SOUTH SHERIDAN
WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Sheridan Water, Sanitary Sewer and Storm Drainage District

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of South Sheridan Water, Sanitary Sewer and Storm Drainage 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 governmental activities, the business-type activities, and each major fund of the South Sheridan Water, Sanitary Sewer and Storm Drainage District, as of December 31, 2025, and the respective changes in financial position, and, where applicable, respective cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Sheridan Water, Sanitary Sewer and Storm Drainage 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 opinions.

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 South Sheridan Water, Sanitary Sewer and Storm Drainage 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Sheridan Water, Sanitary Sewer and Storm Drainage 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 South Sheridan Water, Sanitary Sewer and Storm Drainage 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Sheridan Water, Sanitary Sewer and Storm Drainage District's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purpose 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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,



Haynie

Littleton, Colorado

September 9, 2026

BASIC FINANCIAL STATEMENTS

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF NET POSITION
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 68,657	$ 257,187	$ 325,844
Investments	1,699,770	1,669,502	3,369,272
Accounts receivable:			
Customer	-	57,581	57,581
Receivable from county treasurer	701	-	701
Property taxes receivable	134,513	-	134,513
Prepaid expenses	7,211	-	7,211
Capital assets, net of accumulated depreciation	-	3,479,163	3,479,163
Total assets	1,910,852	5,463,433	7,374,285
LIABILITIES			
Accounts payable	2,662	14,660	17,322
Accrued interest payable	-	3,645	3,645
Loans payable			
Due within one year	-	164,217	164,217
Due in more than one year	-	2,022,836	2,022,836
Total liabilities	2,662	2,205,358	2,208,020
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	134,513	-	134,513
Total deferred inflows of resources	134,513	-	134,513
NET POSITION			
Net investment in capital assets	-	1,292,110	1,292,110
Restricted for emergencies	3,300	17,100	20,400
Unrestricted	1,770,377	1,948,865	3,719,242
Total net position	$ 1,773,677	$ 3,258,075	$ 5,031,752

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 109,757	$ -	$ -	$ -	$ (109,757)	$ -	$ (109,757)
	109,757	-	-	-	(109,757)	-	(109,757)
Business-type activities:							
Water and sewer	568,621	612,863	-	-	-	44,242	44,242
Interest and expenses on long term debt	22,820	-	-	-	-	(22,820)	(22,820)
	591,441	612,863	-	-	-	21,422	21,422
Total	$ 701,198	$ 612,863	$ -	$ -	(109,757)	21,422	(88,335)
		General revenues:					
		Taxes:					
		Property taxes			126,770	-	126,770
		Specific ownership taxes			8,614	-	8,614
		Net investment income			75,707	81,660	157,367
		Total general revenues			211,091	81,660	292,751
		Change in net position			101,334	103,082	204,416
		Net position - beginning			1,672,343	3,154,993	4,827,336
		Net position - ending			$ 1,773,677	$ 3,258,075	$ 5,031,752

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2025

	General
ASSETS	
Cash and cash equivalents	$ 68,657
Investments	1,699,770
Receivable from county treasurer	701
Property taxes receivable	134,513
Prepaid expenses	7,211
TOTAL ASSETS	1,910,852
LIABILITIES	
Accounts payable	2,662
TOTAL LIABILITIES	2,662
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	134,513
TOTAL DEFERRED INFLOWS OF RESOURCES	134,513
FUND BALANCE	
Nonspendable:	
Prepaid expenditures	7,211
Restricted:	
Emergency reserves	3,300
Unassigned	1,763,166
TOTAL FUND BALANCE	$ 1,773,677

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended December 31, 2025

	General
REVENUES	
Property taxes	$ 126,770
Specific ownership taxes	8,614
Investment	75,707
Total revenues	211,091
EXPENDITURES	
General government	
Accounting and management	71,654
ADA compliance	2,200
Audit	8,385
Bank fees	6
County treasurer fees	1,905
Communications, newsletters and website	2,322
Directors fees	1,900
Elections	559
Insurance and dues	6,804
Legal	1,267
Payroll tax	115
Water distribution mapping	6,500
Website	2,100
SDA dues and seminars	1,428
Miscellaneous	2,612
Total expenditures	109,757
EXCESS OF REVENUES OVER EXPENDITURES	101,334
NET CHANGE IN FUND BALANCE	101,334
FUND BALANCE - BEGINNING OF YEAR	1,672,343
FUND BALANCE - END OF YEAR	$ 1,773,677

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 127,651	$ 126,770	$ (881)
Specific ownership taxes	6,383	8,614	2,231
Interest	40,000	75,707	35,707
Total revenues	174,034	211,091	37,057
EXPENDITURES			
General government			
Accounting and management	50,000	67,185	(17,185)
ADA compliance	5,000	2,200	2,800
Audit	12,000	8,385	3,615
District management - special services	5,000	4,469	531
Bank fees	300	6	294
County treasurer's fees	1,915	1,905	10
Directors fees	2,800	1,900	900
Elections	2,500	559	1,941
Communications, newsletters, and website	2,000	2,322	(322)
Fees and licenses	500	-	500
Insurance and bonds	8,500	6,804	1,696
Legal	2,000	1,267	733
SDA dues and seminars	5,000	1,428	3,572
Miscellaneous	2,000	2,612	(612)
Payroll tax	-	115	(115)
Water distribution mapping	5,500	6,500	(1,000)
Website	5,000	2,100	2,900
Contingency	5,300	-	5,300
Total expenditures	115,315	109,757	5,558
EXCESS OF REVENUES OVER EXPENDITURES	58,719	101,334	42,615
OTHER FINANCING USES			
Transfer to other funds	(15,000)	-	15,000
Total other financing uses	(15,000)	-	15,000
NET CHANGE IN FUND BALANCE	43,719	101,334	57,615
FUND BALANCE - BEGINNING OF YEAR	1,722,921	1,672,343	(50,578)
FUND BALANCE - END OF YEAR	$ 1,766,640	$ 1,773,677	$ 7,037

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF NET POSITION
WATER AND SEWER ENTERPRISE FUND
December 31, 2025

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 257,187
Investments	1,669,502
Accounts receivable	57,581
Total current assets	1,984,270
CAPITAL ASSETS	
Capital assets, being depreciated	5,292,610
Less accumulated depreciation and amortization	(1,813,447)
Total net capital assets	3,479,163
TOTAL ASSETS	$ 5,463,433
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 14,660
Accrued interest	3,645
SRF loan payable - current	164,217
Total current liabilities	182,522
NONCURRENT LIABILITIES	
SRF loan payable - noncurrent	2,022,836
Total noncurrent liabilities	2,022,836
Total liabilities	2,205,358
NET POSITION	
Net investment in capital assets	1,292,110
Restricted for emergencies	17,100
Unrestricted	1,948,865
Total net position	3,258,075
TOTAL LIABILITIES AND NET POSITION	$ 5,463,433

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
WATER AND SEWER ENTERPRISE FUND
Year Ended December 31, 2025

OPERATING REVENUES	
Service charges	$ 612,863
Total operating revenues	612,863
OPERATING EXPENSES	
Sewer treatment	259,534
Consulting services	11,065
Repairs and maintenance	120,642
Operator	18,657
Utility billing	49,332
Depreciation	109,391
Total operating expenses	568,621
INCOME FROM OPERATIONS	44,242
NONOPERATING REVENUES AND (EXPENSES)	
Investment income	81,660
Interest expense	(22,820)
Total nonoperating revenues and (expenses)	58,840
EXCESS OF REVENUES OVER EXPENDITURES	103,082
CHANGE IN NET POSITION	103,082
NET POSITION - BEGINNING OF YEAR	3,154,993
NET POSITION - END OF YEAR	$ 3,258,075

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

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
STATEMENT OF CASH FLOWS
WATER AND SEWER ENTERPRISE FUND
Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	606,635
Payments to vendors		(480,894)
Net cash provided by operating activities		125,741
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payments		(162,587)
Interest expense		(23,091)
Net cash used in capital financing activities		(185,678)
CASH FLOWS FROM GRANTS AND INVESTING ACTIVITIES		
Investment income		81,660
Purchase of investments		(791,269)
Net cash used in investing activities		(709,609)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(769,546)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		1,026,733
CASH AND CASH EQUIVALENTS - END OF YEAR	$	257,187
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Income from operations	$	44,242
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation		109,391
Effects of changes in operating assets and liabilities:		
Accounts receivable		(6,228)
Accounts payable and other liabilities		(21,664)
Net cash provided by operating activities	$	125,741

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

NOTE 1 – DEFINITION OF REPORTING ENTITY

South Sheridan Water, Sanitary Sewer and Storm Drainage District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide water, sanitary sewer and storm drainage services within its boundaries.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District, the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities. Tap fees are recorded as capital contributions when received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and service fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The District reports the following major proprietary fund:

The Water and Sewer Fund accounts for the water, sanitary sewer and storm drainage operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The District accounts for capital purchases in the Water and Sewer Fund for financial reporting purposes.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each funds' average equity balance in total cash.

Cash Equivalents

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

Customer Accounts Receivable

Due to the broad powers of collection, no allowance for uncollectible customer accounts receivable has been reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November 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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include land, water rights, road improvements, bridge improvements, buildings and improvements, and water system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 estimated fair market value at the date of donation. 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.

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 capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Sewer improvements	25 - 50 years
Water improvements	50 years

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District's board of directors or by an official or body to which the District board of directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

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

Cash and cash equivalents	$ 325,844
Investments	3,369,272
	$ 3,695,116

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

Deposits with financial institutions	$ 68,657
Investments - cash equivalents	257,187
Investments	3,369,272
	$ 3,695,116

Cash Deposits

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

NOTE 3 - CASH AND INVESTMENTS (continued)

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District's cash deposits had a bank balance of $69,747 and carrying balance of $68,657.

Investments

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

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Interest Rate Risk

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

At December 31, 2025, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 1,699,770
Commonwealth Financial Services	January 2026 - September 2030	1,669,502
		$ 3,369,272

NOTE 3 - CASH AND INVESTMENTS (continued)

COLOTRUST

At December 31, 2025, the District has invested $1,699,770 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), 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 COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. COLOTRUST is rated AAAm by Standard and Poor's.

COMMONWEALTH FINANCIAL NETWORK

At December 31, 2025 the District has invested $1,669,502 in the CommonWealth Financial Network. The Government Securities Fund invests in a money market fund and certificates of deposits with maturity dates ranging from January 2026 through September 2030. Each share is equal in value to $1.00.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools, which are not subject to concentration of credit risk.

Investment Valuation

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools, money market and certificate of deposit investments. The District held investments in Colotrust at year end for which the investment valuations were determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of Colotrust to maintain a NAV of $1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from $1.00 per share. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period.

NOTE 4 - CAPITAL ASSETS

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

Business-type activities:	Balance at December 31, 2024	Additions	Disposals/ Retirements	Balance at December 31, 2025
Capital assets, being depreciated:				
Sewer system	$ 3,021,150	$ -	$ -	$ 3,021,150
Water system	2,271,460	-	-	2,271,460
Total capital assets being depreciated	5,292,610	-	-	5,292,610
Less accumulated depreciation for:				
Sewer system	(1,272,480)	(63,962)	-	(1,336,442)
Water system	(431,576)	(45,429)	-	(477,005)
Total accumulated depreciation	(1,704,056)	(109,391)	-	(1,813,447)
Total capital assets being depreciated, net	3,588,554	(109,391)	-	3,479,163
Total capital assets, net	$ 3,588,554	$ (109,391)	$ -	$ 3,479,163

Depreciation of the business-type activities is charged to the sewer and water function.

NOTE 5 – LONG TERM OBLIGATIONS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025	Due Within One Year
Colorado Water Resources and Power Development Authority Loan	$ 2,349,640	$ -	$ 162,587	$ 2,187,053	$ 164,217

In 2013, the District entered into two loans, one for $1,916,075 with a 20-year term and one for $1,985,245 with a 30-year term with the Colorado Water Resources and Power Development Authority (Authority). Debt service payments commenced on November 1, 2014 on both loans. The interest rate on both loans is 1.00%. Principal and interest are due on May 1 and November 1 through November 2034 and 2044, respectively.

Significant events of default under the loans include (i) failure to pay within 30 days, (ii) failure to pay principal and interest on any bonds, notes or other obligations, (iii) failure to meet financial or custodial agreement covenants, (iv) any representation made that is false or misleading in any material respect and (v) a petition is filed for bankruptcy or insolvency.

NOTE 5 – LONG TERM OBLIGATIONS (continued)

Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the Authority shall have the right to take any action permitted or required pursuant to the loan agreement.

The following table sets forth the payment schedule for principal and interest on the loans:

Year Ending December 31,	Principal	Interest	Total
2026	$ 164,217	$ 21,461	$ 185,678
2027	165,864	19,815	185,679
2028	167,526	18,152	185,678
2029	169,206	16,472	185,678
2030	170,902	14,776	185,678
2031 - 2035	717,764	48,646	766,410
2036 - 2040	365,014	23,441	388,455
2041 - 2044	266,560	5,357	271,917
	$ 2,187,053	$ 168,120	$ 2,355,173

The District has pledged all of its available resources for the repayment of the loan.

NOTE 6 – INTERGOVERNMENTAL AGREEMENT

City and County of Denver

On December 6, 2019, the District entered into a water service agreement with the City and County of Denver, acting by and through its Board of Water Commissioners (Board). Under the terms of the agreement, referred to as a “read and bill” agreement, the Board agreed to furnish all of the potable water necessary on a leasehold basis to serve the full development of all land within the District’s contract area. The Board also sets the water rates and bills and collects the water charges. The District is responsible for constructing and maintaining the water distribution system within the contract service area, and the District owns the system.

NOTE 7 – FUND EQUITY

At December 31, 2025, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balances in the General Fund in the amount of $3,300 and in the Water and Sewer Enterprise Fund of $17,100 are comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado 10 (see Note 10).

NOTE 7 – FUND EQUITY (continued)

Assigned Fund Balance

Management has identified approximately $80,477 of unrestricted net position in the Water and Sewer Enterprise Fund for expenditures anticipated in the subsequent year. This amount has not been restricted by external parties and therefore remains classified as unrestricted net position.

NOTE 8 - NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2025, the District had a net investment in capital assets of $1,292,110, all in the business-type activities.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2025 is as follows:

	Governmental Activities	Business-type Activities	Total
Emergency reserves (see Note 10)	$ 3,300	$ 17,100	$ 20,400
	$ 3,300	$ 17,100	$ 20,400

The District's unrestricted net position at December 31, 2025 totaled $3,719,242 comprised of $1,770,377 in the governmental activities and $1,948,865 in the business-type activities.

NOTE 9 - RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, public officials' liability, boiler and machinery, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds

NOTE 9 - RISK MANAGEMENT (continued)

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 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

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 will require judicial interpretation.

SUPPLEMENTAL INFORMATION

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND SEWER ENTERPRISE FUND
Year Ended December 31, 2025

	Budget Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Water and sewer treatment	$ 536,500	$ 534,642	$ 534,642	$ -
Certified delinquent accounts	31,971	30,346	30,346	-
Alameda W & S sewer service charges	20,000	35,463	35,463	-
Bancroft-Clover sewer service charges	8,000	12,412	12,412	-
Grants	1,500	-	-	-
Investment income	55,000	81,660	81,660	-
Total revenues	652,971	694,523	694,523	-
EXPENDITURES				
Operator	5,000	18,660	18,657	3
Engineering and consulting	10,000	11,065	11,065	-
Fire hydrant repairs	20,000	-	-	-
Repairs and maintenance	50,000	82,090	82,088	2
Sewer treatment	300,000	259,535	259,534	1
Utility billing	39,000	49,050	49,048	2
Video survey of sewer pipeline	24,500	-	-	-
811 locates	3,000	38,555	38,554	1
Miscellaneous	750	285	284	1
Debt service		-		-
Principal payment - sewer	98,470	98,470	98,469	1
Interest payment - sewer	9,518	9,518	9,518	-
Principal payment - water	64,118	64,118	64,118	-
Interest payment - water	13,573	13,573	13,573	-
Total expenditures	637,929	644,919	644,908	11
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,042	49,604	49,615	11
OTHER FINANCING SOURCES				
Transfer from other funds	15,000	-	-	-
Total other financing sources	15,000	-	-	-
NET CHANGE IN FUNDS AVAILABLE	30,042	49,604	49,615	11
FUNDS AVAILABLE - BEGINNING OF YEAR	2,906,192	2,906,192	2,931,828	25,636
FUNDS AVAILABLE - END OF YEAR	$ 2,936,234	$ 2,955,796	$ 2,981,443	$ 25,647

SOUTH SHERIDAN WATER, SANITARY SEWER AND STORM DRAINAGE DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION
WATER AND SEWER ENTERPRISE FUND
Year Ended December 31, 2025

Revenues (budgetary basis)	$	694,523
Revenues per Statement of Revenues, Expenses and Change in Fund Net Position		694,523
Expenditures (budgetary basis)		644,908
Depreciation		109,391
Accrued interest payable		(271)
Loan - principal paid		(162,587)
Expenses per Statement of Revenues, Expenses and Change in Fund Net Position		591,441
Change in Net Position per Statement of Revenues, Expenses and Change in Fund Net Position	$	103,082