

**NORTHERN DOUGLAS COUNTY
WATER & SANITATION DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

INDEPENDENT AUDITOR’S REPORT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	II
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2
STATEMENTS OF CASH FLOWS	3
NOTES TO BASIC FINANCIAL STATEMENTS	4
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENSES	19
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS)	20
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	21
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	22



INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Douglas County Water
and Sanitation District
Douglas County, Colorado

Opinion

We have audited the accompanying financial statements of the Northern Douglas County Water and 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2025 and 2024, and the respective changes in financial position and 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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.

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the 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 the District's basic financial statements. The supplementary information as listed in the table of contents is 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

Greenwood Village, Colorado
May 18, 2026

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024**

The management of Northern Douglas County Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and comparative analysis of the financial activities of the District for the fiscal years ended December 31, 2025 and December 31, 2024.

Financial Highlights

- Net position increased \$1,628,167 during 2025.
- Net operating loss increased from \$(1,501,457) the previous year to \$(1,688,695) on operating revenue of \$3,565,684 and \$3,554,151, respectively.
- Operating revenue decreased \$11,533, or 0.32%, from prior year.
- Operating expenses exclusive of depreciation and general and administrative expenses increased \$118,896, or 3.52%, from the prior year, due to provider rate increases and increased usage by District customers.
- Funds available (current and noncurrent assets less current liabilities and deferred inflow of resources) increased from \$27,372,382 to \$29,713,818 at December 31, 2025.

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, presented on pages 1 thru 17 are comprised of financial statements and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The financial statements of the District are presented as a special purpose government engaged only in business type activities – providing water and sewer utility services.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflow of resources with the difference between them 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 statement of revenue, expenses, and changes in net position presents information that reflects how the District's net position changed during the current 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, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal years.

The statement of cash flows reports 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 notes can be found on pages 4 thru 17 of this report.

The supplementary information contained in this report on pages 19 thru 22 provides a schedule of expenses, budget and actual comparison, reconciliation of budgetary basis, and summary of assessed valuation, mill levy, and property tax information.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024**

Statement of Net Position

	December 31,		
	2025	2024	2023
Current and Noncurrent Assets	\$ 32,480,953	\$ 29,890,370	\$ 27,584,257
Capital Assets	17,614,099	18,333,368	18,856,250
Total Assets	<u>50,095,052</u>	<u>48,223,738</u>	<u>46,440,507</u>
Current Liabilities	714,135	551,543	495,914
Total Liabilities	<u>714,135</u>	<u>551,543</u>	<u>495,914</u>
Deferred Inflow of Resources	1,847,000	1,766,445	1,754,152
Total Deferred Inflow of Resources	<u>1,847,000</u>	<u>1,766,445</u>	<u>1,754,152</u>
Net Investment in Capital Assets	17,614,099	18,333,368	18,856,250
Restricted Net Position	206,000	200,000	173,000
Unrestricted Net Position	29,713,818	27,372,382	25,161,191
Total Net Position	<u>\$ 47,533,917</u>	<u>\$ 45,905,750</u>	<u>\$ 44,190,441</u>

The District's net position increased \$1,628,167 during 2025, which is primarily the result of increased net investment income and property taxes providing funding for future fixed asset repairs and replacements. The increase in net position in comparison to the prior year increase of \$1,715,309 is attributed to the increased sewer gross profit excluding depreciation from operations and property taxes providing funding for future fixed asset repairs and replacements. Funds available (current and noncurrent assets less current liabilities and deferred inflow of resources) increased from \$27,372,382 to \$29,713,818, which is available for working capital.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024**

Changes in Net Position

	December 31,		
	2025	2024	2023
REVENUES			
Operating Revenues:			
Water Services	\$ 2,387,953	\$ 2,386,695	\$ 2,043,102
Sewer Services	1,166,198	1,178,989	1,145,378
Total Operating Revenues	<u>3,554,151</u>	<u>3,565,684</u>	<u>3,188,480</u>
Nonoperating Revenues:			
Taxes	1,901,427	1,886,634	1,388,681
Investment Income (Loss)	1,373,320	1,113,746	1,169,355
Other	14,644	86,480	5,130
Contributions:			
Contributed Capital	-	244,939	624,524
Tap and Option Fees	53,985	-	-
Total Other Revenues	<u>3,343,376</u>	<u>3,331,799</u>	<u>3,187,690</u>
Total Revenues	<u>6,897,527</u>	<u>6,897,483</u>	<u>6,376,170</u>
EXPENSES			
Operating Expenses:			
Water	2,233,943	2,345,758	1,757,922
Sewer	1,141,819	911,108	772,965
Subtotal	<u>3,375,762</u>	<u>3,256,866</u>	<u>2,530,887</u>
General and Administrative	1,093,830	1,042,454	904,866
Depreciation	773,254	767,821	764,696
Total Operating Expenses	<u>5,242,846</u>	<u>5,067,141</u>	<u>4,200,449</u>
Nonoperating Expenses	<u>26,514</u>	<u>115,033</u>	<u>195,575</u>
Total Expenses	<u>5,269,360</u>	<u>5,182,174</u>	<u>4,396,024</u>
CHANGE IN NET POSITION	<u>1,628,167</u>	<u>1,715,309</u>	<u>1,980,146</u>
Net Position - Beginning of Year	<u>45,905,750</u>	<u>44,190,441</u>	<u>42,210,295</u>
NET POSITION - END OF YEAR	<u><u>\$ 47,533,917</u></u>	<u><u>\$ 45,905,750</u></u>	<u><u>\$ 44,190,441</u></u>

The overall increase in revenues of \$44 can be attributed to an increase in property taxes, an increase in water service revenues received, an increase in investment income revenues received, and an increase in miscellaneous income in 2025. Total expenses increased \$87,186, which is comprised of increases in sewer operating expenses, and increases in general and administrative expenses.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024**

Capital Assets Activity

The activity related to capital assets during 2025 and 2024 is as follows:

	December 31, 2023	Net Changes	December 31, 2024	Net Changes	December 31, 2025
Land and Easements	\$ 27,837	\$ -	\$ 27,837	\$ -	\$ 27,837
Water System:					
Water Capacity	26,393,406	-	26,393,406	53,985	26,447,391
Water Facilities	5,223,399	185,831	5,409,230	-	5,409,230
Sewer System:					
Sewer Facilities	3,833,765	59,108	3,892,873	-	3,892,873
Total Assets	35,478,407	244,939	35,723,346	53,985	35,777,331
Accumulated Depreciation	(16,622,157)	(767,821)	(17,389,978)	(773,254)	(18,163,232)
Net Capital Assets	<u>\$ 18,856,250</u>	<u>\$ (522,882)</u>	<u>\$ 18,333,368</u>	<u>\$ (719,269)</u>	<u>\$ 17,614,099</u>

The 2025 activity relating to capital assets reflected depreciation expense of \$773,254.

Additional information on the District's capital assets can be found within Note 4 of this report.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay in addition to operations and nonoperating revenue and contributions. Depreciation is not reflected on the budget since it does not affect funds available. This budgetary accounting is required by state statutes.

Actual revenue of the District was more than the budgeted revenue, primarily as a result of increased net investment income revenues than what was projected during 2025.

Actual expenditures of the District were less than the appropriation by \$2,286,009, primarily as a result of fewer capital expenditures than expected.

Economic Factors and Next Year's Budgets and Rates

- The assessed valuation of property in the District increased \$960,000, or 0.70%, in 2025.
- The mill levy for 2025 remained the same as 2024.
- Water service and usage fees revenues are anticipated to increase in 2026 in response to Highland Ranch's rate increase to the District. Usage of water has been calculated based upon the average usage of the past three years.
- Sewer service and usage fees revenues are anticipated to increase in 2026 in response to Highland Ranch's rate increase to the District.
- The District anticipates and budgets to replace its retail meters and backflow preventers in 2026. However, these projects may be delayed until future years.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024**

Request for Information

Management's discussion and analysis is designed to provide a general overview of the District's finances. Questions concerning any of the information provided within this report or requests for additional information should be addressed to: Office of Northern Douglas County Water and Sanitation District, 2001 16th Street, Suite 1700, Denver, CO 80202.

BASIC FINANCIAL STATEMENTS

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 11,647,403	\$ 10,799,494
Cash and Investments - Restricted	206,000	200,000
Investments - Government Securities	4,442,497	4,693,384
Accounts Receivable - Service		
Net of Allowance for Doubtful Accounts of \$30,000	183,654	204,089
Accounts Receivable - Nonservice	11,355	11,777
Property Tax Receivable	1,847,000	1,766,445
Accrued Interest Receivable - Schwab	136,805	87,025
Prepaid Insurance	450	31,500
Total Current Assets	<u>18,475,164</u>	<u>17,793,714</u>
NONCURRENT ASSETS		
Investments - Government Securities	<u>14,005,789</u>	<u>12,096,656</u>
Total Noncurrent Assets	<u>14,005,789</u>	<u>12,096,656</u>
CAPITAL ASSETS, NET		
	<u>17,614,099</u>	<u>18,333,368</u>
Total Assets	<u><u>\$ 50,095,052</u></u>	<u><u>\$ 48,223,738</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 694,435	\$ 531,843
Deposits Payable	<u>19,700</u>	<u>19,700</u>
Total Liabilities	714,135	551,543
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue	<u>1,847,000</u>	<u>1,766,445</u>
Total Deferred Inflows of Resources	<u>1,847,000</u>	<u>1,766,445</u>
NET POSITION		
Invested in Capital Assets	17,614,099	18,333,368
Restricted for:		
Emergency Reserve	206,000	200,000
Unrestricted	<u>29,713,818</u>	<u>27,372,382</u>
Total Net Position	<u>47,533,917</u>	<u>45,905,750</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 50,095,052</u></u>	<u><u>\$ 48,223,738</u></u>

See accompanying Notes to Basic Financial Statements.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
WATER OPERATIONS		
Water Income	\$ 2,387,953	\$ 2,386,695
Direct Water Expenses	(2,233,943)	(2,345,758)
Depreciation and Amortization	<u>(688,626)</u>	<u>(684,264)</u>
Gross Loss from Water Operations	(534,616)	(643,327)
SEWER OPERATIONS		
Sewer Income	1,166,198	1,178,989
Direct Sewer Expenses	(1,141,819)	(911,108)
Depreciation	<u>(84,628)</u>	<u>(83,557)</u>
Gross Profit (Loss) from Sewer Operations	<u>(60,249)</u>	<u>184,324</u>
Total Gross Loss from Operations	(594,865)	(459,003)
GENERAL AND ADMINISTRATIVE EXPENSES	<u>1,093,830</u>	<u>1,042,454</u>
Total Operating Expenses	<u>1,093,830</u>	<u>1,042,454</u>
OPERATING LOSS	(1,688,695)	(1,501,457)
NONOPERATING REVENUES		
Property Taxes	1,765,464	1,755,242
Specific Ownership Taxes	135,963	131,392
Net Investment Income	1,373,320	1,113,746
Other Income	4,644	86,480
Developer Review Fees	<u>10,000</u>	<u>-</u>
Total Nonoperating Revenues	3,289,391	3,086,860
NONOPERATING EXPENSES		
County Treasurer's Fee	26,514	27,483
Backflow Preventors	<u>-</u>	<u>87,550</u>
Total Nonoperating Expenses	<u>26,514</u>	<u>115,033</u>
INCOME BEFORE CONTRIBUTIONS	1,574,182	1,470,370
CAPITAL CONTRIBUTIONS		
Contributed Capital	-	244,939
Tap and Options Fees	<u>53,985</u>	<u>-</u>
Total Capital Contributions	<u>53,985</u>	<u>244,939</u>
CHANGE IN NET POSITION	1,628,167	1,715,309
Total Net Position - Beginning of Year	<u>45,905,750</u>	<u>44,190,441</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 47,533,917</u></u>	<u><u>\$ 45,905,750</u></u>

See accompanying Notes to Basic Financial Statements.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 3,574,586	\$ 3,531,363
Payments to Suppliers	<u>(4,275,950)</u>	<u>(4,245,207)</u>
Net Cash Used by Operating Activities	(701,364)	(713,844)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Tax Collections for Operations	1,765,464	1,755,242
Specific Ownership Taxes	136,385	127,231
Miscellaneous Income	4,644	86,480
Developer Review Fees	10,000	-
County Treasurer's Fees	<u>(26,514)</u>	<u>(27,483)</u>
Net Cash Provided by Noncapital Financing Activities	1,889,979	1,941,470
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchase) of Investments	(982,440)	172,715
Net Interest and Dividends Received	<u>836,782</u>	<u>780,918</u>
Net Cash Provided (Used) by Investing Activities	<u>(145,658)</u>	<u>953,633</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,042,957	2,181,259
Cash and Cash Equivalents - Beginning of Year	<u>10,810,446</u>	<u>8,629,187</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 11,853,403</u></u>	<u><u>\$ 10,810,446</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,688,695)	\$ (1,501,457)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	773,254	767,821
(Increase) Decrease in:		
Sewer Charges Receivable	20,435	(34,321)
Prepaid Expense	31,050	(1,516)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses and Deposits Payable	162,592	55,629
Net Cash Used by Operating Activities	<u><u>\$ (701,364)</u></u>	<u><u>\$ (713,844)</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Change in Fair Market Value	<u><u>\$ (486,759)</u></u>	<u><u>\$ (306,836)</u></u>

See accompanying Notes to Basic Financial Statements.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Northern Douglas County Water & Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide water and sewer services to properties in the service area of the District. The District has entered into an Extended Service Area Agreement with Highlands Ranch Water and Sanitation District (Highlands Ranch), formerly known as Centennial Water and Sanitation District, to provide water supply and water and sewage treatment (see Note 6).

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 has no employees, and all services are provided by consultant contracts.

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 because 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 property and equipment are shown as increases in assets. Tap fees and contributed assets from developers are recorded as capital contributions when received.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and 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 sanitation services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

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

Cash Equivalents

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

Accounts Receivable

Accounts receivable are shown net of allowance for uncollectibles. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is 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 calendar year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if 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 or December. The County Treasurer remits the taxes collected monthly to the District.

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

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets which include land, water, and sewer lines, and purchased capacity in Highlands Ranch are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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.

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:

Capacity	46 Years
Water Lines	46 Years
Sewer Lines	46 Years

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at acquisition value when received.

Deferred Inflow/Outflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

Adoption of New Accounting Standards

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.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2025	2024
Statement of Net Position:		
Cash and Investments	\$ 30,095,689	\$ 27,589,534
Cash and Investments - Restricted	206,000	200,000
Total Cash and Investments	<u>\$ 30,301,689</u>	<u>\$ 27,789,534</u>

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

	2025	2024
Deposits with Financial Institutions	\$ 642,187	\$ 1,135,532
Investments	29,659,502	26,654,002
Total Cash and Investments	<u>\$ 30,301,689</u>	<u>\$ 27,789,534</u>

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 and a carrying balance of \$642,187 and \$1,135,532, respectively.

Investments

The District has adopted a formal investment policy that follows state statutes regarding 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.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

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

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 and COLOTRUST (which are recorded at net asset value), and CSIP (which are recorded at amortized cost).

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

Investment	Less Than 1 Year	1-5 Years	Value
Colorado Liquid Asset Trust (Colotrust)	\$ 7,952,083	\$ -	\$ 7,952,083
Colorado Surplus Asset Fund Trust (CSAFE)	1,998,544	-	1,998,544
Colorado Statewide Investment Program (CSIP)	1,260,589	-	1,260,589
U.S. Treasury Issues	3,947,572	14,005,789	17,953,361
Municipal Issues	494,925	-	494,925
Total	<u>\$ 15,653,713</u>	<u>\$ 14,005,789</u>	<u>\$ 29,659,502</u>

* As of January 31, 2026, the District's U.S. Treasury Issues are valued at \$18,431,032 and Municipal Issues are valued at \$84,904.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value Measurement and Application (Continued)

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

Investment	Less Than 1 Year	1-5 Years	Value
Colorado Liquid Asset Trust (Colotrust)	\$ 6,742,138	\$ -	\$ 6,742,138
Colorado Surplus Asset Fund Trust (CSAFE)	1,914,317	-	1,914,317
Colorado Statewide Investment Program (CSIP)	1,207,507	-	1,207,507
U.S. Treasury Issues	4,693,384	11,616,401	16,309,785
Municipal Issues	-	480,255	480,255
Total	<u>\$ 14,557,346</u>	<u>\$ 12,096,656</u>	<u>\$ 26,654,002</u>

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 PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. 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 or weekly, and there is no redemption notice period.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE 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 CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at Net Asset Value (NAV) and the District records its investments in CSAFE at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

CSIP

The District invested in the Colorado Statewide Investment Program (the Fund), an investment program established for local government entities in Colorado, nonprofit institutions and other institutional entities. The Program invests in the Colorado Investors Class of the PFM Funds Prime Series, a money market mutual fund registered under the Investment Company Act of 1940. The Fund is managed to maintain a dollar-weighted average portfolio of 60 days or less and seeks to maintain a value per share of \$1.00. The Fund is rated AAAM by Standard & Poor's.

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Restricted and Designated Cash and Investments

Restricted cash and cash equivalents as of December 31, 2025 and 2024, consisted of \$206,000 and \$200,000, respectively, for Emergency Reserves as required by Article X, Section 20 of the Constitution of the state of Colorado.

At December 31, 2025 and 2024, the Board had designated cash and investments totaling \$18,000,000 and \$18,000,000, respectively, for future replacements. Such designated amounts are considered not to be available for general operations. Designations indicate management's intention for future utilization of such cash and are subject to changes by management.

U.S. Treasury Issues (Level 1)

The District invested a portion of its reserve money into U.S. Treasury Issues. As of December 31, 2025, investment details are as follows:

Description	Market Value	S&P Rating	Coupon Rate	Maturity Date
U.S. Treasury Notes	\$ 648,121	N/A	0.375	1/31/2026
U.S. Treasury Notes	646,598	N/A	0.500	2/28/2026
U.S. Treasury Notes	251,279	N/A	4.500	7/15/2026
U.S. Treasury Notes	2,401,574	N/A	0.875	9/30/2026
U.S. Treasury Notes	503,320	N/A	4.125	2/28/2027
U.S. Treasury Notes	355,592	N/A	4.625	6/15/2027
U.S. Treasury Notes	298,969	N/A	3.250	6/30/2027
U.S. Treasury Notes	347,990	N/A	3.125	8/31/2027
U.S. Treasury Notes	787,368	N/A	4.125	9/30/2027
U.S. Treasury Notes	834,152	N/A	4.125	10/31/2027
U.S. Treasury Notes	503,574	N/A	3.875	11/30/2027
U.S. Treasury Notes	788,135	N/A	4.000	2/29/2028
U.S. Treasury Notes	426,146	N/A	3.625	3/31/2028
U.S. Treasury Notes	663,787	N/A	4.375	8/31/2028
U.S. Treasury Notes	1,011,256	N/A	1.250	9/30/2028
U.S. Treasury Notes	357,971	N/A	4.375	11/30/2028
U.S. Treasury Notes	817,187	N/A	4.250	6/30/2029
U.S. Treasury Notes	1,644,750	N/A	2.625	7/31/2029
U.S. Treasury Notes	303,938	N/A	4.000	7/31/2029
U.S. Treasury Notes	800,187	N/A	3.625	8/31/2029
U.S. Treasury Notes	506,563	N/A	4.000	3/31/2030
U.S. Treasury Notes	590,467	N/A	4.125	8/31/2030
U.S. Treasury Notes	1,743,984	N/A	3.625	9/30/2030
U.S. Treasury Notes	720,453	N/A	4.375	11/30/2030
Total U.S. Treasury Issues	<u>\$ 17,953,361</u>			

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

U.S. Treasury Issues (Level 1) (Continued)

As of December 31, 2024, investment details are as follows:

Description	Market Value	S&P Rating	Coupon Rate	Maturity Date
U.S. Treasury Notes	\$ 891,844	N/A	0.500	3/31/2025
U.S. Treasury Notes	248,164	N/A	2.750	6/30/2025
U.S. Treasury Notes	730,430	N/A	0.250	8/31/2025
U.S. Treasury Notes	1,596,633	N/A	0.250	10/31/2025
U.S. Treasury Notes	550,375	N/A	2.250	11/15/2025
U.S. Treasury Notes	675,938	N/A	0.375	11/30/2025
U.S. Treasury Notes	623,594	N/A	0.375	1/31/2026
U.S. Treasury Notes	622,680	N/A	0.500	2/28/2026
U.S. Treasury Notes	250,898	N/A	0.500	7/15/2026
U.S. Treasury Notes	2,312,187	N/A	4.500	9/30/2026
U.S. Treasury Notes	353,008	N/A	0.675	6/15/2027
U.S. Treasury Notes	293,016	N/A	4.625	6/30/2027
U.S. Treasury Notes	339,992	N/A	3.250	8/31/2027
U.S. Treasury Notes	776,079	N/A	3.125	9/30/2027
U.S. Treasury Notes	821,906	N/A	4.125	10/31/2027
U.S. Treasury Notes	494,453	N/A	3.875	11/30/2027
U.S. Treasury Notes	773,175	N/A	4.000	2/29/2028
U.S. Treasury Notes	416,367	N/A	3.625	3/31/2028
U.S. Treasury Notes	650,711	N/A	4.375	8/31/2028
U.S. Treasury Notes	960,781	N/A	1.250	9/30/2028
U.S. Treasury Notes	350,273	N/A	4.375	11/30/2028
U.S. Treasury Notes	1,577,281	N/A	2.625	7/31/2029
Total U.S. Treasury Issues	<u>\$ 16,309,785</u>			

Municipal Issues (Level 1)

The District invested a portion of its reserve money into Municipal Issues rated AA+/AA by Standard and Poor's.

As of December 31, 2025, investment details are as follows:

Description	Market Value	S&P Rating	Coupon Rate	Maturity Date
Long Beach CA CCD	\$ 248,675	AA	2.000	5/1/2026
Silicon Valley Clean Water	246,250	AA	1.027	8/1/2026
Total Municipal Issues	<u>\$ 494,925</u>			

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Municipal Issues (Level 1) (Continued)

As of December 31, 2024, investment details are as follows:

Description	Market Value	S&P Rating	Coupon Rate	Maturity Date
Long Beach CA CCD	242,545	AA	2.000	5/1/2026
Silicon Valley Clean Water	237,710	AA	1.027	8/1/2026
Total Municipal Issues	<u>\$ 480,255</u>			

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Easements	<u>\$ 27,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,837</u>
Total Capital Assets, Not Being Depreciated	27,837	-	-	27,837
Capital Assets, Being Depreciated:				
Water Capacity	26,393,406	53,985	-	26,447,391
Water System	5,409,230	-	-	5,409,230
Sewer System	<u>3,892,873</u>	<u>-</u>	<u>-</u>	<u>3,892,873</u>
Total Capital Assets, Being Depreciated	35,695,509	53,985	-	35,749,494
Less Accumulated Depreciation for:				
Accumulated Depreciation - Water Capacity	(12,743,536)	(571,032)	-	(13,314,568)
Accumulated Depreciation - Water System	(2,635,725)	(117,594)	-	(2,753,319)
Accumulated Depreciation - Sewer System	<u>(2,010,717)</u>	<u>(84,628)</u>	<u>-</u>	<u>(2,095,345)</u>
Total Accumulated Depreciation	<u>(17,389,978)</u>	<u>(773,254)</u>	<u>-</u>	<u>(18,163,232)</u>
 Total Capital Assets, Being Depreciated, Net	<u>18,305,531</u>	<u>(719,269)</u>	<u>-</u>	<u>17,586,262</u>
 Governmental Activities Capital Assets, Net	<u>\$ 18,333,368</u>	<u>\$ (719,269)</u>	<u>\$ -</u>	<u>\$ 17,614,099</u>

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 CAPITAL ASSETS (CONTINUED)

An analysis of the changes in capital assets for the years ended December 31, 2024 and 2023, follows:

	Balance at December 31, 2023	Increases	Decreases	Balance at December 31, 2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Easements	\$ 27,837	\$ -	\$ -	\$ 27,837
Total Capital Assets, Not Being Depreciated	27,837	-	-	27,837
Capital Assets, Being Depreciated:				
Water Capacity	26,393,406	-	-	26,393,406
Water System	5,223,399	185,831	-	5,409,230
Sewer System	3,833,765	59,108	-	3,892,873
Total Capital Assets, Being Depreciated	35,450,570	244,939	-	35,695,509
Less Accumulated Depreciation for:				
Accumulated Depreciation - Water Capacity	(12,173,494)	(570,042)	-	(12,743,536)
Accumulated Depreciation - Water System	(2,521,503)	(114,222)	-	(2,635,725)
Accumulated Depreciation - Sewer System	(1,927,160)	(83,557)	-	(2,010,717)
Total Accumulated Depreciation	(16,622,157)	(767,821)	-	(17,389,978)
Total Capital Assets, Being Depreciated, Net	18,828,413	(522,882)	-	18,305,531
Governmental Activities Capital Assets, Net	<u>\$ 18,856,250</u>	<u>\$ (522,882)</u>	<u>\$ -</u>	<u>\$ 18,333,368</u>

Depreciation expense for the years ended December 31, 2025 and 2024, was charged to the following operations:

	2025	2024
Water	\$ 688,626	\$ 684,264
Sewer	84,628	83,557
Total	<u>\$ 773,254</u>	<u>\$ 767,821</u>

NOTE 5 NET POSITION

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 NET POSITION (CONTINUED)

The restricted component of net position includes assets 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 had a restricted net position for emergencies as required by the TABOR amendment.

The unrestricted net position is the remaining net position of the District. As of December 31, 2025 and 2024, it includes \$18,000,000 in board designation for future capital replacements.

NOTE 6 INTERGOVERNMENTAL AGREEMENTS

Extended Service Area (ESA)

Highlands Ranch Water and Sanitation District (Highlands Ranch), formerly known as Centennial Water and Sanitation District, provides water supply as well as water and sewage treatment services to the District under an Extended Service Area Water and Sewer Agreement (ESA) dated May 3, 1989, which was revised and replaced on August 1, 1994. The term of the agreement is for 50 years to August 2044 and may be extended. The area agreed to be served by Highlands Ranch currently constitutes the majority of the District. Upon payment of tap fees for capacity in its water supply and water and sewage treatment facilities, Highlands Ranch provides services to the District and bills the District for water delivered based on metered usage at rates not to exceed 200% of the rates charged by Highlands Ranch to Highlands Ranch Districts. Highlands Ranch has approval rights over the area to be included within the Highlands Ranch Service Area, the location of points of connection to its system, and the number of taps available for service. In this regard, Highlands Ranch's commitment to provide taps is on a "when, as, and if available" basis. The District agreed to use Highlands Ranch as its sole source of water supply within the service area of the ESA and adopt the same standards as Highlands Ranch within the Highlands Ranch Service Area. The District bills its customers directly.

NOTE 7 RECEIVABLES

Receivables as of year-end and for the District's activities are as follows:

	2025	2024
Accounts - Service Billings	\$ 183,654	\$ 204,089
Property Taxes	1,847,000	1,766,445
Specific Ownership Taxes	11,355	11,777
Interest	136,805	87,025
Total	<u>\$ 2,178,814</u>	<u>\$ 2,069,336</u>

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 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; or acts of God.

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

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

NOTE 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 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.

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

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.

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 2, 1993, a majority of the District's electors authorized the collection, retention, and spending of revenues from any source other than property taxes without regard to any limitations imposed by TABOR.

On November 7, 1995, a majority of the District's electors approved an annual increase in property taxes of \$137,000 provided that the total mill levy for operations does not exceed 25 mills. Such revenue is exempt from revenue raising limitations under TABOR and Section 29-1-302, C.R.S.

SUPPLEMENTARY INFORMATION

NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
DIRECT WATER EXPENSES		
Water Purchases	\$ 2,120,671	\$ 2,069,160
Depreciation and Amortization	688,626	684,264
Total Direct Water Expenses	<u>\$ 2,809,297</u>	<u>\$ 2,753,424</u>
DIRECT SEWER EXPENSES		
Sewage Treatment	\$ 1,141,819	\$ 911,108
Depreciation	84,628	83,557
Total Direct Sewer Expenses	<u>\$ 1,226,447</u>	<u>\$ 994,665</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	\$ 100,004	\$ 86,167
Auditing	13,874	6,500
Directors' Fees	3,100	3,600
District Management	98,499	101,655
Dues and Membership	6,653	6,238
Election	2,718	-
Engineering	170,616	177,185
Insurance	31,500	29,984
Legal	27,558	42,104
Meter Reading & Billing	171,935	177,411
Miscellaneous	39,974	38,060
Repairs and Maintenance	425,432	372,802
Utilities	727	748
Web Page Development	1,240	-
Total Operating Expenses	<u>\$ 1,093,830</u>	<u>\$ 1,042,454</u>

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Water Service Fees	\$ 2,286,000	\$ 2,378,566	\$ 92,566
Sewer Service Fees	1,044,000	1,166,198	122,198
Administration Fees	-	9,387	9,387
Property Taxes	1,766,445	1,765,464	(981)
Specific Ownership Taxes	158,980	135,963	(23,017)
Net Investment Income	250,000	1,373,320	1,123,320
Tap And Options Fees	-	53,985	53,985
Developer Review Fees	20,000	10,000	(10,000)
Other Income	25,000	4,644	(20,356)
Total Revenues	<u>5,550,425</u>	<u>6,897,527</u>	<u>1,347,102</u>
EXPENDITURES			
Direct Water Expenses	2,095,000	2,233,943	(138,943)
Direct Sewer Expenses	964,000	1,141,819	(177,819)
General and Administrative Expenses	1,351,897	1,120,344	231,553
Nonoperating Expenses	2,370,000	53,985	2,316,015
Contingency	55,203	-	55,203
Total Expenditures	<u>6,836,100</u>	<u>4,550,091</u>	<u>2,286,009</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,285,675)	2,347,436	3,633,111
NET CHANGE IN FUND BALANCE	(1,285,675)	2,347,436	3,633,111
Fund Available - Beginning of Year	<u>27,692,343</u>	<u>27,572,382</u>	<u>(119,961)</u>
FUND AVAILABLE - END OF YEAR	<u>\$ 26,406,668</u>	<u>\$ 29,919,818</u>	<u>\$ 3,513,150</u>

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL)
TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025**

	<u>Actual</u>
Funds Available are Defined as Follows:	
Current and Noncurrent Assets	
Restricted and Unrestricted Assets	\$ 32,480,953
Less: Current Liabilities and Deferred Inflow of Resources	<u>(2,561,135)</u>
Funds Available	<u><u>\$ 29,919,818</u></u>
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Changes in Net Position:	
Revenue (Budgetary Basis)	<u>\$ 6,897,527</u>
Total Revenue per Statement of Revenues, Expenses, and Changes in Net Position	6,897,527
Expenditures (Budgetary Basis)	4,550,091
Depreciation and Amortization	773,254
Contributed Facilities	<u>(53,985)</u>
Total Expenses per Statement of Revenues, Expenses, and Changes in Net Position	<u>5,269,360</u>
Change in Net Position per Statement of Revenues, Expenses, and Changes in Net Position	<u><u>\$ 1,628,167</u></u>

**NORTHERN DOUGLAS COUNTY WATER & SANITATION DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025**

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied	Total Property Taxes		Percent Collected to Levied
			General Operations	Levied	Collected	
2021	\$ 89,590,610	6.7%	12.806	\$ 1,147,297	\$ 1,137,791	99.17 %
2022	97,065,500	8.3%	12.806	1,243,021	1,242,977	100.00 %
2023	99,157,170	2.2%	12.806	1,269,807	1,270,926	100.09 %
2024	136,978,880	38.1%	12.806	1,754,152	1,755,242	100.06 %
2025	137,938,880	0.7%	12.806	1,766,445	1,765,464	99.94 %
Estimated for Year Ending December 31, 2026	\$ 147,984,910	7.3%	12.481	1,847,000		

Note:

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