SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Southwest Suburban Denver Water and Sanitation District
Jefferson County, Colorado

Opinion

We have audited the accompanying financial statements of the Southwest Suburban Denver Water and Sanitation District (District) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's 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 financial position of the Southwest Suburban Denver Water and Sanitation District, as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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.

Responsibility 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We

have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 21, 2026

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2025, and 2024

Our discussion and analysis of Southwest Suburban Denver Water and Sanitation District's (District) financial performance provide an overview of the District's financial activities for the fiscal years ended December 31, 2025, and 2024. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- In 2025, the District incurred preliminary costs for the planned 2026 sewer rehabilitation work and for updating its 25-Year Capital Improvements Plan. The District also purchased new billing software. In 2024, the District removed and replaced approximately 927 lineal feet of 8-inch sewer main at a total cost of $791,600.

- Metro Water Recovery's (Metro) preliminary estimate for the District's sewage flows and related treatment charges for 2025 and 2024 were $533,299 and $469,615, respectively. The estimated treatment costs for 2025 were reduced by $50,293 based on the actual 2025 flows and loadings resulting in a final 2025 treatment expense of $483,006. Including prior-year cost adjustments, Metro charged the District $592,539 for 2025. The excess charges paid were applied to the $7,325 beginning Metro treatment charge payable from 2024, and the remaining $102,208 was recorded as a prepaid treatment charge to be applied against 2026 charges.

- The District's sewer rates for single family residences increased approximately 9.0% from 2024 to 2025. Multi-family rates increased approximately 8.6%. The non-residential District sewer rate increased approximately 8.5% and the Metro Water Recovery flow pass-through rate increased approximately 9.6%. The rate differentials are a function of actual water usage as well as sewage loading factors calculated by Metro Water Recovery.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources which equals net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Non-financial factors should also be considered to assess the overall financial 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 the

related cash flow. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

NET POSITION

	December 31,		
	2025	2024	2023
ASSETS			
Current assets	$ 2,590,915	$ 2,334,827	$ 2,768,231
Capital assets	3,168,385	3,235,732	2,622,302
Total assets	5,759,300	5,570,559	5,390,533
LIABILITIES			
Current liabilities	80,680	38,465	70,809
Total liabilities	80,680	38,465	70,809
NET POSITION			
Net investment in capital assets	3,168,385	3,235,732	2,622,302
Unrestricted	2,510,235	2,296,362	2,697,422
Total net position	$ 5,678,620	$ 5,532,094	$ 5,319,724

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, its net position increased 6.7% from 2023 to 2025. This increase is primarily due to increased service and capital reserve fees collected to support operating and capital needs as well as positive investment income and changes in the fair value of the District's investments. The District normally holds its investments until maturity, so the fair value differential is eliminated as the investments mature.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2025	2024	2023
REVENUES			
OPERATING REVENUE			
Service fees	$ 954,130	$ 736,356	$ 732,873
Delinquent fees	20,550	15,120	17,740
Inspection fees / other	18,915	18,109	13,840
Total operating revenue	993,595	769,585	764,453
NONOPERATING REVENUE (EXPENSE)			
Net investment income			
Interest	51,279	47,002	50,254
Net increase (decrease) in fair value of investments	40,080	71,190	67,478
Capital reserve fees	125,000	250,000	178,000
Loss on disposition of assets	-	(28,695)	-
Total nonoperating revenue (expense)	216,359	339,497	295,732
Total revenues	1,209,954	1,109,082	1,060,185
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	874,900	749,771	780,296
General and administrative expenses	188,528	146,941	152,520
Total operating and general and administrative expenses	1,063,428	896,712	932,816
CHANGE IN NET POSITION	146,526	212,370	127,369
NET POSITION - BEGINNING OF YEAR	5,532,094	5,319,724	5,192,355
NET POSITION - END OF YEAR	$ 5,678,620	$ 5,532,094	$ 5,319,724

Over the last three years, the fluctuations in the District's total revenues were a result of increases in service fees charged as well as fluctuations in interest earnings and changes in the fair value of the District's investments. Service and Capital Reserve fees together increased by 18.5% for the three-year period between 2023 and 2025.

Expenses for Sewer Maintenance and Repairs increased more than $82K and the District incurred approximately $33K of emergency repair costs, while Utility Locates decreased more than $16K. Overall operating and general and administrative expenses increased 18.6% from 2024 to 2025, primarily due to higher maintenance costs and increased management and accounting services. Capital reserve fees decreased 50% from 2024 to 2025 while service fees increased approximately 29.6%. Expenses for Utility Locates increased more than $25K while the overall total of operating and general expenses decreased slightly from 2023 to 2024 due to lower Sewer Treatment charges and maintenance expenses. Capital reserve fees were up 40%

from 2023 to 2024 to increase the District's reserves and plan for future capital improvement projects and to fund the upgrades to the Sewer Mains.

CAPITAL ASSETS

The District had capital assets as of December 31, 2025 and 2024 of $3,168,385 and $3,235,732 (net of accumulated depreciation/amortization). The District's investment in capital assets includes projects in progress, easements, sewer mains and equipment, software for internal use, a capital improvements study and a geographical information system (GIS). The analysis of changes in capital assets is as follows:

	Balance at December 31, 2024	Changes	Balance at December 31, 2025
Projects in progress	$ -	$ 49,462	$ 49,462
Easements	3,273	-	3,273
Capital improvements study	36,255	-	36,255
Geographic information system	27,673	-	27,673
Software	-	9,100	9,100
Sewer mains and equipment	6,309,830	-	6,309,830
Total assets	6,377,031	58,562	6,435,593
Accumulated depreciation	(3,141,299)	(125,909)	(3,267,208)
Total capital assets, net	$ 3,235,732	$ (67,347)	$ 3,168,385

	Balance at December 31, 2023	Changes	Balance at December 31, 2024
Projects in progress	$ 27,333	$ (27,333)	$ -
Easements	3,273	-	3,273
Capital improvements study	36,255	-	36,255
Geographic information system	27,673	-	27,673
Sewer mains and equipment	5,568,917	740,913	6,309,830
Total assets	5,663,451	713,580	6,377,031
Accumulated depreciation	(3,041,149)	(100,150)	(3,141,299)
Total capital assets, net	$ 2,622,302	$ 613,430	$ 3,235,732

At December 31, 2025, the $49,462 of projects in progress consisted of $32,222 for the preliminary design work for the 2026 capital improvements and $17,240 for the 25-Year Capital Improvements Plan update. The 2026 capital improvements included engineering, survey, bidding and related project costs for planned sewer rehabilitation work, including the S. Lewis Street sewer replacement and pipe lining at various locations. The 25-Year Capital Improvements Plan included engineering and management costs to update the District's long-term capital needs and related rate forecasts. The District also added $9,100 of billing software for internal use. Total

capital additions of $58,562 were less than depreciation of $125,909, resulting in a net decrease in capital assets of $67,347.

In 2024, the District completed the planned construction of Sewer Mains. The total costs for the project were $791,600 with the net book value of the sewer lines and manholes replaced was $28,695, resulting in a net increase of $740,913.

FUTURE ECONOMIC FACTORS AND RATES

- The 2026 sewage treatment charges estimated by Metro Water Recovery are $518,764. At December 31, 2025, the District had a $102,208 prepaid Metro treatment charge that will be applied against 2026 charges. The District records reductions in charges applicable to future periods as prepaid treatment charges and increases in charges applicable to future periods as treatment charges payable.

- A comparison of the District's sewer service fee rates including the pass-thru fees for Metro Water Recovery's sewage treatment charges for the past two years, as well as for 2026, is shown below.

Year	2026	2025	2024
Non-residential District Sewer Fee per 1,000 gallons	$ 7.00	$ 5.34	$ 4.92
Non-residential Metro Pass-Thru Sewage Treatment Flow Fee per 1,000 gallons	$ 1.78	$ 1.49	$ 1.36
Single Family Sewer Fee including Metro Pass-Thru Fees	$ 466.00	$ 398.00	$ 365.00
Multi- Family Sewer Fee including Metro Pass-Thru Fees	$ 364.00	$ 289.00	$ 266.00

- The District's capital improvements planned for 2026 include the S. Lewis Street sewer replacement and pipe lining at multiple locations. The District also plans to complete the updated 25-Year Capital Improvements Plan.

- The monthly fee the District charges for the few remaining sump pump customers will remain at $150 a month for 2026.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Southwest Suburban Denver Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Judy Simonson of Simonson & Associates, Inc at the District's Management office, P.O Box 3399, Evergreen, CO 80437-3399.

FINANCIAL STATEMENTS

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,905,004	$ 916,333
Investments	547,803	1,408,226
Accounts receivable	18,615	8,722
Accrued interest receivable	573	1,101
Prepaid expenses	16,712	445
Prepaid Metro treatment charges	102,208	-
Total current assets	2,590,915	2,334,827
CAPITAL ASSETS		
Projects in progress	49,462	-
Easements	3,273	3,273
Capital improvements study	36,255	36,255
Georgraphic information system	27,673	27,673
Software	9,100	-
Sewer mains and equipment	6,309,830	6,309,830
	6,435,593	6,377,031
Less accumulated depreciation	(3,267,208)	(3,141,299)
Total capital assets, net	3,168,385	3,235,732
TOTAL ASSETS	$ 5,759,300	$ 5,570,559
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 21,400	$ 18,437
Prepaid customer fees	59,280	12,703
Metro treatment charges payable	-	7,325
Total current liabilities	80,680	38,465
NET POSITION		
Net investment in capital assets	3,168,385	3,235,732
Unrestricted	2,510,235	2,296,362
Total net position	5,678,620	5,532,094
TOTAL LIABILITIES AND NET POSITION	$ 5,759,300	$ 5,570,559

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

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUE		
Service fees	$ 954,130	$ 736,356
Delinquent fees	20,550	15,120
Inspection Fees	9,750	12,800
Other income	9,165	5,309
Total operating revenue	993,595	769,585
OPERATING EXPENSES		
Depreciation	125,909	122,142
Sewer treatment charges	483,006	447,031
Engineering	35,616	41,743
Repairs and maintenance	171,895	56,732
Other	58,474	82,123
Total operating expenses	874,900	749,771
Gain (loss) from operations	118,695	19,814
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	6,000	5,700
Insurance	16,361	15,170
Election	519	-
Legal	525	525
Management fees	119,315	84,750
Directors' fees	3,728	3,700
Office and administration	42,080	37,096
Total general and administrative expenses	188,528	146,941
Net loss	(69,833)	(127,127)
NONOPERATING REVENUE (EXPENSES)		
Net investment income:		
Interest	51,279	47,002
Net increase (decrease) in fair value of investments	40,080	71,190
Capital reserve fees	125,000	250,000
Loss on disposition of assets	-	(28,695)
Total nonoperating revenue (expenses)	216,359	339,497
CHANGE IN NET POSITION	146,526	212,370
NET POSITION - BEGINNING OF YEAR	5,532,094	5,319,724
NET POSITION - END OF YEAR	$ 5,678,620	$ 5,532,094

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

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 1,030,279	$ 770,059
Cash paid to vendors	(1,060,356)	(790,782)
Net cash required by operating activities	(30,077)	(20,723)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(58,562)	(764,267)
Capital reserve fees	125,000	250,000
Net cash provided (required) by capital financing activities	66,438	(514,267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	900,000	700,000
Interest received	52,310	50,490
Net cash provided by investing activities	952,310	750,490
NET INCREASE IN CASH AND CASH EQUIVALENTS	988,671	215,500
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	916,333	700,833
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,905,004	$ 916,333
RECONCILIATION OF OPERATING GAIN TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net loss	$ (69,833)	$ (127,127)
Adjustments to reconcile gain to net cash required by operating activities:		
Depreciation and amortization	125,909	122,142
Effects of changes in operating assets and liabilities:		
Account receivable	(9,893)	1,881
Prepaid expenses	(118,475)	14,725
Payables and prepaid customer accounts	42,215	(32,344)
Net cash required by operating activities	$ (30,077)	$ (20,723)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Changes in fair value of investments	$ 39,577	$ 71,190

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

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

NOTE 1 – DEFINITION OF REPORTING ENTITY

Southwest Suburban Denver Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to 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 and sewer service to property within its service area primarily through intergovernmental agreements.

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.

The District has no authorized but unissued debt at December 31, 2025.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemptions of bonds and loans are recorded as reductions in liabilities. System development fees and contributed assets from developers are recorded as capital contributions when received.

Operating Revenues and Expenses

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

Restricted resources

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

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.

Capital Assets

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. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. 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 straight-line over the remaining useful lives of the related fixed assets, as follows.

Capital improvements study	10 years
Geographic information system	10 years
Sewer mains and equipment	40 years

System Development Fees and Contributed Lines

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

Reclassifications

For comparability, certain 2024 amounts have been reclassified where appropriate to conform with the 2025 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2025 and 2024 statements of net position and statements of cash flows as follows:

	2025	2024
Cash and cash equivalents:		
Deposits with financial institutions	$ 432,011	$ 187,140
COLOTRUST Plus+	728,476	504,351
COLOTRUST Edge	744,517	224,842
Total cash and cash equivalents	1,905,004	916,333
Investments:		
U.S. Agency Obligations	547,803	1,408,226
Total investments	547,803	1,408,226
Total cash equivalents and investments	$ 2,452,807	$ 2,324,559

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.

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 $478,719 and a carrying balance of $432,011. At December 31, 2024, the District's cash deposits had a bank balance of $203,950 and a carrying balance of $187,140.

Investments

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

Colorado statutes 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

The District held the following investments as of December 31, 2025:

Investment Type	Amount	Maturity
COLOTRUST Plus+	$ 728,476	Weighted avg. less than 60 days
COLOTRUST Edge	744,517	Weighted avg. over 60 days
U.S. Agency Obligations	547,803	1 - 5 years
Total investments	$ 2,020,796	

The District held the following investments as of December 31, 2024:

Investment Type	Amount	Maturity
COLOTRUST Plus+	$ 504,351	Weighted avg. less than 60 days
COLOTRUST Edge	224,842	Weighted avg. over 60 days
U.S. Agency Obligations	1,408,226	1 - 5 years
Total investments	$ 2,137,419	

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2025 and 2024 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2025 and 2024, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAm by Standard and Poor's and the Edge portfolio is rated AAAf/S1 by Fitch Ratings.

Valuation

The District has certain investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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; Level 3 inputs are significant unobservable inputs.

The District also has investments not 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 and money market investments.

The valuation of the District's investments are as follows at December 31, 2025:

	Amount	Level 1 Inputs
Investments measured at fair value:		
U.S. Agency Obligations	$ 547,803	$ 547,803
Total investments at fair value	547,803	$ 547,803
Investments measured at NAV		
COLOTRUST Plus	728,476	
COLOTRUST Edge	744,517	
Total investments at NAV	1,472,993	
Total investments	$ 2,020,796	

The valuation of the District's investments are as follows at December 31, 2024:

	Amount	Level 1 Inputs
Investments measured at fair value:		
U.S. Agency Obligations	$ 1,408,226	$ 1,408,226
Total investments at fair value	1,408,226	$ 1,408,226
Investments measured at NAV		
COLOTRUST Plus+	504,351	
COLOTRUST Edge	224,842	
Total investments at NAV	729,193	
Total investments	$ 2,137,419	

U.S. Agency Obligations are recorded at fair value based on level 1 inputs.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus+ is equal in value to $1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a $10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than $10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

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. Governmental Accounting Standards Board Statement No.

40 *Deposit and Investment Risk Disclosures* require the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

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

Investment Type	2025 Amount	Percent of Total Portfolio
COLOTRUST Plus+	$ 728,476	Not subject to disclosure
COLOTRUST Edge	744,517	Not subject to disclosure
Federal Home Loan Bank	297,937	14.74%
Federal Home Loan Mortgage Corp	249,866	12.36%
	$ 2,020,796	

At December 31, 2024, the District had the following investments:

Investment Type	2024 Amount	Percent of Total Portfolio
COLOTRUST Plus+	$ 504,351	Not subject to disclosure
COLOTRUST Edge	224,842	Not subject to disclosure
Federal Home Loan Bank	876,800	43.39%
Federal Home Loan Mortgage Corp	240,627	11.91%
Freddie Mac	290,799	14.39%
	$ 2,137,419	

NOTE 4 - CAPITAL ASSETS

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

	Balance at January 1, 2025	Increases/ Reclasses	Decreases/ Reclasses	Balance at December 31, 2025
Capital assets not being depreciated:				
Projects in progress	$ -	$ 49,462	$ -	$ 49,462
Easements	3,273	-	-	3,273
Capital assets, being depreciated:				
Capital improvements study	36,255	-	-	36,255
Geographic information system	27,673	-	-	27,673
Software	-	9,100	-	9,100
Sewer mains and equipment	6,309,830	-	-	6,309,830
Total capital assets being depreciated	6,377,031	58,562	-	6,435,593
Less accumulated depreciation:				
Capital improvements study	26,382	3,626	-	30,008
Geographic information system	18,320	2,767	-	21,087
Sewer mains and equipment	3,096,597	119,516	-	3,216,113
Total accumulated depreciation	3,141,299	125,909	-	3,267,208
Total capital assets, net	$ 3,235,732	$ (67,347)	$ -	$ 3,168,385

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

	Balance at January 1, 2024	Increases/ Reclasses	Decreases/ Reclasses	Balance at December 31, 2024
pital assets not being depreciated:				
Projects in progress	$ 27,333	$ 764,267	$ 791,600	$ -
Easements	3,273	-	-	3,273
pital assets, being depreciated:				
Capital improvements study	36,255	-	-	36,255
Geographic information system	27,673	-	-	27,673
Sewer mains and equipment	5,568,917	791,600	50,687	6,309,830
tal capital assets being depreciated	5,663,451	1,555,867	842,287	6,377,031
ss accumulated depreciation:				
Capital improvements study	23,615	2,767	-	26,382
Geographic information system	14,694	3,626	-	18,320
Sewer mains and equipment	3,002,840	115,749	21,992	3,096,597
tal accumulated depreciation	3,041,149	122,142	21,992	3,141,299
Total capital assets, net	$ 2,622,302	$ 1,433,725	$ 820,295	$ 3,235,732

NOTE 5 - NET POSITION

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

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025 and 2024, the District had invested in capital assets of $3,168,385 and $3,235,732, respectively equal to its net capital assets as the District has no outstanding debt.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

WATER SERVICE AGREEMENT

Denver Water Board

The District has a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) whereby the Denver Water Department provides water in the District's service area and charges the users directly. The Denver Water Board has provided for service to future users within the District. All

water lines in the District have been conveyed to the Denver Water Board which is responsible for maintenance and repair of those lines.

SEWER SERVICE AGREEMENT

Metro Water Recovery

The District has an agreement with Metro Water Recovery (Metro) for sewage treatment and disposal. The District pays Metro for sewage treatment fees and the District bills the users for sewer service. The District is responsible for the maintenance and future construction costs of all sewer lines and retains title to all sewer lines within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Adjustments to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system.

The composition of the charges for actual flows in 2025 and 2024 are as follows:

	2025		2024
Preliminary estimate for current year	$ 533,299		$ 469,615
Preliminary adjustment for current year	(50,293)		29,331
Final adjustment for current year	-	*	(51,915)
Total annual charges	$ 483,006		$ 447,031

* Metro Water Recovery is changing the methodology to a 3-year rolling average therefore, no final adjustment for current year will be calculated.

NOTE 7 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, (as amended from time to time), 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 and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its operations qualify for this exclusion.

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. Some of the provisions of TABOR, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

SUPPLEMENTAL INFORMATION

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2025

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget -
REVENUE			
Service fees	$ 1,076,735	$ 1,079,130	$ 2,395
Delinquent fees	20,000	20,550	550
Inspection fees	8,000	9,750	1,750
Interest income	40,550	51,279	10,729
Increase (decrease) in fair value of investments	-	40,080	40,080
Miscellaneous	-	9,165	9,165
Total revenues	1,145,285	1,209,954	64,669
EXPENDITURES			
Sewer treatment and operations:			
Sewer treatment charges	533,300	483,006	50,294
Engineering maintenance	16,550	12,302	4,248
Repairs and maintenance	154,400	139,350	15,050
Utility locates	49,260	52,050	(2,790)
Inspections	8,975	6,424	2,551
General operations:			
Audit	5,800	6,000	(200)
General engineering and tap fee study	29,900	23,314	6,586
Insurance	16,000	16,361	(361)
Election costs	500	519	(19)
Legal	1,100	525	575
Management and accounting fees	105,000	119,315	(14,315)
Directors' fees	5,000	3,728	1,272
Office and administrative	54,500	42,080	12,420
Capital outlay and reserve	107,500	58,562	48,938
Contingency	100,000	32,545	67,455
Total expenditures	1,187,785	996,081	191,704
REVENUES OVER (UNDER) EXPENDITURES	(42,500)	213,873	256,373
FUNDS AVAILABLE - BEGINNING OF YEAR	2,169,240	2,296,362	127,122
FUNDS AVAILABLE - END OF YEAR	$ 2,126,740	$ 2,510,235	$ 383,495
Funds available is computed as follows:			
Current assets		$ 2,590,915	
Current liabilities		(80,680)	
		$ 2,510,235	

SOUTHWEST SUBURBAN DENVER WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2025

Revenue (budgetary basis)	$ 1,209,954
Revenues per Statements of Revenues, Expenses and Changes in Net Position	1,209,954
Expenditures (budgetary basis)	996,081
Depreciation	125,909
Capital outlay	(58,562)
Expenses per Statements of Revenues, Expenses and Changes in Net Position	1,063,428
Change in net position per Statements of Revenues, Expenses and Changes in Net Position	$ 146,526