MOUNT WERNER WATER AND SANITATION DISTRICT
Routt County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024

MOUNT WERNER WATER AND SANITATION DISTRICT
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YEARS ENDED DECEMBER 31, 2025 AND 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mt. Werner Water and Sanitation District
Steamboat Springs, Colorado

Opinion

We have audited the financial statements of the business-type activities of Mt. Werner Water and Sanitation District, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Mt. Werner Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Mt. Werner Water and Sanitation District, as of December 31, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Mt. Werner Water and Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 Mt. Werner Water and Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Mt. Werner Water and Sanitation 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 Mt. Werner Water and Sanitation 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 on pages IV through IX 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Werner Water and Sanitation District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis), and Schedule of Debt Service Requirements to Maturity, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements.

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

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
MAY 15, 2026

Management's Discussion and Analysis

The management of Mount Werner Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025 and 2024. Please read it in conjunction with the financial statements which follow this section.

Overview of the District's Operations and Economic Factors

The District was formed in 1965 to provide water and sanitation services for the newly developing Steamboat Ski Area and Resort; it is organized as a special district pursuant to state statute and is a political subdivision of the State of Colorado. An elected 5-member board of directors governs the District.

The District owns and operates the Fish Creek Filtration Plant and supplies potable water to its customers in the resort area of Steamboat Springs – an area of approximately four-square miles which includes all properties generally south of Fish Creek and within the City limits. Through an intergovernmental agreement, the District also supplies potable water to the City of Steamboat Springs. The District's wastewater is treated in a regional wastewater treatment facility owned by the City of Steamboat Springs. The District owns and maintains approximately 57 miles of sewer mains and 57 miles of water mains. The District and the City of Steamboat Springs hold the most senior water rights in Fish Creek, the principal raw water supply for the Fish Creek Filtration Plant. In 1996, the District doubled the capacity of the Fish Creek Reservoir, owned by the City of Steamboat Springs, to secure water storage in that facility.

District revenues come from three major sources:

- Water and sewer service charges
- Revenue from other governments and private entities
- Plant Investment Fees ("Tap Fees")

Revenue from District service charges has remained steady with negligible collection problems. Remaining open land parcels and platted lots within District boundaries indicate that the District is approximately 75% "built-out" under current zoning regulations and that there remains substantial growth potential in the District's customer base. Several intergovernmental agreements are in place assuring revenues for the operation and maintenance of facilities. Plant Investment Fees depend on private investment decisions on new construction. This revenue goes into the District's capital reserves which are dedicated to funding capital improvements related to growth; they are not used to fund operations.

Personnel costs and related benefits comprise the largest operational expense.

The District is committed to providing its customers with the highest quality and most cost-effective water and wastewater services while preserving public health, protecting the environment, and ensuring the utmost customer satisfaction.

The District is equally dedicated to maintaining a work environment where every employee is recognized as a fundamental part of the organization, thereby encouraging teamwork and individual contributions.

Overview of the Financial Statements
Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of financial statements and notes to financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The District operates as a utility enterprise fund and presents its financial statements using the accrual basis of accounting used by most private-sector companies. As an enterprise fund, the District's basic financial statements include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. The financial statement also includes Notes that provide more detailed information of significant elements within the financial statement.

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

The statements of revenues, expenditures, and changes in net position show how the District's financial position has changed over the fiscal year. They detail revenues earned, expenditures incurred, and the resulting change in net position, offering insight into the District's financial performance and sustainability.

The statements of cash flows report the District's cash flows from operating, noncapital financing, capital and related financing, and investing activities.

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 supplementary information contained in this report provides a schedule of expenses, budget and actual information, and debt service requirements.

The District has no component units, nor is it a component unit of any other entity.

Schedule of Revenues, Expenditures, and Changes in Funds Available

The following table represents the variance between the District's actual revenues and expenditures and the budgeted amounts.

Actual vs. Budget

REVENUE SUMMARY	2025 ACTUAL	2025 FINAL BUDGET	VARIANCE Favorable (Unfavorable)
Service Charges	$ 4,378,260	$ 4,059,500	$ 318,760
Water Filtration O&M – City Share	499,206	375,000	124,206
Other	89,930	46,500	43,430
Total Revenues	**$ 4,967,396**	**$ 4,481,000**	**$ 486,396**
EXPENDITURE SUMMARY			
Administration	$ 1,104,132	$ 1,030,945	$ (73,187)
Distribution & Collection	821,678	1,030,751	209,073
Water Filtration	1,035,600	1,027,174	(8,426)
Raw Water Supply	94,895	136,550	41,655
Total Expenditures	**$ 3,056,305**	**$ 3,225,420**	**$ 169,115**
Operating Income	**$ 1,911,091**	**$ 1,255,580**	**$ 655,511**
NONOPERATING REVENUES			
Interest Income	$ 633	$ -	$ 633
New Meter Fees	152,707	115,000	37,707
Line of Credit Proceeds	-	500,000	(500,000)
Total Nonoperating Revenues	**$ 153,340**	**$ 615,000**	**$ (461,660)**
CAPITAL CONTRIBUTIONS			
City Contribution of Capital Costs	$ 1,373,810	$ 932,640	$ 441,170
Grant Revenue	583,112	-	583,112
Water/Wastewater Tap Fees	704,535	2,250,000	(1,545,465)
Total Capital Contributions	**$ 2,661,457**	**$ 3,182,640**	**$ (521,183)**
Capital Expenses	**$ 3,889,562**	**$ 4,453,000**	**$ 563,438**
Debt Service Expenses	**$ 534,600**	**$ 432,531**	**$ (102,069)**
Revenue Over (Under) Expense	**$ 301,726**	**$ 167,689**	**$ 134,037**

Revenues:

The variation between 2025 actual and 2025 budgeted revenues was primarily due to:

- Water filtration operating and maintenance revenues from the City was higher than budgeted by $124,206 due to increased personnel costs which increased billbacks to the City.
- Revenue for service charges was $318,760 more than budget due to an adjustment by the District to the tiered metered water usage. More customers fell into a higher volume tier which increased revenues.
- Water and Wastewater Tap Fees revenue were $1,545,465 less than budget due to an unforeseen delay on two projects associated with tap revenues.
- Line of credit proceeds of $500,000 were budgeted for during the year but not drawn down during the year as deemed unnecessary.

Operating Expenses:
The variation between 2025 actual and 2025 budgeted expenditures was primarily due to:

- Administration:
    - Personnel costs were $64,500 less than budgeted due to empty positions not being filled during the year.
    - Professional fees were $54,757 more than budgeted due to additional legal work related to City agreements.
    - Office and support systems were $94,629 more than budgeted due to unexpected office software updates and advertising costs.
    - Other Administrative expenses were $28,963 more than budgeted due to replat expense that was not budgeted for.

- Distribution and Collection:
    - Personnel costs were $109,145 less than budgeted due to not filling an open position budgeted for.
    - Utility costs were $24,234 less than budgeted due to a mild winter with less water distribution needed.
    - General Operating and Maintenance expenses were $72,194 less than budgeted due to fewer supplies being required to purchase.

- Water Filtration:
    - Personnel costs were $59,327 more than budgeted due to a need for more labor toward the construction projects.
    - Utilities were $5,590 more than budgeted due to new equipment being installed which shifted costs.
    - Chemicals were $85,530 less than budgeted, due to an increase in inventory.
    - General Operating and Maintenance expenses were $41,303 more than budgeted largely due to an increase in fuel costs as well as higher than expected lab analysis expenses.

Capital Expenditures:

Capital improvements completed in 2025 were as follows:		2025
Filtration Plant Improvements (Phase 2B)	$	1,184,647
Waste Water Equipment		409,370
Equipment/Vehicles/File server (FC Plant)		374,037
FC Plant Generator		315,023
Maintenance Shop Remodel		155,418
Waste Water Improvements		122,535
Water Distribution		45,616
Office Electric & Heating		19,001
Total Capital Projects Completed	$	2,625,647

Capital improvements in progress at end of year for 2025 were as follows:

FC Filter Underdrain Project	$	1,146,431
Lift Station Improvements		117,484
Total Capital Projects - Construction in Progress	$	1,263,915
Total Capital Expenditures	**$**	**3,889,562**

MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024

Statement of Revenues, Expenses and Changes in Net Position

REVENUE SUMMARY	**2023**	**2024**	**2025**
	(as restated)		
Service Charges	$ 3,355,410	$ 3,979,253	$ 4,378,260
Water/Wastewater Tap Fees	936,497	1,713,779	857,242
Water Filtration O&M - City Share	372,065	478,462	499,206
Interest Income	6,340	-	633
Other	152,897	84,069	673,042
City Contributions	2,957,343	3,624,607	1,373,810
Total Revenues	**$ 7,780,552**	**$ 9,880,170**	**$ 7,782,193**
EXPENDITURE SUMMARY			
Administration	$ 834,474	$ 924,776	$ 1,104,132
Distribution & Collection	814,804	934,104	821,678
Water Filtration	882,897	1,068,818	998,297
Raw Water Supply	69,415	58,167	94,895
Lease Interest Expense	-	-	9,464
Interest Payments - Debt Service	143,942	149,080	243,136
Depreciation and Amortization	2,168,587	2,172,918	2,362,007
Total Expenditures	**$ 4,914,119**	**$ 5,307,863**	**$ 5,633,609**
Income (Loss)	**$ 2,866,433**	**$ 4,572,307**	**$ 2,148,584**

Condensed Statements of Net Position

	2023	**2024**	**2025**
	(as restated)		
Current Assets	$ 3,203,569	$ 3,462,587	$ 3,741,409
Non-Current Assets	16,487	9,560	9,560
Restricted	650,398	-	754,751
Capital Assets, Net of AD	38,661,504	45,303,887	47,173,002
Total Assets	**$ 42,531,958**	**$ 48,776,034**	**$ 51,678,722**
Current Liabilities	$ 1,153,513	$ 1,442,401	$ 2,234,843
Long Term Liabilities	5,822,401	7,205,282	7,166,944
Total Liabilities	**$ 6,975,914**	**$ 8,647,683**	**$ 9,401,787**
Net Investment of Capital Assets	$ 32,563,818	$ 37,807,890	$ 39,680,855
Restricted	650,398	746,466	754,751
Unrestricted	2,341,828	1,573,995	1,841,329
Total Net Position	**$ 33,214,216**	**$ 40,128,351**	**$ 42,276,935**

Capital Assets

At the end of 2025, the District had invested $47,173,002, net of depreciation, in a broad range of infrastructure including water and sewer mains, storage tanks, raw water reservoir, water filtration plant, administration facilities, vehicles, equipment, participation fees and water rights as shown in the following table.

	2023 (as restated)	2024	2025
Water System	$ 50,584,006	$ 56,418,088	$ 57,963,374
Sewer System	22,969,507	23,913,060	24,035,595
Fish Creek Reservoir	7,472,325	9,397,325	9,397,325
Land	2,813,841	2,813,841	2,813,841
Construction in Progress	-	-	1,263,915
Buildings and Improvements	1,171,822	1,250,269	1,424,688
Equipment & Vehicles	729,252	763,471	1,546,878
Water Rights	52,953	52,953	52,953
ROU Lease Asset	-	-	341,560
Less Accumulated Depreciation/Amortization	(47,132,202)	(49,305,120)	(51,667,127)
Net Property, Plant, and Equipment	**$ 38,661,504**	**$ 45,303,887**	**$ 47,173,002**

REQUEST FOR INFORMATION

This 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 information should be addressed to:

Frank Alfone, General Manager
P.O. Box 770940, Steamboat Springs, CO 80477
Tel: 970-879-2424
Email: falfone@mwwater.com

BASIC FINANCIAL STATEMENTS

MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets:		
Cash And Cash Equivalents	$ 1,052,042	$ 171,448
Accounts Receivable	1,630,206	1,966,644
Capital Contributions Receivable	677,071	1,137,788
Prepaid Expenses	90,822	5,948
Inventories	291,268	180,759
Total Current Assets	3,741,409	3,462,587
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	47,173,002	45,303,887
Restricted Cash - Operations And Maintenance Reserve	754,751	-
Security Deposit	9,560	9,560
Total Assets	51,678,722	48,776,034
LIABILITIES		
Current Liabilities:		
Accounts Payable And Accrued Expenses	1,252,477	563,630
Due to Other Governments	634,536	573,727
Compensated Absences Liability	22,627	14,329
Lease Payable - Current	27,585	-
Current Portion of Notes Payable	297,618	290,715
Total Current Liabilities	2,234,843	1,442,401
Noncurrent Liabilities:		
Lease Payable	260,029	-
Line of Credit	1,500,000	1,500,000
Notes Payable, Net of Current Portion	5,406,915	5,705,282
Total Liabilities	9,401,787	8,647,683
NET POSITION		
Net Investment in Capital Assets	39,680,855	37,807,890
Restricted For:		
Operations and Maintenance Reserve	754,751	746,466
Unrestricted	1,841,329	1,573,995
Total Net Position	$ 42,276,935	$ 40,128,351

See accompanying Notes to Basic Financial Statements.

MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Water and Wastewater Service Charges	$ 4,378,260	$ 3,979,253
Water Filtration Plant Operating and Maintenance Sharing	499,206	478,462
Other	89,930	84,069
Total Operating Revenues	4,967,396	4,541,784
OPERATING EXPENSES		
Administration	1,104,132	924,776
Water Distribution and Wastewater Collection	821,678	934,104
Water Filtration	998,297	1,068,818
Raw Water Supply	94,895	58,167
Depreciation and Amortization	2,362,007	2,172,918
Total Operating Expenses	5,381,009	5,158,783
OPERATING LOSS	(413,613)	(616,999)
NONOPERATING REVENUES		
Interest Income	633	-
Total Nonoperating Revenue	633	-
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(412,980)	(616,999)
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Debt Service Interest Payments	(243,136)	(149,080)
Lease Interest Expense	(9,464)	-
New Meter Fees	152,707	161,792
Total Other Revenues, Expenses, Gains, and Losses	(99,893)	12,712
CAPITAL CONTRIBUTIONS		
City Contributions	1,373,810	3,624,607
Grant Receipts	583,112	-
Plant Investment Fees	704,535	1,551,987
Total Capital Contributions	2,661,457	5,176,594
CHANGE IN NET POSITION	2,148,584	4,572,307
Net Position - Beginning of Year	40,128,351	35,556,044
NET POSITION - END OF YEAR	$ 42,276,935	$ 40,128,351

See accompanying Notes to Basic Financial Statements.

MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	$ 5,764,605	$ 5,022,932
Cash Payments to Employees for Services	(1,517,012)	(1,387,841)
Cash Payments to Other Suppliers of Goods or Services	(1,002,830)	(2,184,026)
Net Cash Provided by Operating Activities	3,244,763	1,451,065
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Notes Payable	-	182,284
Proceeds from Line of Credit	-	1,500,000
Plant Investment Fees Collected	704,534	981,770
New Meter Fees Collected	152,707	137,149
City Contribution of Capital Costs	1,373,810	2,486,819
Capital Grant Received	583,112	-
Debt Service Payments	(534,600)	(433,053)
Payments to Acquire, Construct, and Improve Capital Assets	(3,889,614)	(8,213,514)
Net Cash Used by Capital and Related Financing Activities	(1,610,051)	(3,358,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earnings	633	-
Net Cash Provided by Investing Activities	633	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,635,345	(1,907,480)
Cash and Cash Equivalents - Beginning of Year	171,448	2,078,928
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,806,793	$ 171,448
COMPOSITION OF CASH AND CASH EQUIVALENTS AT YEAR-END		
Cash and Cash Equivalents	$ 1,052,042	$ 171,448
Restricted Cash - Operations and Maintenance Reserve	754,751	-
Total Cash and Cash Equivalents	$ 1,806,793	$ 171,448

See accompanying Notes to Basic Financial Statements.

MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$ (413,613)	$ (616,999)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,362,007	2,172,918
(Increase) Decrease in:		
Accounts Receivable	797,209	(505,867)
Prepaid Expenses	(84,874)	89,440
Inventories	(110,509)	38,115
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	135,188	327,939
Compensated Absences Liability	8,298	(10,124)
Due to Other Governments, Net of Plant Investment Fees	551,057	(44,357)
Net Cash Provided by Operating Activities	$ 3,244,763	$ 1,451,065
NONCASH TRANSACTIONS		
ROU Asset in Exchange for Lease	$ 341,560	$ -

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Mount Werner Water and Sanitation District (the District) was organized in 1965 to provide water and sanitation services for the then newly developing Steamboat Ski Area and Resort. The District was formed as a special district pursuant to Title 32 of Colorado Revised Statutes (CRS). The District treats and distributes water for the mountain resort area of Steamboat Springs and provides water to the City of Steamboat Springs (the City) for distribution to its customers. The District also provides the infrastructure for the collection of wastewater within the District that is treated at the City's wastewater treatment plant. The District and City share raw water storage in Fish Creek Reservoir and share ownership of the Fish Creek Filtration Plant.

The District has employees who perform various operations and administration functions while other 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.

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.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets. Redemptions of bonds and loans are recorded as a reduction 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 *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.

Budgets

Budgets are adopted on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures are budgeted and recorded as expenditures, and debt service payments are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt supplemental appropriations and did not have expenditures in excess of appropriations for the year ended December 31, 2025.

Accounts Receivable

Amounts due to the District from charges for services provided are reported as accounts receivable. The District's management review accounts receivable periodically to consider the collectability of the balances. The District's management believes all accounts receivable to be fully collectible as of December 31, 2025 and 2024. Therefore, no allowance for uncollectible accounts has been established.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, water rights, buildings, distribution and collection systems and machinery and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $2,500 for water and wastewater infrastructure, or more than $5,000 for other equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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.

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

Water Storage, Treatment, and Distribution Systems	10 to 40 Years
Wastewater Treatment, Collection, and Transmission Systems	30 to 40 Year
Buildings and Improvements	30 Years
Vehicles, Equipment, and Software	5 to 15 Years

Compensated Absences Liability

District employees accrue vacation and compensatory time benefits with each pay period. Employees can carryforward a certain amount of unused vacation hours as of December 31 based upon the employee's length of employment with the District and unused vacation is paid to employees upon termination. Employees can carryforward no more than 20 hours of compensatory time as of December 31.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable. The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only when due.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Statements

The financial statements include comparative financial information for the year ended December 31, 2024. Such comparative information has been derived from the District's audited financial statements for that year. The comparative information is presented for purposes of additional analysis and is not intended to provide assurance on the prior-year financial statements.

Leases

The District accounts for leases under GASB Statement No. 87. Right-to-use assets and related liabilities are based on the present value of expected lease payments, discounted using the District's incremental borrowing rate when necessary. Lease interest expense and amortization of right-to-use assets are recognized over the lease term. Refer to Notes 4 and 5 for additional information regarding lease assets and lease liabilities.

Recently Issued Accounting Pronouncements

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 as of December 31, 2025 and 2024, are classified in the accompanying financial statements as follows:

	2025	2024
Statement of Net Position:		
Cash and Cash Equivalents	$ 1,052,042	$ 171,448
Cash and Cash Equivalents - Restricted	754,751	-
Total Cash and Investments	$ 1,806,793	$ 171,448

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

	2025	2024
Deposits with Financial Institutions	$ 1,803,048	$ 168,046
Investments	3,745	3,402
Total Cash and Investments	$ 1,806,793	$ 171,448

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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. 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.

At December 31, 2025 and 2024, the District's cash deposits had a bank balance of $1,861,859 and $2,629,793, respectively; and a carrying balance of $1,803,048 and $168,046, respectively. For the bank balances, at December 31, 2025 and 2024, $250,000 was covered by federal deposit insurance for both years. At December 31, 2025 and 2024, $1,557,199 and $2,379,793 was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA), respectively.

Investments

The District generally limits its concentration of investments to those noted with an asterisk (*) below, 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 or investment custodial risk disclosure requirements 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.

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

. 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 certificates of participation
. Certain securities lending agreements
. 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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2025 and 2024, the District had the following investments:

Investment	Maturity	2025	2024
Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted-Average Under 60 Days	$ 3,745	$ 3,402

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Restricted Cash and Investments

As of December 31, 2025 and 2024, cash and cash equivalents in the amount of $754,751 and $-0-, respectively are restricted for operations and maintenance reserve fund related to the 2021 CWRPDA Notes Payable. During 2024, $-0- in cash was restricted due to insufficient funds and a portion of trade receivables was restricted in lieu of cash.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2025 and 2024, follows:

	2025			
	December 31, 2024 Balance	Additions	Deletions	December 31, 2025 Balance
Nondepreciable Capital Assets:				
Land, Improvements, and Easements	$ 2,813,841	$ -	$ -	$ 2,813,841
Water Rights	52,953	-	-	52,953
Construction in Progress	-	1,263,915		1,263,915
Total Nondepreciable Capital Assets	2,866,794	1,263,915	-	4,130,709
Depreciable Capital Assets:				
Water Storage, Treatment and Distribution Systems	65,815,413	1,545,286		67,360,699
Wastewater Treatment, Collection and Transmission System	23,913,060	122,535	-	24,035,595
Buildings and Improvements	1,250,269	174,419	-	1,424,688
Vehicles, Equipment, and Software	763,471	783,407	-	1,546,878
ROU Lease Asset	-	341,560	-	341,560
Total Depreciable Capital Assets	91,742,213	2,967,207	-	94,709,420
Less: Accumulated Depreciation	(49,305,120)	(2,362,007)	-	(51,667,127)
Net Depreciable Capital Assets	42,437,093	605,200	-	43,042,293
Total Capital Assets, Net	$ 45,303,887	$ 1,869,115	$ -	$ 47,173,002

	2024			
	December 31, 2023 Balance (Restated)	Additions	Deletions	December 31, 2024 Balance
Nondepreciable Capital Assets:				
Land, Improvements, and Easements	$ 2,813,841	$ -	$ -	$ 2,813,841
Water Rights	52,953	-	-	52,953
Total Nondepreciable Capital Assets	2,866,794	-	-	2,866,794
Depreciable Capital Assets:				
Water Storage, Treatment and Distribution Systems	58,056,331	7,759,082	-	65,815,413
Wastewater Treatment, Collection and Transmission System	22,969,507	943,553	-	23,913,060
Buildings and Improvements	1,171,822	78,447	-	1,250,269
Vehicles, Equipment, and Software	729,252	34,219	-	763,471
Total Depreciable Capital Assets	82,926,912	8,815,301	-	91,742,213
Less: Accumulated Depreciation	(47,132,202)	(2,172,918)	-	(49,305,120)
Net Depreciable Capital Assets	35,794,710	6,642,383	-	42,437,093
Total Capital Assets, Net	$ 38,661,504	$ 6,642,383	$ -	$ 45,303,887

NOTE 4 CAPITAL ASSETS (CONTINUED)

Right to Use Lease Asset

Right-to-use lease assets represent the District's right to use underlying assets for the lease term and are reported as capital assets. Right-to-use assets are initially measured at the amount of the related lease liability, adjusted for payments made at or before commencement and any accumulated amortization. Right-to-use assets are amortized on a straight-line basis over the lease term.

As of December 31, 2025, the District reported a right-to-use lease asset related to its filtration bay capacity lease, net of accumulated amortization. As of December 31, 2025, the District's right-to-use lease asset, net of accumulated amortization, totaled $314,235.

NOTE 5 LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CWRPDA #W21F091	$ 2,683,618	$ -	$ (129,165)	$ 2,554,453	$ 131,646
CWRPDA #D21F091	2,229,621	-	(109,003)	2,120,618	111,470
CWRPDA #W22F471	1,082,758	-	(53,296)	1,029,462	54,502
Total	$ 5,995,997	$ -	$ (291,464)	$ 5,704,533	$ 297,618

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CWRPDA #W21F091	$ 2,808,882	$ -	$ (125,264)	$ 2,683,618	$ 128,416
CWRPDA #D21F091	2,270,419	65,794	(106,592)	2,229,621	109,003
CWRPDA #W22F471	1,018,385	116,490	(52,117)	1,082,758	53,296
Total	$ 6,097,686	$ 182,284	$ (283,973)	$ 5,995,997	$ 290,715

The details of the District's Loan Agreements with Colorado Water Resource Power and Development Authority (CWRPDA) are as follows:

Notes Payable Series #W21F091

The District entered into a $3,000,000 loan agreement (#W21F091) with CWRPDA on May 11, 2021. The note is payable in an initial installment of $15,961 on May 1, 2022 followed by semi-annual installments of $97,345 on May 1 and November 1 thereafter including interest at 2.50% through maturity on November 1, 2041. Proceeds of the note are to be used for a project consisting of replacement and upsizing of interceptor piping and associated appurtenances. Principal drawn on the loan through December 31, 2025 was $3,000,000.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Notes Payable Series #D21F091

The District entered into a $2,500,000 loan agreement (#D21F091) with CWRPDA on May 11, 2021. The note is payable in an initial installment of $12,993 on May 1, 2022 followed by semi-annual installments of $79,280 on May 1 and November 1 thereafter including interest at 2.25% through maturity on November 1, 2041. Proceeds of the note are to be used for a project consisting of construction of a new infiltration gallery well and pump station. Principal drawn on the loan through December 31, 2025 was $2,500,000.

Notes Payable Series #W22F471

On August 4, 2022, the District entered into a $1,250,000 loan agreement (#W22F471) with (CWRPDA). The note bears interest at 2.25% and is payable in an initial installment of $6,497 on May 1, 2023, followed by semiannual installments of $39,640 on May 1 and November 1 through maturity on November 1, 2042. Loan proceeds were used for the replacement and upsizing of interceptor piping replacement. As of December 31, 2025, $1,164,652 had been drawn.

To the extent principal on any Notes is not paid when due, principal shall remain outstanding until paid. Unpaid interest compounds on each interest payment date at the rate borne by the Note. The Notes are not subject to early termination or acceleration. As of December 31, 2025, Notes Payable Series #W21F091 and #D21F091 had $-0- of undrawn lines of credit, while Series #W22F471 had $85,348 of undrawn lines of credit. The District does not intend to draw the remaining authorized amount; accordingly, the maturity schedule has been shortened by one year. No assets have been pledged as collateral on the Notes Payable.

The Loan agreements require the District to maintain an operations and maintenance fund equal to three months of operation and maintenance expenses, excluding depreciation. The District maintains reserves of $754,751 for this purpose as of December 31, 2025.

The CWRPDA loan agreements also include a rate covenant whereby the District's water and wastewater system net revenue, after meeting operation and maintenance expenses, is required to be sufficient to cover 110% of the debt service coming due. The following District's calculation of the rate covenant for the year ended December 31, 2025:

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Notes Payable Series #W22F471 (Continued)

System Revenues:	
Charges for Services:	
Water	$ 3,593,864
Wastewater Collection	784,396
Water Filtration Plant Operating and Maintenance Sharing	499,206
Total System Revenues	4,877,466
System Operating Expenses:	
Water	4,636,320
Wastewater	744,689
Less: Depreciation and Amortization	(2,362,007)
Total System Operating Expenses	3,019,002
Net System Revenues	$ 1,858,464
Annual Debt Service Payments	$ 432,530
Net System Revenues/Annual Debt Service Payments	430%

The District's net system revenues were sufficient to meet the rate covenant requirements for the year ended December 31, 2025.

The District's long-term obligations will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 297,618	$ 134,912	$ 432,530
2027	304,686	127,845	432,531
2028	311,920	120,610	432,530
2029	319,328	113,202	432,530
2030	326,911	105,619	432,530
2031-2035	1,754,795	407,856	2,162,651
2036-2040	1,973,402	189,247	2,162,649
2041	415,873	16,656	432,529
Total	$ 5,704,533	$ 1,215,947	$ 6,920,480

Unused Line of Credit

On January 31, 2024, the District entered into an agreement with Mountain Valley Bank for revolving draw line of credit in an amount not to exceed $2,000,000. The interest rate is variable and set to the Wall Street Journal U.S. Prime Rate, "benchmark", minus 1.00%. with change dates occurring during the life of the note. The rate at the time of lending was net 7.50%. The agreement calls for any outstanding accrued interest to be paid monthly, beginning on March 1, 2024. The District renewed the line of credit during March of 2025. All outstanding unpaid principal and accrued interest is due in full on February 1, 2027. The District had drawn $1,500,000 and had an unused line of credit balance of $500,000 on December 31, 2025.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Lease Payable

The District has entered into a lease agreement accounted for in accordance with GASB Statement No. 87, *Leases*. The agreement requires annual payments ranging from approximately $25,000 to $35,000, inclusive of principal and interest, at an implied interest rate of approximately 3.00%, and expires in 2036.

The lease agreement may be terminated by either the District or the City, at its sole discretion, upon written notice authorized by a formal resolution. Such termination becomes effective on the last day of the 30th month following the month in which notice is provided. The District does not anticipate exercising this option.

As of December 31, 2025, the District reported a lease payable related to its filtration bay capacity lease. The lease payable represents the present value of future lease payments and is reduced as payments are made, with interest recognized over the lease term.

Future principal and interest payments on the lease payable as of December 31, 2025, are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 27,585	$ 8,628	$ 36,213
2027	27,322	7,801	35,123
2028	27,052	6,981	34,033
2029	26,773	6,170	32,943
2030	26,487	5,366	31,853
2031-2035	127,820	15,095	142,915
2036	24,576	737	25,313
Total	$ 287,614	$ 50,779	$ 338,393

NOTE 6 AGREEMENTS

Water Treatment Plant Agreement

In November 2005, the District and City entered into an agreement for the treatment and disposal of sewage in the Steamboat Springs region. Per terms of the agreement, the District collects service charges from its residential and commercial customers for wastewater treatment and passes these payments through to the City. Wastewater treatment receipts are not recognized as revenues by the District. Additionally, the City does not charge the District for operating expenses attributable to the treatment of wastewater.

Agreement to Expand Fish Creek Reservoir

In July 1994, the District and City entered into an agreement to enlarge the storage capacity of the Fish Creek Reservoir. The agreement required the District to pay all construction costs of the enlargement project. The District funded the project with a $4,630,000 loan from the Colorado Water Resources and Power Development Authority (CWRPDA) and the District's reserve funds.

NOTE 6 AGREEMENTS (CONTINUED)

Agreement to Expand Fish Creek Reservoir (Continued)

In 2002, the agreement was amended allowing the City, at its option annually, to reserve a percentage of the water filling under the enlargement, by paying $175,000 to the District. The City's allotment percentage of the annual amount of water filling in the enlargement is fixed in perpetuity to be 2.518% multiplied by the number of years the City made the option payment to the District. The City made the option payment each year from 2000 through 2011 resulting in a perpetual reserved allotment of 27.698% of the annual fill in the enlargement pool.

Filtration Bay Stand-By Capacity

In May 2018, the District entered into an agreement with the City to lease 50% of the production capacity of two filter bays owned by the City. The agreement was effective July 1, 2017 for a 20-year term ending June 30, 2037.

The agreement may be terminated by either party, at its sole discretion, upon written notice authorized by a formal resolution. Any such termination becomes effective on the last day of the 30th month following the month in which notice is provided.

The lease is based on 50% of the cost of the two filter bays. Additional information regarding the related lease liability and right-of-use asset is presented in Notes 4 and 5.

Stagecoach Reservoir Storage Agreement

The District entered into an agreement with the Upper Yampa Water Conservancy District (UYWCD) on April 4, 1988 to purchase 200-acre feet of storage water in Stagecoach Reservoir annually on a "take or pay basis" at a price of $35.00 per acre foot for a term of 30 years. At the end of the 30-year period the District has the continuing right for the life of Stagecoach Reservoir to purchase annually the 200-acre feet of storage at a price per acre foot based upon UYWCD's costs of operating, repairing, renovating, and maintaining Stagecoach Reservoir. The District paid $98.24 per acre foot of storage water for the years ended December 31, 2025 and December 31, 2024.

Yamcolo Reservoir Storage Agreement

The District entered into an extension and amendment agreement with UYWCD effective May 19, 2011 for 300-acre feet of storage water in the Yamcolo Reservoir for 30 years terminating July 15, 2041. The purchase price is subject to an annual CPI increase. The District paid $91.42 per acre foot of storage water for the years ended December 31, 2025 and December 31, 2024.

NOTE 7 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and 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 net investment in capital assets, calculated as follows:

	2025	2024
Net Investment in Capital Assets:		
Capital Assets, Net	$ 47,173,002	$ 45,303,887
Current Portion of Long-Term Obligations	(325,203)	(290,715)
Noncurrent Portion of Long-Term Obligations	(5,666,944)	(5,705,282)
Line of Credit	(1,500,000)	(1,500,000)
Total	$ 39,680,855	$ 37,807,890

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District applies restricted net positions first when both restricted and unrestricted resources are available. The District had restricted net position as of December 31, 2025 and 2024, as follows:

	2025	2024
Restricted Net Position:		
Operations and Maintenance Reserve	$ 754,751	$ 746,466

The District had an unrestricted net position of $1,841,329 and $1,573,995 as of December 31, 2025 and 2024, respectively.

NOTE 8 RISK MANAGEMENT

Except as provided under the Colorado Governmental Immunity Act, as may be amended from time to time, the District may be 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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.

NOTE 8 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, and public officials' liability 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 9 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 a significant portion of its operations qualifies for this enterprise exclusion. The District is of the opinion that its water activity enterprise, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Retirement Plan

All employees can participate in a Simplified Employee Pension Individual Retirement Account (SEP-IRA) plan that is a qualified plan as defined by IRS Code Section 408(k) and Colorado Revised Statutes (CRS) 24.54. Employees are eligible to participate after a three-month probationary period. The District contributes 6.00% of employees' wages to the plan and the SEP-IRA accounts are self-directed and managed by the employees. All employees are fully vested immediately. District contributions to the SEP-IRA accounts were $61,585 and $61,166 for the years ended December 31, 2025 and 2024, respectively.

NOTE 11 SEGMENT INFORMATION

The District's significant identifiable activities for which loans are outstanding are related to its Water and Sewer operations. The Water and Sewer segments' operating revenues and expenses consist primarily of revenues associated with the delivery of potable water and the collection and treatment of wastewater, along with the related costs of providing those services.

NOTE 11 SEGMENT INFORMATION (CONTINUED)

Condensed financial statement information related to each of the District's segments for the period ending December 31, 2025, is as follows:

	Water Department	Wastewater Department	Total
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	$ 2,806,162	$ 1,398,730	$ 4,204,892
Capital Assets, Net	32,777,746	13,131,341	45,909,087
Construction in Progress	1,263,915	-	1,263,915
Other Assets	300,828	-	300,828
Total Assets	37,148,651	14,530,071	51,678,722
Liabilities:			
Current Liabilities	1,044,462	865,178	1,909,640
Noncurrent Liabilities	2,408,232	5,083,915	7,492,147
Total Liabilities	3,452,694	5,949,093	9,401,787
Net Position:			
Net Investment in Capital Assets	30,369,514	13,131,341	43,500,855
Restricted	754,751	-	754,751
Unrestricted	2,571,692	(4,550,363)	(1,978,671)
Total Net Position	$ 33,695,957	$ 8,580,978	$ 42,276,935

	Water Department	Wastewater Department	Total
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating Revenues	$ 4,183,000	$ 784,396	$ 4,967,396
Depreciation Expense	(2,017,880)	(344,127)	(2,362,007)
Other Operating Expenses	(2,618,440)	(400,562)	(3,019,002)
Operating Income (Loss)	(453,320)	39,707	(413,613)
Nonoperating Revenues (Expenses):			
Interest Income	633	-	633
Plant Investment Fees	513,274	191,261	704,535
Interest Expenditures	(163,295)	(89,305)	(252,600)
Other Nonoperating Revenues	1,526,517	583,112	2,109,629
Total Nonoperating Revenues	1,877,129	685,068	2,562,197
Change in Net Position	1,423,809	724,775	2,148,584
Beginning Net Position	32,272,148	7,856,203	40,128,351
Ending Net Position	$ 33,695,957	$ 8,580,978	$ 42,276,935

	Water Department	Wastewater Department	Total
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash Provided (Used) by:			
Operating Activities	$ 1,325,467	$ 1,919,296	$ 3,244,763
Capital and Related Financing Activities	(790,952)	(819,099)	(1,610,051)
Investing Activities	633	-	633
Net Change in Cash and Cash Equivalents	535,148	1,100,197	1,635,345
Beginning Cash and Cash Equivalents	679,048	(507,600)	171,448
Ending Cash and Cash Equivalents	$ 1,214,196	$ 592,597	$ 1,806,793

SUPPLEMENTARY INFORMATION

MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
Service Charges:			
Water	$ 3,259,215	$ 3,593,864	$ 334,649
Wastewater Collection	800,285	784,396	(15,889)
Water Filtration Plant Operating and Maintenance Sharing	375,000	499,206	124,206
Other	46,500	89,930	43,430
Total Operating Revenues	4,481,000	4,967,396	486,396
OPERATING EXPENDITURES			
Administration:			
Wages and Benefits	643,520	579,020	64,500
Professional Fees	130,000	184,757	(54,757)
Office and Support Systems	168,825	263,454	(94,629)
Insurance	45,100	25,126	19,974
Water Conservation	12,500	-	12,500
Master Planning	10,000	1,812	8,188
Other	21,000	49,963	(28,963)
Total Administration	1,030,945	1,104,132	(73,187)
Water Distribution and Wastewater Collection:			
Wages and Benefits	529,276	420,131	109,145
Utilities	74,250	50,016	24,234
Operating and Maintenance	423,725	351,531	72,194
Other	3,500	-	3,500
Total Water Distribution and Wastewater Collection	1,030,751	821,678	209,073
Water Filtration:			
Wages and Benefits	460,611	519,938	(59,327)
Utilities	108,100	113,690	(5,590)
Chemicals	285,000	199,470	85,530
Operating and Maintenance	103,660	144,963	(41,303)
Filter Bay Lease	37,303	37,303	-
Other	32,500	20,236	12,264
Total Water Filtration	1,027,174	1,035,600	(8,426)

MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
Raw Water Supply:			
Water Purchases	$ 58,500	$ 71,336	$ (12,836)
Stream Gauges	7,750	7,878	(128)
Watershed Protection	6,000	6,005	(5)
Wellfield Monitoring and Protection	6,300	5,958	342
Other	58,000	3,718	54,282
Total Raw Water Supply	136,550	94,895	41,655
Total Operating Expenditures	3,225,420	3,056,305	169,115
OPERATING INCOME	1,255,580	1,911,091	655,511
NONOPERATING REVENUES (EXPENDITURES)			
Interest Income	-	633	633
New Meter Fees	115,000	152,707	37,707
Capital Outlay	(4,453,000)	(3,889,562)	563,438
Line of Credit Proceeds	500,000	-	(500,000)
Debt Service:			
Principal	(290,716)	(291,464)	(748)
Interest	(141,815)	(243,136)	(101,321)
Total Nonoperating Revenues (Expenditures)	(4,270,531)	(4,270,822)	(291)
CAPITAL CONTRIBUTIONS			
City Contribution of Capital Costs	932,640	1,373,810	441,170
Grant Revenue	-	583,112	583,112
Water Plant Investment Fees	1,620,000	513,274	(1,106,726)
Wastewater Plant Investment Fees	630,000	191,261	(438,739)
Total Capital Contributions	3,182,640	2,661,457	(521,183)
NET INCOME - BUDGETARY BASIS	$ 167,689	$ 301,726	$ 134,037

MOUNT WERNER WATER AND SANITATION DISTRICT
RECONCILIATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE – BUDGET AND ACTUAL TO THE CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2025

Net Income - Budgetary Basis	$	301,726
Amounts reported on the budgetary basis are different from amounts reported in the Statement of Revenues, Expenses, and Changes in Net Position because:		
Under the budgetary basis of accounting, capital outlays are reported as expenditures. In the Statement of Revenues, Expenses, and Changes in Net Position, capital outlays are capitalized as assets and are not reported as expenses. Instead, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. Therefore, this adjustment reflects the difference between capital outlay reported on the budgetary basis and depreciation expense reported on the GAAP basis for the current period.		
Capital Outlay		3,889,562
Depreciation Expense		(2,334,682)
Amortization of Right-of-Use Asset		(27,325)
Debt service principal payments are included as expenditures in the budgetary results. In the Statement of Revenues, Expenses, and Changes in Net Position, principal payments reduce the related long-term liability and do not affect expense or change in net position. This adjustment removes principal payments reflected in the budgetary results that are not recognized as expenses on the GAAP basis.		
Debt Service Principal		291,464
Lease payments included in the budgetary results differ from the amounts reported in the Statement of Revenues, Expenses, and Changes in Net Position. For financial reporting purposes, lease payments are allocated between interest expense and a reduction of the lease liability, and the related right-of-use asset is amortized over the lease term. These adjustments reflect the recognition of lease interest expense and amortization of the right-of-use asset and other lease adjustments necessary to reconcile to a GAAP basis.		
Lease Interest Expense		(9,464)
Filter Bay Lease Expense (Budgetary)		37,303
Changes in Net Position	$	2,148,584

MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

	$3,000,000 Sewer Interceptor Loan (CWRPDA #W21F091) Dated May 11, 2021 Interest Rate at 2.500% Due May 1 and November 1			$2,500,000 Infiltration Gallery Loan (CWRPDA #D21F091) Dated May 11, 2021 Interest Rate at 2.250% Due May 1 and November 1		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 131,646	$ 63,044	$ 194,690	$ 111,470	$ 47,090	$ 158,560
2027	134,958	59,732	194,690	113,993	44,568	158,561
2028	138,353	56,337	194,690	116,571	41,989	158,560
2029	141,833	52,856	194,690	119,209	39,351	158,560
2030	145,401	49,288	194,690	121,906	36,654	158,560
2031	149,059	45,631	194,690	124,664	33,896	158,560
2032	152,809	41,881	194,690	127,485	31,075	158,560
2033	156,653	38,037	194,690	130,370	28,190	158,560
2034	160,594	34,096	194,690	133,319	25,241	158,560
2035	164,634	30,056	194,690	136,336	22,224	158,560
2036	168,775	25,915	194,690	139,421	19,139	158,560
2037	173,021	21,669	194,690	142,575	15,985	158,560
2038	177,373	17,316	194,690	145,801	12,759	158,560
2039	181,835	12,854	194,690	149,100	9,460	158,560
2040	186,410	8,280	194,690	152,474	6,086	158,560
2041	191,099	3,591	194,690	155,924	2,636	158,560
Total	$ 2,554,453	$ 560,583	$ 3,115,035	$ 2,120,618	$ 416,344	$ 2,536,962

MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2025

	$1,250,000 Water Revolving Loan (CWRPDA #W22F471) Dated August 4, 2022 Interest Rate at 2.250% Due May 1 and November 1			Grand Totals		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 54,502	$ 24,778	$ 79,280	$ 297,618	$ 134,912	$ 432,530
2027	55,735	23,545	79,280	304,686	127,845	432,530
2028	56,996	22,284	79,280	311,920	120,610	432,530
2029	58,286	20,994	79,280	319,328	113,202	432,530
2030	59,604	19,676	79,280	326,911	105,619	432,530
2031	60,953	18,327	79,280	334,676	97,853	432,530
2032	62,332	16,948	79,280	342,626	89,904	432,530
2033	63,743	15,537	79,280	350,765	81,765	432,530
2034	65,185	14,095	79,280	359,099	73,432	432,530
2035	66,660	12,620	79,280	367,629	64,902	432,530
2036	68,168	11,112	79,280	376,364	56,166	432,530
2037	69,710	9,570	79,280	385,306	47,224	432,530
2038	71,288	7,992	79,280	394,462	38,068	432,530
2039	72,901	6,379	79,280	403,836	28,694	432,530
2040	74,550	4,730	79,280	413,434	19,095	432,530
2041	68,850	10,430	79,280	415,873	16,656	432,530
Total	$ 1,029,462	$ 239,018	$ 1,268,480	$ 5,704,533	$ 1,215,947	$ 6,920,480