director's fees | 6,800 | 6,351 | 6,351 | - |
| Office and administrative | 40,400 | 41,137 | 41,137 | - |
| Major repairs contingency | 200,000 | - | - | - |
| Capital outlay | 498,000 | 674,805 | 674,805 | - |
| Total Expenditures | 1,353,340 | 1,516,090 | 1,516,090 | - |
| **NET CHANGE IN FUNDS AVAILABLE** | (355,000) | (451,846) | (429,106) | 22,740 |
| **FUNDS AVAILABLE - BEGINNING OF YEAR** | 4,023,509 | 4,061,520 | 4,061,520 | - |
| **FUNDS AVAILABLE - END OF YEAR** | $ 3,668,509 | $ 3,609,674 | $ 3,632,414 | $ 22,740 |

Funds available is computed as follows:

| | |
|---|---|
| Current assets | $ 3,752,188 |
| Current liabilities | (119,774) |
| | $ 3,632,414 |

**GRANT WATER AND SANITATION DISTRICT**
**RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**
**Year Ended December 31, 2025**

| | |
|---|---|
| Revenue (budgetary basis) | $ 1,086,984 |
| Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position | 1,086,984 |
| Expenditures (budgetary basis) | 1,516,090 |
| Depreciation and amortization | 331,511 |
| Capital outlay | (674,805) |
| Loss on disposal of capital assets | 39,648 |
| Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position | 1,212,444 |
| Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position | $ (125,460) |