

**DENVER SOUTHEAST SUBURBAN
WATER AND SANITATION DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

INDEPENDENT AUDITOR’S REPORT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	V
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	2
STATEMENTS OF CASH FLOWS	3
NOTES TO BASIC FINANCIAL STATEMENTS	4
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION	26
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS)	29
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	32
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	33
OTHER SUPPLEMENTARY INFORMATION	35
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY CLEAN WATER REVENUE BONDS, SERIES 2005A	44

Board of Directors
Denver Southeast Suburban Water and Sanitation District
Douglas County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Denver Southeast Suburban Water and Sanitation District (the "District"), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Denver Southeast Suburban Water and Sanitation District as of December 31, 2025 and 2024, and the results of its operations and its cash flows 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 ("GAAS"). 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 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 ("GAAP"), 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.

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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 GAAS 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 GAAS, 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.

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Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Supplementary Information and Continuing Disclosure Annual Financial Information

Management is responsible for the other supplementary information and continuing disclosure annual financial information included in our report. The other supplementary information and continuing disclosure annual financial information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other supplementary information and continuing disclosure annual financial information, and, accordingly, we do not express an opinion or provide any assurance on them.

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In connection with our audit of the basic financial statements, our responsibility is to read the other supplementary information and continuing disclosure annual financial information and consider whether a material inconsistency exists between the other supplementary information and continuing disclosure annual financial information and the basic financial statements, or the other supplementary information and continuing disclosure annual financial information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information and continuing disclosure annual financial information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Denver, Colorado

May 13, 2026

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**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

The management of Denver Southeast Suburban Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

District Operations

The number of District staff increased in 2025 by one full-time equivalent (FTE) to a total of 25. The District experienced some turnover, with a senior wastewater operator retiring at the beginning of 2025, and some other positions becoming vacant. By fall 2025, the District was fully staffed including the additional FTE for a new electrician. The average tenure of the District staff dropped from over ten (10) years to now just below 9 years of service.

Growth in the District increased in 2025 compared to 2024. In 2025, the District sold 65 water and sewer taps to new homes as compared to 39 taps in 2024 and 33 new taps in 2023. Two new multi-family developments included into the District 2025 and will add almost 200 new taps in the coming years. Along with additional tap fees, each of the developments will pay a wastewater treatment plant expansion fee and a water resources fee in lieu of dedicating renewable water. The District has budgeted 94 new water and sewer taps for 2026.

The total precipitation for 2025 of 17.6 inches was above the published average local precipitation of 15.2 inches and what local water utilities would consider an average water year. During the summer months (May-Aug), the District received 11.5 inches of precipitation, over two thirds of the precipitation for the entire year. These months are typically the months with the highest water demand.

Consistent with the average water year, customer demand was average as well, with 1.09 billion gallons of water delivered in 2025. This amount is down 7.7% from 2024 water demand, yet up 24% from the 2023 demand. The 2023 demand was so low compared the previous and subsequent years due to high precipitation through the summer.

Water system repair and replacement capital projects in 2025 included the continued maintenance of the water distribution system to replace valves, curb stops, fire hydrants, air-vac valves, and meter pits. Staff completed a plan to replace the old potable water pipelines in the oldest part of the Pinery with a construction schedule spanning the next ten years. Two of the oldest and most critical pressure reducing valves in the District were replaced and design for a new pump station (PS #7) completed with construction scheduled to begin spring 2026. This pump station will provide much needed redundancy for the older sections of the water distribution system.

In 2025 the District continued to concentrate on capital upgrades to the Wastewater Treatment Plant. Major projects such as the Aeration Upgrades and the Switchgear Replacement project kicked off. Staff also continued its maintenance program on the sewer collection system to decrease infiltration and prolong the life of its assets by lining inspecting approximately 70% of the collection system and providing point repairs to many sewer manholes.

The District started a new Rates and Fees Study in 2025 to investigate the effects of a water budget-based water rate structure. Early results indicate a water budget-based rate structure could incentivize conservation and reduce peak demands while still capturing appropriate revenue levels. That study is set to wrap up early 2026. The water tap fees increased in 2026 by 2.5% to \$42,845 while the sewer tap fees increased by 2.6% to \$16,482. The tap fees will be increased each year consistent with the construction cost index for this local area.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

District Operations (Continued)

The District continued to participate in long-term regional water supply projects through its membership in the Cherry Creek Project Water Authority and the South Metro WISE Authority. The South Metro WISE Authority is in the preliminary planning phase of a solution to mitigate high salinity water that may be delivered through the project. The District has the right to receive up to 500 AC-FT of renewable and reusable WISE water each year.

The Cherry Creek Project Water Authority (CCPWA) completed construction of its new raw water storage facility near Franktown, Colorado, the Walker Reservoir. The progress of the reservoir project was severely impacted by the catastrophic flooding in May 2023, but shortly after completion in summer 2024, the CCPWA began filling the reservoir. The reservoir was full by Spring 2025 and was instrumental in meeting the rising summer demand. The regional partnership is planning to increase the capacity of the reservoir, and the partners are beginning negotiations on the proportionate split of that extra capacity. The District owns approximately 47% of the capacity in this reservoir and the stored water is instrumental in meeting peak summer demands.

Financial Highlights

- Net position increased \$3,047,713 while revenues decreased 3.87% and expenses increased 3.44%.
- Operating revenues decreased 2.27% from the prior year.
- Net operating loss of \$2,609,003 was an increase of \$705,672 from last year's net operating loss of \$1,903,331. Excluding depreciation, net operating income was \$3,076,572.
- Operating expenses exclusive of depreciation increased 0.49% from the prior year.
- Customers on-line for water service at year-end increased by 58 single-family residential equivalent units to 5,108 at year-end.
- Funds available (current assets plus other assets less current liabilities exclusive of the current portion of long-term obligations) increased \$2,335,087 to \$26,316,050 at December 31, 2025.

Overview of the Financial Statements

Management's discussions and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of financial statements and notes to financial statements. This report also contains other supplemental information and continuing disclosure annual financial information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Overview of the Financial Statements (Continued)

The statement of cash flows reports the District's cash flows from operating, noncapital financing, capital, and investing activities.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The supplemental information contained in this report provides a schedule of revenues, expenses, and change in net position, budget and actual information, and debt service requirements.

The continuing disclosure annual financial information is information required by the Series 2005A bond covenants, including mill levy, assessed valuation and property tax information, annual operating data, historical actual and budget financial statements, statistical information within the area and debt coverage information.

The District's net position increased \$3,047,713 in 2025. Current assets increased \$1,286,971 and capital assets, net of depreciation, decreased \$867,599.

	December 31,		
	2025	2024	2023
ASSETS			
Current Assets	\$ 27,324,512	\$ 26,037,541	\$ 27,923,790
Capital Assets	125,384,267	126,251,866	121,923,143
Total Assets	152,708,779	152,289,407	149,846,933
LIABILITIES			
Current Liabilities	2,587,570	3,613,863	3,742,480
Long-Term Liabilities	9,935,342	11,537,390	13,094,671
Total Liabilities	12,522,912	15,151,253	16,837,151
NET POSITION			
Net Position Invested in Capital Assets	113,869,817	113,157,191	107,315,400
Restricted Net Position	12,424,914	12,336,747	14,259,481
Unrestricted Net Position	13,891,136	11,644,216	11,434,901
Total Net Position	<u>\$ 140,185,867</u>	<u>\$ 137,138,154</u>	<u>\$ 133,009,782</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Review of Change in Net Position

	December 31,		
	2025	2024	2023
REVENUES			
Operating Revenue:			
Water Services	\$ 7,096,172	\$ 7,455,361	\$ 6,128,825
Sewer Services	2,979,347	2,853,745	2,754,350
Total Operating Revenue	10,075,519	10,309,106	8,883,175
Nonoperating Revenue:			
Investment Income	973,349	1,286,267	1,358,815
Other	1,198,624	333,051	230,911
Contributions:			
Tap Fees, Net of Cost Recovery Payments	3,826,693	1,923,847	1,509,370
Water Wheeling	-	-	578,750
County's Portion Per IGA	-	2,811,190	-
Other	11,577	69,075	1,565,480
Total Other Revenue	6,010,243	6,423,430	5,243,326
Total Revenue	16,085,762	16,732,536	14,126,501
EXPENSES			
Operating Expenses:			
Water	3,217,265	3,402,868	2,753,518
Sewer	2,019,793	1,808,641	1,581,201
Subtotal	5,237,058	5,211,509	4,334,719
General and Administrative	1,761,889	1,794,439	1,699,484
Depreciation	5,685,575	5,206,489	4,598,616
Total Operating Expenses	12,684,522	12,212,437	10,632,819
Nonoperating Expenses	353,527	391,727	360,905
Total Expenses	13,038,049	12,604,164	10,993,724
CHANGE IN NET POSITION	3,047,713	4,128,372	3,132,777
Net Position - Beginning of Year	137,138,154	133,009,782	129,877,005
NET POSITION - END OF YEAR	<u>\$ 140,185,867</u>	<u>\$ 137,138,154</u>	<u>\$ 133,009,782</u>

Operating revenue decreased by \$233,587. Revenue from the sale of tap fees, net of cost recovery payments increased \$1,902,846. Additionally, water services decreased \$359,189.

Total operating expenses increased \$472,085 in 2025.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and nonoperating revenue and contributions. This budgetary accounting is required by state statutes. Additionally, the budget includes the separation of the enterprise and general government activities within the District.

Actual revenue of the District was lower than the budgeted revenue by \$2,548,962.

Total actual expenditures of the District were less than the appropriation by \$8,215,273, which includes a positive variance of \$6,759,824 for capital expenditures.

Capital Assets Activity

The activity related to capital assets is as follows:

	December 31, 2024	Net Changes	December 31, 2025
Land and Easements	\$ 827,262	\$ -	\$ 827,262
Construction in Process	19,699,728	1,093,734	20,793,462
Water System:			
Water Rights	12,177,082	-	12,177,082
Water Facilities	101,672,857	1,562,536	103,235,393
Bingham Lake and Dam	542,502	-	542,502
Sewer System:			
Sewer Facilities	34,937,900	1,215,133	36,153,033
Wastewater Treatment Plant	22,410,517	584,589	22,995,106
Buildings	2,777,588	142,698	2,920,286
Equipment and Vehicles	2,496,268	141,776	2,638,044
Total Capital Assets	197,541,704	4,740,466	202,282,170
Accumulated Depreciation	(71,289,838)	(5,608,065)	(76,897,903)
Net Capital Assets	<u>\$ 126,251,866</u>	<u>\$ (867,599)</u>	<u>\$ 125,384,267</u>

The 2025 activity relating to capital assets reflects costs incurred by the District relating to the construction of water wells, sewer lines, and replacement of equipment at the wastewater treatment plant.

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

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	December 31, 2023	Net Changes	December 31, 2024
Land and Easements	\$ 827,262	\$ -	\$ 827,262
Construction in Process	24,042,823	(4,343,095)	19,699,728
Water System:			
Water Rights	12,177,082	-	12,177,082
Water Facilities	90,822,039	10,850,818	101,672,857
Bingham Lake and Dam	542,502	-	542,502
Sewer System:			
Sewer Facilities	34,587,799	350,101	34,937,900
Wastewater Treatment Plant	20,037,217	2,373,300	22,410,517
Buildings	2,741,246	36,342	2,777,588
Equipment and Vehicles	2,228,522	267,746	2,496,268
Total Capital Assets	188,006,492	9,535,212	197,541,704
Accumulated Depreciation	(66,083,349)	(5,206,489)	(71,289,838)
Net Capital Assets	<u>\$ 121,923,143</u>	<u>\$ 4,328,723</u>	<u>\$ 126,251,866</u>

	December 31, 2022	Net Changes	December 31, 2023
Land and Easements	\$ 827,262	\$ -	\$ 827,262
Construction in Process	20,493,632	3,549,191	24,042,823
Water System:			
Water Rights	12,177,082	-	12,177,082
Water Facilities	84,448,270	6,373,769	90,822,039
Bingham Lake and Dam	542,502	-	542,502
Sewer System:			
Sewer Facilities	34,587,799	-	34,587,799
Wastewater Treatment Plant	19,915,307	121,910	20,037,217
Buildings	2,690,847	50,399	2,741,246
Equipment and Vehicles	1,942,987	285,535	2,228,522
Total Capital Assets	177,625,688	10,380,804	188,006,492
Accumulated Depreciation	(61,484,733)	(4,598,616)	(66,083,349)
Net Capital Assets	<u>\$ 116,140,955</u>	<u>\$ 5,782,188</u>	<u>\$ 121,923,143</u>

Long-Term Debt

All scheduled payments of principal and interest on the District's outstanding debt were paid as required during 2025.

Additional detail on the District's debt is in Note 5 of this report.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Economic Factors and Next Year's Budgets and Rates

For 2026, the District has budgeted revenue from water and sewer charges of \$11,230,500, which is \$480,500 higher compared with 2025 budgeted figures. The District has also budgeted \$824,000 of water project fees that are intended to help fund the construction of future water improvement projects. 2026 operating expenses are budgeted at \$6,819,425, which is \$6,950 lower compared with 2025 budget amounts.

The majority of the District's debt is in the form of revenue notes. The revenues pledged to pay this debt include fees for service (water and sewer bills) and fees charged for new development (tap fees). To the extent that one of the revenue sources is less than projected, then revenue from other sources is required to make the debt service payments.

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Denver Southeast Suburban Water and Sanitation District
5242 Old Schoolhouse Road
Parker, Colorado 80134
<http://pinerywater.com>

BASIC FINANCIAL STATEMENTS

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 14,526,525	\$ 13,479,504
Cash and Cash Equivalents - Restricted	12,424,914	12,336,747
Accounts Receivable	136,004	155,127
Unutilized Taps Service Charge Receivable	-	3,134
Prepaid Expenses	<u>237,069</u>	<u>63,029</u>
Total Current Assets	27,324,512	26,037,541
CAPITAL ASSETS, NET		
	<u>125,384,267</u>	<u>126,251,866</u>
Total Assets	<u><u>\$ 152,708,779</u></u>	<u><u>\$ 152,289,407</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and Retainage Payable	\$ 834,321	\$ 1,885,968
Accrued Payroll	80,496	67,618
Interest Payable	93,645	102,992
Current Maturities of Long-Term Obligations	<u>1,579,108</u>	<u>1,557,285</u>
Total Current Liabilities	2,587,570	3,613,863
LONG-TERM OBLIGATIONS		
	9,935,342	11,537,390
NET POSITION		
Net Investment in Capital Assets	113,869,817	113,157,191
Restricted	12,424,914	12,336,747
Unrestricted	<u>13,891,136</u>	<u>11,644,216</u>
Total Net Position	140,185,867	137,138,154
Total Liabilities and Net Position	<u><u>\$ 152,708,779</u></u>	<u><u>\$ 152,289,407</u></u>

See accompanying Notes to Basic Financial Statements.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
WATER OPERATIONS		
Revenues	\$ 7,096,172	\$ 7,455,361
Direct Water Expenses	3,217,265	3,402,868
Depreciation - Water	<u>4,254,590</u>	<u>3,875,111</u>
GROSS PROFIT (LOSS) FROM WATER OPERATIONS	(375,683)	177,382
SEWER OPERATIONS		
Revenues	2,979,347	2,853,745
Direct Sewer Expenses	2,019,793	1,808,641
Depreciation - Sewer	<u>1,136,596</u>	<u>1,076,113</u>
GROSS LOSS FROM SEWER OPERATIONS	<u>(177,042)</u>	<u>(31,009)</u>
GROSS PROFIT (LOSS) FROM OPERATIONS	(552,725)	146,373
GENERAL AND ADMINISTRATIVE EXPENSES		
General and Administrative	1,761,889	1,794,439
Depreciation	<u>294,389</u>	<u>255,265</u>
LOSS FROM OPERATIONS	(2,609,003)	(1,903,331)
NONOPERATING REVENUES	2,171,973	1,619,318
NONOPERATING EXPENSES	<u>353,527</u>	<u>391,727</u>
LOSS BEFORE CONTRIBUTIONS	(790,557)	(675,740)
CAPITAL CONTRIBUTIONS	<u>3,838,270</u>	<u>4,804,112</u>
CHANGE IN NET POSITION	3,047,713	4,128,372
Net Position - Beginning of Year	<u>137,138,154</u>	<u>133,009,782</u>
NET POSITION - END OF YEAR	<u><u>\$ 140,185,867</u></u>	<u><u>\$ 137,138,154</u></u>

See accompanying Notes to Basic Financial Statements.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 10,025,737	\$ 10,215,169
Payments to Suppliers	(4,156,102)	(4,589,219)
Payments to Employees and Related Expenses	(3,212,593)	(2,852,270)
Other Receipts	68,317	77,745
Net Cash Provided by Operating Activities	<u>2,725,359</u>	<u>2,851,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ready to Serve Fees	60,857	37,590
Other Income	1,076,990	295,461
Net Cash Provided by Noncapital Financing Activities	<u>1,137,847</u>	<u>333,051</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Assets	60,777	-
Contributions in Aid of Construction:		
Tap Fees	3,829,893	1,923,847
Other Contributed Capital	-	2,811,190
Receipts from Unutilized Taps Service Charges	14,711	81,169
Acquisition of Property, Plant and Equipment	(5,674,481)	(9,156,284)
Interest and Paying Agent Fees	(357,341)	(394,982)
Debt Principal Reduction	(1,575,514)	(1,506,453)
Net Cash Used by Capital and Related Financing Activities	<u>(3,701,955)</u>	<u>(6,241,513)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Income Received	973,937	1,286,808
Net Cash Provided by Investing Activities	<u>973,937</u>	<u>1,286,808</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,135,188	(1,770,229)
Cash, Restricted Cash, and Cash Equivalents - Beginning of Year	<u>25,816,251</u>	<u>27,586,480</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 26,951,439</u></u>	<u><u>\$ 25,816,251</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from Operations	\$ (2,609,003)	\$ (1,903,331)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:		
Depreciation	5,685,575	5,206,489
Decrease in Amortization of Loan Premiums	(10,244)	(10,244)
Increase in Accounts Receivable	18,535	(16,192)
Increase in Accounts Payable and Accrued Payroll	(185,464)	(544,874)
Decrease (Increase) in Prepaid Expenses	(174,040)	119,577
Net Cash Provided by Operating Activities	<u><u>\$ 2,725,359</u></u>	<u><u>\$ 2,851,425</u></u>

See accompanying Notes to Basic Financial Statements.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 DEFINITION OF REPORTING ENTITY

Denver Southeast Suburban Water and Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado was organized by order and decree of the District Court for Douglas County on June 21, 1965 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Section 1, Colorado Revised Statutes). The District's service area is located in Douglas County, Colorado. The District was established to provide water and sanitation services.

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:

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.

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 redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses and change 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 service provided. Operating expenses include the cost of service, 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.

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 and other financing uses 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.

Cash Equivalents

For purposes of the statements 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.

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

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

The District filed a zero mill levy certification for collection in 2025.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, water rights, plant and buildings, distribution and collection systems, and machinery and equipment, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Plant and Buildings	30 Years
Distribution and Collection Systems	50 Years
Machinery and Equipment	5 Years

Tap Fees and Contributed Lines

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

Cost Recovery Contracts

The District has cost recovery agreements with developers who have contributed lines to the District. The District is to collect its normal fees from customers requesting to connect to the contributed lines and remit a portion of the collected fees to the developer who contributed the facilities.

Water Rights

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.

Amortization – Original Issue Discount/Premium

Debt premiums and discounts are amortized over the respective terms of the borrowing using the interest method.

Compensated Absences

The District has a policy that allows employees to accumulate unused vacation benefits up to a maximum of twice the annual accrual per employee. Compensated absences are accrued when earned in the financial statements.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designations

The Board of Directors of the District has designated the following amounts of the unrestricted net position for the following purposes:

	2025	2024
Ground Water Protection Reserve	\$ 570,399	\$ 536,450
Operating and Capital Reserve	9,940,109	10,555,841
Total Board-Designated Amounts	<u>\$ 10,510,508</u>	<u>\$ 11,092,291</u>

NOTE 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
Statement of Net Position:		
Cash and Cash Equivalents	\$ 14,526,525	\$ 13,479,504
Cash and Cash Equivalents - Restricted	12,424,914	12,336,747
Total Cash and Investments	<u>\$ 26,951,439</u>	<u>\$ 25,816,251</u>

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

	2025	2024
Deposits with Financial Institutions	\$ 4,586,184	\$ 2,923,432
Cash on Hand	231	231
Investments	22,365,024	22,892,588
Total Cash and Cash Equivalents	<u>\$ 26,951,439</u>	<u>\$ 25,816,251</u>

Deposits with Financial Institutions

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

At December 31, 2025 and 2024, the District had the following deposits with financial institutions:

	<u>2025</u>	<u>2024</u>
Bank Balance:		
Insured Deposits	\$ 250,000	\$ 250,000
Deposits Collateralized in Single Institution Pools	4,607,831	2,799,043
Total Bank Balance	<u>\$ 4,857,831</u>	<u>\$ 3,049,043</u>
Carrying Balance:		
Insured Deposits	\$ 250,000	\$ 250,000
Deposits Collateralized in Single Institution Pools	4,336,184	2,673,432
Total Carrying Balance	<u>\$ 4,586,184</u>	<u>\$ 2,923,432</u>

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 noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements for investments that are in the possession of another party.

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

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

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2025 and 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>	
		<u>2025</u>	<u>2024</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 6,390,442	\$ 6,123,209
Colorado Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	15,974,582	16,769,379
Total		<u>\$ 22,365,024</u>	<u>\$ 22,892,588</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

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

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

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2025 and 2024, was as follows:

	Balance December 31, 2024	Additions	Retirements/ Reclassi- fications	Balance December 31, 2025
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water Rights	12,177,082	-	-	12,177,082
Construction in Progress	19,699,728	1,093,734	-	20,793,462
Total Capital Assets, Not Being Depreciated	32,704,072	1,093,734	-	33,797,806
Capital Assets, Being Depreciated:				
Water Facilities	101,672,857	1,562,536	-	103,235,393
Bingham Lake and Dam	542,502	-	-	542,502
Sewer Facilities	34,937,900	1,215,133	-	36,153,033
Wastewater Treatment Plant	22,410,517	584,589	-	22,995,106
Buildings	2,777,588	142,698	-	2,920,286
GIS Program	484,782	16,099	-	500,881
Office and Field Equipment	943,293	116,777	-	1,060,070
Vehicles	1,068,193	86,410	(77,510)	1,077,093
Total Capital Assets, Being Depreciated	164,837,632	3,724,242	(77,510)	168,484,364
Less Accumulated Depreciation for:				
Water Facilities	(43,844,325)	(4,240,785)	-	(48,085,110)
Bingham Lake and Dam	(402,151)	(13,805)	-	(415,956)
Sewer Facilities	(11,744,316)	(541,869)	-	(12,286,185)
Wastewater Treatment Plant	(11,774,522)	(577,498)	-	(12,352,020)
Buildings	(1,660,002)	(67,663)	-	(1,727,665)
GIS Program	(238,491)	(17,229)	-	(255,720)
Office and Field Equipment	(649,542)	(170,596)	-	(820,138)
Vehicles	(976,489)	(56,130)	77,510	(955,109)
Total Accumulated Depreciation	(71,289,838)	(5,685,575)	77,510	(76,897,903)
Capital Assets, Net	<u>\$ 126,251,866</u>	<u>\$ (867,599)</u>	<u>\$ -</u>	<u>\$ 125,384,267</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance December 31, 2023	Additions	Retirements/ Reclassi- fications	Balance December 31, 2024
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 827,262	\$ -	\$ -	\$ 827,262
Water Rights	12,177,082	-	-	12,177,082
Construction in Progress	24,042,823	1,153,736	(5,496,831)	19,699,728
Total Capital Assets, Not Being Depreciated	37,047,167	1,153,736	(5,496,831)	32,704,072
Capital Assets, Being Depreciated:				
Water Facilities	90,822,039	10,850,818	-	101,672,857
Bingham Lake and Dam	542,502	-	-	542,502
Sewer Facilities	34,587,799	350,101	-	34,937,900
Wastewater Treatment Plant	20,037,217	2,373,300	-	22,410,517
Buildings	2,741,246	36,342	-	2,777,588
GIS Program	461,110	23,672	-	484,782
Office and Field Equipment	778,120	165,173	-	943,293
Vehicles	989,292	78,901	-	1,068,193
Total Capital Assets, Being Depreciated	150,959,325	13,878,307	-	164,837,632
Less Accumulated Depreciation for:				
Water Facilities	(39,983,019)	(3,861,306)	-	(43,844,325)
Bingham Lake and Dam	(388,346)	(13,805)	-	(402,151)
Sewer Facilities	(11,216,112)	(528,204)	-	(11,744,316)
Wastewater Treatment Plant	(11,226,613)	(547,909)	-	(11,774,522)
Buildings	(1,601,127)	(58,875)	-	(1,660,002)
GIS Program	(222,255)	(16,236)	-	(238,491)
Office and Field Equipment	(508,829)	(140,713)	-	(649,542)
Vehicles	(937,048)	(39,441)	-	(976,489)
Total Accumulated Depreciation	(66,083,349)	(5,206,489)	-	(71,289,838)
Capital Assets, Net	<u>\$ 121,923,143</u>	<u>\$ 9,825,554</u>	<u>\$ (5,496,831)</u>	<u>\$ 126,251,866</u>

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

	2025	2024
Water	\$ 4,254,590	\$ 3,875,111
Sewer	1,136,596	1,076,113
General and Administrative	294,389	255,265
Total	<u>\$ 5,685,575</u>	<u>\$ 5,206,489</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2025 and 2024, was as follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Notes/Loans From Direct Borrowings and Placements					
CWRPDA Loan - 2005	\$ 620,000	\$ -	\$ 322,940	\$ 297,060	\$ 297,060
Refinancing Note - 2010	3,991,365	-	601,907	3,389,458	625,921
CWRPDA Loan - 2015	8,476,168	-	650,667	7,825,501	653,696
Subtotal of Notes/Loans	13,087,533	-	1,575,514	11,512,019	1,576,677
Plus Loan Premium	7,142	-	4,711	2,431	2,431
Total Long-Term Obligations	<u>\$ 13,094,675</u>	<u>\$ -</u>	<u>\$ 1,580,225</u>	<u>\$ 11,514,450</u>	<u>\$ 1,579,108</u>
	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Notes/Loans From Direct Borrowings and Placements					
CWRPDA Loan - 2005	\$ 900,000	\$ -	\$ 280,000	\$ 620,000	\$ 300,000
Refinancing Note - 2010	4,570,183	-	578,818	3,991,365	601,907
CWRPDA Loan - 2015	9,123,803	-	647,635	8,476,168	650,667
Subtotal of Notes/Loans	14,593,986	-	1,506,453	13,087,533	1,552,574
Plus Loan Premium	13,757	-	6,615	7,142	4,711
Total Long-Term Obligations	<u>\$ 14,607,743</u>	<u>\$ -</u>	<u>\$ 1,513,068</u>	<u>\$ 13,094,675</u>	<u>\$ 1,557,285</u>

Loan Agreements

On May 25, 2005, the District entered into a loan agreement with the Authority in the amount of \$4,800,000. Principal and interest payments are due semi-annually on February 1 and August 1 in varying amounts through August 1, 2026, with the net effective interest rate of 3.35%. The District has the option to prepay the loan in multiples of \$100,000 plus prepayment costs.

The components of interest expense for this loan for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Administrative Fee	\$ 22,275	\$ 38,400
Total	<u>\$ 22,275</u>	<u>\$ 38,400</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Agreements (Continued)

Water Enterprise Revenue Refunding Note, Series 2010, dated December 21, 2010, in the original amount of \$10,335,213 with principal payments due annually on December 1 and interest payments due semi-annually on June 1 and December 1 at 3.95% through December 1, 2030. The note is subject to redemption prior to maturity in any amount at any time on or after December 1, 2012, upon payment of a calculated demand fee, which fee decreases the longer the note remains outstanding. The District is required to maintain a Debt

Service Reserve Fund in the amount of \$1,033,521. The note is a limited and special obligation of the District payable from and secured by an irrevocable assignment and pledge of revenue of the Enterprise Fund, net of operation and maintenance costs, plus any monies held in a rate stabilization fund and net future imposed revenues.

On December 15, 2020, the Registered Owner of the note had the option put the note back to the District and receive the entire outstanding principal amount of the note plus accrued interest at the time the put occurs. The Registered Owner chose not to do so, and per the terms of the agreement, the note renewed at the current interest rate until the maturity date.

Colorado Water Resources and Power Development Authority Loan, Series 2015

On April 1, 2015, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for the Drinking Water Revolving Fund in the amount of \$14,250,066, to be drawn in various amounts as needed to fund a new pump station, conversion of a disinfection system from free chlorine to chloramine, as well as several core infrastructures including a water storage tank, water treatment plant, and several aging potable water pipelines. Principal and interest payments are due semi-annually in varying amounts through August 1, 2036, with the net effective interest rate 1.57% to 2.87% which is inclusive of servicing fees.

The components of interest expense for this loan for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Interest	\$ 57,871	\$ 62,056
Administrative Fee	128,251	128,251
Total	<u>\$ 186,122</u>	<u>\$ 190,307</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Agreements (Continued)

**Colorado Water Resources and Power Development Authority Loan, Series 2015
(Continued)**

The District's long-term obligations will mature as follows:

	Governmental Activities		
	Notes from Direct Borrowings and		
	Direct Placements		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,576,677	\$ 325,698	\$ 1,902,375
2027	1,311,628	279,529	1,591,157
2028	1,342,628	248,613	1,591,241
2029	1,371,672	216,812	1,588,484
2030	1,421,792	169,983	1,591,775
2031-2035	3,764,284	424,095	4,188,379
2036	818,378	18,628	837,006
Total Payments	11,607,059	1,683,358	13,290,417
Less: Amounts Due Within			
One Year	(1,576,677)	(325,698)	(1,902,375)
Long-Term Portion	\$ 10,030,382	\$ 1,357,660	\$ 11,388,042

Note: The schedule assumes that all of the 2015 CWRPDA available loan proceeds are drawn.

NOTE 6 NET POSITION

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

The net investment in capital assets component of net position 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 the following net investment in capital assets, calculated as follows:

	<u>2025</u>	<u>2024</u>
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 125,384,267	\$ 126,251,866
Current Portion of Long-Term Obligations	(1,579,108)	(1,557,285)
Noncurrent Portion of Long-Term Obligations	(9,935,342)	(11,537,390)
Net Investment in Capital Assets	<u>\$ 113,869,817</u>	<u>\$ 113,157,191</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 NET POSITION (CONTINUED)

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$12,424,914 and \$12,336,747 as of December 31, 2025 and 2024, respectively, for payment of future debt service requirements, capital improvements and emergency reserves as required by Article X, Section 20 of the Constitution of the state of Colorado.

NOTE 7 EMPLOYEE BENEFIT PLAN

Deferred Compensation Plan

The District maintains a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District also maintains a 401a plan. These plans are administered by Standard Insurance Company, a subsidiary of StanCorp Financial Group, Inc. The District will contribute up to a maximum of 8% of the employee's annual salary to the 401a plan, provided the employee contributes up to 8% of their salary to the 457 plan. The assets held are not material to the statement of net position. There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. Employees are fully vested after a 30-day eligibility period from their employment start date.

NOTE 8 AGREEMENTS

Intergovernmental Agreement – Pinery West

On October 30, 2002, the District entered into an agreement with Pinery West Metropolitan District No. 1 (Pinery West), whereby the developer will construct certain infrastructure improvements and subsequently convey the improvements to Pinery West, who in turn conveyed the improvements to the District. The costs of certain improvements are eligible for reimbursement to the developer through a portion of the tap fees collected from the property owners, but shall not exceed the actual costs without interest, of such improvements. Pinery West subsequently assigned its reimbursement rights to the developer. The amount to be allocated from tap fees towards such reimbursable items is \$7,584 per tap. The District remitted \$-0- and \$-0-, respectively, for 0 and 0 tap fees, respectively, collected during 2025 and 2024 related to this agreement.

During 2007, and with the infrastructure improvements completed, the District performed an analysis of the actual costs incurred. Based upon the analysis, the District will make a reimbursement of \$7,584 per tap for a total of 825 taps or \$6,256,800. From 2002 through 2025, the District reimbursed \$5,885,184 for 776 taps; therefore, remaining future reimbursement is \$371,616 for 49 taps.

The District also agreed to collect an additional fee from property owners in the amount of \$800 per dwelling unit, the proceeds of which will be used to reimburse the developer the cost of constructing a golf course well. During 2025 and 2024 the District collected 0 and 7 taps, respectively.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental Agreement – Town of Castle Rock

On August 11, 2004, the District amended and restated, in its entirety, the original agreement by and between the District and the Town of Castle Rock (the Town). The Town shall construct (or cause others to construct), at no cost to the District, the interceptor required to connect the point of individual discharge within the Town limits to the southern-most point on the "Pinery West Line." The Town shall own and maintain that portion of the Town Interceptor between the points of individual discharge and the Flow Metering Station. The District shall own and maintain all lines and appurtenances from and including the Flow Metering Station to the Plant. During 2007, the Flow Metering Station was contributed to the District at a value of \$163,000. The District agrees to treat up to 0.29 million gallons per day average annual flow of wastewater discharged from the Town's sanitary sewer system exclusively from the Liberty Village Service Area. A flow metering station (FMS) to measure the wastewater flows from the Liberty Village Service Area shall be installed by the Town, at the Town's expense, in conjunction with the Town's construction and connection of the Town Interceptor.

On or before the 10th day of each month, the Town shall forward to the District a list of residential tap connections made in the Liberty Village Service Area for the preceding month. For each residential sewer tap that is not utilized within 10 years of the first tap connection made within the Liberty Village Service Area pursuant to the Agreement, beginning January 1st of the eleventh (11) year, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as the monthly service charge, had the sewer tap been connected. Such monthly fee-in-lieu of service charge shall be assessed upon 1,245 single family residential sewer taps less the number of such taps then in service for which a monthly service charge is paid to the District as provided below.

Each tap shall continue to be charged such fee until one of the following occurs: 1) such tap is placed in service and a monthly service charge is paid to the District, or 2) all right, title and interest to such tap is transferred to the District, free and clear of liens and encumbrances which transfer the District shall accept, provided, however, that the District shall not be required to accept transfer of more than 150 single family residential sewer taps without the express consent of the District. The District will impose and collect user charges for the services provided by the District under the Agreement (the Service Charges). The Service Charges shall be based upon the wastewater flows measured at the FMS, applying the current schedule of rates set forth by the District. As of December 31, 2025, all taps have been issued.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental Agreement – Canyons

On December 23, 2004, the District entered into an agreement with the Mississippi Partnership (the Canyons Developer) in connection with the property known as “The Canyons.” This agreement has the ability to be assigned to any successor developers and sub-developers as well as to the metropolitan districts, Crowfoot Valley Metropolitan Districts No. 1 and No. 2, or to any other special district empowered to provide sanitary sewer services to the property. The agreement was later assigned to Canyons South LLC. The Canyons Developer shall construct, at no cost to the District, the interceptor line required to connect the points of individual sewage discharge within the property to a point of connection with the District’s sewer system.

The parties acknowledge and agree that the property located immediately to the east and north of the property is to be served with sanitary sewer services by the District through an agreement by and between the District and Pinery West Metropolitan District No. 1 (Pinery West). Based upon the anticipated construction by the Canyons Developer, the District shall sell and the Canyons Developer has agreed to purchase 968 single-family equivalent units of wastewater treatment capacity.

As payment for such, the developer agreed to pay the principal amount of \$3,100,000 payable as follows: \$310,000 on or before December 20, 2004, which was deposited in January 2005, with the remaining amount repaid annually each June 1 starting in 2005 through 2024, with an annual interest rate of 4%. The agreement was secured by an irrevocable letter of credit in the original amount of \$2,765,000. During 2009, the payment date was changed to December 1, per an amendment of the agreement.

The District agrees to treat up to 0.24 million gallons per day (mgd) average annual flow of wastewater, but not more than 0.27 mgd monthly average flow of wastewater discharged from the Canyons Developer’s sanitary sewer system from the property.

The District agrees to furnish wastewater treatment capacity for wastewater facilities associated with the golf course to be located on the property. The Canyons Developer shall pay to the District such tap fees and any other fees and charges imposed by the District at such time as the golf course wastewater facilities are installed. The taps may not be used or assigned for any service outside of the property. The District shall have the exclusive obligation to maintain or develop sufficient treatment capacity to enable it to honor the taps. The District may, with consent of the Canyons Developer, repurchase any taps which are not utilized within 10 years of the date of issuance at the original amount paid for the taps; provided however, that at the tenth anniversary date of the issuance of the first certificate, 500 taps have been utilized, the District’s option to repurchase the taps shall not become effective unless such taps are not utilized 15 years after the date of their issuance.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental Agreement – Canyons (Continued)

In 2009, the agreement was amended to include monthly service charges for sewer usage which charges are the sole responsibility of the Canyons Developer. Additionally, for unutilized taps that are not physically connected to the District's service lines within three years after the date of issuance, a monthly fee-in-lieu of service charge shall be assessed in an amount equivalent to 50% of what would have been assessed as a service charge if the tap had been connected to the District. The deferred charges shall accrue interest from the date on which such charges would have become due at a rate of 4%.

On November 16, 2016, the District entered into the second amendment to this agreement with the Canyons Developer. Pursuant to the second amendment, the Canyons Developer has paid \$1,674,781 for the purchase of the remaining 507 taps in November 2016. These taps shall be deemed as unutilized taps until physical connect is made to the District's service lines. Furthermore, the total amount due as of December 1, 2016 for service charges and accrued interest of \$315,231 is deferred until the earlier of December 1, 2019 (Due Date) or such time as the construction of the interceptor. If this \$315,231 amount is not paid on or before the Due Date, interest shall accrue and compound at 8% per annum on any unpaid balance. On December 20, 2019, the District received payment in the amount of \$315,231.

To the extent, fully paid taps are issued for utilization during the course of development, such taps will be deducted on a first in first out basis from the total 968 taps allocated to the Canyons Developer and will be deducted from the total of unutilized taps on the first day of the next month. In addition, the District shall make monthly inquiry to the Town of Castle Rock for a list of addresses at which water taps were issued within the preceding 30 days.

On July 19, 2017, the District entered into the third amendment to this agreement with the Canyons Developer which was satisfied as of December 31, 2017. Pursuant to the third amendment, the Canyons Developer paid \$122,417 in December 2017, for monthly service charge of unutilized taps using the current year's wholesale wastewater service rate as published by the District.

Intergovernmental Agreement – Colorado Golf

On September 13, 2006, the District entered into an agreement with Colorado Golf Club LLC (the Colorado Golf Developer) in connection with a development known as the "Colorado Golf." Pursuant to the agreement, the Colorado Golf Developer will convey water rights, easements for well sites and water tank easement with an option to purchase.

The District also agreed to collect an additional fee from property owners in the amount of \$800 per dwelling unit, the proceeds of which will be used to reimburse the Colorado Golf Developer up to \$350,000 for the cost of constructing the golf course. From 2006 through 2022, the District reimbursed \$101,600 for 127 taps; therefore, remaining future reimbursement is \$248,400 for 311 taps. During 2025 and 2024 the District collected 0 and 0 taps, respectively, and paid \$-0- and \$-0- in 2025 and 2024, respectively.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 8 AGREEMENTS (CONTINUED)

Developer Service Agreement – Stone Creek Ranch

On August 17, 2016, the District entered into an agreement with Choke Cherry Investors, LLC (the Stone Creek Ranch Developer) in connection with a development known as the “Stone Creek Ranch” (the Property). Pursuant to the agreement, the Stone Creek Ranch Developer intends to develop a residential community and has requested approval for 335 SFEs on the Property (to serve 329 new residential units, 2 existing residential units and a community center). The Stone Creek Ranch Developer has also requested an amount of water, not to exceed 100-acre feet annually, for common area irrigation. The District shall provide water service to the Property through central collection and distribution system of the District, with sewage collection, treatment, and disposal to be provided through the District’s central wastewater systems.

The Parties acknowledge that the Stone Creek Ranch Developer shall convey all water and water rights, interests in land, and well site easements and pipeline easements related to the Property to the District. In addition, the Stone Creek Ranch Developer shall grant to the District such additional perpetual nonexclusive easements as required by the District for the construction, operation, use, maintenance, replacement and/or removal of well facilities, water lines, water mains, sewer mains, sewer lines and related facilities and appurtenances.

Furthermore, all facilities required in order to provide water and sewer services to the Property must be paid for by the Stone Creek Ranch Developer and dedicated to the District. All water lines extending from a water meter pit to a residence, building or other structure being furnished with water service, and all sanitary sewer lines extending from a public sewer main to a residence, building or other source of sanitary wastes, shall be collectively referred to as “Service Lines.” Such Service Lines are typically installed by the builder(s) and remain the property and responsibility of such owner(s) and shall not be dedicated to, accepted, owned or maintained by the District.

The Parties also acknowledge that the District will pay for the cost of upsizing of waterline in Interlocken Street from 12” to 16”. In addition, the District will pay for the increased cost to the Stone Creek Ranch Developer for the installation of fiber optic in Interlocken Street and Scott Road. According to the District’s rules and regulations, which shall apply to the Property – (1) no person may use water supplied by the District without first obtaining a certificate of occupancy, building permit or the written permission of the District to do so; (2) all water provided by the District shall be used only for “domestic purposes”; and (3) no water well may be drilled on the Property except by the District or with the written consent of the District.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental Agreement – Cielo

The District, Parker Water and Sanitation District (PWSD) and Cielo Metropolitan District (CMD) entered into an intergovernmental agreement on August 15, 2018. Pursuant to the agreement, the District desires to acquire dedicated capacity in a PWSD water pipeline through property located in the boundaries of CMD (Cielo Service Area) and PWSD and CMD desire to obtain wastewater treatment services from the District.

According to the agreement, CMD shall design and construct the 16" diameter water pipeline extending from a point of connection with PWSD's existing pipeline located at a point near Stroh Road to a location adjacent to the District's Chapman Pump Station. The water pipeline shall be constructed within the existing easements obtained by PWSD located in the CMD boundaries. The District shall reimburse CMD for the difference in costs of oversizing the water pipeline from a 12" to a 16" diameter pipeline. The water pipeline shall be completed by CMD and be operational by a certain date defined in the final agreement.

Upon completion, the water pipeline shall be dedicated to PWSD for operation and maintenance and the PWSD shall grant to the District an irrevocable perpetual license coupled with the interest to use. CMD's obligation to perform all obligations outlined in the agreement shall be secured by the deposit of funds in an amount equal to 120% of an engineer's estimate of the construction cost of the water pipeline, payable to the District (the Deposit). In the event CMD does not commence construction of the water pipeline by the set date, the District may take over the construction and withdraw amounts from the Deposit to complete the construction of the water pipeline.

The District shall sell to PWSD 343 SFE units of wastewater treatment capacity. PWSD shall pay the District the total amount of \$1,085,242 – (a) 20% (\$217,048) shall be payable prior to the issuance of the first building permit in the Cielo Service Area, but not later than January 5, 2019, whichever occurs first; and (b) 20% (\$217,048) shall be payable each successive calendar year, on the anniversary of the initial payment, until the total amount has been paid. If, on any annual anniversary of the initial payment an amount derived by multiplying the total number of SFE's being served by the District within the Cielo Service Area by \$3,164 has not been paid by PWSD to the District, an amount equal to any deficiency shall be paid to the District together with the installment payment due on said anniversary date.

On or before the 10th day of each month, PWSD shall forward to the District a list of residential tap connections made in the Cielo Service Area for the preceding month, including information regarding the location of each tap. The District will impose and collect user charges for the services provided by the District. The District shall bill the service charges to PWSD monthly. Payment is due 30 days from the invoice date; otherwise, interest on the unpaid amount shall be assessed at a monthly rate of 1% per month. For each SFE issued that is not utilized on or after January 5, 2023, a monthly fee-in-lieu of service charge shall be assessed and payable in an amount equivalent to 50% of what would have been assessed as the monthly service charge had said SFE been connected.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental Agreement – Wheeling and Capacity Allocation

The District and Parker Water and Sanitation District (PWSD) entered into an intergovernmental agreement on May 10, 2018, to outline how the two entities will share the costs of capacity, maintenance, repair, replacement, and operation of the Ridgeway Pipeline and the portions of the PWSD's existing water infrastructure that will be used by the District.

Pursuant to the agreement, PWSD will transport the District's WISE water through the local WISE infrastructure and PWSD's existing infrastructure. The District has already paid the capital cost for 1.5 million gallons per day (mgd) of capacity in the Ridgeway Pipeline. The District also paid \$828,151 to PWSD to secure 1.0 mgd of uninterrupted and permanent capacity in PWSD's existing infrastructure. Furthermore, PWSD will operate and maintain all of the infrastructure segments in good working order and cover the cost of all future capital replacement. PWSD will charge a "wheeling" rate of \$0.98 per 1,000 gallons (up to 1 million gallons per day) for the volume of water delivered to the District and make available additional capacity if necessary to transport the District's water at flow rates above 1.0 mgd for \$1.66 per 1,000 gallons.

Cross Creek Inclusion Agreement

On April 17, 2023, the District entered into an agreement with Cross Creek Investors, LLC. Pursuant to the agreement, The District will include property located outside the boundaries of the District and provide water and sewer services in exchange for the following: 1) A cash-in-lieu payment of \$1,201,200 for renewable water. 2) A cash-in-lieu payment of \$514,800 for groundwater which will be refundable without interest. 3) A payment of \$220,320 for necessary wastewater plant upgrades. These payments were received in November 2023.

NOTE 9 WATER PROJECT FEE

On January 12, 2011, the Board of Directors of the District established a water project fee to fund necessary water supply projects within the District. The water supply projects anticipated to be funded by the water project fee include, but are not limited to, additional Denver Basin wells to offset the declining production in the Denver Basin aquifers, investment and development of renewable water supply projects, and other water supply projects as approved by the Board of Directors. The fee was effective March 1, 2011 and will continue until further resolution of the Board of Directors. During 2025 and 2024, the District collected \$808,777 and \$802,498 of water project fees, respectively.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 AUTHORITY PARTICIPATION

The District is a member of the Cherry Creek Project Water Authority and the South Metro Water Supply Authority. Capital projects of the respective authorities are documented via project participation agreements. Operating contributions to these organizations were \$107,711 in 2025 and \$-0- in 2024.

On March 13, 2013, the District entered into the South Metro WISE (Water, Infrastructure, and Supply Efficiency) Authority Formation and Organizational Intergovernmental Agreement. This agreement commits the District to participate in the WISE Partnership through the South Metro WISE Authority. The agreement also defines how costs will be shared between participating members.

The District has committed to subscribing to an average of 500 acre feet (AF) of a projected average total of 7,225 AF of renewable water to be delivered annually from the WISE Partnership. The South Metro WISE Authority was formed July 10, 2013. The Authority's members are 10 local governments located in the southern Denver metropolitan areas of south-central Arapahoe and northern Douglas Counties. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

There are engineering design and construction contracts that have been entered into by WISE in order to begin taking deliveries of water in 2018. It is currently anticipated that the District will be responsible for approximately \$2,000,000 of the capital costs to transport water, in addition to an annual water purchase cost of approximately \$917,000 for 500 acre-feet of water. Additionally, there will be WISE operations, maintenance, and capital costs. The variable pumping costs and the District's share of operating and maintenance costs will be billed based upon the volume of water received by the District.

NOTE 11 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 (the 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.

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 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.

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.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation.

NOTE 13 SUBSEQUENT EVENTS

On January 21, 2026, the District entered into an agreement with the Town of Castle Rock (TCR) to sell half of Pinery's share (250 AF) in the WISE Project for \$2,138,388. On May 13, 2026, the District entered into an agreement with Parker Water and Sanitation district (PWSD) to sell its remaining interest (250 AF) of the WISE Project for \$2,181,111. Pursuant to both agreements, TCR and PWSD will provide the District with wholesale water service up to 0.75 million gallons per day during the months of June, July and August as needed by the District and only if available from TCR and PWSD.

SUPPLEMENTARY INFORMATION

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
WATER OPERATIONS		
Revenues:		
Water Sales	\$ 4,881,570	\$ 5,285,228
Water Supply Project Fee	808,777	802,498
Irrigation Fees	1,297,273	1,238,874
Ground Water Protection Fees	33,950	33,673
Bulk and Hydrant Meter Water Sales	68,317	77,745
Other	6,285	17,343
Total Revenues	<u>7,096,172</u>	<u>7,455,361</u>
Direct Water Expenses:		
Depreciation	4,254,590	3,875,111
Auto Expenses/Vehicle Maintenance	54,501	48,315
Eye on Water Service Fee	60,492	56,689
Employee Benefits	318,975	316,061
Laboratory Testing and Chemicals	381,049	402,274
Legal	6,076	13,084
Outside Services	80,592	69,904
Payroll Taxes	74,365	65,743
Repairs, Maintenance, and Supplies	394,849	272,573
Salaries and Related Costs	1,001,114	894,887
Small Tools and Safety Items	26,718	30,277
Meter Services	10,857	9,173
Utilities	759,818	771,380
CCPWA Water Purchase	47,859	-
WISE Water Purchase	-	452,508
Total Direct Water Expenses	<u>7,471,855</u>	<u>7,277,979</u>
GROSS PROFIT (LOSS) FROM WATER OPERATIONS	(375,683)	177,382
SEWER OPERATIONS		
Revenues:		
Sewer User Charges	2,979,347	2,853,745
Total Revenues	<u>2,979,347</u>	<u>2,853,745</u>
Direct Sewer Expenses:		
Depreciation	1,136,596	1,076,113
Auto Expenses/Vehicle Maintenance	14,294	12,561
Cherry Creek Basin Fees	21,645	13,399
Employee Benefits	260,221	217,815
Laboratory Testing and Chemicals	150,070	137,727
Outside Services	60,235	36,076
Repairs and Maintenance - System	235,420	179,896
Salaries and Related Costs	853,404	752,762
Payroll Taxes	66,172	57,402
Sludge Disposal	104,017	134,002
Small Tools and Safety Items	9,517	13,595
Utilities	244,798	253,406
Total Direct Sewer Expenses	<u>3,156,389</u>	<u>2,884,754</u>
GROSS LOSS FROM SEWER OPERATIONS	<u>(177,042)</u>	<u>(31,009)</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
GROSS PROFIT (LOSS) FROM OPERATIONS	\$ (552,725)	\$ 146,373
GENERAL AND ADMINISTRATIVE EXPENSES		
Depreciation - Office Building and Equipment	294,389	255,265
Accounting and Audit	79,172	80,725
Admin Vehicle	24	22
Billing Systems Service	13,305	13,311
Data Processing	146,030	101,950
Directors' Fees	7,800	5,800
Dues and Seminars	27,694	19,378
Employee Benefits	115,671	108,441
Insurance	215,410	183,316
Legal	75,590	69,227
Office Expense	18,236	16,465
Outside Services	36,896	89,369
Repairs and Maintenance - Office	77,160	60,868
Salaries and Related Costs	562,259	548,397
Payroll Taxes	42,122	39,360
Safety and Training	45,785	42,783
Security Services	24,986	33,315
Conservation	36,093	14,991
Customer Communications	56,181	47,511
Utilities	47,115	53,255
Paying Agent Fees	1,500	1,500
CCPWA Assessment	72	59,623
SMWSA Assessment	25,149	25,150
WISE Participation - Operations	107,639	179,682
Total General and Administrative Expenses	<u>2,056,278</u>	<u>2,049,704</u>
LOSS FROM OPERATIONS	(2,609,003)	(1,903,331)
NONOPERATING REVENUES		
Net Investment Income	973,349	1,286,267
Ready to Serve Fees - Water	32,938	20,390
Ready to Serve Fees - Sewer	27,919	17,200
Cherry Creek Project Water Authority	62,313	125,906
Other Income	1,014,677	169,555
Net Gain (Loss) on Disposition of Assets	60,777	-
Total Nonoperating Revenues	<u>2,171,973</u>	<u>1,619,318</u>
NONOPERATING EXPENSES		
Interest and Paying Agent Fees	353,527	391,727
Total Nonoperating Expenses	<u>353,527</u>	<u>391,727</u>
LOSS BEFORE CONTRIBUTIONS	(790,557)	(675,740)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CAPITAL CONTRIBUTIONS		
Tap Fees - Water	\$ 2,808,104	\$ 1,579,276
Tap Fees - Sewer	1,021,789	344,571
Cost Recovery Payments	(3,200)	-
Canyon's and Cielo Revenue	11,577	69,075
Developer Contributions	-	2,811,190
Total Capital Contributions	<u>3,838,270</u>	<u>4,804,112</u>
CHANGE IN NET POSITION	<u><u>\$ 3,047,713</u></u>	<u><u>\$ 4,128,372</u></u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
WATER OPERATING INCOME			
Water Sales	\$ 5,650,000	\$ 4,881,570	\$ (768,430)
Water Supply Project Fee	810,000	808,777	(1,223)
Irrigation Fees	1,150,000	1,297,273	147,273
Ground Water Protection Fees	35,000	33,950	(1,050)
Bulk Water and Hydrant Meter Water Sales	80,000	68,317	(11,683)
Other	10,000	6,285	(3,715)
Total Water Operating Income	<u>7,735,000</u>	<u>7,096,172</u>	<u>(638,828)</u>
WATER OPERATING EXPENSES			
Auto Expenses/Vehicle Maintenance	41,000	54,501	(13,501)
Eye on Water Service Fee	65,000	60,492	4,508
Employee Benefits	398,000	318,975	79,025
Laboratory Testing and Chemicals	345,000	381,049	(36,049)
Legal	25,000	6,076	18,924
Outside Services	65,000	80,592	(15,592)
Payroll Taxes	85,500	74,365	11,135
Repairs, Maintenance, and Supplies	320,000	394,849	(74,849)
Salaries and Related Costs	1,140,000	1,001,114	138,886
Small Tools and Safety Items	25,000	26,718	(1,718)
Meter Services	15,000	10,857	4,143
Utilities	760,000	759,818	182
CCPWA Water Lease	170,000	47,859	122,141
WISE Water	800,000	-	800,000
Total Water Operating Expenses	<u>4,254,500</u>	<u>3,217,265</u>	<u>1,037,235</u>
GROSS PROFIT FROM WATER OPERATIONS	3,480,500	3,878,907	398,407
SEWER OPERATING INCOME			
Sewer User Charges	<u>2,900,000</u>	<u>2,979,347</u>	<u>79,347</u>
Total Sewer Operating Income	<u>2,900,000</u>	<u>2,979,347</u>	<u>79,347</u>
SEWER OPERATING EXPENSES			
Auto Expenses/Vehicle Maintenance	20,000	14,294	5,706
Cherry Creek Basin Fees	20,000	21,645	(1,645)
Employee Benefits	262,000	260,221	1,779
Laboratory Testing and Chemicals	168,000	150,070	17,930
Outside Services	125,000	60,235	64,765
Repairs and Maintenance	275,000	235,420	39,580
Salaries and Related Costs	785,000	853,404	(68,404)
Payroll Taxes	58,875	66,172	(7,297)
Solids Disposal	156,000	104,017	51,983
Small Tools and Safety Items	10,000	9,517	483
Utilities	270,000	244,798	25,202
Total Sewer Operating Expenses	<u>2,149,875</u>	<u>2,019,793</u>	<u>130,082</u>
GROSS PROFIT FROM SEWER OPERATIONS	<u>750,125</u>	<u>959,554</u>	<u>209,429</u>

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
GROSS PROFIT FROM OPERATIONS	\$ 4,230,625	\$ 4,838,461	\$ 607,836
NONOPERATING REVENUES			
Net Investment Income	900,000	973,349	73,349
Ready to Serve Fees - Water	20,000	32,938	12,938
Ready to Serve Fees - Sewer	15,000	27,919	12,919
Late Charges	40,000	47,854	7,854
Cherry Creek Project Water Authority	70,000	62,313	(7,687)
Other Income	74,000	969,783	895,783
Proceeds from Asset Disposition	10,000	60,777	50,777
Contributions in Aid of Construction			
Tap Fees - Water	3,920,646	2,808,104	(1,112,542)
Tap Fees - Sewer	1,510,016	1,021,789	(488,227)
Inclusion Fees	686,222	-	(686,222)
Canyons and Cielo Revenue	10,000	11,577	1,577
Developer Contributions	750,000	-	(750,000)
Total Nonoperating Revenue	8,005,884	6,016,403	(1,989,481)
NONOPERATING EXPENSES			
Accounting and Audit	93,000	79,172	13,828
Admin Vehicle	200	24	176
Utility Billing	20,000	13,305	6,695
Data Processing	180,000	146,030	33,970
Directors' Fees	6,000	7,800	(1,800)
Dues and Seminars	40,000	27,694	12,306
Employee Benefits	102,000	115,671	(13,671)
Insurance	200,000	215,410	(15,410)
Paying Agent Fees	1,500	1,500	-
Legal	73,000	75,590	(2,590)
Miscellaneous	5,000	-	5,000
Office Expense	20,000	18,236	1,764
Outside Services	160,000	36,896	123,104
Repairs and Maintenance - Office	65,000	77,160	(12,160)
Salaries and Related Costs	453,000	562,259	(109,259)
Payroll Taxes	33,975	42,122	(8,147)
Safety and Training	42,000	45,785	(3,785)
Security Services	55,000	24,986	30,014
Conservation	60,000	36,093	23,907
Customer Communications	50,000	56,181	(6,181)
Utilities	55,000	47,115	7,885
CCPWA Operations	200,000	72	199,928
SMWSA Assessment	30,000	25,149	4,851
WISE Participation - Operations	132,000	107,639	24,361
Total Nonoperating Expenses	2,076,675	1,761,889	314,786

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual	Variance
DEBT SERVICE			
Interest:			
CWRPDA Loan - 2015	\$ 187,944	\$ 186,122	\$ 1,822
CWRPDA Loan - 2005	17,800	22,275	(4,475)
Revenue Note - 2010	151,740	149,841	1,899
Principal:			
CWRPDA Loan - 2015	650,667	650,667	-
CWRPDA Loan - 2005	300,000	325,900	(25,900)
Revenue Note - 2010	601,907	601,907	-
Total Debt Service	1,910,058	1,936,712	(26,654)
CAPITAL OUTLAY			
Water Projects:			
Cost Recovery Payments	35,000	3,200	31,800
Water Supply and Treatment	5,597,000	2,492,320	3,104,680
Contributed Developer Improvements	350,000	163,951	186,049
Total Water Projects	5,982,000	2,659,471	3,322,529
Wastewater Treatment Plant:			
Wastewater Treatment Plant	4,539,000	1,799,722	2,739,278
Contributed Developer Improvements	400,000	-	400,000
Total Sewer Projects	4,939,000	1,799,722	3,139,278
General:			
Capital Salaries	325,000	-	325,000
Computer/Networking/Hardware	70,000	69,382	618
GIS Program	40,000	16,099	23,901
Vehicles	85,000	86,410	(1,410)
Cyber Security Upgrade	45,000	47,124	(2,124)
Dedicated Fiber Line to WWTP	90,000	142,697	(52,697)
Furniture and Office Equipment	5,000	271	4,729
Total General	660,000	361,983	298,017
Total Capital Outlay	11,581,000	4,821,176	6,759,824
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,331,224)	2,335,087	5,666,311
Funds Available - Beginning of Year	23,375,951	23,980,963	605,012
FUNDS AVAILABLE - END OF YEAR	<u>\$ 20,044,727</u>	<u>\$ 26,316,050</u>	<u>\$ 6,271,323</u>
FUNDS AVAILABLE ARE DEFINED AS FOLLOWS			
Current Assets		\$ 27,324,512	
Less Current Liabilities		(2,587,570)	
Adjustment For:			
Current Long-Term Obligations		<u>1,579,108</u>	
Total		<u>\$ 26,316,050</u>	

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2025**

Revenues (Budgetary Basis)	\$ 16,091,922
Adjustment for Outstanding Loan Principal	(2,960)
Cost Recovery Payments	<u>(3,200)</u>
Total Revenues per Statement of Revenues, Expenses, and Change in Net Position	16,085,762
 Expenditures (Budgetary Basis)	 13,756,835
Depreciation	5,685,575
Amortization - Loan Premium	(4,711)
Capital Outlay	(4,821,176)
Long-Term Debt Principal	<u>(1,578,474)</u>
Total Expenses per Statement of Revenues, Expenses, and Change in Net Position	<u>13,038,049</u>
 Change in Net Position per Statement of Revenues, Expenses, and Change in Net Position	 <u><u>\$ 3,047,713</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2025**

<u>Year Ending December 31.</u>	\$4,800,000 Loan Dated May 25, 2005 Colorado Water Resources and Power Development Authority Rates of 3.35% Principal and Interest Payable February 1 and August 1		\$10,335,213 Water Enterprise Revenue Refunding Note, Series 2010 Dated December 21, 2010. Interest Rate of 3.95% Principal Due December 1 and Interest Payable June 1 and December 1	
	Principal	Interest	Principal	Interest
2026	\$ 297,060	\$ 14,400	\$ 625,921	\$ 127,729
2027	-	-	650,890	102,760
2028	-	-	676,855	76,794
2029	-	-	703,857	49,793
2030	-	-	731,935	21,714
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
Total	<u>\$ 297,060</u>	<u>\$ 14,400</u>	<u>\$ 3,389,458</u>	<u>\$ 378,790</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

\$14,250,066 Loan Dated April 1, 2015, Colorado Water Resource and Power Development Authority Interest Rate of 1.57% to 2.87% Principal and Interest Payable February 1 and August 1*					
<u>Year Ending December 31,</u>			<u>Total</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2026	\$ 653,696	\$ 183,569	\$ 1,576,677	\$ 325,698	\$ 1,902,375
2027	660,738	176,769	1,311,628	279,529	1,591,157
2028	665,773	171,819	1,342,628	248,613	1,591,241
2029	667,815	167,019	1,371,672	216,812	1,588,484
2030	689,857	148,269	1,421,792	169,983	1,591,775
2031	709,892	129,219	709,892	129,219	839,111
2032	726,935	109,869	726,935	109,869	836,804
2033	747,040	90,369	747,040	90,369	837,409
2034	779,152	56,919	779,152	56,919	836,071
2035	801,265	37,719	801,265	37,719	838,984
2036	818,378	18,628	818,378	18,628	837,006
Total	<u>\$ 7,920,541</u>	<u>\$ 1,290,168</u>	<u>\$ 11,607,059</u>	<u>\$ 1,683,358</u>	<u>\$ 13,290,417</u>

*Note: The 2015 loan schedule assumes that all of the 2015 CWRPDA available loan proceeds are drawn.

OTHER SUPPLEMENTARY INFORMATION

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

AD VALOREM PROPERTY TAX DATA

History of the District's Mill Levy, Assessed Valuation, and Property Tax Collections

Levy/ Collection Year	Assessed Valuation	Increase (Decrease)	Percent Change	Debt Service Mill Levy	Taxes Levied	Taxes Collected	Debt Service Mill Levy	Percent of Levy Collected
2001/2002	\$ 89,652,819	\$ 15,884,391	21.5 %	10.000	\$ 1,401,600	\$ 1,412,900	10.000	100.81 %
2002/2003	97,482,505	7,829,686	8.7	8.800	896,528	907,238	8.800	101.19
2003/2004	102,453,235	4,970,730	5.1	8.800	857,846	866,529	8.800	101.01
2004/2005	108,898,520	6,445,285	6.3	3.150	901,588	908,758	3.150	100.80
2005/2006	124,506,210	15,607,690	14.3	3.150	343,030	352,304	3.150	102.70
2006/2007	140,866,660	16,360,450	13.1	1.900	392,195	382,607	1.900	97.56
2007/2008	166,876,427	26,009,767	18.5	0.000	267,647	276,336	0.000	103.25
2008/2009	184,608,610	17,732,183	10.6	0.000	-	33	0.000	N/A
2009/2010	194,234,310	9,625,700	5.2	0.000	-	-	0.000	N/A
2010/2011	197,048,900	2,814,590	1.4	0.000	-	-	0.000	N/A
2011/2012	163,524,840	(33,524,060)	(17.0)	0.000	-	-	0.000	N/A
2012/2013	164,046,170	521,330	0.3	0.000	-	-	0.000	N/A
2013/2014	160,868,813	(3,177,357)	(1.9)	0.000	-	-	0.000	N/A
2014/2015	161,838,380	969,567	0.6	0.000	-	-	0.000	N/A
2015/2016	190,712,910	28,874,530	17.8	0.000	-	-	0.000	N/A
2016/2017	192,388,750	1,675,840	0.9	0.000	-	-	0.000	N/A
2017/2018	198,149,570	5,760,820	3.0	0.000	-	-	0.000	N/A
2018/2019	200,593,700	2,444,130	1.2	0.000	-	-	0.000	N/A
2019/2020	237,720,130	37,126,430	18.5	0.000	-	-	0.000	N/A
2020/2021	244,371,960	6,651,830	2.8	0.000	-	-	0.000	N/A
2021/2022	265,555,580	21,183,620	8.7	0.000	-	-	0.000	N/A
2022/2023	265,836,100	280,520	0.1	0.000	-	-	0.000	N/A
2023/2024	354,682,340	88,846,240	33.4	0.000	-	-	0.000	N/A
2024/2025	359,552,170	4,869,830	1.4	0.000	-	-	0.000	N/A
2025/2026	357,753,500	(1,798,670)	(0.5)	0.000	-	-	0.000	N/A

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

SYSTEM ACCOUNTS

<u>Classification</u>	<u>Number of Accounts</u>	<u>Percent of Total Accounts</u>
Residential	5,108	93.88 %
Commercial	40	0.74
Irrigation Only	75	1.38
Vacant Lots	218	4.00
Total	<u>5,441</u>	<u>100.00 %</u>

WATER PROJECT FEE SCHEDULE

<u>Classification</u>	<u>Meter Size</u>	<u>Monthly Charge</u>
Residential	3/4 "	\$ 12.50
Commercial	3/4 "	12.50
Commercial	1"	25.00
Commercial	1 1/2"	50.00
Commercial	2"	87.50
Commercial	3"	200.00
Golf Course Irrigation (1)	N/A	250.00

(1) This is to be a single charge and not for each meter used to provide water for golf course irrigation.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

CHARGES FOR WATER SERVICE

Water Rates and Charges
(In Effect as of January 1, 2026, through December 31, 2026)

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

Residential (Monthly)

Base Rate	\$21.64
0 - 5,000 Gallons	\$21.64 + \$2.82/1,000 Gallons
5,000 -20,000 Gallons	\$21.64 + \$4.42/1,000 Gallons
20,000 - 30,000 Gallons	\$21.64 + \$5.59/1,000 Gallons
30,000 - 50,000 Gallons	\$21.64 + \$7.27/1,000 Gallons
Over 50,000 Gallons	\$21.64 + \$11.79/1,000 Gallons

Commercial (Monthly)

Meter Size	\$2.82/1,000 Gallons		\$4.42/1,000 Gallons		\$5.59/1,000 Gallons		\$7.27/1,000 Gallons		\$11.79/1,000
	Base Rate	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Minimum Gallons	Maximum Gallons	Gallons Over
3/4" (1)	\$ 21.64	5,000	5,001	20,000	20,001	30,000	30,001	50,000	50,001
1" (2)	43.28	10,000	10,001	40,000	40,001	60,000	60,001	100,000	100,001
1-1/2" (4)	86.56	20,000	20,001	80,000	80,001	120,000	120,001	200,000	200,001
2" (7)	151.48	35,000	35,001	140,000	140,001	210,000	210,001	350,000	350,001
3" (16)	346.24	80,000	80,001	320,000	320,001	480,000	480,001	800,000	800,001

Large Irrigators (Separate Interruptible Meter, Billed Monthly)

Base Rate	\$ 21.64
All Usage	\$5.71/1,000 Gallons

Golf Courses

Base Rate	\$ 21.64
All Usage	\$5.81/1,000 Gallons for Usage up to 150 AF per Year for Each 9 Holes. For Usage Greater than 150 AF the Rate Becomes \$9.66/1,000 Gallons (Applies to Pinery CC)

Ready to Serve "Standby Fee" (Monthly)

Water and Sewer	\$ 19.32
Water Only	\$ 10.42

Revenue from Water Sales

Year	Gallons Used (in 000s)	Average Water Rates in Effect (per 1,000 Gallons)	Revenue from Water Sales
1999	656,000	\$ 1.82	\$ 1,195,279
2000	804,000	1.89	1,517,783
2001	858,903	1.78	1,531,737
2002	916,807	2.07	1,900,932
2003	814,840	2.11	1,718,359
2004	779,815	2.26	1,758,703
2005	950,599	2.51	2,390,298
2006	1,198,482	2.32	2,785,447
2007	1,026,474	2.66	2,733,243
2008	1,064,305	2.89	3,076,169
2009	801,394	3.82	3,064,370
2010	1,059,098	3.96	4,195,310
2011	1,036,388	4.03	4,171,747
2012	1,110,760	4.09	4,548,060
2013	924,465	4.32	3,997,419
2014	860,749	4.53	3,903,134
2015	872,497	4.87	4,251,331
2016	955,099	5.07	4,838,281
2017	979,903	5.11	5,004,823
2018	1,190,133	4.89	5,823,845
2019	1,067,691	5.45	5,823,845
2020	1,310,995	5.97	7,827,775
2021	1,308,609	5.70	7,461,048
2022	1,508,458	5.15	7,766,928
2023	1,179,707	5.20	6,128,825
2024	1,496,842	4.98	7,455,361
2025	1,427,891	4.97	7,096,172

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

CHARGES FOR WASTEWATER SERVICE

Wastewater Rates and Charges
(In Effect as of January 1, 2026 through December 31, 2026)

Residential (Monthly)

0 - 5,000 Gallons	\$	39.00
Over 5,000 Gallons	\$	57.29

Commercial (Monthly Based on Water Meter Reading)

<u>Tap Size</u>	<u>Flat Rate</u>
3/4" Diameter	\$ 57.29
1" Diameter	114.58
1-1/2" Diameter	229.16
2" Diameter	401.03
3" Diameter	916.64

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

CHARGES FOR WASTEWATER SERVICE

Revenue from Wastewater Charges

<u>Year</u>	Users of Wastewater Services Average Number of Taps During the Year	Revenue from Water Wastewater Charges
2001	2,740	\$ 830,141
2002	2,926	854,511
2003	3,039	869,197
2004	3,142	927,696
2005	3,425	1,034,446
2006	3,613	1,114,160
2007	3,679	1,208,839
2008	3,741	1,352,717
2009	3,789	1,519,391
2010	3,812	1,659,788
2011	3,834	1,756,324
2012	3,891	1,855,419
2013	3,895	1,887,335
2014	3,969	1,971,562
2015	4,043	2,085,750
2016	4,198	2,237,631
2017	4,414	2,362,852
2018	4,351	2,411,006
2019	4,384	2,455,608
2020	4,517	2,527,387
2021	4,710	2,547,391
2022	4,716	2,606,264
2023	4,846	2,754,350
2024	4,909	2,853,745
2025	4,959	2,979,347

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

ADDITIONAL CHARGES AND FEES OF THE SYSTEM

Water and Wastewater Tap and Connection Fees
(Effective January 1, 2026)

RESIDENTIAL (per SFE with 3/4" Meter)

Water Fee	\$ 42,845
Sewer Fee	16,482
Total Fee	<u>\$ 59,327</u>

COMMERCIAL

<u>Meter Size</u>	<u>Water Fee</u>	<u>Sewer Fee</u>	<u>Total Fee</u>
3/4" (1)	\$ 42,845	\$ 16,482	\$ 59,327
1" (2)	85,690	32,964	118,654
1-1/2" (4)	171,380	65,928	237,308
2" (7)	299,915	115,374	415,289
3" (16)	685,520	263,712	949,232

Sewer fees are determined based on meter size.

Additional fees are in place for certain filings, as listed below, and will be added to the above fees.

<u>Filing</u>	<u>Water</u>	<u>Sewer</u>
Pinery, Filings 1 through 8A	\$ 1,012	\$ 587
Pinery, Filing 8B, 1st Amendment	587	-
Pinery, Filing 8B, 2nd Amendment	566	-
Pinery, Filing 20	600	-
Misty Pines	425	-
Pradera	800	-
Colorado Golf	800	-

DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025

	2021	2022	2023	2024	2025
OPERATING REVENUE					
Water and Sewer Charges	\$ 7,991,649	\$ 8,580,746	\$ 7,854,372	\$ 8,941,471	\$ 8,669,694
Irrigation, Hydrant Fees, and Other	1,227,333	1,792,446	1,028,803	1,367,635	1,405,825
Total Operating Revenue	9,218,982	10,373,192	8,883,175	10,309,106	10,075,519
OPERATING EXPENSES					
Depreciation	4,395,933	4,369,406	4,598,616	5,206,489	5,685,575
Auto Expenses/Vehicle Maintenance	61,220	65,204	59,686	60,898	68,819
Salaries and Wages	1,710,574	1,905,243	1,962,092	2,196,046	2,416,777
Payroll Taxes	127,120	141,210	152,722	162,505	182,659
Employee Benefits	447,171	515,180	572,668	642,317	694,867
Utilities	946,389	1,121,408	770,341	1,078,041	1,051,731
Meter Service	-	-	4,873	9,173	10,857
Outside Services	190,667	248,171	138,715	195,349	177,723
Maintenance and Supplies	886,714	1,145,290	1,077,624	1,097,210	1,274,783
Professional Fees	158,496	148,404	153,044	163,036	160,838
Other Operating Expenses	251,397	289,170	359,615	369,977	458,860
Office Expense	14,554	18,465	16,799	16,465	18,236
Insurance	144,710	143,283	166,424	183,316	215,410
Directors' Fees	5,900	5,100	4,500	5,800	7,800
Sludge Disposal	93,535	119,176	100,121	134,002	104,017
CCWPA Assessment	-	50,005	6,351	59,623	72
CCPWA Water Purchase	62,926	52,009	32,811	-	47,859
WISE Water Purchase	220,126	681,017	314,331	452,508	-
WISE Participation - Operations	86,105	59,554	141,486	179,682	107,639
Total Operating Expenses	9,803,537	11,077,295	10,632,819	12,212,437	12,684,522
INCOME (LOSS) FROM OPERATIONS	(584,555)	(704,103)	(1,749,644)	(1,903,331)	(2,609,003)
NONOPERATING REVENUE					
Net Investment Income	10,843	419,106	1,358,815	1,286,267	973,349
Miscellaneous Other Income	112,871	143,459	187,953	295,461	1,076,990
Ready to Serve Fees	80,744	49,758	42,958	37,590	60,857
Gain (Loss) on Disposition of Assets	-	1,545,466	-	-	60,777
Contributions in Aid of Construction	9,976,379	4,868,333	3,653,600	4,804,112	3,838,270
Total Nonoperating Revenue	10,180,837	7,026,122	5,243,326	6,423,430	6,010,243
NONOPERATING EXPENSES					
Interest and Paying Agent Fees	522,533	433,619	360,905	391,727	353,527
Total Nonoperating Expenses	522,533	433,619	360,905	391,727	353,527
NET INCOME/CHANGE IN NET POSITION	<u>\$ 9,073,749</u>	<u>\$ 5,888,400</u>	<u>\$ 3,132,777</u>	<u>\$ 4,128,372</u>	<u>\$ 3,047,713</u>

**CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY COLORADO WATER RESOURCES AND
POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUE BONDS SERIES 2005A**

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUES BONDS, SERIES 2005A
DECEMBER 31, 2025**

CUSTOMER INFORMATION

<u>Years Ended December 31,</u>	<u>Total Estimated Residential Equivalent Units</u>
2004	3,436
2005	3,585
2006	3,773
2007	3,993
2008	4,057
2009	4,090
2010	4,128
2011	4,152
2012	4,166
2013	4,185
2014	4,228
2015	4,272
2016	4,358
2017	4,384
2018	4,480
2019	4,513
2020	4,648
2021	4,867
2022	4,995
2023	5,024
2024	5,050
2025	5,108

TEN LARGEST CUSTOMERS OF THE SYSTEM

Pinery Golf Course
Colorado Golf Club
Pradera Golf Course
DC Schools
Colorado Horse Park
Pinery Glen HOA
High Prairie Farms
Pinery West Metro District
DC Parks
Pinery Townhomes HOA

The balance of the largest customers of the system are generally individual residential properties.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUES BONDS, SERIES 2005A (CONTINUED)
DECEMBER 31, 2025**

	2026 <u>Budget</u>	2025 <u>Budget</u>
REVENUE		
Water, Operating:		
User Charges	\$ 5,944,000	\$ 5,650,000
Irrigation and Hydrant Fees	1,200,000	1,230,000
Water Supply Project Fee	824,000	810,000
Other	526,000	135,000
Sewer, Operating:		
User Charges	2,992,500	2,900,000
Other	30,000	25,000
Nonoperating:		
Tap Fees	5,576,738	5,454,662
Inclusion Fees	4,133,461	-
Proceeds from Sale of Assets	4,440,000	-
Other	3,804,180	1,686,222
Total Revenue	<u>29,470,879</u>	<u>17,890,884</u>
EXPENDITURES		
Water, Operating:		
Utilities	790,000	760,000
Salaries and Related Costs	1,778,000	1,623,500
Other	2,107,000	2,293,000
Sewer, Operating:		
Utilities	281,000	270,000
Salaries and Related Costs	1,076,625	1,105,875
Other	786,800	774,000
Nonoperating:		
Insurance	150,000	200,000
Salaries and Related Costs	628,150	588,975
Other	849,700	865,700
Debt Service	1,902,375	1,910,058
Capital Outlay	24,095,500	10,831,000
Total Expenditures	<u>34,445,150</u>	<u>21,222,108</u>
EXCESS REVENUE UNDER EXPENDITURES	(4,974,271)	(3,331,224)
Funds Available - Beginning of Year	<u>25,803,014</u>	<u>23,375,951</u>
FUNDS AVAILABLE - END OF YEAR	<u><u>\$ 20,828,743</u></u>	<u><u>\$ 20,044,727</u></u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUES BONDS, SERIES 2005A (CONTINUED)
DECEMBER 31, 2025**

SCHEDULE OF COVERAGE OF DEBT SERVICE REQUIREMENTS

Year	Income	Operation and Maintenance Expenses	Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2004	\$ 20,094,587	\$ 2,459,610	\$ 17,634,977	\$ 1,893,570	9.31
2005	12,703,160	2,977,714	9,725,446	2,195,762	4.43
2006	9,076,622	3,334,176	5,742,446	2,142,845	2.68
2007	14,752,043	3,536,146	11,215,897	2,224,578	5.04
2008	7,674,924	4,173,068	3,501,856	2,110,270	1.66
2009	5,760,461	3,610,190	2,150,271	2,111,868 *	1.02
2010	7,321,442	3,895,966	3,425,476	2,024,307	1.69
2011	7,437,195	3,850,021	3,587,174	1,666,975	2.15
2012	7,919,673	3,796,440	4,123,233	1,565,716	2.63
2013	7,634,319	3,981,843	3,652,476	1,564,222	2.34
2014	9,946,519	3,926,605	6,019,914	1,683,173	3.58
2015	10,201,003	4,223,394	5,977,609	2,491,863	2.40
2016	10,354,827	4,288,057	6,066,770	2,441,847	2.48
2017	10,860,847	4,081,035	6,779,812	2,434,375	2.79
2018	13,274,687	4,801,047	8,473,640	2,439,093	3.47
2019	14,600,541	4,878,402	9,722,139	2,342,127	4.15
2020	24,545,288	5,734,677	18,810,611	2,468,624	7.62
2021	19,399,819	5,407,604	13,992,215	2,328,999	6.01
2022	17,399,314	4,369,406	13,029,908	2,340,628	5.57
2023	14,126,501	4,598,616	9,527,885	1,908,722	4.99
2024	16,732,536	5,206,489	11,526,047	1,910,058	6.03
2025	16,085,762	5,685,575	10,400,187	1,902,375	5.47

* The debt service requirements for the Series 1989 loan are funded with a reserve of prior property tax revenue.
If the debt service requirements for this loan were removed, the debt service coverage would be 1.35.

TEN LARGEST PROPERTY TAXPAYERS OF THE DISTRICT
(Assessed Valuation for 2025 Taxes Due in 2026)

<u>Taxpayer</u>	Assessed Valuation Property in the District	Percentage of Total District Assessed Valuation
CF Arcis VI LLC	\$ 1,572,360	0.44 %
Colorado Golf Club Inc FKA GCG Equity Club LLC	1,444,800	0.40
Colorado Golf Club Inc FKA GCG Equity Club LLC	1,363,810	0.38
CF Arcis V LLC	1,248,860	0.35
Colorado Golf Club Inc	1,136,060	0.32
Redstone Bank	822,080	0.23
Galbreath Family Partnership LLP	798,610	0.22
Singletree Equestrian LLC	749,310	0.21
Dillon Companies LLC	707,580	0.20
Berkshire Commercial LLC	582,930	0.16
All Others	347,327,100	97.09
Total	<u>\$ 357,753,500</u>	<u>100.00 %</u>

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUES BONDS, SERIES 2005A (CONTINUED)
DECEMBER 31, 2025**

COMBINED STATEMENT OF DEBT

<u>Designation</u>	<u>Amount Outstanding</u>
Water Enterprise Revenue Note, Series 2010	\$ 3,389,458
Local Government Bonds	8,217,601
Total	<u>\$ 11,607,059</u>

DEBT SERVICE REQUIREMENTS OF THE DISTRICT

See Schedule of Debt Service Requirements to Maturity in Supplemental Information.

ESTIMATED DIRECT AND OVERLAPPING DEBT SCHEDULE

	2025 Assessed Valuation	Outstanding General Obligation Debt (1)	Outstanding Debt Applicable to District	
			Percent	Amount
The District	\$ 357,753,500	\$ -	100.00 %	\$ -
Douglas County School District RE-1	10,683,346,140	500,320,000	3.35	16,760,720
Parker Fire Protection District	7,426,451,899	-	-	-
Total				<u>\$ 16,760,720</u>

(1) Includes only general obligation debt supported by general property taxes. Does not include bonds which have historically been supported by revenue other than property taxes.

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS REQUIRED BY
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
CLEAN WATER REVENUES BONDS, SERIES 2005A (CONTINUED)
DECEMBER 31, 2025**

ASSESSED VALUATION, DEBT, AND DEBT RATIOS

Actual Valuation	\$ 5,215,749,942
Assessed Valuation	\$ 357,753,500
Net General Obligation Direct Debt	\$ -
Net Direct and Estimated Overlapping Debt	\$ 16,760,720
Ratio of Net Direct Debt to Estimated Actual Valuation	- %
Ratio of Net Direct Debt to Assessed Valuation	- %
Net Direct Debt Per Capita (1)	\$ -
Ratio of Net Direct and Estimated Overlapping Debt to Estimated Actual Valuation	0.32 %
Ratio of Net Direct and Estimated Overlapping Debt to Assessed Valuation	4.68 %
Net Direct and Estimated Overlapping Debt Per Capita (1)	\$ 1,143
Estimated Actual Valuation Per Capita (1)	\$ 355,782
Assessed Valuation Per Capita (1)	\$ 24,403
(1) Estimated Permanent Population	14,660