INVERNESS WATER & SANITATION DISTRICT

Arapahoe and Douglas Counties, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2025, and 2024

INVERNESS WATER & SANITATION DISTRICT

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Board of Directors
Inverness Water & Sanitation District
Arapahoe and Douglas Counties, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Inverness Water & Sanitation District (the "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 basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Inverness Water & Sanitation District as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 audits. 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 ("GAAP"), 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 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 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 GAAS 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, 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.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental 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, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Denver, CO

July 10, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

The discussion and analysis of Inverness Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Total assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $45,650,197 (net position). Of this amount, $25,617,098 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position increased by $921,603 from the prior fiscal year. From 2023 to 2024 net position increased by $1,244,282.
- The District earned $5,072,200 in operating revenue, an increase of $641,525, or approximately 14%, from the prior year. In 2024 operating revenue increased by $986,838, or 29% from 2023.
- Operating expenses increased $339,013 or approximately 6%, from the prior year. In 2024, operating expenses increased $349,396 or 7% from 2023.

Overview of the Financial Statements

The Inverness Water and Sanitation District basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and sewer services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private- sector business.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The S*tatements of Net Position* present information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The S*tatements of Revenues, Expenses and Changes in Net Position* present information showing how the District's net position changed during the most recent fiscal year. 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 flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned compensation). The statement reports the District's operating and non-operating revenue by source along with operating and non- operating expenses and capital contributions.

The S*tatements of Cash Flows* report the District's cash flows from operating activities, investing, capital and noncapital activities.

A budgetary comparison schedule has been provided in the *supplemental information* to demonstrate compliance with the budget.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Inverness Water and Sanitation District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $45,650,197 at the close of the most recent fiscal year.

	Statement of Net Position		
	December 31,		
	2025	**2024**	**2023**
Current Assets	$ 9,748,055	$ 8,467,386	$ 7,494,035
Investment in Authorities	16,562,965	16,305,465	15,715,098
Capital Assets, net	23,870,978	24,847,723	26,264,371
Total assets	50,181,998	49,620,574	49,473,504
Current Liabilities	496,191	354,122	1,090,783
Long-term obligations	3,852,244	4,039,792	3,430,287
Total liabilities	4,348,435	4,393,914	4,521,070
Deferred inflows of resources			
Deferred Property Tax	162,042	455,100	1,468,122
Prepaid Assessments	21,324	42,966	-
Total Deferred inflows of resources	183,366	498,066	1,468,122
Net Position:			
Net invested in capital assets	20,018,734	20,807,931	22,834,084
Restricted	14,365	53,860	55,000
Unrestricted	25,617,098	23,866,803	20,595,228
Net position	$ 45,650,197	$ 44,728,594	$ 43,484,312

- A portion of the District's net position (approximately 44%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are *not* available for future spending.

- Restricted net position consists of $14,365 is restricted for emergencies under TABOR; the remaining net position of $25,617,098 is unrestricted and available for on-going obligations of the District.

Changes in Net Position
For the Years Ended December 31,

	2025	2024	2023
Revenues			
Operating revenue			
Water operations	$ 3,476,319	$ 2,894,816	$ 1,884,551
Wastewater operations	1,340,208	1,277,090	1,328,969
Other operating revenue	255,673	258,769	230,317
Nonoperating revenue			
Taxes	478,845	1,795,339	1,842,363
Net investment income	368,929	233,727	-
Miscellaneous income	500	293	154,279
Gain on Sale	13,500	-	73,046
Grant Income	213,200	304,600	-
Total revenues	6,147,174	6,764,634	5,513,525
Expenses			
Operating expenses			
Water operations	1,834,632	1,887,446	1,580,536
Wastewater operations	1,127,976	868,156	810,893
General and administrative expense	1,279,610	1,114,195	1,049,595
Depreciation	1,489,612	1,523,020	1,602,396
Nonoperating expenses			
County Treasurer fees	5,533	21,936	22,456
Debt service	165,311	105,599	87,740
Amortization	-	-	-
Total expenses	5,902,674	5,520,352	5,153,616
Capital contributions – Tap Fees	677,103	-	22,546
Change in net position	921,603	1,244,282	382,455
Net position - beginning	44,728,594	43,484,312	43,101,857
Net position - ending	$ 45,650,197	$ 44,728,594	$ 43,484,312

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and non-operating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available increased $1,460,850 during 2025.

Capital Assets

The District's net investment in capital assets as of December 31, 2025, and 2024 is as follows:

	December 31,		
	2025	2024	2023
Capital assets not being depreciated			
Land and easements	$ 67,416	$ 67,416	$ 67,416
Water and supply rights	4,789,538	4,779,738	4,779,738
Construction in progress	-	-	337,972
Total	4,856,954	4,847,154	$ 5,185,126
Capital assets being depreciated			
Plant, infrastructure and improvements	48,829,667	48,354,600	47,964,793
Storm drainage system	3,474,804	3,474,804	3,474,804
Equipment and vehicles	365,860	363,847	309,310
Total	52,670,331	52,193,251	51,748,907
Less accumulated depreciation	(33,656,307)	(32,192,682)	(30,669,662)
Total assets being depreciated, net	19,014,024	20,000,569	21,079,245
Capital assets, net	$ 23,870,978	$ 24,847,723	$ 26,264,371

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

Debt Administration

The District entered into a Colorado Water Conservation Board loan on May 22, 2014 for an amount not to exceed $4,908,600. The loan bears an interest rate of 2.75%. In addition, the loan was structured into four separate notes, Notes A – D, with the intent that each note will help with the funding of four separate project phases. On March 22, 2024, Note C (contract # CT2015-0019) was amended and increased by $698,920, for an overall total loan of $5,607,520. The purpose of the loan is to provide funds related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. The draw and repayments obligations are evidenced by promissory notes based on four phases of the project. Three phases have been completed, and one remains in process, which is expected to be completed in 2026.

Additional information relating to the District's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget

- Minimal growth in the District is expected in 2026.
- The District has budgeted for 2025 construction and/or investment projects to support water resources in the amount of $5,629,300.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Inverness Water and Sanitation District
c/o Mulhern MRE, Inc., District Manager
58 Inverness Drive East, Suite 100
Englewood, CO 80112
(303) 649-9857

BASIC FINANCIAL STATEMENTS

INVERNESS WATER & SANITATION DISTRICT

STATEMENTS OF NET POSITION
December 31, 2025, and 2024

	2025	2024
ASSETS		
Current assets		
Cash and investments	$ 7,158,652	$ 5,945,661
Cash and investments - restricted	14,365	53,860
Receivable - county treasurer	-	7,631
Accounts receivable - service charges	363,169	266,442
Prepaid expenses	96,202	95,895
Property taxes receivable	162,042	455,100
LTCWRF Renewal and Replacement Reserve	1,953,625	1,642,797
Total current assets	9,748,055	8,467,386
Noncurrent assets		
Investments in Authorities	16,562,965	16,305,465
Total noncurrent assets	16,562,965	16,305,465
Capital Assets		
Capital assets, not being depreciated	4,856,954	4,847,154
Capital assets, net of accumulated depreciation	19,014,024	20,000,569
Total capital assets, net	23,870,978	24,847,723
Total Assets	$ 50,181,998	$ 49,620,574
LIABILITIES		
Current Liabilities		
Accounts payable	$ 426,966	$ 319,253
Escrow deposits payable	34,842	16,342
Compensated absences payable	8,987	2,481
Accrued interest payable	25,396	16,046
Total Current Liabilities	496,191	354,122
Non-Current Liabilities		
Due within one year	192,704	187,547
Due in more than one year	3,659,540	3,852,245
Total noncurrent liabilities	3,852,244	4,039,792
Total liabilities	4,348,435	4,393,914
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax	162,042	455,100
Prepaid Assessments	21,324	42,966
Total deferred inflows of resources	183,366	498,066
NET POSITION		
Net investment in capital assets	20,018,734	20,807,931
Restricted	14,365	53,860
Unrestricted	25,617,098	23,866,803
Total net position	45,650,197	44,728,594
Total liabilities, deferred inflows of resources, and net position	$ 50,181,998	$ 49,620,574

Note: The accompanying Notes to the Financial Statements are an integral part of these statements.

INVERNESS WATER & SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2025, and 2024

	2025	2024
OPERATING REVENUES		
Water operations	$ 3,476,319	$ 2,894,816
Wastewater operations	1,340,208	1,277,090
Contract operating fees	230,000	233,482
Solar revenue	25,673	25,287
Total operating revenues	5,072,200	4,430,675
OPERATING EXPENSES		
General and administrative expenses	1,279,610	1,114,195
Water operations	1,834,632	1,887,446
Wastewater operations	1,127,976	868,156
Depreciation	1,489,612	1,523,020
Total operating expenses	5,731,830	5,392,817
OPERATING INCOME (LOSS)	(659,630)	(962,142)
NONOPERATING REVENUES (EXPENSE)		
Property taxes	376,839	1,461,284
Specific ownership taxes	27,842	93,874
Property tax equivalent	74,164	240,181
Net investment income	368,929	233,727
Miscellaneous income	500	293
Grant Income	213,200	304,600
County treasurer's fees	(5,533)	(21,936)
Interest expense	(165,311)	(105,599)
Total nonoperating revenues	890,630	2,206,424
INCOME (LOSS) BEFORE Other Financing Sources (Uses)	231,000	1,244,282
Other Financing Sources (Uses)		
Capital Contributions: Tap Fees	677,103	-
Loan Proceeds	2,000,000	-
BOK Loan Payoff	(2,000,000)	-
Gain on Sale of Capital Asset	13,500	
Total Other Financing Sources (Uses)	690,603	-
CHANGE IN NET POSITION	921,603	1,244,282
NET POSITION - beginning of the year	44,728,594	43,484,312
NET POSITION - end of the year	$ 45,650,197	$ 44,728,594

Note: The accompanying Notes to the Financial Statements are an integral part of these statements.

INVERNESS WATER & SANITATION DISTRICT

STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 4,747,519	$ 4,259,143
Cash received from contract services	230,000	233,482
Cash received from solar	25,673	25,287
Gain on Sale of Asset	13,500	-
Payments to suppliers for goods and services	(3,676,686)	(4,207,442)
Payments to and on behalf of employees for services	(475,280)	(348,195)
Net cash provided (used) operating activities	864,727	(37,724)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	376,839	1,461,284
Specific ow nership taxes	27,842	93,874
Property tax equivalent	74,164	240,181
Miscellaneous income	500	293
County Treasurer's fees	(5,533)	(21,936)
Net cash provided (used) noncapital financing activities	473,812	1,773,696
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on long-term debt	(2,187,548)	(103,545)
Proceeds from loans	2,000,000	692,000
Acquisition of capital assets	(512,866)	(106,372)
Tap Fees	677,103	-
Grant Income	213,200	304,600
Interest paid on debt	(155,961)	(94,509)
Net cash provided (used) by capital and related financing activities	33,927	692,174
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment activity	369,359	233,727
LTCWRF renew al and replacement increase	(310,828)	-
Investment in authorities	(257,500)	(590,367)
Net cash (used) by investing activities	(198,969)	(356,640)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,173,497	2,071,506
CASH AND CASH EQUIVALENTS - beginning of year	5,999,521	3,928,015
CASH AND CASH EQUIVALENTS - end of year	$ 7,173,017	$ 5,999,521

(continued)

The accompanying Notes to the Financial Statements are an integral part of these statements

INVERNESS WATER & SANITATION DISTRICT

Statements of Cash Flows
For the Years ended December 31, 2025 and 2024

		2025		2024
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$	(659,632)	$	(962,142)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation		1,489,612		1,523,020
Loan Processing/issuance Fees		-		21,050
Gain on Sale of Asset		13,500		
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable		(47,367)		44,271
Prepaid expenses		(307)		40,862
Increase (decrease) in:				
Accounts payable for operations		65,554		(757,798)
Escrow deposits payable		18,500		14,529
Prepaid Assessments		(21,642)		42,966
Accrued compensation absences		6,506		(4,482)
Total adjustments		1,524,358		924,418
Net cash provided by (used) operating activities	$	864,726	$	(37,724)

(continued)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Note 1 – Definition of Reporting Entity

The Inverness Water and Sanitation District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Arapahoe and Douglas Counties, Colorado. The District was established in 1973 to provide water, sewer and storm drainage services and facilities to the District's commercial business and residents. The District's primary revenue sources are property taxes and water and sewer charges. The District is governed by an elected five-member Board of Directors.

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 comprised of a Water Enterprise and a Sewer Enterprise. 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 more significant accounting policies of the District are described as follows:

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.

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.

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

Note 2 – Summary of Significant Accounting Policies (continued)

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, 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.

Cash equivalents

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for doubtful accounts

All receivables are reported at their gross value. User services charges and tap fees create a perpetual lien on or against a property service until paid. Such liens may be foreclosed upon as provided by State statute. Therefore, an allowance for uncollectible accounts is not reported for user service charges and tap fees. The District collects reimbursement of engineering and design costs from developers in the District. The District believes all such reimbursable amounts are fully collectible, and therefore, has not reported an allowance for uncollectible accounts.

Property Taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Note 2 – Summary of Significant Accounting Policies (continued)

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital assets

Capital assets include water and supply contract rights, land and easements, water system, effluent water system, sewer system, storm drainage system, vehicles and equipment, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an individual cost of more than $5,000 and an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation or at the developer's cost.

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. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

Water and Sewer systems	10 to 50 years
Effluent Irrigation systems	25 to 50 years
Storm Drainage system	45 to 50 years
Equipment and Vehicles	5 years
Land and easements are not depreciated	

Water rights include acquisition, legal, and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, therefore the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

Compensated absences

The District accrues vacation pay when earned. Employees earn vacation at a rate of 15 to 20 days per year based on length of service. Employees may carry over up to forty (40) hours of their annual earned vacation into subsequent years. These amounts are reported in Accrued Compensated Absences Payable on the Statement of Net Position.

Note 2 – Summary of Significant Accounting Policies (continued)

Long-Term Obligations

Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The cost of refunding is reported as deferred outflows of resources and is amortized over the life of the related debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has no items reported as deferred outflows of resources at December 31, 2025, and 2024.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has two items related to unavailable revenue – property taxes and prepaid assessments that are reported as deferred inflows of resources at December 31, 2025, and 2024.

Capital contributions

Tap fees are generally recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the water and sewer system when received.

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 total appropriation can only be modified upon completion of notification and publication requirements.

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could

Note 2 – Summary of Significant Accounting Policies (continued)

differ from those estimates.

Adoption of New Accounting Standard

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

Note 3 – Cash and Investments

Cash and investments are reflected on the December 31, 2025, and 2024 Statements of Net Position as follows:

	2025	2024
Cash and cash Equivalents	$ 177,474	$ 295,730
Cash and cash Equivalents - restricted	14,365	53,860
Investments	6,981,178	5,649,931
	$ 7,173,017	$ 5,999,521

Cash and investments as of December 31, 2025, and 2024 consist of the following:

	2025	2024
Deposits with financial institutions	$ 191,839	$ 349,590
Investments	6,981,178	5,649,931
	$ 7,173,017	$ 5,999,521

At December 31, 2025, and 2024, the District's cash deposits had bank balances of $399,206 and $485,629 with carrying balances of $191,839 and $349,590 respectively.

Deposits with financial institutions

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. As of December 31, 2025, and 2024, the federal insurance limits were $250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool

<u>Note 3 – Cash and Investments (continued)</u>

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 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.

Deposits with financial institutions

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. As of December 31, 2025, and 2024, the federal insurance limits were $250,000. 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 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.

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 not adopted a deposit policy for custodial credit risk. As of December 31, 2025, and 2024, none of the District's bank balance was exposed to custodial credit risk, as amounts were either insured or collateralized. The District carried bank balances in excess of federally insured amounts of $0 and $99,590 at December 31, 2025, and 2024, respectively. All amounts not federally insured are fully collateralized as required under the PDPA.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments.

The District generally limits its investments to certain U.S. government agency securities, money market funds and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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.

Note 3 – Cash and Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); CSAFE which record their investments at amortized cost, and COLOTRUST which is recorded at net asset value. As of December 31, 2025, and 2024, the District had the following investments:

Investment	Maturity	2025	2024
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$6,981,178	$ 5,649,931

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST" or the "Trust") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of $1.00.

Note 3 – Cash and Investments (continued)

COLOTRUST (continued)

Investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2025, and 2024, the District had $6,981,178 and $5,649,931 respectively, invested in COLOTRUST.

Note 4 – Capital assets

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

	BALANCE 12/31/2024	2025 Additions	2025 Deletions	BALANCE 12/31/2025
Capital Assets, not being depreciated				
Water and Supply Contract Rights	$ 4,779,738	$ 9,800	$ -	$ 4,789,538
Land and Easements	67,416		-	67,416
Construction in Progress	-	512,866	(512,866)	-
Total Capital Assets, not being depreciated	4,847,154	522,666	(512,866)	4,856,954
Capital Assets, being depreciated		-	-	-
Water Systems	19,098,117	426,712	-	19,524,829
Effluent Irrigation Systems	3,865,480	12,931	-	3,878,411
Sewer Systems	25,391,003	35,424	-	25,426,427
Storm Drainage System	3,474,804	-	-	3,474,804
Equipment and Vehicles	363,847	28,000	(25,987)	365,860
Total Capital Assets, being depreciated	52,193,251	503,067	-	52,670,331
Less Accumulated Depreciation				
Water Systems	(11,789,081)	(569,410)	-	(12,358,491)
Effluent Irrigation Systems	(2,728,711)	(64,091)	-	(2,792,802)
Sewer Systems	(15,393,948)	(762,641)	-	(16,156,589)
Storm Drainage System	(1,981,291)	(69,500)	-	(2,050,791)
Equipment and Vehicles	(299,651)	(23,970)	25,987	(297,634)
Total Capital Assets, being depreciated	(32,192,682)	(1,489,612)	-	(33,656,307)
Total Capital Assets, being depreciated, Net	20,000,569	(986,545)	-	19,014,024
CAPITAL ASSETS, Net	$ 24,847,723	$ (463,878)	$ (512,866)	$ 23,870,978

Note 4 – Capital assets (continued)

Capital asset activity for the year ended 2024 was as follows:

	BALANCE 12/31/2023	2024 Additions	2024 Deletions	BALANCE 12/31/2024
Capital Assets, not being depreciated				
Water and Supply Contract Rights	$4,779,738	$ -	$ -	$4,779,738
Land and Easements	67,416	-	-	67,416
Construction in Progress	337,972	106,372	(444,344)	-
Total Capital Assets, not being depreciated	5,185,126	106,372	(444,344)	4,847,154
Capital Assets, being depreciated				
Water Systems	18,726,616	371,501	-	19,098,117
Effluent Irrigation Systems	3,865,480	-	-	3,865,480
Sewer Systems	25,372,697	18,306	-	25,391,003
Storm Drainage System	3,474,804	-	-	3,474,804
Equipment and Vehicles	309,310	54,537	-	363,847
Total Capital Assets, being depreciated	51,748,907	444,344	-	52,193,251
Less Accumulated Depreciation				
Water Systems	(11,237,097)	(551,984)	-	(11,789,081)
Effluent Irrigation Systems	(2,631,195)	(97,516)	-	(2,728,711)
Sewer Systems	(14,611,088)	(782,860)	-	(15,393,948)
Storm Drainage System	(1,911,791)	(69,500)	-	(1,981,291)
Equipment and Vehicles	(278,491)	(21,160)	-	(299,651)
Total Capital Assets, being depreciated	(30,669,662)	(1,523,020)	-	(32,192,682)
Total Capital Assets, being depreciated, Net	21,079,245	(1,078,676)	-	20,000,569
CAPITAL ASSETS, Net	$ 26,264,371	$ (972,303)	$ (444,344)	$ 24,847,723

Depreciation expense of $1,489,612 and $1,523,020 for the years ended December 31, 2025, and 2024, respectively, was charged to water and sewer operations.

Note 5 – Long-Term Obligations

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

	Balance @ 12/31/2024	2025 Borrowings	2025 Repayments	Balance @ 12/31/2025	Due Within One Year
CWBC 2014 Loan - Note A	$ 1,224,449	$ -	$ 87,511	$ 1,136,938	$ 89,916
CWBC 2014 Loan - Note B	344,818	-	18,882	325,936	19,401
CWBC 2014 Loan - Note C	2,126,050	-	81,155	2,044,895	83,387
CWBC 2014 Loan - Note D	344,475	-	-	344,475	-
BOK Loan	-	2,000,000	2,000,000	-	-
Totals	$ 4,039,792	$ 2,000,000	$ 2,187,548	$ 3,852,244	$ 192,704

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2024:

	Balance @ 12/31/2023	2024 Borrowings	2024 Repayments	Balance @ 12/31/2024	Due Within One Year
CWBC 2014 Loan - Note A	$ 1,309,618	$ -	$ 85,168	$ 1,224,450	$ 87,510
CWBC 2014 Loan - Note B	363,195	-	18,377	344,818	18,882
CWBC 2014 Loan - Note C	1,412,999	692,000	-	2,126,049	81,155
CWBC 2014 Loan - Note D	344,475	-	-	344,475	-
Totals	$ 3,430,287	$ 692,000	$ 103,545	$ 4,039,792	$ 187,547

2014 Colorado Water Conservation Board (CWCB) Loan

On May 22, 2014, the District entered into a loan agreement with the CWCB for an amount not to exceed $4,908,600 for costs related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. On March 22, 2024, Note C (contract # CT2015-0019) was amended and increased by $698,920, for an overall total loan of $5,607,520. The District's draws and repayment obligation will be evidenced by four separate promissory notes as follows:

Note A – $1,845,270 for the District's share of the Western Pipeline,
Note B – $1,181,700 for the District's share of cost of Phase 1 Infrastructure to be constructed by WISE,
Note C – $2,126,050 (previously $1,427,130) for the District's share of cost for Phase 2 Infrastructure to be constructed by WISE, and
Note D – $454,500 for the District's share of the cost of a use of pipeline.

This loan is pledged by an ad valorem property tax revenue. Interest accrues at 2.75% per annum for each individual promissory note commencing on the date of the initial note draw. Principal and interest payments will commence 1 year from the date CWCB determines the projects are substantially complete. As of December 31, 2025, and 2024, $4,122,288 and $4,122,288 respectively, had been drawn from CWCB.

Note 5 – Long-Term Obligation (continued)

Required loan payments for each of the next five years, and five-year increments beyond that, for Notes A, B and C are as follows:

Year Ended Dec 31,	Principal	Interest	Total
2026	$ 192,704	$ 96,464	$ 289,168
2027	198,004	91,164	289,168
2028	203,449	85,719	289,168
2029	209,044	80,124	289,168
2030	214,792	74,376	289,168
2031 - 2035	1,165,880	279,960	1,445,840
2036 - 2040	801,794	130,953	932,747
2041 - 2044	522,104	36,381	558,485
	$ 3,507,771	$ 875,141	$ 4,382,912

The payment schedules for Note D is not included above as the note has not been finalized, hence final payments have not been calculated.

Debt Authorization

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed $15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and $20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectively. After the issuance of Series 2008 Bonds, which were refunded with the Series 2012 Refunding Bonds, the District has the authority to issue additional obligations for sanitary sewer purposes in the amount $4,500,000 from the November 2005 election and to issue $8,352,266 for water improvements from the November 2005 election. On March 26, 2025 the District issued the 2025BOK Bond Series ("Loan") for $2,000,000 for water capital projects, leaving $6,352,266 of voter-authorized general obligation debt capacity unused. All of the taxable property in the District is subject to the levy of an ad valorem property tax to pay the principal and the interest on the Loan without limitation of the rate and in an amount sufficient to pay the Loan when due. The Loan has a maturity date of March 26, 2027 and on October 14, 2025, the District paid off the loan, including accrued interest. As of November 1, 2025, the District's remining voter-authorized general obligation debt, from the November 2005 elections, for water ($6,352,266) and wastewater ($4,500,000) projects had expired. Because the voter authorization for general obligation debt was limited to a 20-year period, the district may not issue additional debt without new voter approval.

Note 5 – Long-Term Obligation

At elections held May 6, 2025, a majority of the District's qualified electors approved the issuance of a) general obligation indebtedness in an amount not to exceed $15,000,000 for water projects, and b) general obligation indebtedness in an amount not to exceed $10,000,000 for wastewater projects. At December 31, 2025, the District had authorized but unissued general obligation bonds of $15,000,000 and $10,000,000 for water and wastewater projects, respectively.

Note 6 – Net Position

The District's net position consists of three components – net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2025 and 2024, the District had net investment in capital assets of $20,018,734 and $20,807,931 , respectively.

Restricted position includes net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislations. The purposes for the restrictions of net position are described in Note 11. As of December 31, 2025 and 2024, the District had restricted net position as follows:

	2025	2024
Emergency Reserves	$ 14,365	$ 53,860

The District's unrestricted net position as of December 31, 2025, and 2024 was $25,617,098 and $23,866,803, respectively.

Note 7 – Intergovernmental Agreements

Loan Tree Creek Water Reclamation Facility (LTCWRF)

On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority (ACWWA) to share in the modifications and expansion of the existing ACWWA wastewater treatment facility to construct the LTCWRF. The LTCWRF expansion provided a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The expansion was completed, and the District began sending flows to the LTCWRF in July 2009. The District's capacity in the

Note 7 – Intergovernmental Agreements (continued)

LTCWRF is intended to accommodate all future water treatment needs. The District's wastewater treatment plant and advanced wastewater treatment plant used prior to the LTCWRF expansion are currently idle.

On September 20, 2011, the District and ACWWA executed the first amendment to the aforementioned agreement. This amendment defined the treatment rates to be paid by the District. This amendment also established a renewal and replacement reserve for the LTCWRF. The District and ACWWA are to make annual deposits of $132,409 and $300,924, respectively, for this reserve until a maximum reserve balance of $7,500,000 is attained. For the year ended December 31, 2025, the district paid the 2024 and 2025 reserve deposits in 2025. As of December 31, 2025, and 2024 the District's renewal and replacement reserve balances were $1,953,625 and $1,642,797, respectively.

Cottonwood Water and Sanitation District

The District has an intergovernmental agreement with Cottonwood Water and Sanitation District (Cottonwood) in which the District provided operations and maintenance of the Cottonwood facilities for a monthly fee of $18,376 and $17,500, respectively, for the years ended December 31, 2025, and 2024.

Note 8 – Investments in Authorities

Cherry Creek Project Water Authority:

On October 14, 2005, the Cherry Creek Project Water Authority (Cherry Creek Authority) was created by a Water Project Agreement between the District, Cottonwood Water and Sanitation District, ACWWA, and Denver Southeast Suburban Water and Sanitation District. On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy auction for $15,225,000. The District's share of participation is 31.12%, which had a value of $ 9,759,301 and $9,751,801, at December 31, 2025, and 2024, respectively. Walker Reservoir project was completed in December 2024. For a copy of the Cherry Creek Authority's financial statements, contact the Cherry Creek Authority.

South Metro Water Supply Authority (SMWSA):

Barr Lake Pipeline Enlargement

On March 25, 2005, certain members of SMWSA entered into an agreement with East Cherry Creek Valley Water and Sanitation District (ECCV) to participate in the incremental enlargement capacity in the ECCV Barr Lake Pipeline. Pursuant to this agreement, the District contributed $732,200 to reserve future transmission capacity of 0.7 million gallons per day. The District does not currently have any connecting infrastructure to utilize this line capacity and will need to construct such facilities if the District is to use the pipeline capacity in the future. At December 31, 2025, and 2024, the District reported $732,200 as Investments in Authorities.

Note 8 – Investments in Authorities (continued)

WISE Partnership (WISE)

On March 31, 2013, the District entered into an amended WISE Negotiations and Cost Sharing Participation Agreement with South Metro Water Supply Authority (SMWSA). In the amended agreement the costs will be shared based on the participants' pro-rata share of the annual subscription amount in relation to the total of all annual subscription amounts. The District has committed to subscribing to 500 acre feet (5.0%) out of a revised total of 10,000 (previously 7,225) acre feet of renewable water to be delivered annually from the WISE Partnership. In December of 2013, the District along with other members of the WISE Partnership entered into the WISE Partnership-Water Delivery Agreement between the City and County of Denver, acting by and through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and the South Metro WISE Authority. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

Pursuant to the WISE Agreements, the District pays its proportionate share of WISE capital costs, operations and maintenance costs, and the cost of water delivered. At December 31, 2025 and 2024, the District reported $6,078,964 and $5,821,464 as Investment in Authorities. The District received its first water deliveries from the WISE project in 2017. For the years ended December 31, 2025, and 2024, the District's water purchases were $196,437 and $273,896, respectively.

Note 9 – Excluded Properties

The District has excluded approximately 100 acres under various agreements dated between 2005 and 2019. The District will continue to provide facilities, services and programs to these properties in the same manner and to the same extent as previously provided. These property owners are obligated to pay debt service property taxes for debt service existing prior to the exclusion. Additionally, they are obligated to pay a tax equivalency fee for debt service on bonds issued after their exclusion.

Note 10 – 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 District Property and Liability Pool (the 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, and 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

Note 10 – Risk Management (continued)

determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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.

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 a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

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 the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

On November 1, 2005, a majority of the District voters authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

SUPPLEMENTAL INFORMATION

INVERNESS WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Enterprise Fund			
Revenues			
Charges for services	$ 4,577,000	$ 5,072,200	$ 495,200
Net investment income	65,000	378,940	313,940
Tap fees	435,000	677,103	242,103
Miscellaneous income	275,000	500	(274,500)
Grant Income	203,000	213,200	10,200
Total revenues	5,555,000	6,341,943	786,943
Expenditures			
Denver water purchases	1,054,000	1,068,978	(14,978)
WISE water purchases	482,000	196,437	285,563
Utilities	195,000	243,094	(48,094)
ACWWA treatment costs	1,031,000	1,077,158	(46,158)
Repairs & maintenance	230,000	253,334	(23,334)
Chemicals, supplies & materials	108,000	123,607	(15,607)
Salaries	350,000	344,803	5,197
Payroll taxes and benefits	117,100	136,981	(19,881)
District management	223,500	222,980	520
District operator administration	38,000	38,376	(376)
District billing and accounting	119,500	142,152	(22,652)
Legal and other professional services	81,000	53,703	27,297
Insurance	90,000	95,272	(5,272)
Rent	39,000	40,675	(1,675)
Office expenses	54,000	60,722	(6,722)
Landscaping and snow removal	27,000	26,457	543
Vehicle expenses	25,000	33,596	(8,596)
Other administration	4,000	-	4,000
Contingency	200,000	-	200,000
Investment in CCPWA	50,000	-	50,000
Investment in SMSWA-WISE	447,500	257,500	190,000
CCPWA/SMSWA operating costs	157,500	66,005	91,495
Capital expenditures	2,993,000	512,866	2,480,134
Total expenditures	8,116,100	4,994,696	3,121,404
Excess (deficit) of revenues over (under) enterprise expenditures	$ (2,561,100)	$ 1,347,247	$ 3,908,347

INVERNESS WATER & SANITATION DISTRICT
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2025

Debt Fund Revenues	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Property taxes	$ 455,100	$ 369,500	$ 376,839	$ 7,339
Specific ownership taxes	29,000	27,700	27,842	142
Tax equivalent fees	74,186	74,186	74,164	(22)
Net investment income	-	-	(10,011)	(10,011)
Loan proceeds	2,000,000	2,000,000	2,000,000	-
Total revenues	2,558,286	2,471,386	2,468,834	(2,552)
Expenditures				
County treasurer fees	7,000	5,600	5,533	67
Debt service				
CWCB Loan - principal	376,600	197,200	187,548	9,652
CWCB Loan - interest	170,600	102,200	110,970	(8,770)
Walker Loan - principal	0		-	-
Walker Loan - interest			-	-
BOK Loan Interest	75,000	54,400	54,340	60
BOK Loan Principal		2,000,000	2,000,000	-
Loan Fee	75,000	17,900	17,889	11
Contingency	-		-	-
Total expenditures	704,200	2,377,300	2,376,280	1,020
Excess (deficit) of revenues over (under) general government expenditures		$ 94,086	$ 92,554	$ (1,532)
Total district revenues		$ 8,813,329	$ 8,810,777	$ (2,552)
Total district expenditures		7,371,996	7,370,976	1,020
Total excess (deficit) of revenues over (under) expenditures		1,441,333	1,439,801	$ (1,532)
Funds available - beginning of year		6,417,847	7,615,198	
Funds available - end of year		$7,859,180	$9,054,999	
Funds available is computed as follows:				
Current assets		$ 9,748,055		
Current liabilities		(496,191)		
Deferred inflows of resources		(183,366)		
Gain on Sale of Capital Asset		(13,500)		
Funds available - end of year		$ 9,054,998		

(continued)

INVERNESS WATER & SANITATION DISTRICT
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2025
(continued)
(See Independent Auditor's Report)

Revenues (budgetary basis)	$	8,810,777
Proceeds from long-term debt issuance		(2,000,000)
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	$	6,810,777
Expenditures (budgetary basis)	$	7,370,976
Depreciation and amortization		1,489,612
Investment in authorities		(257,500)
Capital outlay		(512,866)
Gain on Sale of Capital Asset		(13,500)
Principal paid on long-term debt		(2,187,548)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	$	5,889,174
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	$	921,603

INVERNESS WATER & SANITATION DISTRICT

SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
For the Year Ended December 31, 2025

Year ended December 31, (By County)	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Debt	Total Property Taxes Levied	Total Property Taxes Collected	Percent Collected to Levied
2021					
Arapahoe County	$ 230,972,213	4.500	$ 1,039,375		
Arapahoe County Sewer Only (1)	13,239,778	2.070	27,406		
Douglas County	107,888,480	4.500	485,498		
	$ 352,100,471		$ 1,552,279	$ 1,443,057	92.96%
2022					
Arapahoe County	$ 244,791,174	4.500	$ 1,101,560		
Arapahoe County Sewer Only (1)	13,603,250	2.070	28,159		
Douglas County	103,640,490	4.500	466,382		
	$ 362,034,914		$ 1,596,101	$ 1,522,000	95.36%
2023					
Arapahoe County	$ 230,630,336	4.500	$ 1,036,314		
Douglas County	108,119,990	4.500	461,790		
	$ 338,750,326		$ 1,498,104	$ 1,498,252	100.01%
2024					
Arapahoe County	$ 250,519,971	4.000	$ 1,002,080		
Douglas County	116,510,470	4.000	466,042		
	$ 367,030,441		$ 1,468,122	$ 1,461,284	99.53%
2025					
Arapahoe County	$ 251,748,017	1.250	$ 314,685		
Douglas County	112,331,960	1.250	140,415		
	$ 364,079,977		$ 455,100	$ 376,839	82.80%
2026					
Arapahoe County	$ 230,056,858	0.500	$ 115,028		
Douglas County	94,028,670	0.500	47,014		
	$ 324,085,528		$ 162,042	$ -	

(1) Applied to areas of the District where only wastewater service is provided.

Property taxes collected in any one year include collection of delinquent property taxes levied and /or abatements from valuations in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.