SNOWMASS WATER
& SANITATION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2025

SNOWMASS
WATER & SANITATION
DISTRICT

DWC
CPAS | ADVISORS

SNOWMASS WATER & SANITATION DISTRICT

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12
Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis)	21

Independent Auditor's Report

DWC
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Board of Directors
Snowmass Water & Sanitation District
Snowmass Village, Colorado

INDEPENDENT AUDITOR'S REPORT

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement 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 on pages 4 through 8 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 inquires 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual on pages 21 and 22 is presented for purposes of additional analysis and is 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 Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Grand Junction, Colorado
July 14, 2026

Management's Discussion and Analysis

As management of the Snowmass Water & Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025, with comparative information presented for the year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- The District's assets exceeded its liabilities and deferred inflows by $82,356,474 at December 31, 2025, an increase of $3,268,559 from the net position at December 31, 2024. This is discussed on page 5.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The ***Statement of Cash Flows*** reports the District's cash flows from operating, noncapital financing, capital, financing, and investing activities.

FINANCIAL SUMMARY AND ANALYSIS

These financial statements distinguish functions of the District that will be principally supported by service charges, system development fees and taxes. The functions of the District include effective and economical operation of District systems within the jurisdictional boundaries of the District. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

NET POSITION

	2025	2024	Change
ASSETS			
Current assets	**$ 18,669,738**	$ 16,847,386	$ 1,822,352
Capital assets	**84,529,072**	83,860,552	668,520
Total Assets	**103,198,810**	100,707,938	2,490,872
LIABILITIES			
Current liabilities	**2,081,811**	1,903,237	178,574
Long-term liabilities	**15,108,573**	16,424,265	(1,315,692)
Total Liabilities	**17,190,384**	18,327,502	(1,137,118)
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	**3,651,952**	3,669,168	(17,216)
Total Deferred Inflows of Resources	**3,651,952**	3,669,168	(17,216)
NET POSITION			
Net investment in capital assets	**68,689,306**	66,839,331	1,849,975
Restricted for:			
Emergency reserves	**21,500**	21,500	-
Waste water treatment plant upgrade	**3,394,652**	2,679,346	715,306
Unrestricted	**10,251,016**	9,171,091	1,079,925
Total Net Position	**$ 82,356,474**	$ 78,711,268	$ 3,645,206

Assets

The District had an overall increase in total assets from the prior year of $2,490,872 which was attributable to the increase in current assets noted below, and increase in capital assets and an overall increase in cash.

Current assets in total increased by $1,822,352 during 2025. The District expended $3,103,189 on capital projects during the year. Amounts reducing capital assets included $2,428,453 of depreciation expense incurred during the year.

Liabilities

Total liabilities decreased by $1,137,118 during 2025. This is primarily due to the decrease in long-term liabilities related to the scheduled debt and bond payments during the current year.

Net Position

The largest portion of the District's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Overall, the District's total net position increased by $3,645,206 during 2025.

CHANGES IN NET POSITION

	2025	2024	Change
Revenues			
Operating Revenues			
Water sales	**$ 4,174,702**	$ 3,778,222	$ 395,480
Sewer sales	**3,255,347**	3,061,149	194,198
Total Operating Revenues	**7,430,049**	6,839,371	589,678
Non-operating Revenues			
Taxes	**3,786,356**	3,176,175	610,181
Interest	**607,536**	696,035	(88,499)
Total Non-Operating Revenues	**4,393,892**	3,872,210	521,682
Total Revenue	**11,823,441**	10,711,581	1,111,360
Expenses			
Operating Expenses			
Water	**3,426,587**	2,836,716	589,871
Sewer	**3,016,223**	2,799,921	216,302
Total Operating Expenses	**6,442,810**	5,636,637	806,173
Non-operating Expenses			
Interest	**554,047**	583,084	(29,037)
Other, net	**131,444**	114,516	16,928
Total Non-Operating Expenses	**685,491**	697,600	(12,109)
General and Administrative Expenses	**1,998,020**	1,844,755	153,265
Total Expenses	**9,126,321**	8,178,992	947,329
Income Before Capital Contributions	**2,402,123**	2,532,589	(131,466)
Capital Contributions	**866,436**	4,620,616	(3,754,180)
Changes in Net Position	**3,645,206**	7,153,205	(3,507,999)
Net Position – beginning of the year	**78,711,268**	71,558,063	7,153,205
Net Position – end of the year	**$ 82,356,474**	$ 78,711,268	$ 3,645,206

Revenues

Water and sewer service fee revenue increased by approximately 8% compared to 2024. This is primarily due to an increase in rates and usage. Tax revenues increased by approximately 19% compared to 2024.

Expenses

Water operating expenses increased by approximately 21% in 2025, primarily due to an increase in repairs and maintenance. Sanitation expenses increased by approximately 8% in 2025 primarily due to an increase in salaries and benefits. General and administrative expenses increased by approximately 8% in 2025 primarily due to an increase in salaries and benefits.

Capital Contributions

Capital contributions consist of system development fees and contributions of capital assets by developers (usually water and sewer lines in new developments). System development fees represent the cost to a builder to add a project on to the District's water and sanitation systems. It is a uniform charge, based on the size of the project. As such, system development fee revenues increase and decrease along with building activity in the District. In 2025 the District received $866,436 in system development fee and contributed capital revenue compared to $4,620,616 in 2024.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets is outlined below:

	December 31, 2025	Net Changes	December 31, 2024	Net Changes	December 31, 2023
Capital assets					
Land and land rights	$ 4,317,421	$ -	$ 4,317,421	$ -	$ 4,317,421
Water rights	773,024		773,024	-	773,024
Construction in progress	467,221	(1,571,897)	2,039,118	(6,219,411)	8,258,529
Administrative	146,805	40,281	106,524	-	106,524
Water system	53,807,195	3,736,614	50,070,581	4,157,728	45,912,853
Sanitation system	56,151,949	759,628	55,392,321	1,108,602	54,283,719
Fencing project	88,248	-	88,248	-	88,248
Equipment	3,413,487	75,121	3,338,366	(85,333)	3,423,699
Employee housing	6,215,576	-	6,215,576	6,215,576	-
Total capital assets	125,380,926	3,039,747	122,341,179	5,177,162	117,164,017
Accumulated depreciation	40,851,854	2,371,227	38,480,627	2,276,065	36,204,562
Total capital assets - net	$ 84,259,072	$ 668,520	$ 83,860,552	$ 2,901,097	$ 80,959,455

Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

Debt Administration

In January 2017, the District issued General Obligation Bonds with face value totaling $11,800,000. The bonds carry interest rates of 3% to 5% and are due for repayment between 2025 and 2031. Because market rates were below District bond interest rates at the time of sale, they were sold at a premium of $1,544,020. Interest is paid semi-annually in June and December. The premium is amortized against interest expense. Scheduled debt repayments reduced these bonds by $875,000 during 2025.

In November 2016, the District issued General Obligation Bonds with face value of $8,050,000. The bonds carry an interest rate of 5% and are repayable between 15 and 20 years from the date of issue. Because the market rate of interest was below the rate being paid on the bonds, they were sold at a premium of $1,950,000. Interest is paid semi-annually in May and December. The premium is amortized against interest expense.

During 2011, the District borrowed $1,952,805 from the Colorado Water Conservancy Board (CWCB), to assist in financing the completion of the Ziegler Reservoir project. This note is payable in equal annual installments of $146,890 including interest at 4.25%, over 20 years beginning September 1, 2013. Scheduled debt repayments reduced this note by $105,289 during 2025.

Long-term obligations also include unearned revenue from the sale of snowmaking water to the Aspen Skiing Company. This obligation is being amortized to revenue over 20 years at $54,762 per year.

BUDGETARY HIGHLIGHTS

The District prepares its budget on the modified accrual basis of accounting to focus on the effective control of its resources. Depreciation, amortization and infrastructure contributions are not reflected because they do not use or provide available funds. Expenditures include capital outlay and debt repayment, as they require the use of available resources. Total expenditures exceeded budget by $281,445 primarily due to an increase in repairs and maintenance expenditures incurred during 2025. Overall revenues exceeded budget by $872,928, primarily due to water and sanitation system development fees, leaving the District $591,983 favorable of the revised budget for the year.

ECONOMIC FACTORS AND RATES

- The District's Board of Directors approved a 5% increase in water and sewer service fees for 2026.
- The District's Board of Directors increased water and sewer system development fee rates by 5% for 2026.
- The District's Board of Directors approved a 2026 operating budget based on projected revenues of $12,104,644 with net operating gain of $4,423,229, a $1,136,229 increase in cash reserves and $3,937,000 of total capital expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Kit Hamby, District Manager, Snowmass Water and Sanitation District, PO Box 5700, 0177 Clubhouse Drive, Snowmass Village, CO 81615 or call (970) 923-2056.

Basic Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2025

ASSETS		
Current Assets		
Cash and cash equivalents		$ 3,611,852
Restricted cash		14,332
Investments		7,501,521
Restricted investments		3,380,320
Accounts receivable		75,196
Property tax receivable		3,651,952
Inventory		359,945
Prepaid expenses		74,620
	Total Current Assets	18,669,738
Capital Assets		
Capital assets not being depreciated		5,557,666
Capital assets being depreciated, net		78,971,406
	Total Capital Assets, Net	84,529,072
	Total Assets	103,198,810
LIABILITIES		
Current Liabilities		
Accounts payable		28,783
Accrued liabilities		336,864
Warranty deposits		226,736
Current portion of CWCB note payable		109,764
Current portion of general obligation bonds payable		950,000
Current portion of unearned revenues - Aspen Skiing Company		54,762
Customer fee unearned revenues		296,882
Other current liabilities		78,020
	Total Current Liabilities	2,081,811
Long-Term Liabilities		
CWCB note payable		763,789
General obligation bonds payable		14,016,213
Unearned revenues - Aspen Skiing Company		328,571
	Total Long-Term Liabilities	15,108,573
	Total Liabilities	17,190,384
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue		3,651,952
	Total Deferred Inflows of Resources	3,651,952
NET POSITION		
Net investment in capital assets		68,689,306
Restricted for:		
Emergency reserves		21,500
Waste water treatment plant upgrade		3,394,652
Unrestricted		10,251,016
	Total Net Position	$ 82,356,474

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2025

Water Operations		
Revenues		
Service fees		$ 4,009,916
Other		164,786
		4,174,702
Direct expenses		
Depreciation		1,105,399
Salaries and benefits		1,002,844
Repairs and maintenance		792,663
Chemicals and supplies		328,508
Utilities and telemetering		156,387
Other direct expenses		40,786
		3,426,587
	Operating Income From Water Operations	748,115
Sanitation Operations		
Revenues		
Service fees		3,253,919
Other		1,428
		3,255,347
Direct expenses		
Depreciation		1,201,005
Salaries and benefits		943,491
Chemicals and supplies		372,798
Utilities and telemetering		260,826
Repairs and maintenance		229,018
Other direct expenses		9,085
		3,016,223
	Operating Income From Sanitation Operations	239,124
General and Administrative Expenses		1,916,870
	Loss From Operations	(929,631)
Non-Operating Revenues and (Expenses)		
Tax revenue		3,786,356
Interest expense		(554,047)
Interest income		607,536
Other expenses, net of other revenue		(131,444)
	Total Non-Operating Revenues and (Expenses)	3,708,401
	Income Before Capital Contributions	2,778,770
Capital Contributions		
System development fees		866,436
	Total Capital Contributions	866,436
	Increase in Net Position	3,645,206
Net Position - beginning of the year		78,711,268
Net Position - end of the year		$ 82,356,474

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

Cash Flows From Operating Activities		
Cash received from customers	$	7,542,411
Cash payments to suppliers for goods and services		(2,734,421)
Cash payments to employees for services		(2,958,301)
Net Cash Provided by Operating Activities		1,849,689
Cash Flows From Noncapital Financing Activities		
Property and specific ownership taxes received		1,982,090
Miscellaneous non-operating revenue		59,054
Miscellaneous non-operating expenses		(190,499)
Net Cash Provided by Noncapital Financing Activities		1,850,645
Cash Flows From Capital and Related Financing Activities		
Property and specfic ownership taxes received specfic to capital projects		1,804,266
System development fees received		866,436
Warranty deposits received		200,684
Warranty deposits paid		(208,865)
Principal paid on note and bonds payable		(980,289)
Interest paid on note and bonds payable		(760,349)
Acquisition of capital assets		(3,103,189)
Proceeds from sale of capital assets		6,000
Net Cash Used for Capital and Related Financing Activities		(2,175,306)
Cash Flows From Investing Activities		
Purchase of investments		(2,626,183)
Net investment income received		607,536
Proceeds received from the sale of investments		1,593,750
Net Cash Used for Investing Activities		(424,897)
Net Increase in Cash and Cash Equivalents		1,100,131
Cash, Cash Equivalents, and Restricted Cash - beginning of the year		2,526,053
Cash, Cash Equivalents, and Restricted Cash - end of the year	$	3,626,184
Cash , Cash Equivalents and Restricted Cash Reconciliation		
Cash and cash equivalents	$	3,611,852
Restricted cash		14,332
Total	$	3,626,184
Reconciliation of Loss from Operations to Net Cash Provided by Operating Activities:		
Loss from operations	$	(929,631)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation		2,428,453
Loss on disposal of capital assets		216
Changes in operating assets and liabilities:		
Accounts receivable		114,411
Inventory		(41,947)
Prepaid expenses		220,532
Accounts payable		21,810
Accrued liabilities		37,894
Customer fee unearned revenues		(80,069)
Customer deposit current liabilities		78,020
Net Cash Provided by Operating Activities	$	1,849,689

See accompanying notes.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Snowmass Water & Sanitation District (the District) is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sewage treatment services to the properties within its service area, which is located in Snowmass Village, Colorado.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, where revenues are recognized when earned and expenses are recorded when an obligation is incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. Restricted cash relates to future capital outlay and is restricted in accordance with bond documents.

Investments

The District's excess cash is invested in investment pools. Restricted investments relate to future capital outlay and are restricted in accordance with bond documents.

Accounts Receivable

Accounts receivable and the related revenue are recorded on the accrual basis. The District closely monitors outstanding balances and, as of year-end, writes off any balances that it deems to be uncollectible. Accordingly, the District believes that all remaining accounts receivable are fully collectable; therefore, no allowance for doubtful accounts was recorded.

Property Taxes

Property taxes for the current year are levied in December of the previous year and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due March 1 and June 15. Property taxes for 2025 are reported as a receivable and as a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Inventory

Inventory is valued at the lower of cost on the first-in, first-out basis, or market.

Capital Assets

Capital assets include assets with an individual cost of $5,000 or more and an estimated useful life of more than one year. Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution or at developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives 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 useful lives:

Assets	Years
Dam and reservoir	100
Water and sanitation system – plant and lines	45
Equipment	5-20

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Compensated Absences

The District allows employees to accumulate unused vacation and sick leave up to specified maximum limits. The District also allows eligible employees to accumulate unused compensation time. The District accrues such benefits in the period in which they are earned. The liability for unused benefits is recorded in accrued liabilities.

Developer Contributions

System development fees are recorded as revenue when received. Assets contributed to the District by developers are recorded as revenue from capital contributions and additions to the systems at the estimated fair value when received.

Net Position

The District's net position is classified as follows:

Net investment in capital assets – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Net investment in capital assets	
Capital assets – net of accumulated depreciation	$ 84,259,072
Current portion of CWCB note payable	(109,764)
Long-term portion of CWCB note payable	(763,789)
Current portion of general obligation bonds payable	(950,000)
Long-term portion of general obligation bonds payable	(14,016,213)
	$ 68,419,306

Restricted net position – Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties (see Note 3).

Unrestricted net position – Unrestricted net position represents resources derived from utility fees and general District revenues. The resources are used to conduct the District's operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETS

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

A. Budgets are required by state law.

B. The budget officer is required to submit a proposed budget to the Board of Directors (the Board) annually.

C. Public hearings are conducted by the Board to obtain taxpayer comments.

D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.

E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. The District expended $281,445 more than was appropriated primary due to the fact that repairs and maintenance and personnel expenses were higher than budgeted. This may be a violation of state budget law.

F. Budget appropriations lapse at the end of each year.

G. The District adopts budgets on a modified accrual basis that is consistent with GAAP.

The following table represents a reconciliation between the budgetary bases Revenues and Expenditures presented in the Supplemental Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual to the accrual basis amounts included in the basic financial statements.

	Revenues	Expenditures	Other Financing Sources	Other Financing Uses
Budgetary basis	$ 12,700,670	$ (10,960,201)	$ -	$ -
Capital outlay	-	3,103,189	-	-
Contributed Capital	-	-	-	-
Debt principal reduction	-	980,289	-	-
Depreciation	-	(2,428,453)	-	-
Amortization bond premium	-	201,167	-	-
Cash proceeds on sale of capital assets	(6,000)		-	-
Loss on disposal of assets	-	(216)		
Change in unearned revenues – Aspen Skiing Company	54,762	-	-	-
Accrual basis	$ 12,749,432	$ (9,104,225)	$ -	$ -

NOTE 3 - TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the applicable requirements of the Amendment.

The Amendment 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.

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 the Amendment.

On May 5, 1998, the eligible voters of the District authorized the District to collect, keep and expend all District revenue received in 1998 and each year thereafter as an approved revenue change and exception to the spending, revenue raising and other limitations in the Amendment.

NOTE 4 - CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The District's investment policy regarding selection of depository and custodial banks was designed to follow state regulations and the Colorado Public Deposit Protection Act (PDPA). The District's deposits are either covered by depository insurance or are collateralized under PDPA and are therefore not deemed to be exposed to the custodial credit risk. The District's deposits are governed by Colorado Statute. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. A total of $500,000 is insured with depositor's insurance and the remaining balances are collateralized under PDPA requirements.

Custodial Credit Risk - Investments

Colorado state statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools

- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Certificates of deposit

The District has no investment policy that would further limit its investment choices.

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

Description	Credit Quality Rating	Maturity		Fair Value
COLOTRUST PLUS+	AAAm	Weighted Average Days of 42 (to Reset)	$	10,881,841

At December 31, 2025, the District had funds invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), a local government investment pool established for local government entities in Colorado to pool surplus funds. COLOTRUST is routinely monitored by the Colorado Division of securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. COLOTRUST currently offers three portfolios: (1) COLOTRUST PRIME, (2) COLOTRUST PLUS+, and (3) COLOTRUST EDGE.

The District's funds invested in COLOTRUST are invested in COLOTRUST PLUS+.

COLOTRUST PLUS+ is a local government investment pool that operates similarly to a money market fund and each share is equal in value to $1.00. COLOTRUST PLUS+ may invest in U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. COLOTRUST PLUS is rated AAAm by Standard and Poor's and had a weighted average days to maturity (to reset) of 42 as of December 31, 2025.

A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for COLOTRUST's portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records identify the investments owned by the participating governments. The annual report including the audited financial statements of COLOTRUST PLUS+ and COLOTRUST EDGE may be obtained on their website at www.colotrust.com.

The District records its investments in COLOTRUST PLUS+ at fair value as determined by net asset value as a practical expedient.

The composition of all cash and investments held by the District at December 31, 2025 is as follows:

Cash on hand	$	245
Deposits:		
Cash in checking account(s)		3,625,939
Total Deposits		3,626,184
Investment pools		10,881,841
Total Cash, Deposits and Investments	$	14,508,025

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to fair value losses arising from increasing interest rates by adhering to Colorado statutes which do not allow investment maturities to exceed five years unless specifically authorized by the governing body. The District has not authorized longer maturities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer or institution. The District places no limit on the amount the District may invest in any one issuer. The District's investments are held by one issuer.

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land and land rights	$ 4,317,421	$ -	$ -	$ -	$ 4,317,421
Water rights	773,024	-	-	-	773,024
Construction in progress	2,039,118	2,670,955	-	(4,242,852)	467,221
Total Capital Assets, Not Being Depreciated	7,129,563	2,670,955	-	(4,242,852)	5,557,666
Capital assets being depreciated:					
Water system – plant and lines	50,070,581	165,796	-	3,570,818	53,807,195
Sanitation system – plant and lines	55,392,321	87,594	-	672,034	56,151,949
Administrative	106,524	40,281	-	-	146,805
Fencing project	88,248	-	-	-	88,248
Equipment	3,338,366	138,563	(63,442)	-	3,413,487
Employee housing	6,215,576	-	-	-	6,215,576
Total Capital Assets, Being Depreciated	115,211,616	432,234	(63,442)	4,242,852	119,823,260
Less accumulated depreciation for:					
Water system – plant and lines	(17,988,785)	(1,105,399)	-	-	(19,094,124)
Sanitation system – plant and lines	(17,218,638)	(1,201,005)	-	-	(18,419,643)
Equipment	(3,273,204)	(122,049)	57,226	-	(3,338,027)
Total Accumulated Depreciation	(38,480,627)	(2,428,453)	57,226	-	(40,851,794)
Total Capital Assets, Being Depreciated, Net	76,730,989	(1,996,219)	(6,216)	4,242,852	78,971,406
Capital Assets, Net	$ 83,860,552	$ 674,736	$ (6,216)	$ -	$ 84,529,072

Depreciation expense for the year ended December 31, 2025 is allocated to operations as follows:

Water operations	$ 1,105,399
Sanitation operations	1,201,005
Administration	122,049
	$ 2,428,453

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2025 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Warranty deposits	$ 234,917	$ -	$ (8,181)	$ 226,736	$ 226,736
CWCB note payable	978,841	-	(105,289)	873,553	109,764
Series 2016 general obligation bonds	8,050,000	-	-	8,050,000	-
Premium on 2016 bond sale	1,121,676	-	(97,075)	1,024,601	-
Series 2017 general obligation bonds	6,325,000	-	(875,000)	5,450,000	950,000
Premium on 2017 bond sale	545,704	-	(104,092)	441,612	-
Long-term Liabilities	$ 17,256,138	$ -	$ (1,189,637)	$ 16,066,502	$ 1,286,500

Warranty Deposits

The District may require a developer who contributes infrastructure to the District, to deposit 5% or more of the value of that infrastructure as a warranty deposit with the District. These funds may be used by the District to make necessary repairs or alterations to the infrastructure during the warranty period. At the end of the warranty period, any unused funds are returned to the developer. No interest is paid on the warranty deposits payable. The District also collects final inspection deposits along with its system development fees when new construction is undertaken. At December 31, 2025, this amount was made up of only final inspection deposits which totaled $226,736, all payable in 2026.

CWCB Notes Payable

The District borrowed funds during 2011 under an agreement with the Colorado Water Conservancy Board (CWCB). A total of $1,952,805 was borrowed and the note carries an interest rate of 4.25%. The note is repayable in equal annual payments of $146,890 due September 1 each year beginning in 2013 and extending through 2032. The loan is secured by the District's enterprise revenues, backed by a rate covenant. Scheduled debt repayments reduced the note payable by $105,289 during 2025.

Bonds Payable

In November 2016, the District issued general obligation bonds totaling $8,050,000. The bonds are repayable beginning in 2031. Interest on the bonds is paid semi-annually on June 1 and December 1 at an interest rate of 5%. The bonds sold at a premium of $1,949,585, which reduced their effective yield to a range of 2.15% for earlier maturing bonds and 2.4% for later maturing bonds. The premium is being amortized to reduce the District's interest expense from the bonds.

In January 2017, the District issued General Obligation Bonds with face value totaling $11,800,000. The bonds carry interest rates of 3% to 5% and are due for repayment between 2025 and 2031. Because market rates were below District bond interest rates at the time of sale, they were sold at a premium of $1,544,020. Interest is paid semi-annually in June and December. The premium is amortized against interest expense. Scheduled debt repayments reduced these bonds by $875,000 during 2025.

The District's scheduled debt payments for the above note payable and two bonds payable are:

	Principal	Interest	Total
2026	1,059,764	712,126	1,771,890
2027	1,114,429	659,961	1,774,390
2028	1,169,292	605,098	1,774,390
2029 – 2033	6,565,067	2,113,240	8,678,307
2034 – 2036	4,465,000	453,750	4,918,750
Total	$ 14,373,552	$ 4,544,175	$ 18,917,727

NOTE 7 - RAW WATER CONTRACT

The District entered into an agreement on July 31, 2012 with the Aspen Skiing Company (ASC) to provide raw water from Ziegler Reservoir for snowmaking at its Snowmass Ski Area. Between October 15 and December 31, each year, ASC has the contractual right to remove snowmaking water from the Reservoir as long as minimum storage levels are maintained. In particularly dry years, additional water may be withdrawn after December 31, under certain circumstances and with District approval. The term of the contract is 99 years. District labor and electrical costs incurred in providing this water will be billed and reimbursed by ASC yearly. Routine minor maintenance costs associated with the necessary infrastructure is to be paid by the District with major repair costs split evenly between the parties. ASC paid the District $1,250,000 at execution of the agreement and further promises to pay $100,000 each January 1 for 20 years (total $3,250,000) beginning in 2013. The District recognized revenue of $154,762 in 2025 related to this contract. The District currently has, as of December 31, 2025, $383,333 in unearned revenues that will be recognized equally at $54,762 per year over the remaining 9 year payment schedule and is reflected in the statement of net position as the current portion of deferred revenue from the ASC contract.

NOTE 8 - PENSION PLANS

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (457 Plan). The 457 Plan is administered by Nationwide Retirement Services. Participation in the 457 Plan is optional for all employees, and allows the employees to defer a portion of their salary until future years. The District is also allowed to contribute to the 457 Plan; however, no contributions have been made.

Defined Contribution Plan

The employees of the District may participate in the District's 401(a) Retirement Savings Plan (the Plan), which is a defined contribution plan and is maintained and administered by Nationwide Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is available to all employees of the District who participate in the 457 Plan. Under this Plan, the District matches the employees' contributions to the 457 Plan, up to 5%, and remits them to the Plan Administrator. The employees do not contribute to this Plan. The District's contributions, plus earnings, become vested at a rate of 20% each year of participation in the Plan. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirements. Plan provisions and contribution requirements are established and may be amended by the Board. Contributions made by the District for the year ended December 31, 2025 were $163,622.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Prepaid System Development Fees

As of December 31, 2025, the District has received prepaid system development fees for equivalent residential unit connections, which is recognized as revenue when paid by the customer. The District is not required to repay the fees, but is required to provide water and sanitation service upon request.

Legal Proceedings

At times, the District may be subject to various claims and legal proceedings arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of any such matters will not have a material adverse effect on the net position, results of operations or cash flows of the District.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (Pool) in 2004. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2025.

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

Employee Health and Dental Insurance

The District participates in the CEBT Health Benefit Plan (the Plan) to provide employee health and dental insurance. CEBT is a self-funded, multiple employer trust that currently provides employee benefits for a number of public entities, with over 37,000 employees, in the State of Colorado. The Plan utilizes outside administrators to monitor and pay employee health care claims, negotiate excess coverage insurance and manage the Plan. The Plan may require additional contributions from the District and other members of the Plan to ensure the solvency and protect the financial condition of the Plan.

Supplemental Information

SNOWMASS WATER & SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS

AVAILABLE - BUDGET AND ACTUAL (Budgetary Basis)

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues and Other Financing Sources				
Water service fees	$ 3,864,595	$ 3,864,595	$ 3,955,154	$ 90,559
Sanitation service fees	3,268,978	3,268,978	3,253,919	(15,059)
Water system development fees	170,000	170,000	170,151	151
Sanitation system development fees	180,000	180,000	696,285	516,285
Property taxes	3,669,169	3,669,169	3,683,960	14,791
Specific ownership taxes	100,000	100,000	102,396	2,396
Investment income	500,000	500,000	607,536	107,536
Other revenue	75,000	75,000	225,269	150,269
Proceeds from sale of capital assets	-	-	6,000	6,000
Total Revenue and Other Financing Sources	11,827,742	11,827,742	12,700,670	872,928
Operating Expenditures				
Water				
Salaries	826,300	826,300	745,175	81,125
Employee benefits	277,200	277,200	257,669	19,531
Supplies and other	195,000	195,000	302,262	(107,262)
Utilities	148,400	148,400	137,346	11,054
Repairs and maintenance	305,000	305,000	792,663	(487,663)
Telemetering	30,000	30,000	19,041	10,959
Chemicals	42,000	42,000	26,246	15,754
Engineering	45,150	45,150	40,678	4,472
Miscellaneous	8,000	8,000	-	8,000
	1,877,050	1,877,050	2,321,080	(444,030)
Sanitation				
Salaries	619,071	619,071	702,078	(83,007)
Employee benefits	175,150	175,150	241,413	(66,263)
Supplies and other	354,900	354,900	319,854	35,046
Utilities	385,400	385,400	257,650	127,750
Repairs and maintenance	220,000	220,000	229,018	(9,018)
Telemetering	8,487	8,487	3,176	5,311
Chemicals	74,000	74,000	52,944	21,056
Engineering	14,000	14,000	8,977	5,023
Miscellaneous	2,122	2,122	-	2,122
	1,853,130	1,853,130	1,815,110	38,020
General Expenditures				
Salaries	633,450	633,450	754,750	(121,300)
Employee benefits	231,560	231,560	295,110	(63,550)
Contract labor	4,000	4,000	-	4,000
Supplies and other	210,000	210,000	245,280	(35,280)
Repairs and maintenance	14,000	14,000	7,666	6,334
Insurance	249,660	249,660	295,212	(45,552)
Audit	54,000	54,000	60,188	(6,188)
Legal	60,000	60,000	57,814	2,186
Engineering	150,000	150,000	68,235	81,765
Telephone	10,100	10,100	10,043	57
County treasurer's fees	160,000	160,000	187,880	(27,880)
Miscellaneous	20,000	20,000	3,142	16,858
	1,796,770	1,796,770	1,985,320	(188,550)

(Continued)

SNOWMASS WATER & SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS

AVAILABLE - BUDGET AND ACTUAL (Budgetary Basis)

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Debt Service				
Principal	883,500	883,500	980,289	(96,789)
Interest	854,306	854,306	755,213	99,093
	1,737,806	1,737,806	1,735,502	2,304
Capital Outlay	3,414,000	3,414,000	3,103,189	310,811
Total Expenditures	10,678,756	10,678,756	10,960,201	(281,445)
Excess of Revenue Over Expenditures	1,148,986	1,148,986	1,740,469	591,483
Change in Net Position (Budgetary Basis)	$ 1,148,986	$ 1,148,986	$ 1,740,469	$ 591,483

Available Resources - January 1	$ 12,310,032
Available Resources - December 31	$ 14,050,501

Available Resources at December 31, 2025 is computed as follows:

Current assets	$ 18,669,738
Current liabilities	(2,081,811)
Current portion of long-term liabilities	1,114,526
Deferred inflows of resources	(3,651,952)
	$ 14,050,501

(Concluded)