WILLOWBROOK WATER AND SANITATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willowbrook Water and Sanitation District
Jefferson County, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Willowbrook 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 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 financial position of the District as of December 31, 2025 and 2024, the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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.

Other Matters

Required Supplementary Information

Management has omitted 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford LLP

Denver, Colorado
July 28, 2026

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

	2025	2024
ASSETS		
Current assets:		
Cash and investments	$ 22,719,043	$ 21,944,963
Accounts receivable	456,027	398,899
Other receivables	-	36,253
Property tax receivable	524,253	565,720
Receivable from County Treasurer	3,031	2,744
Interest receivable	4,675	4,675
Prepaid expenses	43,430	39,975
Total current assets	23,750,459	22,993,229
Non-current assets:		
Capital assets, not being depreciated	1,527,355	245,686
Capital assets, being depreciated	33,165,745	31,615,970
Accumulated depreciation	(18,668,735)	(17,829,629)
Capital assets, net	16,024,365	14,032,027
Total assets	$ 39,774,824	$ 37,025,256
LIABILITIES		
Accounts payable	$ 742,196	$ 515,066
Tap fees payable	70,485	248,400
Accrued liabilities	214	122
Deposits payable	45,250	36,200
Total liabilities	858,145	799,788
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	524,253	565,720
Total deferred inflows of resources	524,253	565,720
NET POSITION		
Net investment in capital assets	16,024,365	14,032,027
Unrestricted	22,368,061	21,627,721
Total net position	38,392,426	35,659,748
Total liabilities, deferred inflows of resources, and net position	$ 39,774,824	$ 37,025,256

The accompanying notes and independent auditor's report should be read with these financial statements.

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

	2025	2024
OPERATING REVENUES		
Water revenues	$ 4,614,775	$ 4,583,593
Sewer revenues	1,760,120	1,726,120
Late charges and shut offs	447	447
Meter sales	23,136	30,214
Other operating revenues	24,319	92,027
Total operating revenues	6,422,797	6,432,401
OPERATING EXPENSES		
Accounting	94,418	90,643
Administrative	159,734	193,048
Depreciation and amortization	839,106	769,113
Director's fees	6,065	5,945
District management	179,373	168,802
Engineering	122,356	131,244
Insurance	39,237	28,125
Legal	61,620	46,532
Utilities	135,191	125,267
Water and sewer costs, maintenance, and supplies	4,500,150	4,896,077
Total operating expenses	6,137,250	6,454,796
Net operating income	285,547	(22,395)
NON-OPERATING REVENUES (EXPENSES)		
County Treasurer's fees	(8,380)	(7,574)
Investment income	873,810	987,862
Property taxes	558,345	504,356
Specific ownership taxes	38,356	31,919
Net non-operating revenues	1,462,131	1,516,563
CAPITAL CONTRIBUTIONS		
Tap fees	985,000	1,371,839
Total capital contributions	985,000	1,371,839
Change in net position	2,732,678	2,866,007
Net position, beginning of year	35,659,748	32,793,741
Net position, end of year	$ 38,392,426	$ 35,659,748

The accompanying notes and independent auditor's report should be read with these financial statements.

WILLOWBROOK 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 operations	$ 6,365,669	$ 6,329,077
Other receipts	36,253	57,000
Cash payments to suppliers for goods and services	(5,243,242)	(5,135,343)
Other operating cash payments	-	(36,253)
Net cash flows from operating activities	1,158,680	1,214,481
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property taxes	558,345	504,356
Specific ownership taxes	38,069	31,225
County Treasurer's fees	(8,380)	(7,574)
Net cash flows from non-capital financing activities	588,034	528,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	985,000	1,371,839
Acquisitions and construction of capital assets	(2,843,608)	(2,087,320)
Receipts from sale of capital assets	12,164	-
Net cash flows from capital and related financing activities	(1,846,444)	(715,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	873,810	987,862
Net cash flows from investing activities	873,810	987,862
Net change in cash and equivalents	774,080	2,014,869
Cash and investments, beginning of year	21,944,963	19,930,094
Cash and investments, end of year	$ 22,719,043	$ 21,944,963

The accompanying notes and independent auditor's report
should be read with these financial statements.

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

	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	$ 285,547	$ (22,395)
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Depreciation	839,106	769,113
Net change in operating assets and liabilities:		
Accounts receivable	(57,128)	(48,824)
Other receivables	36,253	(36,253)
Interest receivable	-	2,500
Prepaid expenses	(3,455)	(9,874)
Accounts payable	227,130	301,666
Tap fees payable	(177,915)	243,280
Accrued liabilities	92	(2,232)
Deposits	9,050	17,500
Net cash flows from operating activities	$ 1,158,680	$ 1,214,481

The accompanying notes and independent auditor's report should be read with these financial statements.

1. DEFINITION OF REPORTING ENTITY

Willowbrook Water and Sanitation District ("District") is a political subdivision of the state of Colorado, organized pursuant to Title 32, Section 4, Paragraph 101 through 108, CRS, 1973, as amended, per a district court order on April 29, 1980. The purpose of the District is to provide water and sanitation services to the residents of the District.

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 financial reporting. 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 employees and all operating and administrative functions are provided under contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as an enterprise fund. The enterprise fund is used since the District's operations are similar to those of a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of accounting

The District’s records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets. Inclusion fees and tap fees are recorded as contributed capital when received unless the fees result from agreements which are subject to liens on the property and have interest-bearing receivables.

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with 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 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 appropriation is at the total fund expenditures level and lapses at year end.

Cash and investments

For purposes of the financial statements, the District considers cash deposits and all highly liquid investments with initial maturities of three months or less to be cash equivalents.

The District estimates that the fair values of all financial instruments as of December 31, 2025 and 2024, do not differ materially from the aggregate carrying values of its financial instruments as recorded in the accompanying statements of net position. The carrying values of these financial instruments approximate fair values because of the short maturity of the underlying instruments.

Accounts receivable

Water and sewer billings are considered past due if not paid within 45 days. The District posts a 48-hour notice of shut off directly at the site and will charge a shut-off fee if not paid within the 48 hours. As of December 31, 2025 and 2024, the District considers accounts receivable to be fully collectable and no allowance for doubtful accounts has been recorded.

Capital assets

Capital assets, which include property, equipment and water distribution systems, are defined by the District as assets with an initial individual cost of more than $5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets as follows:

Water distribution system	25 - 40 years
Equipment	5 - 10 years

Maintenance and repairs are expensed as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as non-operating revenue or expense.

Intangible assets with indefinite useful lives are not depreciated.

Deferred inflows of resources

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

Net position

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

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost of service, administrative expenses, and depreciation of assets, and are recorded as incurred.

Tap fees

Tap fees represent one-time charges to tap into the water and sanitation services of the District.

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 and attaches as an enforceable lien 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 or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

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

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor’s report, the date these financial statements were available to be issued.

New accounting pronouncement

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

3. CASH AND INVESTMENTS

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

	2025	2024
Cash and investments	$ 22,719,043	$ 21,944,963
Total cash and investments	$ 22,719,043	$ 21,944,963

See independent auditor's report.

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2025 and 2024 are as follows:

	2025	2024
Deposits with financial institutions	$ 2,728,986	$ 3,924,726
Investments	19,990,057	18,020,237
	$ 22,719,043	$ 21,944,963

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The 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 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.

As of December 31, 2025, the District had cash deposits with a bank balance of $2,820,946 and a carrying balance of $2,728,986. As of December 31, 2024, the District had cash deposits with a bank balance of $4,100,286 and a carrying balance of $3,924,726.

Investments

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

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

Investment	Maturity	Amount
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 19,003,964
Federal Home Loan Bank Bond 3130AMWK4	07/14/2026	986,093
Total investments		$ 19,990,057

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

Investment	Maturity	Amount
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 17,069,192
Federal Home Loan Bank Bond 3130AMWK4	07/14/2026	951,045
Total investments		$ 18,020,237

Government and agency bonds

Government and agency bonds consist of US Treasury notes, Federal Farm Credit Bank bonds, Federal Farm Home Loan Bank bonds, and Federal National Mortgage Association bonds. Such investments may not exceed 75% of the total par value of the District’s portfolio. Federal Home Loan Bank Bonds are rated AA+ by Standard & Poor's.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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 offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to $1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable net asset value ("NAV") local government investment pool, offers weekly liquidity and is managed to approximate a $10 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

Investment valuation

Certain investments are measured at fair value within the fair value hierarchy established by US GAAP. The hierarchy is based on the inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant observable other inputs; and level 3 inputs are significant unobservable inputs. Investments measured at net asset value ("NAV"), such as COLOTRUST, are excluded from the fair value hierarchy.

As of December 31, 2025, the fair values of the District's investments were as follows:

Investment	Level 1	Level 2	Level 3	Total
Government and agency bonds	$ -	$ 986,093	$ -	$ 986,093

As of December 31, 2024, the fair values of the District's investments were as follows:

Investment	Level 1	Level 2	Level 3	Total
Government and agency bonds	$ -	$ 951,045	$ -	$ 951,045

4. CAPITAL ASSETS

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

	Balance 01-01-25	Additions	Dispositions	Reclassifications	Balance 12-31-25
Capital assets, not being depreciated:					
Land	$ 90,000	$ -	$ -	$ -	$ 90,000
Construction in progress	155,686	1,421,562	(6,550)	(133,343)	1,437,355
Total capital assets, not being depreciated	245,686	1,421,562	(6,550)	(133,343)	1,527,355
Capital assets being depreciated:					
Plant, mains equipment, and easements	31,507,429	1,422,046	(5,614)	133,343	33,057,204
Study, water projects	49,621	-	-	-	49,621
Furniture, equipment, and improvements	58,920	-	-	-	58,920
Total capital assets, being depreciated	31,615,970	1,422,046	(5,614)	133,343	33,165,745
Less accumulated depreciation:					
Plant, mains equipment, and easements	(17,721,588)	(839,106)	-	-	(18,560,694)
Study, water projects	(49,621)	-	-	-	(49,621)
Furniture, equipment, and improvements	(58,420)	-	-	-	- (58,420)
Total accumulated depreciation	(17,829,629)	(839,106)	-	-	(18,668,735)
Capital assets, net	$ 14,032,027	$ 2,004,502	$ (12,164)	$ -	$ 16,024,365

See independent auditor's report.

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

	Balance 01-01-24	Additions	Dispositions	Reclassifications	Balance 12-31-24
Capital assets, not being depreciated:					
Land	$ 90,000	$ -	$ -	$ -	$ 90,000
Construction in progress	228,904	1,962,811	-	(2,036,029)	155,686
Total capital assets, not being depreciated	318,904	1,962,811	-	(2,036,029)	245,686
Capital assets, being depreciated:					
Plant, mains equipment, and easements	29,346,891	124,509	-	2,036,029	31,507,429
Study, water projects	49,621	-	-	-	49,621
Furniture, equipment, and improvements	58,920	-	-	-	58,920
Total capital assets, being depreciated	29,455,432	124,509	-	2,036,029	31,615,970
Less accumulated depreciation:					
Plant, mains equipment, and easements	(16,952,475)	(769,113)	-	-	(17,721,588)
Study, water projects	(49,621)	-	-	-	(49,621)
Furniture, equipment and improvements	(58,420)	-	-	-	(58,420)
Total accumulated depreciation	(17,060,516)	(769,113)	-	-	(17,829,629)
Capital assets, net	$ 12,713,820	$ 1,318,207	$ -	$ -	$ 14,032,027

Depreciation expense for the years ended December 31, 2025 and 2024, totaled $839,106 and $769,113, respectively.

5. DEBT AUTHORIZATION

The District has no authorized and unissued debt.

6. OFFICE LEASE

The District leases office space under a lease agreement with monthly payments from $1,597 to $1,745 through June 30, 2027. Management determined the impact of capitalizing the lease was immaterial to the financial statements as a whole.

7. NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2025 and 2024, the District had net investment in capital assets as follows:

	2025	2024
Net investment in capital assets:		
Capital assets, net	$ 16,024,365	$ 14,032,027
Net investment in capital assets	$ 16,024,365	$ 14,032,027

Unrestricted net assets consist of net assets that do not meet the definition of net investment in capital assets or restricted net assets.

Prior to January 1, 2022, the District had set aside certain funds to fund future capital projects. These reserve funds were historically reported as restricted net position. The District has determined that such reserve funds no longer exist and no restricted net position exists for this purpose.

8. INTERGOVERNMENTAL AGREEMENTS

The District entered into a settlement agreement with Lakehurst Water and Sanitation District ("Lakehurst") on December 1, 2010, in which the District is entitled to discharge its effluent into the Lakehurst collection system up to 3.15 million gallons per day. The District is obligated to pay annual operations and maintenance costs and 33% of all capital expenditures relating to those portions at the collection system through which the District's effluent passes. Additionally, the District is obligated to pay a $75 admin fee for the next 228 taps created from the date of the agreement.

The District entered into a cost recovery agreement with Chimney Rock Metropolitan District ("Chimney Rock") on May 23, 2001 and as amended February 22, 2022, in which the District will impose and collect an improvement fee on a property constructed by Chimney Rock and remit the revenues to Chimney Rock. The property owner has not paid the improvement fees and the agreement was extended through December 1, 2029. No amounts have been accrued or recorded in relation to this agreement and the District compensates Chimney Rock when amounts are received from property owners.

The District entered into a special connectors sewage treatment and disposal agreement with the Metropolitan Wastewater Reclamation District ("Metro") on December 20, 1983 for final treatment and disposal of the District's sewage. The District retains responsibility for the maintenance and future construction costs of, and retains title to, all sewer lines in the District. The agreement provides for annual estimated charges, which are assessed through the application of a predetermined formula. Adjustments to the estimated charge are based on meter flows, content, and actual costs. The adjustments are to be rebilled or credited to the District during the two succeeding years. The District also collects sewer connection charges on behalf of the Metro that are pass through items and not recorded as revenue or expenses on the District's financial statements. As of December 31, 2025 and 2024, the District owed the Metro $65,010 and $248,400, respectively, under this agreement.

On February 10, 1982, and as amended on May 12, 2010, the District connected directly to the Denver Water system at Belleview Avenue and Simms Street under an agreement that entitles the District to a stated, guaranteed water supply in perpetuity.

9. SETTLEMENT AGREEMENT

During the year ended December 31, 2023, a sewer line of the District's was damaged by third parties and settlement conversations ensued. During June 2024, the parties agreed that the District would receive $57,000 in revenue for the damages caused by the defendants. The District recognized other operating revenue of $57,000 during the year ended December 31, 2024 as a result of this settlement.

10. CONCENTRATIONS

The District purchases its water from the Denver Water Department. If the Denver Water Department was unable to supply the District with water, the District has no alternate resources currently in place.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to 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"). 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 four 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.

12. TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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.

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 a significant portion of its operations qualifies for this exclusion.

District management believes the District 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 likely require judicial interpretation.

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SUPPLEMENTARY INFORMATION

WILLOWBROOK WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
Water revenues	$ 4,728,857	$ 4,614,775	$ (114,082)
Sewer revenues	1,734,595	1,760,120	25,525
Late charges and shut offs	-	447	447
Meter sales	27,440	23,136	(4,304)
Other operating revenues	23,080	24,319	1,239
Total operating revenues	6,513,972	6,422,797	(91,175)
OPERATING EXPENDITURES			
Accounting	94,500	94,418	82
Administrative	198,095	159,734	38,361
Capital outlay	2,839,000	2,843,608	(4,608)
Contingency	216,000	-	216,000
Director's fees	6,997	6,065	932
District management	196,025	179,373	16,652
Engineering	145,000	122,356	22,644
Insurance	30,938	39,237	(8,299)
Legal	85,000	61,620	23,380
Utilities	172,076	135,191	36,885
Water and sewer costs, maintenance, and supplies	5,419,347	4,500,150	919,197
Total operating expenditures	9,402,978	8,141,752	1,261,226
NON-OPERATING REVENUES (EXPENDITURES)			
County Treasurer's fees	(8,486)	(8,380)	106
Investment income	645,302	873,810	228,508
Property taxes	565,720	558,345	(7,375)
Specific ownership taxes	31,500	38,356	6,856
Tap fees	1,050,000	985,000	(65,000)
Net non-operating revenues	2,284,036	2,447,131	163,095
Change in net position - budgetary basis	$ (604,970)	$ 728,176	$ 1,333,146

See independent auditor's report.

WILLOWBROOK WATER AND SANITATION DISTRICT
RECONCILIATION OF AMOUNTS FROM
US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2025

The accompanying supplementary Schedule of Revenues and Expenditures − Budget Compared to Actual on page 15 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2025 is presented below.

Total expenses and capital expenditures per financial statements	$ 6,145,630
Add:	
Capital outlay	2,843,608
Less:	
Depreciation expense	(839,106)
Total actual expenditures and capital expenditures per the budget	$ 8,150,132

See independent auditor's report.