



Annual Comprehensive Financial Report

For Years Ended
December 31, 2025 and 2024

Highlands Ranch, Colorado

Prepared by the Finance Department



Table of Contents

Introductory Section

Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	viii
Organization Chart.....	ix
Board of Directors and District Appointed Officials.....	x

Financial Section

Independent Auditor's Report.....	1-4
Management's Discussion and Analysis.....	5-15
Financial Statements	
Statements of Net Position.....	16-17
Statements of Revenues, Expenses, and Changes in Net Position.....	18
Statements of Cash Flows.....	19
Notes to Financial Statements.....	20-38
Supplementary Information	
Schedule of Revenue, Expenditures and Changes in Funds Available, Budgetary Basis – Budget to Actual.....	39
Budget Reconciliation.....	40

Statistical Section

Financial Trends

Net Position	41-42
Change in Net Position.....	43
Revenues and Reserved Capacity Fees.....	44
Utility Revenues.....	45

Revenue Trends

Water Sold by Customer Type (in gallons) – Highlands Ranch.....	47
Water and Wastewater Rates.....	48
History of Water and Wastewater Rates.....	49
Taps Sold in 3/4" Equivalent.....	50
New ¾" Equivalents in Highlands Ranch.....	51

Debt Capacity

Ratio of Outstanding Debt by Type.....	52
Ratio of Bonded Debt.....	53
Covenant Required Bond Coverage.....	54-55

Demographic & Economic Information

Douglas County, Colorado – Demographic Statistics	56
Douglas County, Colorado – Principal Employers.....	57

Operating Information

Operating Information.....	58
----------------------------	----

Introductory Section



Letter of Transmittal



June 12, 2026

To: The Customers of Highlands Ranch Water and Sanitation District
and the Board of Directors

We are pleased to present the annual comprehensive financial report of Highlands Ranch Water and Sanitation District ("District or Water"), formerly Centennial Water and Sanitation District, for the years ended December 31, 2025 and 2024.

State law requires that, within seven months of the fiscal year end, the District publish a complete set of audited financial statements audited by a firm of licensed certified public accountants. This annual report includes a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, the District hereby issues the annual report of the Highlands Ranch Water and Sanitation District for the fiscal years ended December 31, 2025 and 2024. Disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

District management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that was established for this purpose. The report consists of management's representations concerning the finances of the District. Because the cost of internal control should not exceed anticipated benefits the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The financial statements have been audited by Forvis Mazars, LLP ("Forvis Mazars"), a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Forvis Mazars has issued an unmodified opinion that the District's financial statements for the years ended December 31, 2025 and 2024, are presented fairly and in conformity with GAAP. The independent auditor's report is located at the front of the financial section of the report. Forvis Mazars is in the third year of performing the audit of the District for a one-year contract term with two remaining renewal terms. The Board reviews proposals from accounting firms every five years although there is no mandatory rotation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A) which immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Annual Comprehensive Financial Report is presented in three sections:

- The Introductory section includes this letter of transmittal, Board of Director's and District Appointed Officials introductions, and the District's organization chart.
- The Financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements and the accompanying notes to the financial statements. Supplementary information is also included in the financial section.
- The Statistical section includes selected financial and demographic information, on a multi-year basis.

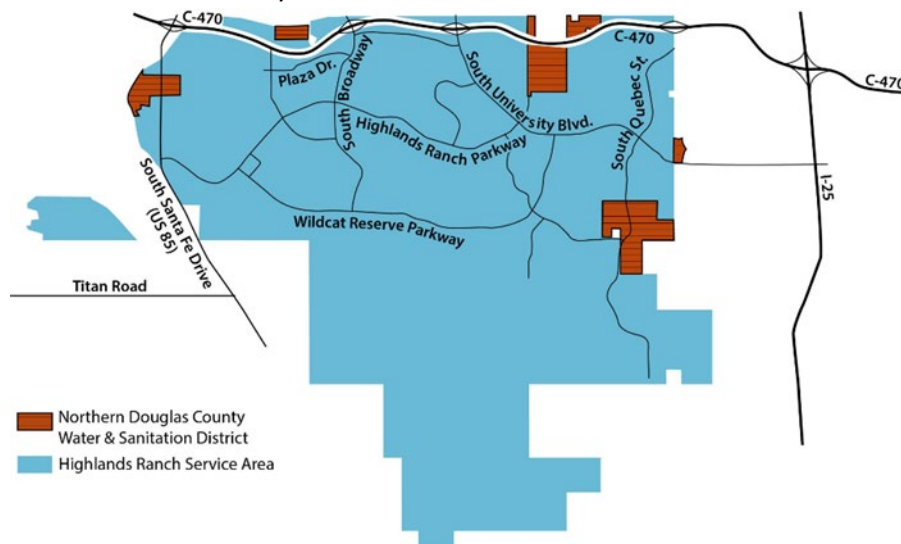
Profile, Responsibilities and Structure of the District

Highlands Ranch Water and Sanitation District, was organized in 1980 as a political subdivision of the State of Colorado and as a quasi-municipal corporation created pursuant to Title 32, Colorado Revised Statutes, as amended.

The District provides wholesale water and wastewater service to other Colorado special districts within its service area. These districts in turn retail these services to the end user. The District's current full-service customers are:

- Highlands Ranch Metropolitan District ("Highlands Ranch Metro District" or "HRMD") who provides water and wastewater services to Highlands Ranch, a master planned community in northern Douglas County, Colorado.
- Mirabelle Metropolitan District ("Mirabelle"), who provides water and wastewater service to the master planned Solstice community in northern Douglas County west of Highlands Ranch.
- Northern Douglas County Water and Sanitation District ("Northern Douglas") who serves certain areas in Douglas County adjacent to Highlands Ranch.

The District serves approximately 110,000 residents and 47,000 residential and non-residential customers. The service area, which encompasses Highlands Ranch as its primary area as well as small adjacent areas to the east and west, is located in Douglas County, Colorado which is located at the southern edge of the Denver metropolitan area. The map below shows the entirety of our service area.



Highlands Ranch accounts for approximately 90 percent of our service area. As the largest master planned community in Colorado, Highlands Ranch offers a small-town feel with all the conveniences of a modern suburb. Situated just 12 miles south of Denver, Highlands Ranch offers its citizens the benefits of the Colorado outdoors and access to the Denver Metro area's strong job market and economy.

The District operates under a Board - General Manager form of government. Policymaking and legislative authority is vested in the Board of Directors (the “Board”), which consists of five non-partisan members elected at large. The Board is responsible, among other things, for passing resolutions, adopting the annual budget, appointing committees, and hiring the District's general manager and the District's attorney. Board members are elected to four-year staggered terms with either two or three board members elected every two years.

The District’s General Manager is responsible for carrying out the policies and resolutions of the Board, overseeing the day-to-day operations of the District, and directly managing four non-statutory departments which are headed by appointed department directors. These departments are Water and Wastewater Operations, Engineering, Human resources, and Finance and Administration.

The basis for determining the financial reporting entity is established by the Governmental Accounting Standards Board (GASB). The financial reporting entity for the Annual Comprehensive Financial Report is Highlands Ranch Water and Sanitation District as legally defined. The District has no component units nor is it a component unit of any other government.

Factors Affecting Financial Condition

Revenue Base

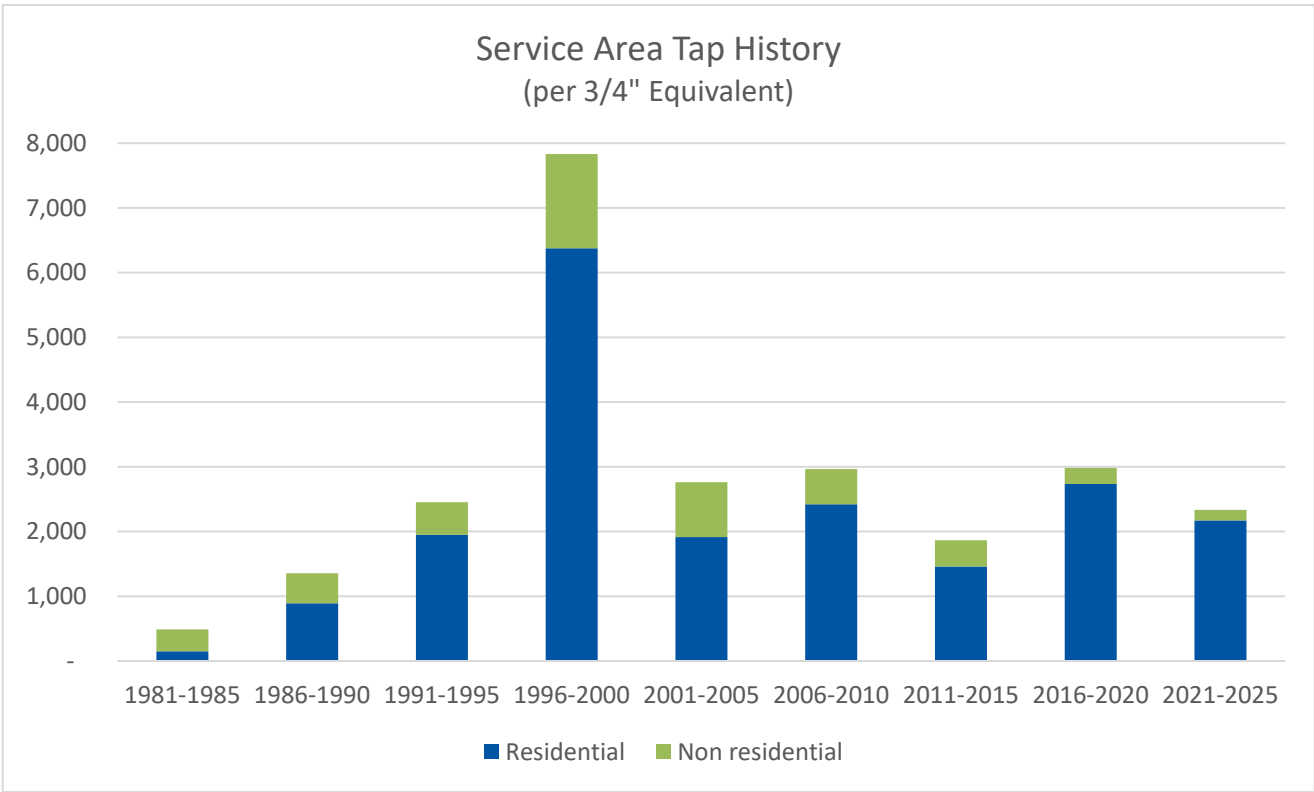
The District’s primary revenue sources are rates charged for water usage and availability and wastewater treatment services. The rates are designed to fund general operations, maintenance, debt service, major repair to District owned assets, and water acquisition. The District also charges tap and reserved capacity fees on new development which support the costs of capital projects.

Historically, the District financially benefited from the accelerated growth of Highlands Ranch which strengthened the funding necessary to build the water and wastewater infrastructure necessary to serve the community. However, as the community nears build-out, the District receives less revenue from tap and reserved capacity fees and now relies on water and wastewater rates as the primary funding source.

Actual development growth in 2025 for the three special districts, Highlands Ranch Metro District, Mirabelle Metropolitan District, and Northern Douglas, can be summarized on the following table:

	Highlands Ranch	Mirabelle	Northern Douglas
2025			
Single Family Residential	42	96	-
Nonresidential 3/4" tap equivalents	18	-	-
1981-2025			
Single Family Residential	29,432	792	1,582
Multi-Family Residential	8,733	-	216
Nonresidential 3/4" tap equivalents			
Indoor	3,390	-	304
Irrigation	9,440	-	-

The tap history for the largest District’s service area is graphically summarized as follows:



As of December 31, 2025, Highlands Ranch has reached approximately 99% of the master planned development of single and multi-family residential dwelling unit and non-residential acres allotted.

The taps dedicated to the Northern Douglas have been placed into service. However, further requests for service can be submitted and only approved by the Board.

The District collects two capital fees from Mirabelle to recover the costs of infrastructure built for the sole benefit of Solstice. The first fee is a tap fee which is charged at a rate of \$12,760 per ¾” tap equivalent and is collected at the time the new tap is requested. The second fee is a year-end options payment charge equal to \$250 per ¾” equivalent tap that has yet to be placed in service. At December 31, 2025, the District has collected tap fees for 792 of the 1,100 homes.

Fiscal Policy and Fund Balance

For financial reporting purposes, the District is considered an Enterprise which accounts for the acquisition and operations of government facilities and services that are primarily supported by user charges. For budgeting purposes, the District identified five distinct funds which segregate sums of money (or other resources) for the purpose of carrying out a specific activity or to obtain a specific objective. The District budgets for five distinct funds: Operating, Water Acquisition, Capital and Major Repair, Debt Service, and Financial Assurance.

Per Board policy, the Operating Fund must end each year with a minimum of 40% of the next year’s projected operating expenditures, which was amended from 50% to 40% effective for fiscal year 2025. This target provides resources for unforeseen events such as weather or economic events that could negatively impact revenue collections. Operating revenues are first used for operating expenses and a transfer to the Debt Service Fund to, at minimum, maintain enough fund balance in the Debt Service Fund to satisfy the next year’s debt payments.

If after satisfying these requirements and excess fund balance exists, the Operating Fund may make a transfers to the other funds which are prioritized by each Fund’s need for additional financial resources.

The operating fund, on a monthly basis, also transfers a rate of per 1,000 gallons of water billed to the Water Acquisition Fund; the amount transferred is evaluated each year during the budget process. For 2025, the transferred amount was \$1.00/1,000 gallons which will remain \$1.00/1,000 gallons in 2026.

Each year, by resolution, the Board formally adopts the current year’s revised and the next year’s budget. Policies related to the Board mandated minimum ending fund balances and the flow of net revenues in excess of those requirements govern budget adoption.

Long Range Capital Improvement Planning

The District maintains a comprehensive multi-section Capital Improvement Plan that is reviewed on an annual basis and updated as necessary. The plan includes sections identifying the capital, major repair, and water acquisition needs over a 10-year period. Projects for inclusion in the Capital Improvement Plan come from a variety of sources including department requests, long-range strategic plans, the long-term capital replacement program, and regulatory changes.

The District’s debt outstanding consists of the following:

	2025	2024	2023
Revenue Bonds	\$ 147,153,550	\$ 149,465,403	\$ 72,771,535
Revenue Notes	-	-	2,440,000
Direct Borrowings	\$ 46,377,502	\$ 47,676,050	\$ 48,936,777
Total Outstanding Debt	\$ 193,531,052	\$ 197,141,453	\$ 124,148,312

Additional information on the District’s outstanding debt can be found in Note III. C. of the financial statements.

Retirement Benefits

The District does not participate in Social Security but does maintain a defined contribution plan as defined by section 414h of the Internal Revenue Code. At their hiring date, regular District employees are required to contribute 6.2% of their gross pay to the plan, which is equally matched by the District. The contribution level was established equivalent to the Social Security requirements and total contributions will be capped at the same maximum as established for Social Security contributions.

In addition, the District offers all regular employees the option to contribute to a 457 plan. The District matches, on a tiered basis, employee contributions to the 457 plan up to a maximum of 6% at an employee contribution rate of 9%.

Major Initiatives

Wastewater

The Colorado Water Quality Commission imposed regulations for more stringent standards for treating discharges from wastewater treatment plants across the state. The District awarded a construction contract in January 2019 to begin improvements to the Marcy Gulch Wastewater Treatment Plant to address these regulatory requirements and, concurrently, address aging infrastructure. Construction was completed in 2025.

Water

In 2018, the District commissioned a consultant to develop a Water Treatment Utility Plan for the purpose of evaluating the condition of existing equipment and the effectiveness of each treatment process at the Joseph B. Blake Water Treatment Plant. The consultant provided design recommendations and developing conceptual cost estimates for improvements. Several improvements were identified to address aging infrastructure, improve efficiency, and to ensure capacity for the estimate maximum daily demand at the service area's build-out. These identified improvements are planned in phases that are accounted for in the Capital Improvement Plan. Construction of the first phase, Phase 1A, began in 2021 and was completed in 2025. Phase 1B began in 2024 and is anticipated to be completed in 2026.

Planning for the design and construction of WTP Improvements – Phase 2, which combines elements of the WTUP Phases II and III, in addition to incorporating PFAS treatment, began in 2025. Cumulatively, Phase 2 is expected to include improvements to the filter configuration, chlorine contact basin, Zone 1 and Zone 2 pump station, and PFAS treatment. Design of the Phase 2 Improvements will be completed in phases based on the sequence of construction and is expected to continue through 2027, with construction starting in May 2027 and anticipated completion in early 2030.

To obtain additional surface water for system redundancy and further diversify surface water resources, the District joined the Water Infrastructure and Supply Efficiency (WISE) partnership in 2017. The WISE partnership works by recapturing water used by Denver Water and Aurora Water customers which is re-treated and shared, when available, with WISE participants. The District has been allocated up to 1,000 acre feet of water per year, with the final amount received based on actual availability of water supply and District needs.

The District is a major participant in reallocating flood storage space for municipal uses in Chatfield Reservoir. The District's capital contribution was \$57 million which was funded by the CWCB loans. For more information, see Note III. C. It is anticipated that repayment of the loans will come entirely from the Water Acquisition portion of the Base Water rates.

Awards and Acknowledgments

Certificate of Achievement for Excellence in Financial Reporting

Prior to 2021, the Highlands Ranch Water and Sanitation District had received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for twenty-one consecutive years. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We are pleased to share the District received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting in 2024. The District will be submitting this 2025 Annual Comprehensive Financial Report for GFOA Certificate of Achievement consideration. We believe our current report conforms to the Certificate of Achievement program requirements. Certificate of Achievement is valid for a period of one year only.

Distinguished Budget Presentation Award

The Distinguished Budget Presentation Awards Program is specifically designed to encourage state and local governments to prepare and issue budget documents of the highest quality. Top-quality documents are essential if citizens and others with an interest in a government's finances are to be fully informed participants in the budget

process. Better budget documents contribute to better decision making and enhanced accountability.

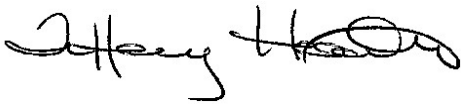
The Distinguished Budget Presentation Awards Program allows the public finance profession a welcome opportunity to recognize those governments that have, in fact, succeeded in preparing a high-quality budget document.

The GFOA presented a Distinguished Budget Presentation Award to the District for its annual budget for the fiscal year beginning January 1, 2026. In order to receive this award, a government entity must publish a budget document that meets program criteria as a policy document, as an operation guide, as a financial plan, and as a communications device. This award is valid for a period of one year only.

Acknowledgments

The preparation of this Annual Comprehensive Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Directors for their interest, support and responsiveness in planning and conducting the operations of the District.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tiffany Hooten', with a stylized, cursive script.

Tiffany Hooten

Director of Finance and Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Highlands Ranch Water and Sanitation District
Colorado**

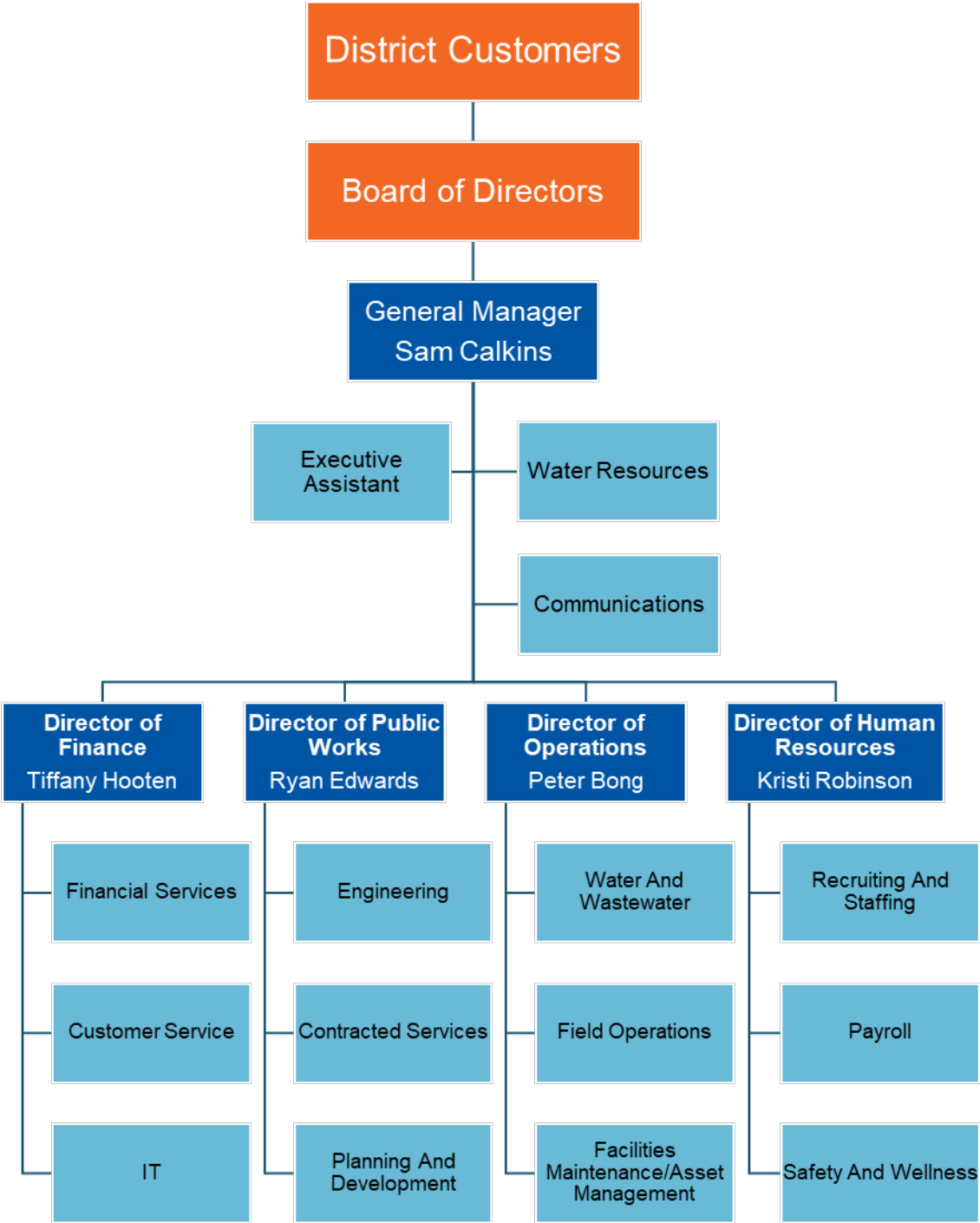
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morill

Executive Director/CEO

Organization Chart



Board of Directors and District Appointed Officials

As of December 31, 2025



Tammy Essmeier
Chair
2025 to 2028



Terry Nolan
Vice Chair
2023 to 2027



SJ Light
Treasurer
2023 to 2027



Juli Faller
Assistant Secretary
2025 to 2028



Frank Johns
Assistant Secretary
2023 to 2027

District Appointed Officials

Official	Title
Sam Calkins	General Manager
Tiffany Hooten	Director of Finance and Administration
Ryan Edwards	Director of Public Works
Peter Bong	Director of Water and Wastewater Operations
Kristi Robinson	Director of Human Resources

Independent Auditor's Report



Independent Auditor's Report

Board of Directors
Highlands Ranch Water and Sanitation District
Highlands Ranch, Colorado

Opinion

We have audited the financial statements of the Highlands Ranch 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 the District, as of December 31, 2025 and 2024, and the changes in its financial position 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the 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 GAAS, 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 audits 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 basic financial statements. The budgetary schedule and budget reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary schedule and budget reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Forvis Mazars, LLP

Denver, Colorado

June 12, 2026

Management's Discussion and Analysis



Management's Discussion and Analysis

As management of the Highlands Ranch Water and Sanitation District, we are pleased to provide a discussion and analysis of the District's 2025 and 2024 audited financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal years ended December 31, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with additional information in our letter of transmittal, and the notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The District's financial statements included in this annual report are those of a special purpose government engaged only in business-type activities. The basic financial statements include:

- The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating (see pages 16-17).
- The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changes. The District reports on the full accrual basis of accounting which means that the change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. This statement reports the District's operating and nonoperating revenue by source along with operating and nonoperating expense and capital contributions (see page 18.)
- The Statement of Cash Flows reports the District's cash inflows and outflows from operating activities, capital and related financing activities, and investing activities (see page 19).
- The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 20 of this report.

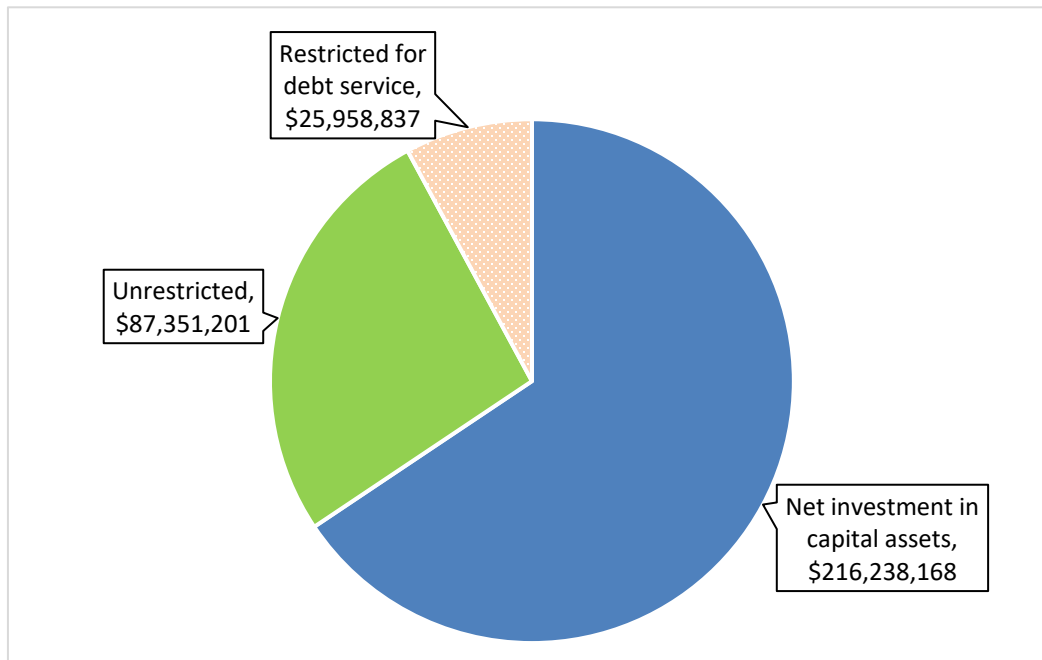
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons to actual activity for the year. Supplementary information can be found immediately following the notes to the financial statements.

Financial Highlights

Net Position

The net position of the District represents the amount that the assets plus the deferred outflows of resources of the District exceed its liabilities plus deferred inflows of resources. At the close of the current fiscal year, the District had a net position of \$329,548,206, an increase of \$11,844,650 or 3.7% over the fiscal 2024.

The components of the 2025 net position are categorized as follows in the chart below:



Assets and Liabilities

During the 2025 fiscal year, assets increased by \$6.5 million and liabilities decreased by \$5.3 million over 2024. Cash and investments decreased by \$15.5 million as funds from the 2024 revenue bonds were used to continue funding Phase 1B improvements at the Water Treatment Plant while capital assets increased by \$21.5 million due to either completed or in progress capital projects including Phase 1B improvements at the Water treatment Plant among other projects.

The 2025 rates and fees receivable increased by \$1.2 million due to increased rates in 2025 compared to 2024, as well as continued efforts in transitioning customers to the new utility payment platform. Other receivables decreased by \$0.5 million primarily for payment on outstanding receivable balances. The decrease in liabilities is primarily related to a reduction in contracts and retainage payable for the Water Treatment plant, along with debt payments of \$3.6 million.

The most significant portion of total liabilities is related to the district's long-term debt consisting of revenue bonds, revenue notes (final payment in 2024), and direct placement loans. Details on outstanding debt can be found in Note III. C.

Revenues and Expenses

In 2025, operating revenues increased by \$5.2 million, or 9.1% over 2024. The increase is primarily related to the PFAS settlement along with an increase in rates. Water usage in 2025 was very similar to 2024.

Operating expenses saw a notable increase in 2025 as well; \$7.0 million or 15.4% over 2024. Depreciation expense increased by \$3.0 million as large capital improvements were completed. Repair services were up \$1.2 million and overall costs were higher than 2024.

Financial Stewardship

The Board and management are committed to the prudent financial stewardship of the District. The Board continuously monitors its financial reserve policies to help safeguard that the District has financial stability during both changing economic times as well as annual revenue fluctuations due to changing weather.

The Board has created reserves for major repair projects, major equipment repair and replacement, and funding for the acquisition of sustainable water supply. The District also maintains a Financial Assurance Fund which can be used for various Board determined purposes, with the primary purpose being rate stability to accommodate debt service payments, capital projects, and the acquisition of water supply.

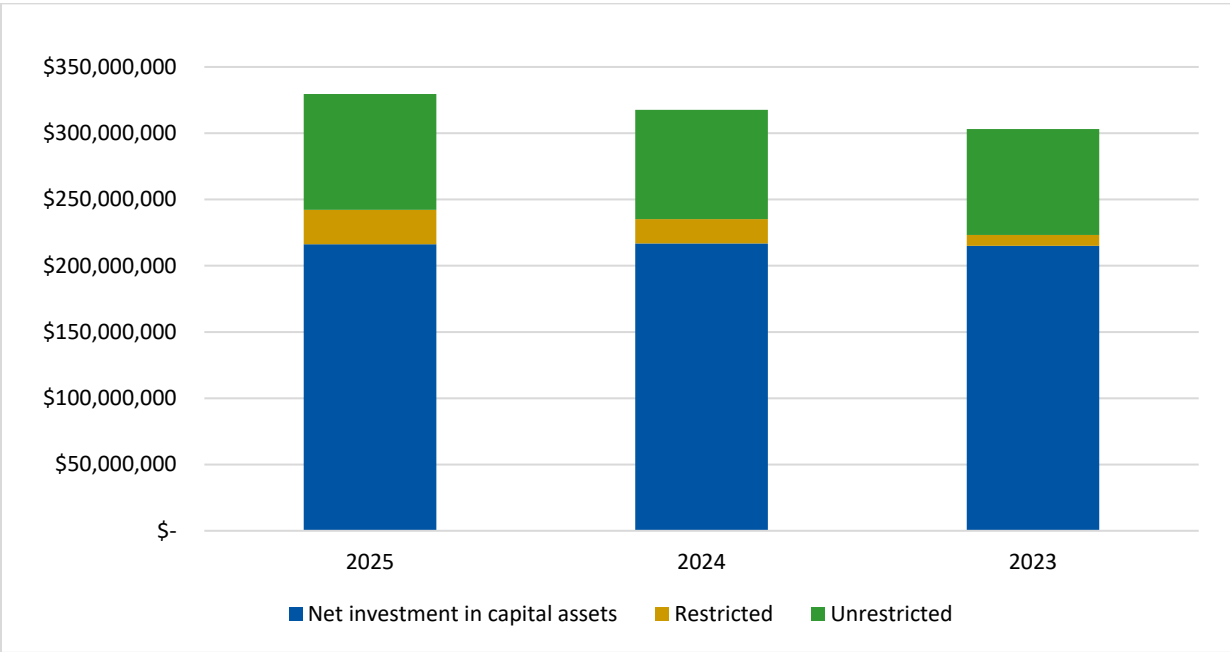
Financial Analysis – Statements of Net Position

The table below summarizes the change in net position for the current and prior two fiscal years:

	As of December 31,			2025 to 2024		2024 to 2023	
	2025	2024	2023	Increase (decrease)	% Change	Increase (decrease)	% Change
Assets							
Current assets	\$103,356,256	\$ 98,414,624	\$ 91,384,007	\$ 4,941,632	5.0%	\$ 7,030,617	7.7%
Non current assets other than capital assets	44,909,304	64,832,722	8,968,971	(19,923,418)	-30.7%	55,863,751	622.9%
Capital assets, net	389,107,722	367,644,731	337,686,585	21,462,991	5.8%	29,958,146	8.9%
Total assets	537,373,282	530,892,077	438,039,563	6,481,205	1.2%	92,852,514	21.2%
Liabilities							
Current liabilities	16,115,500	17,783,702	14,988,732	(1,668,202)	-9.4%	2,794,970	18.6%
Noncurrent liabilities	191,341,376	195,004,332	119,466,440	(3,662,956)	-1.9%	75,537,892	63.2%
Total liabilities	207,456,876	212,788,034	134,455,172	(5,331,158)	-2.5%	78,332,862	58.3%
Deferred inflows of resources	368,200	400,487	457,391	(32,287)	-8.1%	(56,904)	-12.4%
Net position							
Net investment in capital assets	216,238,168	216,890,686	215,047,655	(652,518)	-0.3%	1,843,031	0.9%
Restricted	25,958,837	18,285,732	8,215,472	7,673,105	42.0%	10,070,260	122.6%
Unrestricted	87,351,201	82,527,138	79,863,875	4,824,063	5.8%	2,663,263	3.3%
Total net position	<u>\$329,548,206</u>	<u>\$317,703,556</u>	<u>\$303,127,002</u>	<u>\$ 11,844,650</u>	<u>3.7%</u>	<u>\$ 14,576,554</u>	<u>4.8%</u>

Over time, net position is a useful indicator of a government's financial health. At December 31, 2025, the District assets exceeded its liabilities and deferred inflows of resources by \$329,548,206, an increase of \$11,844,650 or 3.7% from December 31, 2024. Net position was \$317,703,556 at December 31, 2024, which represented an increase of \$14,576,554 or 4.8% from December 31, 2023.

The District’s net position for the current and prior two fiscal years is broken down as follows:



Net investment in capital assets of \$216,238,168 represents the cumulative, historical cost of building the infrastructure necessary to serve our customers including transmission and distribution lines the water and wastewater plants, pump stations, water rights, machinery and equipment. The total is reduced by any outstanding debt used to acquire those assets.

Capital assets are used to provide services to customers; consequently, these assets are not available for future spending. Although the Highlands Ranch Water and Sanitation District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other financial resources since the capital assets themselves cannot be used to liquidate these liabilities.

The \$25,958,837 restricted component of net position represents funds on hand that are segregated for the sole purpose of paying annual principal and interest payments on outstanding debt.

Unrestricted net position of \$87,351,201 is available to meet ongoing obligations to customers and creditors. Financial resources included in unrestricted net position are identified for the following:

- Ongoing daily operations of the District
- Acquisition of surface and groundwater
- Major repair (including vehicle and equipment replacement) and capital projects
- The Financial Assurance Fund

The Financial Assurance Fund was created by the Board to stabilize rates during times of economic uncertainty or lower than usual rate collections due to events such as unordinary weather conditions. Financial resources in this fund increased from 2025 and 2024 by \$2,013,300 with a total fund balance of \$20.7 million as of December 31, 2025.

Identified changes in the Statements of Net Position are as follows:

- **Current assets** in 2025 increased \$5.0 million from 2024 primarily due to an increase in cash driven by collections in water usage fees. The increase in 2024 over 2023 was \$7.0 million, due to an increase in cash driven by collections in water usage fees, and the implementation of the Infrastructure Improvement Fee.
- **Noncurrent assets**, other than capital assets, decreased by 19.93 million in 2025 from 2024 due to spending of funds for capital assets that were funded by the 2024 revenue bonds. For 2024, this category saw an increase of \$55.9 million in 2024 from 2023 due to the issuance of the 2024 revenue bonds and the increase in debt service reserves.
- **Capital assets** increased in 2025 by \$21.4 million from 2024 due to the capital construction at the water treatment plant. For 2024, the change was \$30.0 million from 2023 primarily due to capital construction at the water and wastewater treatment plants.
- **Current liabilities** in 2025 decreased by \$1.7 million from 2024 due to a decrease in contracts and retainage payable for construction at the water treatment plant. The change in 2024 from 2023 was an increase of \$2.8 million arising from an increase in contracts and retainage payable for construction at the water treatment plant.
- **Noncurrent liabilities** in 2025 decreased by \$3.7 million over 2024 due to the reduction in debt liabilities. The change in 2024 from 2023 was an increase of \$75.5 million from the issuance of the 2024 revenue bonds.
- **Net position** increased by \$11.8 million in 2025 from 2024 due to the an increase in user rate revenue collected and PFAS settlement funds. The change in 2024 from 2023 was an increase of \$14.6 million due an increase in user rate revenue collected and interest earnings. The detailed changes in net position are as follows:
 - **Net investment in capital assets** was comparable to 2024 while 2024 was higher than 2023 by \$1.8 million.
 - **Restricted for debt service** saw an increase of \$7.7 million in 2025 from 2024 as a direct result of transferring \$18 million from the operating fund to the debt service fund for the future payments on long-term debt. The \$10.1 million increase in 2024 from 2023 was a result of the transfer of \$14 million from the operating fund to the debt service fund.
 - **Unrestricted net position** increased by \$4.8 million in 2025 from 2024 as a result of increased revenues and PFAS settlement. The \$2.7 million increase in 2024 from 2023 is due to increased revenues and interest earnings.

Financial Summary and Analysis – Statements of Revenues, Expenses, and Changes in Net Position

These financial statements present the underlying financial activity throughout the year that drives the total change in net position and is broken down into four categories: operating revenues, operating expenses, nonoperating revenue and expenses, and capital contributions.

The table below shows an analysis of the changes for 2025 from 2024 and for 2024 from 2023:

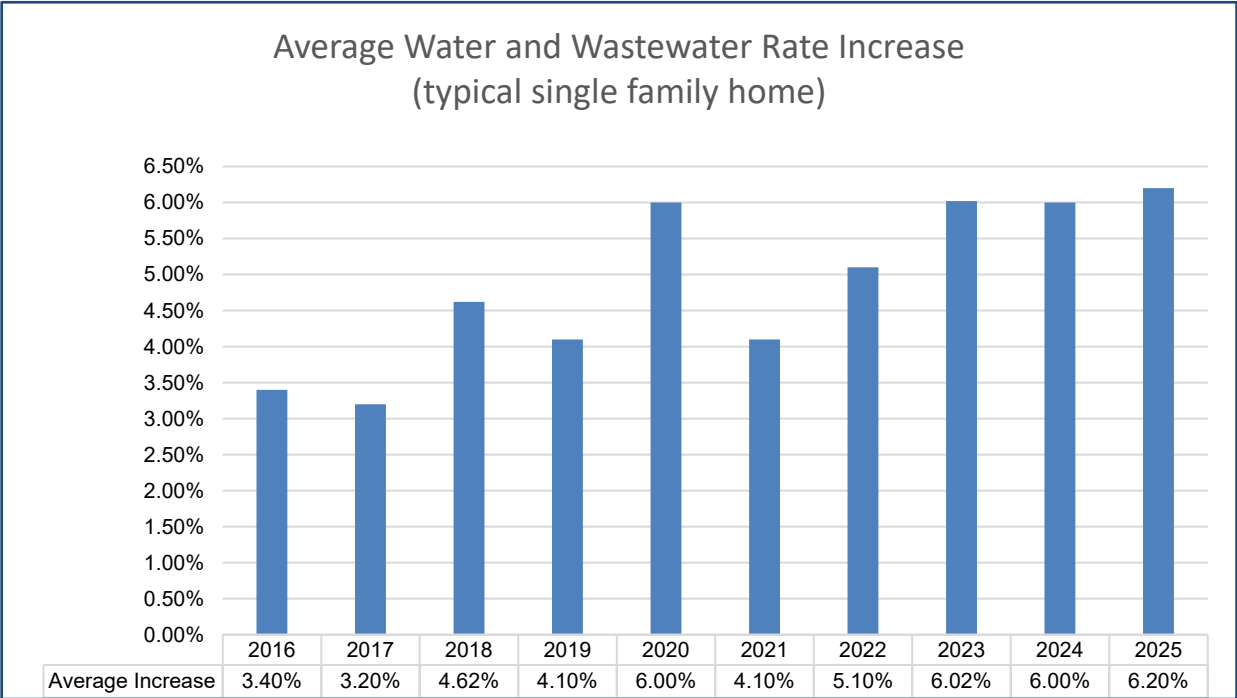
	As of December 31,			2025 to 2024		2024 to 2023	
	2025	2024	2023	Increase (decrease)	% Change	Increase (decrease)	% Change
Operating Revenues							
Water operations	\$ 36,023,902	\$ 34,387,090	\$ 27,841,453	\$ 1,636,812	4.8%	\$ 6,545,637	23.5%
Wastewater operations	17,029,919	16,558,296	15,156,474	471,623	2.8%	1,401,822	9.2%
Other operating	9,061,867	5,994,983	1,419,540	3,066,884	51.2%	4,575,443	322.3%
Total operating revenue	62,115,688	56,940,369	44,417,467	5,175,319	9.1%	12,522,902	28.2%
Operating Expenses							
Water operations	16,217,430	13,309,421	10,483,573	2,908,009	21.8%	\$ 2,825,848	27.0%
Water leases	6,173,783	7,391,466	4,612,995	(1,217,683)	-16.5%	2,778,471	60.2%
Wastewater operations	8,044,632	7,180,768	5,490,384	863,864	12.0%	1,690,384	30.8%
Technical	7,187,589	6,530,653	6,076,887	656,936	10.1%	453,766	7.5%
Administrative	5,665,757	4,837,438	4,158,221	828,319	17.1%	679,217	16.3%
Noncapitalized major repair	461,502	418,444	447,992	43,058	10.3%	(29,548)	-6.6%
Depreciation	9,048,612	6,083,601	6,076,865	2,965,011	48.7%	6,736	0.1%
Total operating expense	52,799,305	45,751,791	37,346,917	7,047,514	15.4%	8,404,874	22.5%
Operating income	9,316,383	11,188,578	7,070,550	(1,872,195)	-16.7%	4,118,028	58.2%
Nonoperating Revenue (Expense)							
Net investment income (loss)	7,188,710	7,021,253	4,978,143	167,457	2.4%	\$ 2,043,110	41.0%
Gain on disposal of property	-	16,350	41,860	(16,350)	-100.0%	(25,510)	-60.9%
Interest expense	(8,119,368)	(7,916,583)	(4,886,046)	(202,785)	2.6%	(3,030,537)	62.0%
Other nonoperating revenue	256,389	404,899	385,558	(148,510)	-36.7%	19,341	5.0%
Cost of issuance	-	(495,920)	-	495,920	-100.0%	(495,920)	100.0%
Premium/discount amortization	881,853	827,667	465,025	54,186	6.5%	362,642	78.0%
Net nonoperating expense	207,584	(142,334)	984,540	349,918	-245.8%	(1,126,874)	-114.5%
Income before capital contributions	9,523,967	11,046,244	8,055,090	(1,522,277)	-13.8%	2,991,154	37.1%
Capital contributions							
Reserved capacity fees	2,026,991	3,530,310	2,959,056	(1,503,319)	-42.6%	571,254	19.3%
Other contributions	293,692	-	-	293,692	100.0%	-	100.0%
Total capital contributions	2,320,683	3,530,310	2,959,056	(1,209,627)	-34.3%	571,254	100.0%
Increase in net position	11,844,650	14,576,554	11,014,146	(2,731,904)	-18.7%	3,562,408	32.3%
Net position - beginning of year	317,703,556	303,127,002	292,112,856	14,576,554	4.8%	11,014,146	3.8%
Net position - end of year	\$329,548,206	\$317,703,556	\$ 303,127,002	\$ 11,844,650	3.7%	\$ 14,576,554	4.8%

Operating Revenues

The District primary source of income comes from water and wastewater rates charged to customers representing 90% of total operating revenues in 2025, 89% in 2024, and 97% in 2023. The large increase in operating revenues in 2025 compared to 2024 is related to PFAS settlement payments. The 2024 increase compared to 2023 is related to the implementation of the Infrastructure Improvement Fee, which is reflected on these financial statements under other operating revenue. Broken down further, water rates account for 58% of total operating revenue.

Regular rates levied include a tiered water usage charge per 1,000 gallons, a fixed water service availability charge per ¾" tap equivalent, a wastewater fixed rate, a variable wastewater usage charge, and the infrastructure improvement fee. The variable rates primarily recover the costs of water and wastewater operations while the fixed rates primarily recover the costs of major repair, capital, and debt service.

The graph below shows the District’s average rate increase for water and wastewater services for a typical single-family home for the past 10 years, excluding the infrastructure Improvement Fee implemented in 2024.



In 2025, operating revenue increased \$5.2 million or 9.1% over 2024. This change is related to an increase in rates and similar weather patterns as 2024 as well as PFAS settlement payments . Comparing 2024 to 2023, operating revenue increased by \$12.5 million due to the change in year-over-year weather patterns in which water usage came in at 3.9 billion gallons or 8.9% less than the 5-year historical average, the increase in the wastewater fixed fee, and the implementation of the \$7.50 per ¾" tap equivalent Infrastructure Improvement Fee.

Operating Expenses

Operating expenses in 2025 increased \$7.0 million, or 15.4% over 2024 due to depreciation expense higher than 2024 by \$3.0 million as large capital improvements were completed. Repair services were up \$1.2 million and overall costs were higher than 2024. In 2024, operating expenses increased by \$8.4 million, or 22.5% over 2023 because of a one-time payment to the City of Englewood for a water lease appraisal, a significant increase in water treatment chemical costs, and the change in employee wages and benefits. Excluding depreciation, total cost for water services represents 51.2% in 2025, 52.2% in 2024, and 48.3% in 2023 of total operating expenses.

Operating expenses include wages and benefits, costs of purchased and contracted services, fuel and chemicals, utilities, water leases, and materials and supplies.

Nonoperating Revenue and Expenses

This section of the financial statements presents other financial activities of the District that are outside of the normal course of operations; i.e. financial activity that is not related to the District’s core business operations.

The District marks its investments to market, meaning at the end of the fiscal year the District reports investment income based on the amount of money that would be received if all investment assets were sold on December 31 of the fiscal year. Due to the healthy economic conditions at the end of 2025, the District reported \$7,188,710 in investment income compared to \$7,021,253 in 2024 and \$4,978,143 in 2023.

Nonoperating revenues and expenses include the amortization of long-term debt premiums and the cost of interest paid on long-term debt. Interest expense on long-term debt was \$8,119,368 in 2025 compared to \$7,916,583 in 2024. Interest expense in 2023 was \$4,886,046, which was prior to the issuance of the 2024 bonds.

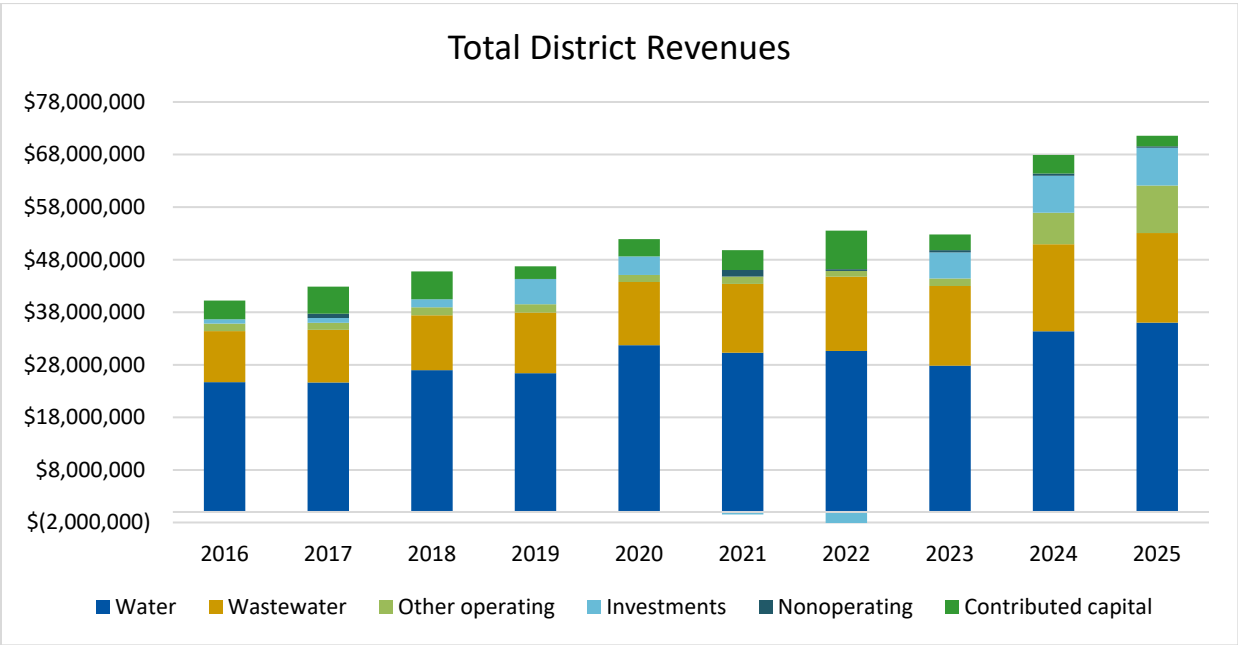
Capital Contributions

The District receives capital contributions from HRMD, Mirabelle, and Northern Douglas for reserved capacity in the water and wastewater system. Tap and capacity fees are designed to recover the cost of building and maintaining the infrastructure necessary to serve their customer base. These capital contributions are received from intergovernmental agreements for use either to construct capital assets or to repay the principal on debt used to fund prior capital assets.

Contributions also include donated assets to the District. Total capital contribution for 2025 totaled \$2,320,683 compared to \$3,530,310 in 2024 and \$2,959,056 in 2023. Capital contributions are volatile year-over-year as they are dependent on actual development activity in the District’s service area. They are also a finite source of revenue as the District serves master-planned communities and, once they are built-out, there will be no more taps to be placed into service.

Revenue Combined

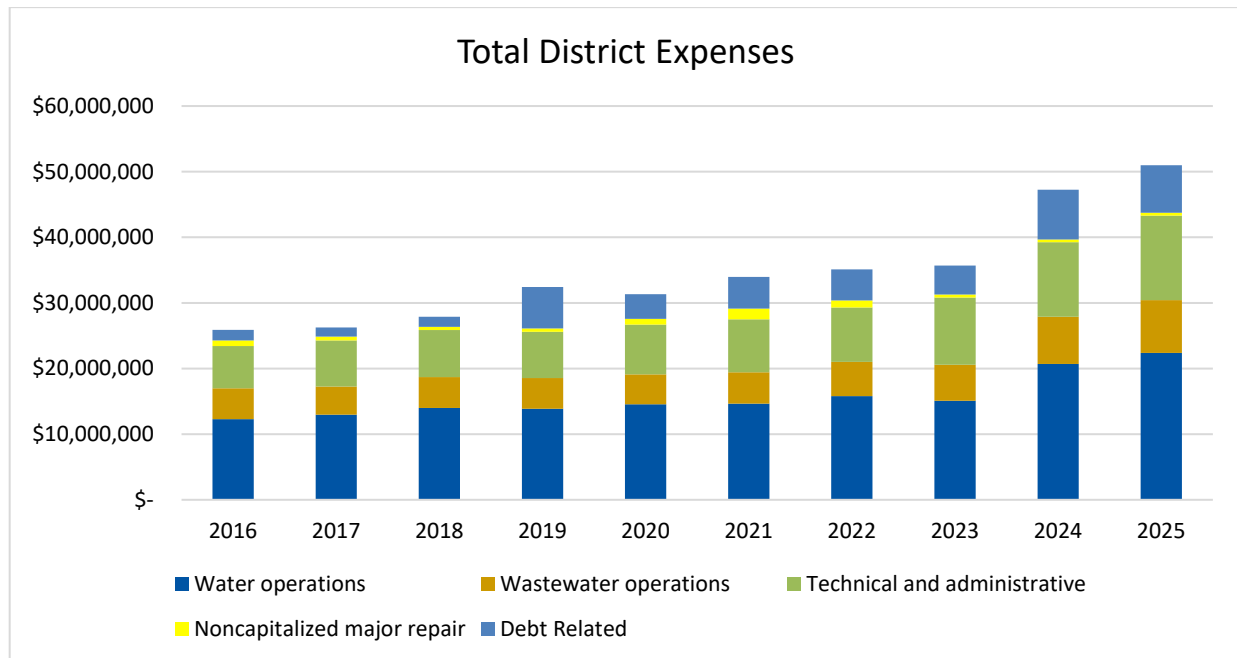
Weather patterns, development, and economic conditions can create certain volatility in the revenues the District reports. Below is a graph showing 10 years of revenues.



The increase in 2025 is primarily due to an increase in rates and fees, along with PFAS settlement funds.

Expenses Combined

The graph below shows 10 years of expenses, excluding depreciation, as reported by the District:



As mentioned previously, the significant increase in 2025 expenses is due to depreciation expense being higher than 2024 by \$3.0 million as large capital improvements were completed. Repair services were up \$1.2 million and overall costs were higher than 2024. The increase in 2024 expenses compared to 2023 are due to the one-time water lease appraisal payment to the City of Englewood as well as the large increase in chemical costs.

Capital Related Assets and Debt Administration

Capital assets. The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2025, amounts to \$389,107,722, an increase of \$21.5 million. This investment in capital assets includes:

- the water treatment system including raw and treated water storage reservoirs, pump stations and treatment plants
- the wastewater treatment system including lift stations and a treatment plant
- major infrastructure for the transmission and distribution of water and the collection and transmission of wastewater
- administrative offices
- major machinery and equipment.

Major capital asset activity during the current fiscal year included the following:

- Continued construction of Phase II improvements at the wastewater treatment plant to meet regulatory requirements and address aging infrastructure.
- Construction of Phase 1A and Phase 1B improvements at the water treatment plant

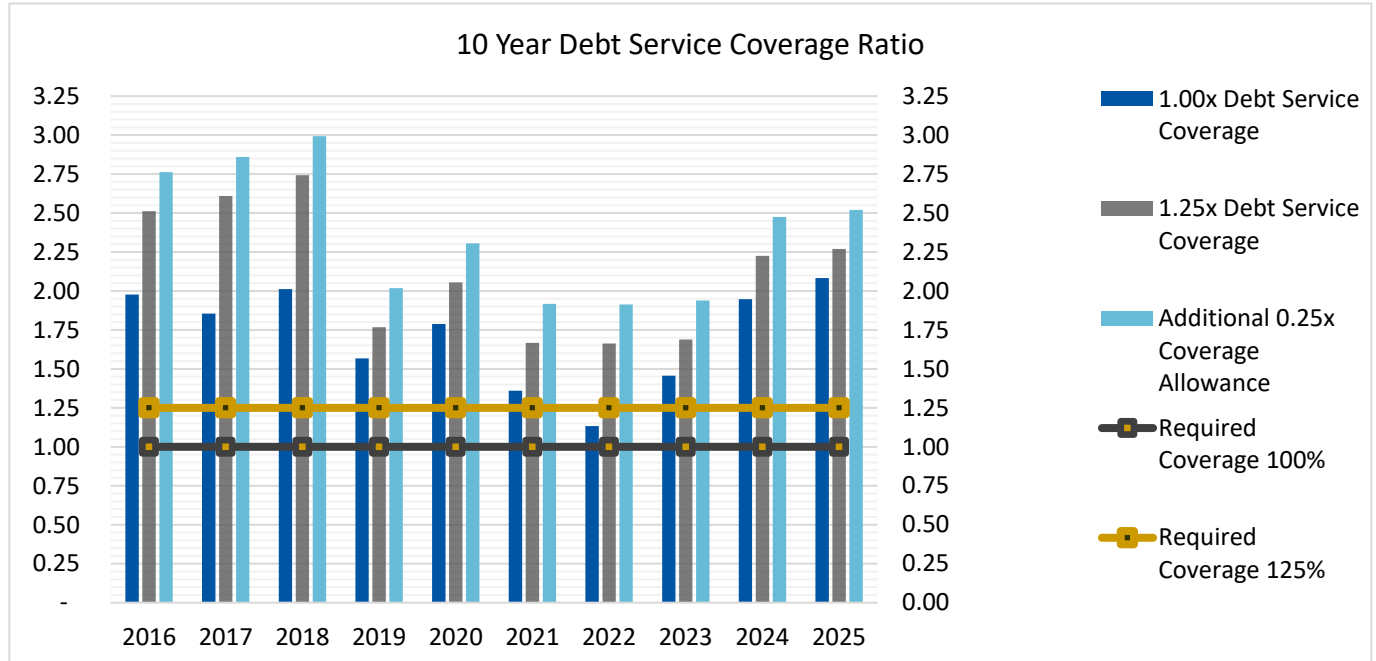
- Additional information on the Highlands Ranch Water and Sanitation District's capital assets can be found in Note III. B.

Long-term debt. The District's total outstanding debt (excluding compensated absences) was \$193,531,052 as of December 31, 2025. The District's debt represents bonds and loans secured solely by specified revenue sources (i.e. revenue bonds).

	2025	2024	2023
Revenue Bonds	\$ 147,153,550	\$ 149,465,403	\$ 72,771,535
Revenue Notes	-	-	2,440,000
Direct Borrowings	\$ 46,377,502	\$ 47,676,050	\$ 48,936,777
Total Outstanding Debt	\$ 193,531,052	\$ 197,141,453	\$ 124,148,312

- In December 2021, Fitch issued and reaffirmed their rating of AA+ with a stable outlook.
- In 2024, the District issued revenue bonds to fund capital improvements to the Water Treatment Plan. The District received a AAA with a negative outlook rating from Standard & Poors and AA+ with a stable outlook from Fitch. In December 2024, the District received an upgraded rating from Fitch from AA+ to AAA. (see Table C-2 in the Statistical Section).

The chart below shows that the District typically has significant reserves, from basic operations without considering the financial assurance fund that could be used to dampen any impact on net position in the event that wet weather trends would reappear and reduce revenues in any given year.



Additional information on the District's long-term debt can be found in Note III. C. of this report.

Economic Factors, Budgets and Rates

The District enjoys a strong economic base as compared to the Denver Metro area and the United States as a whole. Key economic factors include:

- * Homeownership rates at over 74% and median household values of almost \$740,000
- * Median household income of over \$150,000
- * An unemployment rate of 3.9% at the end of 2025

As over 90% of the District's funding comes from rates, these economic factors are a vital analysis tool when creating the annual budget as the District is committed to providing the highest quality service for our customers while maintaining reasonable rates, year after year.

The 2026 Adopted Budget was developed through the priorities and policies as established by the District's Board of Directors which are to:

1. Prepare a balanced budget which (a) meets all legal obligations mandated by state and local laws, (b) ensures revenues and resources for each budgeted fund will equal or exceed estimates, and (c) ensures ending fund balance for each budget category meets or exceeds targeted ending fund balances,
2. Maintain the current level of service of providing safe, sustainable, and reliable water and wastewater services to customers, and
3. Preserve all assets owned by the District.

As the cost of operations and improving our infrastructure continues to increase, the district adopted a 6.0% average increase in water and wastewater rates for a typical single-family home along with a \$2.25 monthly increase in the infrastructure improvement fee. Our water usage revenue for the upcoming fiscal year is calculated based off the 5-year average of actual water use. This approach helps us to be prepared for changes in weather conditions, conservation needs, potential drought, and any regulatory changes. Highlands Ranch Water's rates continue to be among the lowest in the area. We do not receive any tax revenue or other significant sources of revenue other than our rates for water and wastewater services. However, partnering with regional water providers and appropriately managing our financial resources against operational needs has helped offset this constraint.

Requests for Information

This financial report is designed to provide a general overview of Highlands Ranch Water and Sanitation District's finances for those with an interest in the government's finances. In addition, this financial report and related information is available on the District's website at www.highlandsranchwater.org. If you have any questions concerning any of the information provided in this report or requests for additional financial information please contact Director, Finance and Administration, Highlands Ranch Water and Sanitation District, 62 W. Plaza Drive, Highlands Ranch, Colorado 80129.

Financial Statements



Highlands Ranch Water and Sanitation District

Statements of Net Position

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 42,838,306	\$ 32,087,683
Investments	39,845,614	46,257,541
Receivables:		
Rates and fees	8,033,936	6,828,177
Interest	491,625	586,503
Leases	38,853	37,764
Due from other governments	585,868	556,207
Other receivables	515,002	1,056,325
Prepaid expenses	26,236	19,457
Inventory	116,499	119,149
Investments - restricted	10,864,317	10,865,818
Total current assets	<u>\$ 103,356,256</u>	<u>98,414,624</u>
Noncurrent Assets:		
Cash & cash equivalents - restricted	4,913,492	16,103,840
Investments - restricted	39,608,376	48,302,593
Lease receivable, noncurrent	387,436	426,289
Capital assets:		
Buildings	2,607,108	2,558,608
Equipment	28,053,392	21,760,755
Infrastructure	443,051,806	329,231,668
Water rights	41,264,935	41,264,935
Construction in progress	66,476,807	156,126,478
Less accumulated depreciation	(192,346,326)	(183,297,714)
Net capital assets	<u>389,107,722</u>	<u>367,644,731</u>
Total noncurrent assets	<u>434,017,026</u>	<u>432,477,453</u>
Total assets	<u>\$ 537,373,282</u>	<u>\$ 530,892,077</u>

(Continued to next page)

The accompanying notes are an integral part of the financial statements

Highlands Ranch Water and Sanitation District

Statements of Net Position

December 31, 2025 and 2024

	2025	2024
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,801,681	\$ 2,344,142
Contracts and retainage payable	8,340,091	10,530,950
Accrued payroll liabilities	442,769	380,327
Deposits	157,290	157,701
Unearned Revenue	333,120	174,782
Due to other governments	393,265	653,480
Accrued interest payable	775,592	793,493
Current portion of compensated absences	34,187	20,279
Current portion of long-term debt	2,837,505	2,728,548
Total current liabilities	16,115,500	17,783,702
Noncurrent Liabilities		
Compensated absences	647,829	591,427
Long-term debt, net	190,693,547	194,412,905
Total noncurrent liabilities	191,341,376	195,004,332
Total liabilities	207,456,876	212,788,034
DEFERRED INFLOWS OF RESOURCES		
Lease related	368,200	400,487
NET POSITION		
Net investment in capital assets	216,238,168	216,890,686
Restricted debt service	25,958,837	18,285,732
Unrestricted	87,351,201	82,527,138
Total net position	329,548,206	317,703,556
Total liabilities, deferred inflows of resources and net position	\$ 537,373,282	\$ 530,892,077

(Continued from prior page)

The accompanying notes are an integral part of the financial statements

Highlands Ranch Water and Sanitation District

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES:		
Water operations	\$ 36,023,902	\$ 34,387,090
Wastewater operations	17,029,919	16,558,296
Other operating	9,061,867	5,994,983
Total operating revenue	62,115,688	56,940,369
OPERATING EXPENSES:		
Water operations	16,217,430	13,309,421
Water leases	6,173,783	7,391,466
Wastewater operations	8,044,632	7,180,768
Technical	7,187,589	6,530,653
Administrative	5,665,757	4,837,438
Noncapitalized major repair	461,502	418,444
Depreciation	9,048,612	6,083,601
Total operating expense	52,799,305	45,751,791
Operating income	9,316,383	11,188,578
NONOPERATING REVENUE (EXPENSE)		
Net investment income	7,188,710	7,021,253
Gain on disposal of property	-	16,350
Interest expense	(8,119,368)	(7,916,583)
Other nonoperating revenue	256,389	404,899
Cost of issuance	-	(495,920)
Amortization of premiums	881,853	827,667
Net nonoperating revenue/(expense)	207,584	(142,334)
Income before capital contributions	9,523,967	11,046,244
Capital contributions		
Reserved capacity fees	2,026,991	3,530,310
Capital contributions	293,692	-
Total operating revenue	2,320,683	3,530,310
Increase in net position	11,844,650	14,576,554
Net position - beginning of year	317,703,556	303,127,002
Net position - end of year	\$ 329,548,206	\$ 317,703,556

The accompanying notes are an integral part of the financial statements

Highlands Ranch Water and Sanitation District

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Receipts from customers	\$ 52,547,312	\$ 49,289,863
Payments to suppliers	(34,188,817)	(30,272,732)
Payments to employees	(8,975,714)	(8,348,428)
Other receipts	9,277,501	6,503,323
Net cash provided by operating activities	18,660,282	17,172,026
Cash flows from capital and related financing activities		
Capital contributions	2,026,991	3,530,310
Acquisition and construction of capital assets	(22,171,511)	(25,510,796)
Capital assets acquired through prior year construction payables	(10,530,950)	(6,995,537)
Proceeds from sale of assets	-	16,350
Proceeds from bond issuance	-	78,385,614
Principal paid on long-term debt	(2,728,548)	(5,060,726)
Interest paid on long-term debt	(8,137,269)	(7,631,457)
Principal payments received on lease receivables	37,764	51,237
Interest received on lease receivables	12,651	13,708
Net cash provided by (used in) capital and related financing activities	(41,490,872)	36,798,703
Cash flows from investing activities		
Purchase of investments	(29,390,188)	(70,041,253)
Proceeds from sale and maturities of investments	46,793,197	25,451,846
Investment income	4,987,856	4,633,693
Net cash provided by (used in) investing activities	22,390,865	(39,955,714)
Net decrease in cash and cash equivalents	(439,725)	14,015,015
Cash and cash equivalents - January 1	48,191,523	34,176,508
Cash and cash equivalents - December 31	\$ 47,751,798	\$ 48,191,523
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Cash and cash equivalents, current	\$ 42,838,306	\$ 32,087,683
Cash and cash equivalents, noncurrent	4,913,492	16,103,840
Cash and cash equivalents - December 31	47,751,798	48,191,523
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	9,316,383	11,188,578
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	9,048,612	6,083,601
Nonoperating revenues	505,510	334,944
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(664,435)	(1,622,867)
(Increase) decrease in due from other governments	(29,661)	(283,202)
(Increase) decrease in prepaid items	(6,779)	(1,025)
(Increase) decrease in inventories	2,650	(47,184)
Increase (decrease) in unearned revenue	158,338	(34,532)
Increase (decrease) in accounts payable	457,539	776,351
Increase (decrease) in accrued liabilities	62,442	115,488
Increase (decrease) in deposits payable	(412)	1,876
Increase (decrease) in compensated absences	70,310	203,400
Increase (decrease) in due to other governments	(260,215)	456,598
Total adjustments	9,343,899	5,983,448
Net cash provided by operating activities	18,660,282	17,172,026
Noncash activities:		
Increase in fair value of investments	2,295,365	2,133,736
Capital acquisitions included in accounts payable	8,340,091	10,530,950
Cost of issuance paid directly from bond proceeds	-	(495,920)
Amortization of premiums	881,853	827,667
Amortization of deferred inflows of resources	32,287	56,904

The accompanying notes are an integral part of the financial statement

Notes to Financial Statements



Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Highlands Ranch Water and Sanitation District (the District) formally known as Centennial Water and Sanitation District, is a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to wholesale water and wastewater service to other governmental entities providing water and sanitation service within the service area.

The District is governed by a Board of Directors, which, pursuant to state law, consists of five members. To be eligible for nomination to the Board, prospective Board members must be electors of the district as defined by state law. Directors are elected to staggered four-year terms of office at successive biennial elections.

The District follows the Governmental Accounting Standard Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the 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, the appointment by the primary entity of a voting majority of the component organization's governing body, the ability of the primary entity to impose its will on the component organization, a potential for the component organization to provide specific financial benefits or burdens and fiscal dependency of the component organization.

The District provides services to other governmental entities, but is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as business-type activity. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The business-type activities reporting model is used since the District's powers are related to those operated in a similar manner to a private utility system where net income and capital maintenance are appropriate determination of accountability. The following is a summary of the significant accounting policies used by the District.

The District's records are maintained on the economic resources measurement focus and the full accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of cash flows. The District distinguishes between operating revenues and expenses and nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater service. The primary operating revenues are for charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

1) Cash and Investments

The District's cash and cash equivalents include cash on hand, deposit accounts and short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity, generally less than three months to maturity when purchased, that they present insignificant risk of changes in value because of changes in interest rates.

Investments are stated at fair value except for investments in external investment pools, which are valued at net asset value.

2) Receivables

Receivables consist primarily of water and wastewater rates and fees and other miscellaneous receivables. The District has a history of high accounts receivable collections based on the nature of the services provided. As a result, management has not recorded an allowance for uncollectible accounts as of December 31, 2025.

3) Inventories and Prepaid Expenses

Inventories consist primarily of materials and supplies used in the ordinary course of operations. Materials and supplies are valued at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the Statements of Net Position.

4) Due From/To Other Governments

Through an Intergovernmental Agreement, the District shares in costs related to staffing and certain purchases with the Highlands Ranch Metropolitan District in which they either reimburse the District or the District reimburses them, based off the shared costs incurred by each.

5) Leases

Lessor: The District is a lessor for noncallable leases on District owned property. The District recognizes a lease receivable and a deferred inflow of resources in the Statements of Net Position. A lease receivable is recognized at the net present value of the payments expected to be received during the lease term, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates include how the District determines the discount rate it uses to discount the expected lease receipts to present value, the lease term and the lease receipts. The District monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Highlands Ranch Water and Sanitation District
Notes to Financial Statements

December 31, 2025 and 2024

6) Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of one year. The costs of maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Property, plant and equipment are stated at

cost except for those assets contributed, which are stated at the developer's cost, which approximates acquisition value at the date of contribution.

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.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water and wastewater infrastructure	40 years
Reservoirs	100 years
Buildings	30 years
Major operating equipment	10-20 years
Vehicles and other equipment	5-10 years

7) Amortization

Original issue premiums are deferred and are amortized using the effective interest method over the life of the respective bonds. Unamortized premiums adjust the face value of amounts reported as bonds payable.

8) Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9) Unearned Revenue

Unearned revenue includes customer payments which will be applied to a future billing period.

10) Net Position

The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources of the District is reported as net position. The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, 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.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

Restricted net position includes assets that are restricted for use either externally imposed by creditors, guarantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

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

11) Compensated Absences

The District has a policy that allows employees to accumulate and carry forward unused vacation benefits up to a certain maximum number of hours. Accumulated unpaid vacation pay is accrued when earned by the employees. Employees may accumulate sick leave that may be realized as time off. Sick leave hours earned above a certain maximum number of hours are converted to a post-employment health plan. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off. Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the statement of net position date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in noncurrent liabilities.

12) Capital Contributions

The District receives reserved capacity fees from other governments for their license to use capacity in the total water and wastewater facilities of the District as well as tap fees. Such fees are not user fees and thus are reflected as capital contributions.

13) Source of Supply / Water Transfer

The District has recorded the computed value of certain water rights, facilities and easements transferred to it by the developer of Highlands Ranch (Note IV.C). The agreement for the transfer requires repayments to Shea Homes only if capacity fees are collected from governmental entities other than the Highlands Ranch Metropolitan District and Mirabelle Metropolitan District. The repayments, as more fully described in Note IV.C. 2) have reduced the original contribution amount of \$32,500,000. Capacity fees collected for services provided outside of Highlands Ranch and paid to Shea Homes are reflected as distributions of capital contributions.

14) Use of Estimates

The preparation of financial statements in accordance with GAAP involves the use of management's estimates. These estimates are based upon management's best judgments after considering past and current events and assumptions about future events. Actual results may differ from estimates.

15) Implementation of New Accounting Pronouncement

Governmental Accounting Standards Board Statement No. 102 – Issued December 2023, GASB Statement No. 102 (GASB 102), Certain Risk Disclosures requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB 102 was implemented by the District for the year ended December 31, 2025. There are no disclosures required as a direct result of implementation.

16) Revisions

A revision was made to the capital asset footnote to reclassify accumulated depreciation between the infrastructure and equipment categories to align with asset categories. These revisions did not have a significant impact on the financial statement line items.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

Budgets are adopted on a non-GAAP basis of accounting. The appropriation is at the total fund expenditures level and lapses at year end for operating and debt service expenditures. Appropriations for capital projects are continuing appropriations on a project-by-project basis and extend until the District's Board of Directors rescinds any unexpended appropriation. Expenditures may not legally exceed appropriations as described above.

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 Board of Directors can only amend budget appropriation resolutions upon completion of notification and publication requirements. The appointed management of the District can transfer between line items within the fund level appropriation without notice.

B. TAX, SPENDING AND REVENUE LIMITATIONS

In 1992, Colorado voters approved the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

TABOR defines the term "enterprise" as a government owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all State and local governments combined, which would include any property taxes imposed and collected by the governmental entity if used in the operation of such business. Pursuant to an election of eligible electors of the District on November 5, 2019, all prior electoral (voted) authorization of the District to impose and collect property taxes and to increase debt was repealed. Accordingly, the businesses represented by the District Facilities constitute, and are anticipated to continue to constitute, an "enterprise" under TABOR. In addition, pursuant to the 2019

Election, eligible electors of the District also authorized the District to collect, receive, retain, and spend all revenues without regard to the revenue and spending limitations of TABOR.

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 qualification as an enterprise will require judicial interpretation.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

III. DETAILED NOTES

A. CASH AND INVESTMENTS

A reconciliation of cash and investments to the Statements of Net Position as of December 31, 2025 and 2024 are summarized as follows:

	2025	2024
Cash and cash equivalents	\$ 42,838,306	\$ 32,087,683
Restricted cash and cash equivalents	4,913,492	16,103,840
Total cash and cash equivalents	47,751,798	48,191,523
Investments	39,845,614	46,257,541
Restricted Investments - current	10,864,317	10,865,818
Restricted Investments - noncurrent	39,608,376	48,302,593
Total Investments	90,318,307	105,425,952
Total cash deposits and investments	<u>\$ 138,070,105</u>	<u>\$ 153,617,475</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. 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. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2025 and 2024, the District's cash deposits had a bank balance of \$1,552,064 and \$1,292,038, respectively, of which \$1,302,064 and \$1,042,038, respectively, was collateralized in accordance with PDPA requirements and the remainder was covered by FDIC insurance. Carrying value of cash deposits and cash on hand as of December 31, 2025 and 2024 were \$401,599 and \$1,226,399, respectively.

Investments

Fair Value Measurements

The District measures and records its investments using the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered value hierarchy as follows:

- Level 1 – Quoted prices in active markets for identical assets;
- Level 2 – Observable inputs other than quoted market prices; and,
- Level 3 – Unobservable inputs.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

As of December 31, 2025, the district had the following fair value measurements:

Investment Type	Fair Value Measurements Using			
	Value	Level 1	Level 2	Level 3
Money Market Fund*	\$ 294,565	\$ 294,565	\$ -	\$ -
Asset-Backed Securities	11,195,260	-	11,195,260	-
Certificate of Deposit*	584,971	-	584,971	-
Corporate Bonds	7,686,194	-	7,686,194	-
Municipal Bonds	1,129,400	-	1,129,400	-
Supranational	3,839,382	-	3,839,382	-
US Agency Securities	5,066,723	-	5,066,723	-
US Treasury Securities	61,401,348	61,401,348	-	-
Total	<u>\$ 91,197,843</u>	<u>\$ 61,695,913</u>	<u>\$ 29,501,930</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) or amortized cost				
CSIP	46,458,177			
ColoTrust	12,486			
	<u>\$ 137,668,506</u>			

As of December 31, 2024, the district had the following fair value measurements:

Investments by fair value level	Fair Value Measurements Using			
	Value	Level 1	Level 2	Level 3
Money Market Fund*	\$ 241,052	\$ 241,052	\$ -	\$ -
Asset-Backed Securities	13,020,089	-	13,020,089	-
Certificate of Deposit*	1,984,926	-	1,984,926	-
Corporate Bonds	8,276,057	-	8,276,057	-
Municipal Bonds	1,508,293	-	1,508,293	-
Supranational	4,031,453	-	4,031,453	-
US Agency Securities	6,530,872	-	6,530,872	-
US Treasury Securities	72,059,188	72,059,188	-	-
Total	<u>\$ 107,651,930</u>	<u>\$ 72,300,240</u>	<u>\$ 35,351,690</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) or amortized cost				
CSIP	44,727,188			
ColoTrust	11,958			
	<u>\$ 152,391,076</u>			

* Money market funds and certificates of deposits are included in cash and cash equivalents in the statements of net position.

Credit Risk

Investment transactions are made in accordance with the Colorado Revised Statutes (CRS) 24-75-601, et seq. The types of investments which are authorized by the District's internal investment policy, include the following:

- Obligations of the United States government with maturities not exceeding 5 years from the date of purchase.
- Obligations of United States government agencies and United States government sponsored corporations with maturities not exceeding 5 years from the date of purchase.
- Corporate Bonds that are an obligation of corporations or financial institutions organized and operating in the United States with a maturity not exceeding 3 years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and rated no less by any NRSRO. The District shall limit investments to no more than 25% of the total portfolio and 5% per issuer.
- Repurchase Agreements collateralized by U.S. Treasury Securities with a maturity of 90 days or less.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

- Commercial Paper with a maturity of 180 days or less which is rated at least A-1 by Standard & Poor's or P-1
- by Moody's at the time of purchase.
- Bankers Acceptances issued to domestic banks with maturities not exceeding 180 days and the bank's deposits must be insured by the FDIC.
- Negotiable Certificates of Deposit not exceeding three years from the date of the trade settlement.
- Local Government Investment Pools as authorized under CRS 24-75-701 and 702.
- Money Market funds which have a rating of AAAm or the equivalent from any NRSRO.

As of December 31, 2025, investment credit ratings consisted of the following:

Investment Type	Value	S&P	Moody's
Money Market Fund	\$ 294,565	AAAm	Aaa-mf
Asset-Backed Securities	11,195,260	AAA	Aa1
Certificate of Deposit	584,971	A+	A1
Corporate Bonds	7,686,194	AA- to AA+	A1 to Aaa
Municipal Bonds	1,129,400	AA- to AAA	Aa2
Supranational	3,839,382	AAA	Aaa
US Agency Securities	5,066,723	AA+	Aa1
US Treasury Securities	61,401,348	AA+	Aa1

As of December 31, 2024, investment credit ratings consisted of the following:

Investment Type	Value	S&P	Moody's
Money Market Fund	\$ 241,052	AAAm	Aaa-mf
Asset-Backed Securities	13,020,089	AA+	Aaa
Certificate of Deposit	1,984,926	A-1+ to AA-	P-1 to Aa2
Corporate Bonds	8,276,057	A+ to AAA	A1 to Aaa
Municipal Bonds	1,508,293	AA- to AAA	Aa2 to Aaa
Supranational	4,031,453	AAA	Aaa
US Agency Securities	6,530,872	AA+	Aaa
US Treasury Securities	72,059,188	AA+	Aaa

Concentration Of Credit Risk

It is the policy of the District to diversify its investment portfolio. Assets held in investment shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue, or a specific class of securities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets.

The District does not have any investment that represents 5% or more of the total investments to any one issuer at December 31, 2025 or 2024.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages interest rate risk by purchasing investments with varying maturities and continuously investing a portion of the portfolio in readily available funds.

As of December 31, 2025, investments consisted of the following:

Investment Type	Value	Less than 1 Year	1-5 Years
Money Market Fund	\$ 294,565	\$ 294,565	\$ -
Asset-Backed Securities	11,195,260	154,433	11,040,827
Certificate of Deposit	584,971	-	584,971
Corporate Bonds	7,686,194	1,059,533	6,626,661
Municipal Bonds	1,129,400	169,191	960,209
Supranational	3,839,382	-	3,839,382
US Agency Securities	5,066,723	-	5,066,723
US Treasury Securities	61,401,348	23,454,322	37,947,026
Total	<u>\$ 91,197,843</u>	<u>\$ 25,132,044</u>	<u>\$ 66,065,799</u>

As of December 31, 2024, investments consisted of the following:

Investment Type	Value	Less than 1 Year	1-5 Years
Money Market Fund	\$ 241,052	\$ 241,052	\$ -
Asset-Backed Securities	13,020,089	-	13,020,089
Certificate of Deposit	1,984,926	505,645	1,479,281
Corporate Bonds	8,276,057	3,706,383	4,569,674
Municipal Bonds	1,508,293	-	1,508,293
Supranational	4,031,453	-	4,031,453
US Agency Securities	6,530,872	921,844	5,609,028
US Treasury Securities	72,059,188	19,148,676	52,910,512
Total	<u>\$ 107,651,930</u>	<u>\$ 24,523,600</u>	<u>\$ 83,128,330</u>

Local Government Investment Pools

Colorado State Local Government Investment Pools (LGIPs) are an investment vehicle established for local government entities in Colorado to pool surplus funds and which operate similarly to a money market fund in which each share is equal in value to \$1.00. The State Securities Commissioner administers and enforces all State statutes governing LGIPs. The District invests in two LGIPs: the Colorado Statewide Investment Pool (CSIP) and the Colorado Local Government Liquid Asset Trust (COLOTRUST). Both CSIP and COLOTRUST are rated AAAM by Standard and Poor's. Each of these LGIP's investments is limited to those allowed by State statutes. The LGIPs do not have any limitation or restrictions on withdrawals.

As of December 31, 2025 and 2024, the District had invested \$46,458,177 and \$44,727,188 in CSIP and \$12,486 and \$11,958 in COLOTRUST, respectively.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

B. CAPITAL ASSETS

The following is a summary of changes in capital assets as of December 31, 2025:

	Balances 1/1/2025	Additions	Deletions	Transfers	Balances 12/31/2025
CAPITAL ASSETS NOT BEING DEPRECIATED:					
Water rights	\$ 41,264,935	\$ -	\$ -	\$ -	\$ 41,264,935
Construction in progress	156,126,478	24,170,467	-	(113,820,138)	66,476,807
Total capital assets not being depreciated	197,391,413	24,170,467	-	(113,820,138)	107,741,742
CAPITAL ASSETS BEING DEPRECIATED:					
Buildings	2,558,608	48,500	-	-	2,607,108
Infrastructure	329,231,668	-	-	113,820,138	443,051,806
Equipment	21,760,755	6,292,637	-	-	28,053,392
Total capital assets being depreciated	353,551,031	6,341,137	-	113,820,138	473,712,306
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings	(2,269,378)	(113,732)	-	-	(2,383,110)
Infrastructure	(163,989,988)	(7,640,239)	-	-	(171,630,227)
Equipment	(17,038,348)	(1,294,641)	-	-	(18,332,989)
Total accumulated depreciation	(183,297,714)	(9,048,612)	-	-	(192,346,326)
Total capital assets being depreciated, net	170,253,318	(2,707,475)	-	113,820,138	281,365,980
CAPITAL ASSETS, NET	\$ 367,644,731	\$ 21,462,992	\$ -	\$ -	\$ 389,107,722

The following is a summary of changes in capital assets as of December 31, 2024:

	Balances 1/1/2024	Additions	Deletions	Transfers	Balances 12/31/2024
CAPITAL ASSETS NOT BEING DEPRECIATED:					
Water rights	\$ 40,532,735	\$ -	\$ -	\$ 732,200	\$ 41,264,935
Construction in progress	122,582,681	35,024,605	-	(1,480,808)	156,126,478
Total capital assets not being depreciated	163,115,416	35,024,605	-	(748,608)	197,391,413
CAPITAL ASSETS BEING DEPRECIATED:					
Buildings	2,378,233	180,375	-	-	2,558,608
Infrastructure	329,210,678	-	-	20,990	329,231,668
Equipment	20,283,928	836,766	(87,556)	727,618	21,760,755
Total capital assets being depreciated	351,872,839	1,017,141	(87,556)	748,608	353,551,031
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings	(2,219,954)	(49,424)	-	-	(2,269,378)
Infrastructure	(158,953,090)	(5,036,898)	-	-	(163,989,988)
Equipment	(16,128,625)	(997,279)	87,556	-	(17,038,348)
Total accumulated depreciation	(177,301,669)	(6,083,601)	87,556	-	(183,297,714)
Total capital assets being depreciated, net	174,571,170	(5,066,460)	-	748,608	170,253,318
CAPITAL ASSETS, NET	\$ 337,686,585	\$ 29,958,146	\$ -	\$ -	\$ 367,644,731

Depreciation expense was \$9,048,612 and \$6,083,601 for the years ended December 31, 2025 and 2024, respectively.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

C. LONG-TERM OBLIGATIONS

The District's outstanding debt obligations include revenue bonds, revenue notes and direct borrowings. All debt is payable from total net revenues of the District which is defined as gross recurring revenue, less operation and maintenance expenses, plus capital contributions which includes reserved capacity fees, tap fees, and tap options payments. Gross recurring revenue includes all income received from normal operations, including rates, fees, and charges plus net investment income but excludes other non-operating income and the PFAS settlement. Operating and maintenance expenses do not include noncapitalized major repair and depreciation.

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Balance at January 1, 2025	Additions	Reductions	Balance at December 31, 2025	Amount due Within One Year
REVENUE BONDS					
Series 2019A	\$ 62,995,000	\$ -	\$ (1,430,000)	\$ 61,565,000	\$ 1,500,000
Premium	7,875,827	-	(529,276)	7,346,551	-
Series 2024A	70,000,000	-	-	70,000,000	-
Premium	8,594,576	-	(352,577)	8,241,999	-
Total revenue bonds	149,465,403	-	(2,311,853)	147,153,550	1,500,000
DIRECT BORROWINGS					
CWCB 2053	4,654,858	-	(114,343)	4,540,515	117,773
CWCB 2055	33,380,712	-	(915,562)	32,465,150	943,029
CWCB 2056	9,640,480	-	(268,643)	9,371,837	276,703
Total direct borrowings	47,676,050	-	(1,298,548)	46,377,502	1,337,505
COMPENSATED ABSENCES	611,706	70,310 *	-	682,016	34,187
TOTAL	<u>\$ 197,753,159</u>	<u>\$ 70,310</u>	<u>\$ (3,610,401)</u>	<u>\$ 194,213,068</u>	<u>\$ 2,871,692</u>

* The change in the compensated absences liability is presented as a net change.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Balance at January 1, 2024	Additions	Reductions	Balance at December 31, 2024	Amount due Within One Year
REVENUE BONDS					
Series 2019A	\$ 64,355,000	\$ -	\$ (1,360,000)	\$ 62,995,000	\$ 1,430,000
Premium	8,416,535	-	(540,708)	7,875,827	-
Series 2024A	-	70,000,000	-	70,000,000	-
Premium	-	8,881,534	(286,958)	8,594,576	-
Total revenue bonds	72,771,535	78,881,534	(2,187,666)	149,465,403	1,430,000
REVENUE NOTES					
Series 2012A	2,440,000	-	(2,440,000)	-	-
Total revenue notes	2,440,000	-	(2,440,000)	-	-
DIRECT BORROWINGS					
CWCB 2053	4,765,871	-	(111,013)	4,654,858	114,343
CWCB 2055	34,269,607	-	(888,895)	33,380,712	915,562
CWCB 2056	9,901,299	-	(260,819)	9,640,480	268,643
Total direct borrowings	48,936,777	-	(1,260,727)	47,676,050	1,298,548
COMPENSATED ABSENCES					
	408,306	203,400 *	-	611,706	20,279
TOTAL					
	<u>\$ 124,556,618</u>	<u>\$ 79,084,934</u>	<u>\$ (5,888,393)</u>	<u>\$ 197,753,159</u>	<u>\$ 2,748,827</u>

* The change in the compensated absences liability is presented as a net change.

Revenue Bonds

Series 2019A

The District issued its Water and Wastewater Revenue Bonds, Series 2019A dated January 17, 2019 in the par amount of \$64,355,000 for the purpose of financing the engineering, design, and construction of the phase 2 upgrades to the Marcy Gulch Wastewater Treatment Plant. These improvements are time-sensitive modifications which enable the District to comply with regulatory discharge requirements. The bonds were issued with a coupon rate between 4.0% and 5.25% and they fully mature on December 1, 2048.

Series 2024A

The District issued its Water and Wastewater Revenue Bonds, Series 2024A dated February 1, 2024 in the par amount of \$70,000,000 for the purpose of financing the engineering, design and construction of upgrades to its Joseph Blake Water Treatment Plant including a new chemical building and underground utility corridor, modifications to the forebay, site-wide electrical modifications and a new standby generator. The bonds were issued with a coupon rate between 5.0% and 5.25% and they fully mature on December 1, 2053.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

Revenue Notes

The District issued its tax-exempt Series 2012A Revenue Refunding and Improvement Notes in the aggregate amounts not to exceed \$30,505,000 for the purpose of funding certain improvements to the Marcy Gulch Wastewater Treatment Plant and to refund a portion of the Series 2004 and Series 1996 Bonds.

- The 2012A Note dated December 1, 2012, was issued at a 2.09% fixed interest rate and matured on December 1, 2024.

Direct Borrowings

On October 15, 2015, the District entered into three loan agreements with the Colorado Water Conservation Board ("CWCB") in order to fund the Chatfield Reallocation Project. The loans were approved in the aggregate amount of \$44,400,000 and required the District to contribute at least 10 percent of the project cost, bringing the total loan approval to \$48,888,000. To cover the increased cost of construction based on bids received, in 2018 the Board authorized an increase of \$9,046,267 to the loans for a maximum aggregate principal amount of \$53,486,267. The final loan maturity is on November 1, 2051.

Debt Service

The annual debt service requirements to maturity are as follows:

Revenue Bonds

YEAR ENDING DECEMBER 31,	SERIES 2019		TOTAL
	PRINCIPAL	INTEREST	
2026	\$ 1,500,000	\$ 3,075,088	\$ 4,575,088
2027	\$ 1,575,000	\$ 3,000,088	4,575,088
2028	\$ 1,655,000	\$ 2,921,338	4,576,338
2029	\$ 1,735,000	\$ 2,838,588	4,573,588
2030	\$ 1,825,000	\$ 2,751,838	4,576,838
2031-2035	\$ 10,580,000	\$ 12,296,688	22,876,688
2036-2040	\$ 13,370,000	\$ 9,508,788	22,878,788
2041-2045	\$ 16,925,000	\$ 5,959,325	22,884,325
2046-2048	\$ 12,400,000	\$ 1,324,047	13,724,047
TOTAL	\$ 61,565,000	\$ 43,675,788	\$ 105,240,785

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

YEAR ENDING DECEMBER 31,	SERIES 2024		TOTAL
	PRINCIPAL	INTEREST	
2026	\$ -	\$ 3,560,400	\$ 3,560,400
2027	-	3,560,400	3,560,400
2028	-	3,560,400	3,560,400
2029	-	3,560,400	3,560,400
2030	-	3,560,400	3,560,400
2031-2035	2,060,000	17,751,750	19,811,750
2036-2040	6,120,000	16,705,000	22,825,000
2041-2045	7,815,000	15,013,500	22,828,500
2046-2050	22,000,000	12,609,475	34,609,475
2051-2053	32,005,000	3,347,913	35,352,913
TOTAL	\$ 70,000,000	\$ 83,229,638	\$ 153,229,638

Direct Borrowings

YEAR ENDING DECEMBER 31,	CWCB 2053		CWCB 2055		CWCB 2056		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2026	\$ 117,773	\$ 136,215	\$ 943,029	\$ 973,955	\$ 276,703	\$ 281,155	\$ 2,728,830
2027	121,306	132,682	971,320	945,664	285,004	272,854	2,728,830
2028	124,946	129,043	1,000,459	916,524	293,554	264,304	2,728,830
2029	128,694	125,295	1,030,473	886,510	302,361	255,497	2,728,830
2030	132,555	121,434	1,061,387	855,596	311,431	246,427	2,728,830
2031-2035	724,864	545,080	5,804,100	3,780,816	1,703,034	1,086,255	13,644,149
2036-2040	840,316	429,627	6,728,542	2,856,374	1,974,284	815,006	13,644,149
2041-2045	974,156	295,788	7,800,225	1,784,691	2,288,736	500,553	13,644,149
2046-2050	1,129,314	140,629	7,125,615	542,318	1,936,730	140,639	11,015,245
2051	246,591	7,396	-	-	-	-	253,987
TOTAL	\$ 4,540,515	\$ 2,063,189	\$ 32,465,150	\$ 13,542,448	\$ 9,371,837	\$ 3,862,690	\$ 65,845,829

Other Debt Information

On November 3, 1992, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$280,000,000. On November 5, 2019, pursuant to an election of eligible electors of the District, all prior authorization of the District to impose and collect property taxes and to increase debt was repealed and the previously authorized \$280,000,000 is used as a function of meeting debt service coverage and the additional bonds test. During the same election, the voters authorized the District to collect, receive, retain, and spend all revenues without regard to the revenue and spending limitations of TABOR. The District has no authority to issue general obligations bonds, however it is authorized to issue revenue obligations by action of the Board of Directors without the approval of District electors.

D. PLEDGED REVENUES

The District has pledged future revenues received from water and wastewater rates, capacity fees, tap and tap option fees, and other operating income received in the normal course of operations. The principal and interest payments of \$10,865,818 reported in the statements were paid using 44.1% of pledged total net revenues (as defined in Note C) which totaled \$24,661,234. Total principal and interest remaining on the debt obligations is \$324,316,255 payable through 2053.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

E. LEASE AGREEMENTS

The District leases land to third parties who use the land to construct cellular towers. The lease terms are for five years, with four options to extend an additional five years. Payments for a full 25-year term are set forth in the initial lease agreement. The leases were measured as of January 1, 2021 at an incremental borrowing rate as estimated by the District based on market conditions as of January 1, 2021. Revenue recognized under the lease contracts for the year ended December 31, 2025 and 2024 were \$50,415 and \$64,945, respectively. There were no variable payments received.

F. Rate Stabilization Reserve

Per the District's current debt agreements, a Rate Stabilization Account is to be maintained so long as the District has outstanding debt obligations. The Rate Stabilization Account is to be used to ensure that Net Revenues (as defined in the debt agreements), when combined with the Rate Stabilization Account, will equal 125% of Annual Debt Service on the District's debt obligations. The Rate Stabilization Account is not pledged to payment of debt but may be used to pay debt service.

IV. OTHER NOTE DISCLOSURES

A. DEFINED CONTRIBUTION PENSION PLAN

All regular employees of the District participate in the Highlands Ranch Special Districts' Employees Retirement Plan (the "Plan"). The Plan is a defined contribution plan as defined by section 414h of the Internal Revenue Code. It was established through an interdistrict agreement with the Highlands Ranch Metropolitan District forming the Highlands Ranch Special Districts' Employees Retirement Association. This plan is governed by the Director of Finance and Administration, five voting members which include one at-large citizen appointed

by the District's Board of Directors, one at-large citizen appointed by the Highlands Ranch Metro District's Board of Directors, one employee representative elected by District staff and one employee elected by Highlands Ranch Metro District staff. The Retirement Committee has the authority to recommend changes to the structure of the Plan, the Plan's investment options, and contribution amounts. The member Districts' boards of directors must approve any changes to the Plan's structure and contribution amounts, however the Retirement Committee, with advice from the Plan's investment advisor, may adjust investment categories made available under the Plan. The Retirement Association administers the Plan through the Principal Financial Group, Inc.

On December 31, 2025 there were 240 active plan members comprised of 105 full and part-time members employed by the District and 135 full and part-time members employed by Highlands Ranch Metro District. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become Plan members upon employment as regular full-time employees. Under the Plan, 6.2% of the Plan members' pensionable compensation is withheld and remitted to the Plan Administrator. The members are immediately invested in their contribution plus earnings. The District contributes a matching payment of 6.2% of Plan members' pensionable compensation. The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

Plan membership. The District contributed \$502,595 and \$459,072 for the years ended December 31, 2025 and 2024, respectively.

District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's benefit obligations or to pay plan related expenses. During 2025 and 2024, \$35,782 and \$42,650 of forfeitures were used to offset pension expense, respectively. There is no liability for benefits under the Plan beyond the District's matching payments.

B. DEFERRED COMPENSATION PLAN

The District currently offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 administered by Principal Financial Group, Inc. Participation in the plan is optional for all employees. The plan is governed by the Director of Finance and Administration, five voting members which include one at-large citizens appointed by the District's Board of Directors, one at-large citizen appointed by the Highlands Ranch Metro District's Board of Directors, one employee representative elected by District staff and one employee elected by Highlands Ranch Metro District staff. The Retirement Committee has the authority to recommend changes to the structure of the Plan, the Plan's investment options, and contribution amounts. The member Districts' boards of directors must approve any changes to the Plan's structure and contribution amounts, however the Retirement Committee, with advice from the Plan's investment advisor, may adjust investment categories made available under the Plan. The District does provide a match for up to 6% of wages. The matching structure is 100% on the first 2% of employee contributions and 50% on employee contributions in excess of 2% up to a maximum of 6%. The plan allows employees to defer a portion of their salary until future years. All amounts deferred are held in trust for the exclusive benefit of participating employees. The District contributed \$477,514 and \$431,060 for the years ended December 31, 2025 and 2024, respectively.

C. COMMITMENTS AND CONTINGENCIES

1) Intergovernmental Agreements

In 1990, and last amended in 2018, the District entered into an intergovernmental agreement with the Highlands Ranch Metro District (Metro District) where the District agrees to supply water and wastewater services to the Metro District on a "modified total service basis," which means that the local water distribution and wastewater collections systems serving the Metro District are owned by the Metro District but the operation, maintenance and billing services are provided by the District and paid for by the Metro District through the water and wastewater service fees collected from end users. In exchange, the Metro District pays an annual capacity fee per each outstanding tap not placed into service. The agreement expires on December 18, 2030.

The District has also entered into a water and wastewater service agreement with the Mirabelle Metropolitan District on a "total service basis", which means that the District provides all water and wastewater services to the Solstice development and operates, maintains, and replaces the water and wastewater system facilities. Per the agreement, Mirabelle pays the District an annual options fee for taps not yet placed in service as well as a one-time tap fee each time a tap is placed into service. The District bills and collects all water, wastewater, and other service fees directly from the Solstice residents. Mirabelle began construction of Solstice's 1,100 single-family homes in 2020.

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

In 1994, the District entered into an extended service area water and wastewater agreement with Northern Douglas to provide service on a wholesale basis where Northern Douglas provides water and wastewater service to their customers and bills at the rates established by the district and remits those collections to the District. Northern is only guaranteed service for the number of taps and at the specific locations for which it has acquired capacity. Northern may purchase options to acquire future capacity. As of December 31, 2025, all options paid have been exercised.

The District has entered into an agreement with the Metro District wherein the cost related to the employment of certain management, administrative and engineering personnel employed by either the District or the Metro District and the cost of office supplies and other materials necessary for them to function would be shared with each of the respective districts entering into the agreement. The cost of these services is determined annually as part of the budget process and is reimbursed monthly.

2) Water Transfer Agreement

The District has entered into an agreement with Shea Homes wherein the District was conveyed an interest in certain water rights and associated water facilities and easements (the value of which are included under Property, Plant and Equipment as Source of Supply) and the rights under agreements with the City of Englewood.

Payment by the District to Shea for the water rights and associated water facilities and easements that were conveyed is entirely dependent upon the sale of water taps to customers located outside the Highlands Ranch development area ("Extended Service Area"), if any. No payment is required for taps sold to service the Highlands Ranch development area. The payment to Shea was last adjusted effective January 1, 2023 and is subject to additional increase adjustments in five-year increments. In the current year, there were no payments to Shea. The 2024, payment to Shea was \$2,797,180. The 2025 fee of \$15,360 per tap, subject to the 5 year adjustment, will be paid to the extent that the next 7,336 taps are sold. No payment for any taps provided beyond 9,500 taps is required.

The maximum total compensation if all remaining taps are sold is \$102,559,842 at the rates in effect as of December 31, 2025. The District is not required to sell such taps unless it determines that it is feasible to do so. Therefore, total compensation under the agreement based on the current approvals by the District will be less than \$112,758,587. Cumulative payments under the agreement are \$13,026,645 through December 31, 2025 and 2024.

3) Water Supply Agreements

In addition to a significant permanent water portfolio, the District has entered into numerous water supply agreements of both a long-term (greater than one-year) and short-term (designed and have been exercised longer than one-year but are cancellable with various notice periods in one year or less) nature.

The long-term agreements are subject to the following terms:

- a. The rights and obligations assumed from Shea by the District under the City of Englewood contracts include:
 - a "take or pay" minimum annual payment schedule;
 - annual deliveries from Englewood's Ranch Creek system;

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

- the use of storage space in Englewood’s McLellan Reservoir;
- the exclusive use of water which is surplus to Englewood’s needs.

The initial contract period was for the 20-year period from 1981 to 2000 with four additional 20-year renewal periods at the option of the District. The District exercised the first option and then renegotiated the contract in 2003. The renegotiated contract provides for the purchase of all water that is surplus to Englewood's needs, as well as lease capacity in certain water conveyance and storage facilities. Lease payments are fixed amounts based on calendar periods, subject to annual CPI adjustment. The pricing structure of the water purchases is tied to Englewood’s delivery performance. The District also agreed to purchase provisions regarding certain water from Englewood's Ranch Creek delivery system. Initial term of the agreement was a 20-year period from 2003 to 2022 with four additional 20-year renewal periods at the option of the District. The District exercised its option to renew for a 20-year period from 2022 to 2042.

- b. In 1994 the District entered into an agreement with the Board of Water Commissioners of the City and County of Denver ("Denver Water Board") to acquire 1,000 acre feet of water annually. The agreement provides for minimum annual payments on a take or pay basis of 85% of the acquired acre-feet of water at the then current rate.
- c. In 2003, the District entered into an agreement with the Center of Colorado Water Conservancy District (CCWCD). The CCWCD agreement leases to the District 5/7ths of the yield of two water rights for 50 years, with a 50-year renewal option. The cost to the District is 6/7ths of the expenses related to the water rights acquisition, related permitting and water court processing expenses.

The two water rights are the Randall Ditch and Sessions Ditch, both which divert from Michigan Creek, a tributary to the South Platte River. The anticipated “wet year” yield of both water rights is 700 acre-feet annually. CCWCD will receive the first 200 acre-feet and the District receives the remainder. The District owns approximately 200 acre feet of storage in fee. Delivery under the project required the construction of a new water storage reservoir that was completed in 2009.

The supply and the costs associated with each of the long-term agreements for 2024 through 2026 can be summarized as follows:

	2024 Actual		2025 Actual		2026 Estimated	
	Consumption		Consumption		Consumption	
	Acre Feet	\$	Acre Feet	\$	Acre Feet	\$
Long Term						
City of Englewood	5,520	\$ 4,033,217	5,520	\$ 4,147,171	5,520	\$ 4,204,570
Denver Water Board	1,000	80,018	1,000	959,641	1,000	505,330
CCWCD/Bargas Ranch	150	-	200	37,542	200	24,341

Highlands Ranch Water and Sanitation District

Notes to Financial Statements

December 31, 2025 and 2024

4) Construction commitments

The District enters into various construction contracts for major repair and capital improvement projects. The following contracts are related to the District's debt funded capital projects.

a. Marcy Gulch Wastewater Treatment Plant Phase II

In 2019, the District entered into a Design, Bid, Build contract in the amount of \$72,687,123 with Flatiron Contractors, Inc. for the purpose of overseeing the Marcy Gulch Wastewater Treatment Plan Phase II improvements. The project has been funded with the Series 2019A Water and Wastewater Revenue Bonds. As of December 31, 2025, the remaining balance on this contract totals \$245,761.

b. Joseph B. Blake Water Treatment Plant Phase 1B

In 2025, the District entered into a Construction Manager at Risk contract in the original amount of \$48,958,760 with Garney Companies for this project. This project has been funded by the Series 2024A Water and Wastewater Revenue Bonds. As of December 31, 2025, the remaining balance on the contract is \$4,877,847.

D. RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. The pool provides:

- coverage for property claims up to \$100,000,000
- liability coverage for claims up to \$1,000,000.
- Workers' compensation claims are covered up to statutory limits, with claims related to employer's liability up to \$2,000,000.

Settled claims have not exceeded coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials. 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 that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Supplementary Information



Highlands Ranch Water and Sanitation District

Schedule of Revenue, Expenditures and Changes in Funds

Available, Budgetary Basis – Budget to Actual

For the Year Ended December 31, 2025

	2025 Adopted Budget	2025 Revised Budget	2025 Actual	Variance with Revised Budget
OPERATING REVENUE				
Water operations	\$ 35,929,435	\$ 35,196,050	\$ 36,023,902	\$ 827,852
Wastewater operations	16,028,040	17,000,000	17,029,919	29,919
Infrastructure Improvement Fee	4,012,560	4,221,600	4,166,626	(54,974)
Other Operating	1,180,875	1,216,825	4,895,241	3,678,416
Total Operating Revenue	57,150,910	57,634,475	62,115,688	4,481,213
OPERATING EXPENSES				
Water operations	14,682,837	15,073,991	16,217,430	(1,143,439)
Water leases	8,277,407	7,681,375	6,173,783	1,507,592
Wastewater operations	7,426,927	7,647,340	8,044,632	(397,292)
Technical	7,154,723	7,392,879	7,187,589	205,290
Administrative	4,862,716	5,307,065	5,665,757	(358,692)
Noncapitalized major repair	-	-	461,502	(461,502)
Total Operating Expenses	42,404,610	43,102,650	43,750,693	(648,043)
Operating income (loss)	14,746,300	14,531,825	18,364,995	3,833,170
NONOPERATING REVENUE (EXPENSE)				
Capital contributions	3,243,125	2,260,695	2,320,683	59,988
Net investment income	864,105	2,498,100	7,188,710	4,690,610
Interest expense	(8,137,270)	(8,137,270)	(8,119,368)	17,902
Other nonoperating revenue	162,045	3,177,865	256,389	(2,921,476)
Net nonoperating revenue (expense)	(3,867,995)	(200,610)	1,646,414	1,847,024
OTHER SOURCES (USES)				
Long-term debt principal payment	(2,728,548)	(2,728,548)	(2,728,548)	-
Capital improvement and major repair	(15,090,000)	(31,693,144)	(29,038,515)	2,654,629
Water acquisition	(130,000)	(683,500)	(633,230)	50,270
Total other sources (uses)	(17,948,548)	(35,105,192)	(32,400,293)	2,704,899
Excess (deficiency) of revenue, non operating revenue and other sources over (under) expenses and other sources (uses)	(7,070,243)	(20,773,977)	(12,388,884)	8,385,093
FUNDS AVAILABLE - BEGINNING OF YEAR	144,984,015	152,514,198	152,514,198	-
FUNDS AVAILABLE - END OF YEAR	\$ 137,913,772	\$ 131,740,221	\$ 140,125,314	\$ 8,385,093

Highlands Ranch Water and Sanitation District

Budget Reconciliation

For the Year Ended December 31, 2025

Reconciliation from Budgetary Basis to GAAP Basis of Accounting:

REVENUE (BUDGETARY BASIS)	\$ 71,881,470
Capital contributions	(2,320,683)
REVENUE (GAAP BASIS)	<u>69,560,787</u>
 EXPENDITURES (BUDGETARY BASIS)	 84,270,354
Depreciation	9,048,612
Amortization of premium	(881,853)
Water acquisition	(633,230)
Capital improvement projects	(28,100,023)
Major repair projects	(938,492)
Principal payments	(2,728,548)
EXPENSES (GAAP BASIS)	<u>60,036,820</u>
 INCOME BEFORE CONTRIBUTIONS	 <u><u>\$ 9,523,967</u></u>

Statistical Section



Highlands Ranch Water and Sanitation

District Statistical Section

December 31, 2025

This section of the Highlands Ranch Water and Sanitation District Annual Comprehensive Financial Report presents detailed data as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

Content	Tables & Charts	Pages
Financial Trends These tables and charts contain trend information to help the reader understand how the District's financial condition has changed over time.	A1-A3	41-45
Revenue Capacity These tables and charts contain information to help the reader access the District's largest revenue sources.	B1-B4	47-51
Debt Capacity These tables and charts present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.	C1-C3	52-55
Demographic & Economic Information These tables and charts offer demographic and economic indicators to help the reader understand the environment that the District's financial activities are taking place within.	D1-D2	56-57
Operating Information These tables and charts contain service data to help the reader understand how information in the financial report relates to the services the District provides and the activities it performs.	E1	58

Table A-1 Net Position

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES										
Current Assets:										
Cash & investments	\$ 87,071,715	\$ 88,180,091	\$ 85,399,588	\$ 62,546,142	\$ 62,648,105	\$ 65,935,630	\$ 92,865,582	\$ 76,158,928	\$ 78,345,224	\$ 83,109,679
Receivables	4,655,229	4,525,288	5,527,754	6,166,065	8,213,938	9,222,932	8,094,069	6,919,212	9,064,976	9,665,284
Prepaid expenses	1,212	-	274,792	-	-	12,429	15,734	18,432	19,457	26,236
Inventory	29,366	35,986	25,898	22,435	39,243	49,070	31,943	71,965	119,149	116,499
Investments - restricted	-	-	-	90,813,205	66,699,323	57,873,994	1,971,035	8,215,472	10,865,818	10,864,317
Total current assets	91,757,522	92,741,365	91,228,032	159,547,847	137,600,609	133,094,055	102,978,363	91,384,007	98,414,624	103,782,015
Noncurrent Assets:										
Cash & investments - restricted	-	-	-	-	-	-	11,556,580	8,504,918	64,406,433	44,096,109
Lease receivable, non-current	-	-	-	-	-	-	804,455	464,053	426,289	387,436
Capital assets, net	184,539,071	191,916,339	220,555,101	256,225,346	289,640,684	297,458,392	319,253,046	337,686,585	367,644,731	389,107,722
Total noncurrent assets	184,539,071	191,916,339	220,555,101	256,225,346	289,640,684	297,458,392	331,614,081	346,655,556	432,477,453	433,591,267
Total assets	276,296,593	284,657,704	311,783,133	415,773,193	427,241,293	430,552,447	434,592,444	438,039,563	530,892,077	537,373,282
Deferred outflows of resources										
Debt related	1,844,346	1,409,738	1,019,930	690,348	422,218	216,899	75,689	-	-	-
Total assets & deferred outflow of resources	278,140,939	286,067,442	312,803,063	416,463,541	427,663,511	430,769,346	434,668,133	438,039,563	530,892,077	537,373,282
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES										
Current Liabilities										
Accounts, contracts, and retainage payable	902,547	3,183,271	1,654,086	9,512,446	3,639,000	5,166,431	7,594,588	8,760,210	13,528,572	11,535,037
Accrued payroll liabilities	350,767	138,945	450,809	528,127	158,693	75,784	79,613	264,839	380,327	442,769
Deposits and unearned revenue	389,603	429,470	476,554	465,319	587,653	504,871	467,286	365,139	332,483	490,410
Accrued interest payable	94,015	67,693	57,634	1,431,717	483,249	468,556	527,628	508,366	793,493	775,592
Current portion of compensated absences	7,430	39,330	27,720	29,630	39,330	40,510	57,746	29,452	20,279	34,187
Current portion of long-term debt	5,695,000	5,990,000	6,105,000	7,024,772	7,173,465	7,683,356	7,844,006	5,060,726	2,728,548	2,837,505
Total current liabilities	7,439,362	9,848,709	8,771,803	18,992,011	12,081,390	13,939,508	16,570,867	14,988,731	17,783,702	16,115,500
Noncurrent Liabilities										
Compensated absences	281,384	243,871	281,275	268,486	355,305	317,174	324,100	378,854	591,427	647,829
Long-term debt, net	40,260,352	35,824,059	52,317,810	137,845,462	140,435,731	133,073,746	124,689,026	119,087,585	194,412,905	190,693,547
Total noncurrent liabilities	40,541,736	36,067,930	52,599,085	138,113,948	140,791,036	133,390,920	125,013,126	119,466,440	195,004,332	191,341,376
Total liabilities	47,981,098	45,916,639	61,370,888	157,105,959	152,872,426	147,330,428	141,583,993	134,455,170	212,788,034	207,456,876
Deferred inflows of resources										
Lease related	-	-	-	-	1,400,642	1,184,814	971,284	457,391	400,487	368,200
NET POSITION										
Net investment in capital assets	140,428,065	151,512,018	163,152,221	176,701,851	142,453,706	156,918,189	192,248,525	215,047,655	216,890,686	216,238,168
Restricted debt service	6,813,000	7,257,405	9,550,000	10,247,285	13,798,205	14,086,722	13,527,885	8,215,472	18,285,732	25,958,837
Restricted capital projects	31,604,606	26,973,351	18,016,565	6,524,362	50,666,148	40,202,485	-	-	-	-
Unrestricted	51,314,170	54,408,029	60,713,389	65,884,084	66,472,384	71,046,708	86,336,446	79,863,876	82,527,138	87,351,201
Total net position	230,159,841	240,150,803	251,432,175	259,357,582	273,390,443	282,254,104	292,112,856	303,127,003	317,703,556	329,548,206
Total liabilities, deferred inflows of resources, and net position	\$278,140,939	\$286,067,442	\$312,803,063	\$416,463,541	\$427,663,511	\$430,769,346	\$434,668,133	\$438,039,564	\$530,892,077	\$537,373,282

Chart A-1 Net Position

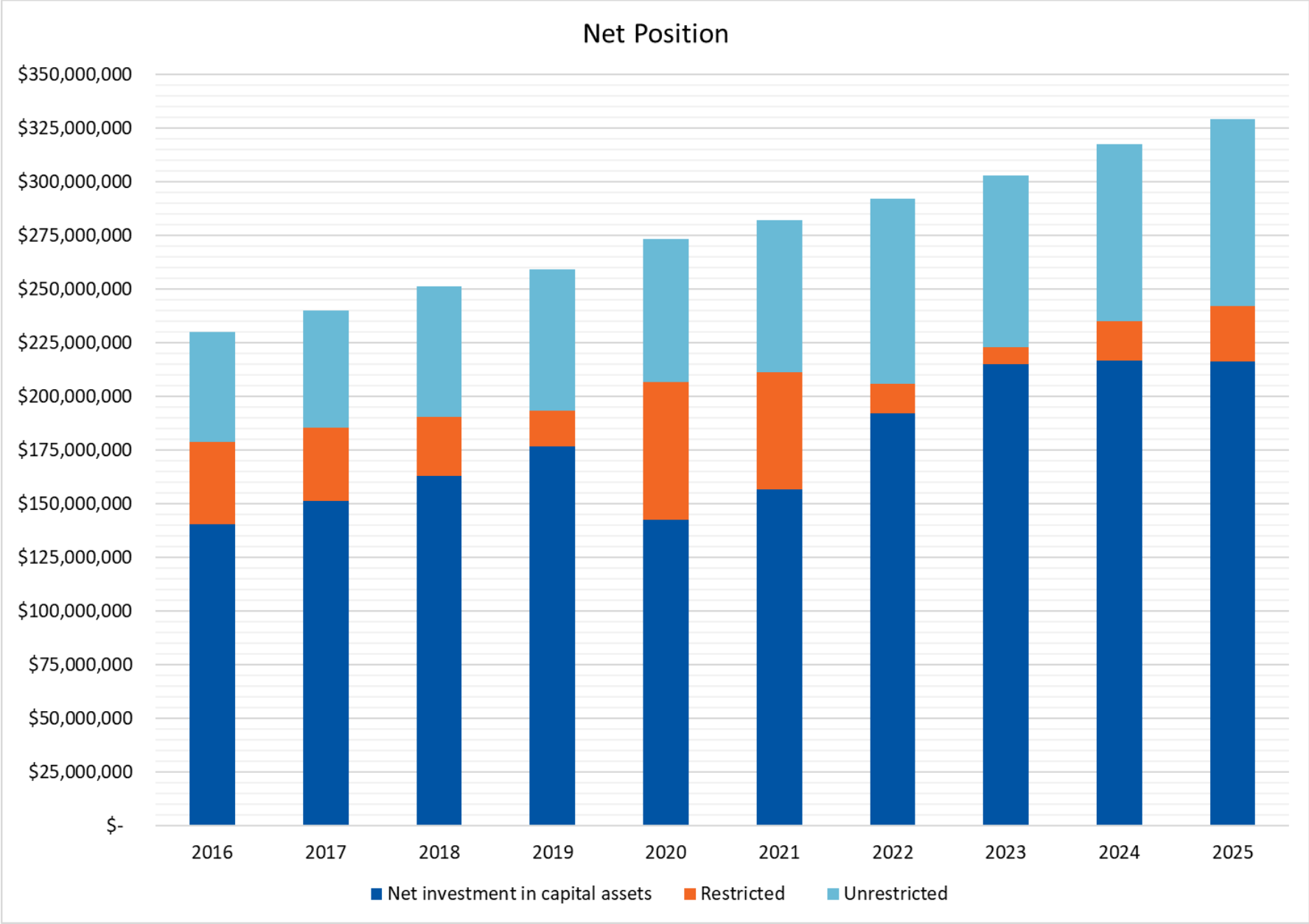


Table A-2 Change in Net Position

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING REVENUES										
Water Operations	\$ 24,708,738	\$ 24,627,015	\$ 26,990,060	\$ 26,404,187	\$ 31,715,128	\$ 30,313,526	\$ 30,625,338	\$ 27,841,453	\$ 34,387,090	\$ 36,023,902
Wastewater Operations	9,712,521	10,036,591	10,442,472	11,542,746	12,033,862	13,076,330	14,125,529	15,156,475	16,558,296	17,029,919
Other Operating	1,415,627	1,331,121	1,522,615	1,583,980	1,345,938	1,389,212	1,113,938	1,419,540	5,994,983	9,061,867
Total Operating Revenue	35,836,886	35,994,727	38,955,147	39,530,913	45,094,928	44,779,068	45,864,805	44,417,468	56,940,369	62,115,688
OPERATING EXPENSES										
Water operations	12,293,103	12,972,389	13,986,440	13,881,475	14,549,027	14,646,250	15,807,319	15,096,568	20,700,887	22,391,213
Wastewater operations	4,693,610	4,296,289	4,724,790	4,677,723	4,572,374	4,792,826	5,220,549	5,490,383	7,180,768	8,044,632
Technical and administrative	6,438,264	7,015,519	7,158,519	7,043,588	7,567,867	8,073,425	8,276,609	10,235,109	11,368,091	12,853,346
Noncapitalized major repair	860,597	581,383	480,482	514,101	881,405	1,634,109	1,066,742	447,992	418,444	461,502
Depreciation	6,638,711	6,629,523	6,404,333	6,378,444	6,461,405	6,520,401	6,445,544	6,076,865	6,083,601	9,048,612
Total operating expense	30,924,285	31,495,103	32,754,564	32,495,331	34,032,078	35,667,011	36,816,763	37,346,918	45,751,791	52,799,305
Operating income (loss)	4,912,601	4,499,624	6,200,583	7,035,582	11,062,850	9,112,057	9,048,042	7,070,550	11,188,578	9,316,383
NONOPERATING REVENUE (EXPENSE)										
Net investment income (loss)	810,284	924,377	1,504,109	4,785,312	3,542,514	(469,318)	(2,104,959)	4,978,143	7,021,253	7,188,710
Gain (loss) on disposal of property	(47,229)	(363,240)	(181,979)	(86,211)	(266,842)	23,431	78,328	41,860	16,350	-
Interest expense	(1,141,234)	(958,537)	(1,150,082)	(5,691,726)	(3,762,647)	(5,160,591)	(5,132,382)	(4,886,046)	(7,916,583)	(8,119,368)
Other nonoperating revenue	8,385	1,167,517	-	111,600	171,987	1,229,952	246,667	385,557	404,899	256,389
Amortization revenue (expense)	(455,498)	(423,042)	(389,808)	(628,501)	-	335,396	399,504	465,025	827,667	-
Cost of issuance	-	-	-	-	-	-	-	-	(495,920)	881,853
Net nonoperating revenue (expense)	(825,292)	347,075	(217,760)	(1,509,526)	(314,988)	(4,041,130)	(6,512,842)	984,540	(142,334)	207,584
Income before capital contributions	4,087,309	4,846,699	5,982,823	5,526,056	10,747,862	5,070,927	2,535,200	8,055,090	11,046,244	9,523,967
Capital contributions										
Reserved Capacity Fees	3,578,061	5,144,263	5,298,549	2,399,351	3,284,998	3,792,726	6,756,315	2,959,056	3,530,310	2,026,991
Capital Contribution	-	-	-	-	-	-	567,246	-	-	293,692
Increase in net position	7,665,370	9,990,962	11,281,372	7,925,407	14,032,860	8,863,653	9,858,761	11,014,146	14,576,554	11,844,650
NET POSITION - BEGINNING OF YEAR	222,494,471	230,159,841	240,150,803	251,432,175	259,357,582	273,390,442	282,254,095	292,112,856	\$303,127,002	\$317,703,556
NET POSITION - END OF YEAR	<u>\$230,159,841</u>	<u>\$240,150,803</u>	<u>\$251,432,175</u>	<u>\$259,357,582</u>	<u>\$273,390,442</u>	<u>\$282,254,095</u>	<u>\$292,112,856</u>	<u>\$303,127,002</u>	<u>\$317,703,556</u>	<u>\$329,548,206</u>

Table A-3 Revenues and Reserved Capacity Fees

Year	UTILITY REVENUES ¹					RESERVED CAPACITY FEE REVENUE ²			
	Water Operating	Wastewater Operating	Other Operating	Nonoperating	Total Revenue	Highlands Ranch Metro District	Mirabelle Metro District	No. Douglas County Water & Sanitation	Total Revenue ³
2016	24,708,738	9,712,521	1,415,627	771,440	36,608,326	3,578,061	-	-	3,578,061
2017	24,627,015	10,036,591	1,331,121	1,728,654	37,723,381	5,120,020	-	24,243	5,144,263
2018	26,990,060	10,442,472	1,522,615	1,322,130	40,277,277	4,321,052	-	977,497	5,298,549
2019	26,404,187	11,542,746	1,583,980	4,810,701	44,341,614	1,008,272	-	1,391,079	2,399,351
2020	31,715,128	12,033,862	1,345,938	3,447,659	48,542,587	1,813,004	1,233,240	238,754	3,284,998
2021	30,313,526	13,076,330	1,389,212	784,065	45,563,133	1,090,054	2,089,500	613,172	3,792,726
2022	30,625,338	14,125,529	1,113,938	(1,779,964)	44,084,841	3,276,232	2,950,710	529,373	6,756,315
2023	27,841,453	15,156,475	1,419,540	5,405,560	49,823,028	489,411	2,469,645	-	2,959,056
2024	34,387,090	16,558,296	5,994,983	7,442,502	64,382,871	1,120,220	2,410,090	-	3,530,310
2025	36,023,902	17,029,919	9,061,867	7,445,099	69,560,787	490,826	1,482,180	53,985	2,026,991

Notes:

1. Utility revenues include all operating and non-operating revenues, excluding amortization of bond premium, per the financial statements.
2. Pursuant to intergovernmental agreements, the District receives cash contributions from other governments for their license to use capacity in the total water and wastewater facilities of the District.
3. Reserved Capacity Fee revenue does not include tap payments received from Roxborough Water & Sanitation District

Source: The District

Chart A-3 Utility Revenues

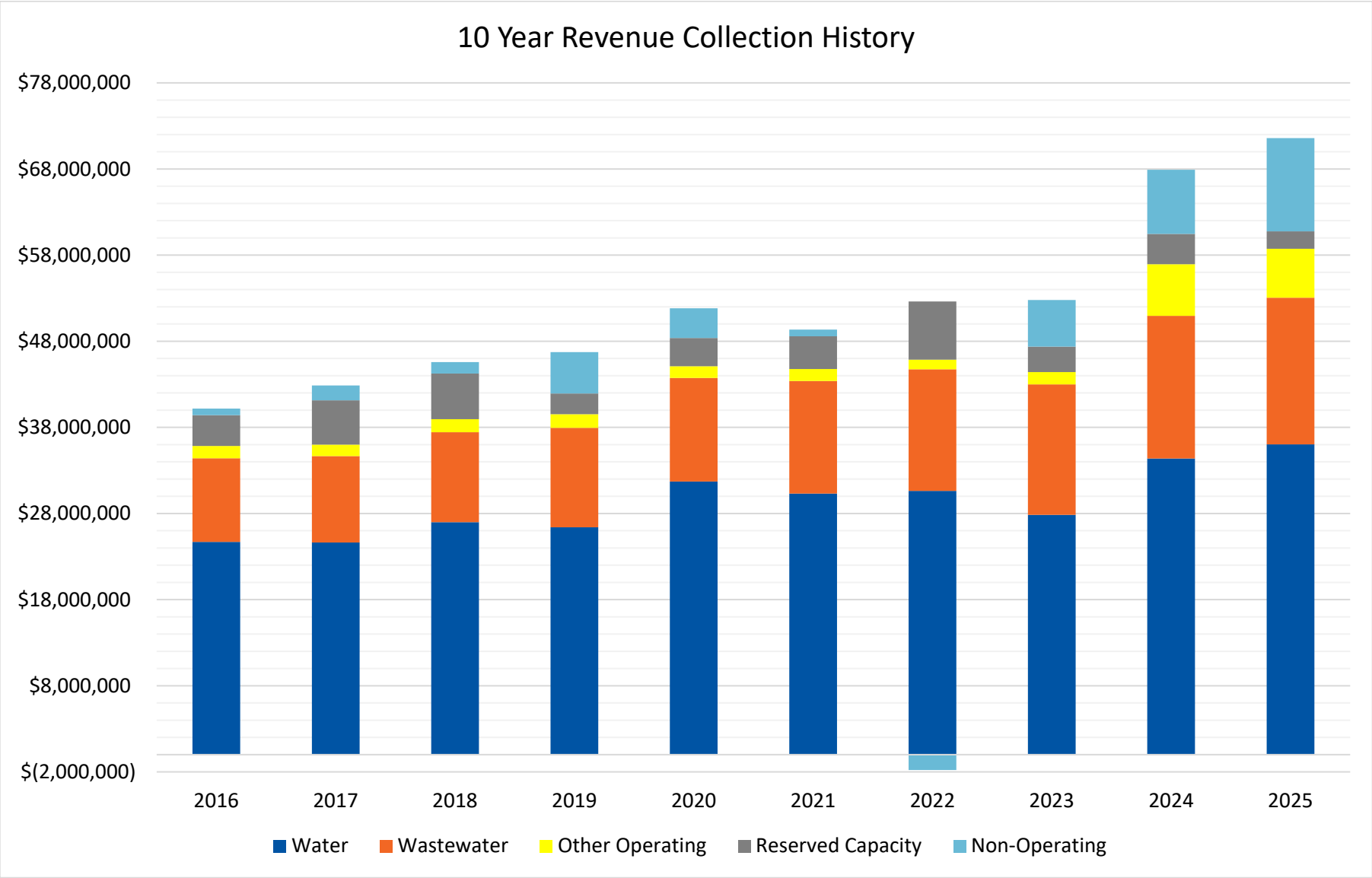


Chart B-1 Water Sold by Customer Type (in thousands of gallons)

Year	Single Family	Multi Family	Commercial	Irrigation	Industrial	Northern Douglas County ¹	Total ²	Year Over Year Change	10-Year Change
2016	3,011,130	211,179	367,893	872,963	232,231	245,117	4,940,513	11.48%	10.27%
2017	2,893,890	222,705	372,899	765,857	181,009	217,611	4,653,971	-5.80%	-4.95%
2018	3,033,552	227,437	376,844	845,424	187,903	265,562	4,936,722	6.08%	25.82%
2019	2,824,400	228,879	386,492	751,693	169,949	214,670	4,576,083	-7.31%	0.67%
2020	3,339,263	232,061	370,045	941,965	166,775	248,275	5,298,384	15.78%	10.30%
2021	2,901,985	230,557	368,666	772,494	107,752	195,594	4,577,048	-13.61%	-7.76%
2022	2,805,636	227,422	351,862	749,468	142,750	229,432	4,506,570	-1.54%	7.91%
2023	2,396,592	227,658	318,609	538,093	95,379	123,826	3,700,157	-17.89%	-17.30%
2024	2,926,690	228,732	342,748	858,527	123,686	88,039	4,568,422	23.47%	3.08%
2025	2,753,025	238,262	342,953	846,075	118,052	233,049	4,531,416	-0.81%	-8.28%

Notes:

1. The table shows Northern Douglas County consumption that omits some water sold due to malfunctioning meters; actual consumption was 251,156 (2021), 232,266 (2022), 193,067 (2023), and 239,535 (2024), with corresponding Total Water Sold of 4,632,610 (2021), 4,509,404 (2022), 3,769,398 (2023), and 4,719,918 (2024).
2. Amounts presented in thousands of gallons.

Source: the District

Chart B-1 Water Sold by Customer Type (in thousands of gallons)

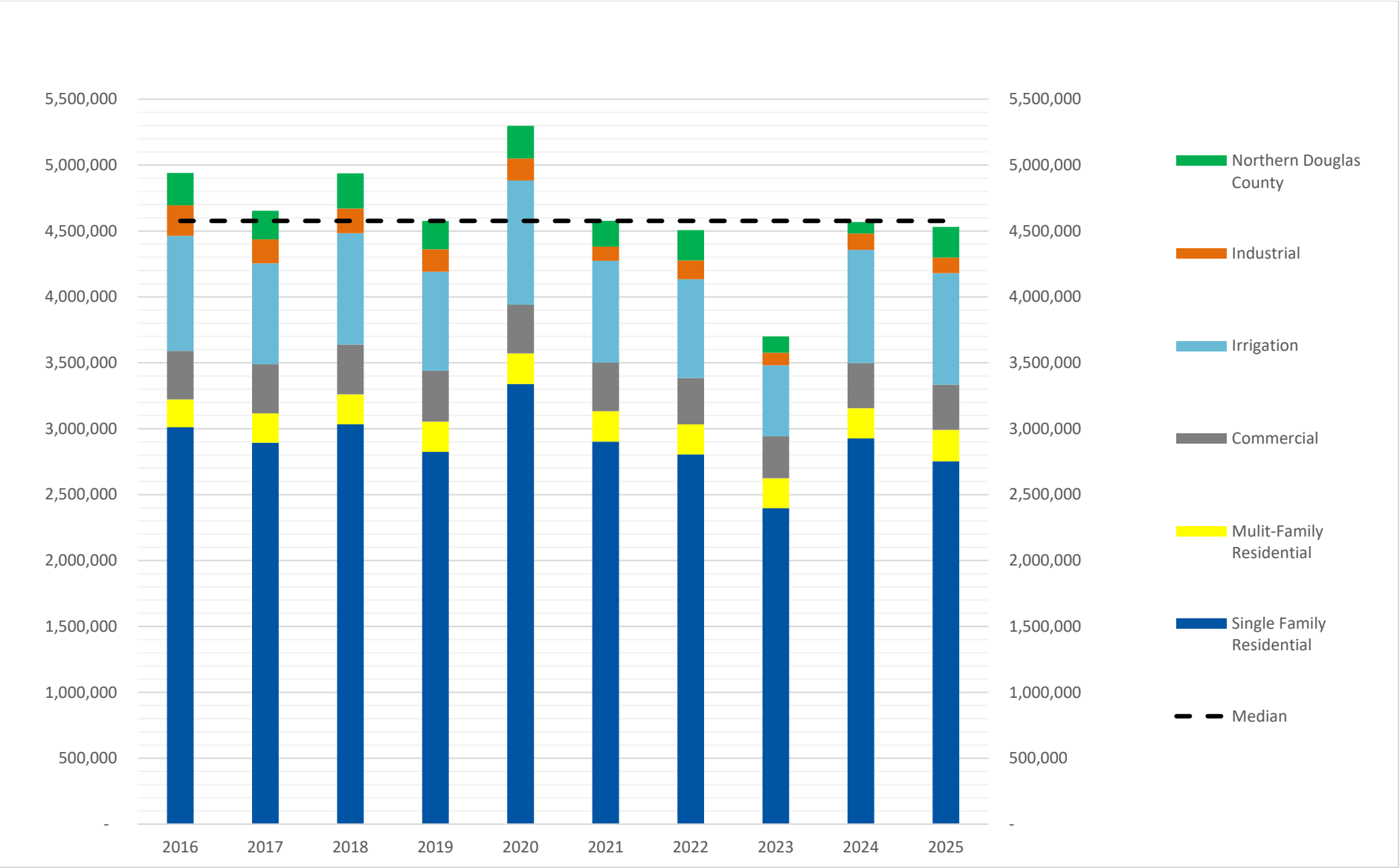


Table B-2 Water and Wastewater Rates

2025 Water Rates				
Water Service Availability Fee ¹	Single-Family	Multi-Family	Non-Residential ²	
Rate Charged	\$ 19.17	\$ 11.88	\$ 19.17 - \$ 689.94	
Water Usage Charges (per 1,000 gallons)	Single-Family Summer	Single Family Winter	Nonresidential/ Multi-Family	Irrigation
<100% of Water Budget	\$ 5.32	\$ 5.32	\$ 4.61	\$ 5.44
101% - 120% of Water Budget	\$ 7.16	\$ 7.16	\$ 6.23	\$ 7.38
121% - 140% of Water Budget	\$ 10.87	\$ 7.16	\$ 6.23	\$ 12.82
>140% of Water Budget	\$ 16.44	\$ 11.84	\$ 10.83	\$ 21.76
Water Usage Charges Drought (per 1,000 gallons)	Single-Family	Multi-family	Non-residential/ Irrigation	
Stage 1				
101% - 120% of Water Budget	\$ 8.95	n/a	\$ 9.23	
121% - 140% of Water Budget	\$ 13.59	n/a	\$ 16.03	
>140% of Water Budget	\$ 16.44	n/a	\$ 21.76	
Stage 2				
101% - 120% of Water Budget	\$ 10.74	n/a	\$ 11.07	
121% - 140% of Water Budget	\$ 16.31	n/a	\$ 19.23	
>140% of Water Budget	\$ 16.44	n/a	\$ 21.76	
2025 Wastewater Rates				
Wastewater Rates	Single-Family ³	Multi-Family ⁴	Non-Residential ⁵	
Fixed Fee	\$ 14.96	\$ 14.96	\$ 14.96	
Minimum Charge	\$ 22.09	\$ 22.09	n/a	
Use	\$ 4.75	\$ 4.75	\$ 4.75	

Notes:

1. Billed bimonthly for single-family and monthly for multi-family and nonresidential. For comparison, single-family is shown as monthly rate.
2. Monthly fee varies with meter size; amounts shown are for 3/4" to 4" meters.
3. Minimum charge is the total of the fixed fee plus 3,000 gallons of use at the use rate.
4. Minimum charge is the fixed fee plus 1,500 gallons of use at the use rate.
5. The fixed fee is per 3/4" equivalent and the use rate is billed at 80% of water consumed per 1,000 gallons.

Source: the District

Table B-3- History of Water and Wastewater Fees and Rates

Water Rates and Fees											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Service Availability Fee											
Single-Family Residential ¹	\$ 13.50	\$ 13.50	\$ 13.65	\$ 14.70	\$ 15.86	\$ 16.75	\$ 17.41	\$ 18.25	\$ 18.25	\$ 19.17	
Multi-Family Residential	8.10	8.10	8.50	9.18	9.92	10.47	10.88	11.32	11.32	11.88	
Nonresidential ²	13.50	13.50	13.65	14.70	15.86	16.75	17.41	18.25	18.25	19.17	
Base Water Usage Charges³											
Single Family Residential											
Summer Base Rate	\$ 3.21	\$ 3.41	\$ 3.63	\$ 3.73	\$ 3.90	\$ 4.10	\$ 4.31	\$ 4.52	\$ 4.79	\$ 5.32	
Winter Base Rate	3.21	3.41	3.63	3.73	3.90	4.10	4.31	4.52	4.79	5.32	
Multi-Family and Nonresidential											
Indoor Base Rate	\$ 2.97	\$ 3.17	\$ 3.31	\$ 3.42	\$ 3.59	\$ 3.78	\$ 3.99	\$ 4.18	\$ 4.43	\$ 4.61	
Irrigation Base Rate	3.28	3.48	3.66	3.82	3.99	4.20	4.41	4.62	4.90	5.44	
Wastewater Rates and Fees											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Fixed Fee											
Single-Family Residential ¹	\$ 6.95	\$ 6.95	\$ 7.20	\$ 9.30	\$ 9.85	\$ 10.76	\$ 11.84	\$ 13.48	\$ 14.96	\$ 14.96	
Multi-Family Residential	6.95	6.95	7.20	9.30	9.85	10.76	11.84	13.48	14.96	14.96	
Nonresidential ²	6.95	6.95	7.20	9.30	9.85	10.76	11.84	13.48	14.96	14.96	
Treatment Rates											
Single Family Residential											
Minimum ³	\$ 11.50	\$ 11.57	\$ 12.00	\$ 14.33	\$ 15.37	\$ 16.39	\$ 17.63	\$ 19.54	\$ 21.74	\$ 22.09	
Per 1,000 Gallons > 3,000	3.03	3.08	3.20	3.35	3.68	3.75	3.86	4.04	4.52	4.75	
Multi-Family											
Minimum ³	\$ 11.50	\$ 11.57	\$ 12.00	\$ 14.33	\$ 15.37	\$ 16.39	\$ 17.63	\$ 19.54	\$ 21.74	\$ 22.09	
Per 1,000 Gallons > 1,500	3.03	3.08	3.20	3.35	3.68	3.75	3.86	4.04	4.52	4.75	
Nonresidential⁵											
Per 1,000 Gallons	\$ 3.03	\$ 3.08	\$ 3.20	\$ 3.35	\$ 3.68	\$ 3.75	\$ 3.86	\$ 4.04	\$ 4.52	\$ 4.75	

Notes:

1. Single-Family Residential billed bi-monthly, shown here as the monthly rate.
2. Per 3/4" tap equivalent.
3. Minimum charge equals the fixed fee + 3,000 gallons of use for single family residential and 1,500 gallons for multi-family.

Table B-4- Taps Sold in ¾" Equivalent

Year	Highlands Ranch Metro District					Northern Douglas County				Mirabelle Metro District (Solstice)			Total SFE Served
	Single Family	Multi Family	Non Residential	Government Irrigation	Total	Single Family	Multi Family	Non Residential	Total	Single Family	Irrigation	Total	
Prior to 2016	28,515	6,769	4,297	1,328	40,909	1,528	104	258	1,890	-	-	-	42,799
2016	105	68	26	-	199	-	-	-	-	-	-	-	199
2017	118	384	52	18	572	-	-	-	-	-	-	-	572
2018	187	219	102	-	508	-	56	2	58	-	-	-	566
2019	236	216	13	-	465	-	56	28	84	-	-	-	549
2020	89	397	17	-	503	4	-	4	8	64	84	148	659
2021	60	250	24	-	334	30	-	4	34	126	-	126	494
2022	78	-	14	-	92	20	-	8	28	189	68	257	377
2023	2	107	15	-	124	-	-	-	-	159	-	159	283
2024	-	323	12	-	335	-	-	-	-	158	-	158	493
2025	42	-	18	-	60	-	-	-	-	96	-	96	156
Total	29,432	8,733	4,590	1,346	44,101	1,582	216	304	2,102	792	152	944	47,147

Notes:

1. The District primarily serves the Highlands Ranch Metro District, Mirabelle Metropolitan District, and Northern Douglas County Water and Sanitation District. The District also serves other areas of Douglas County through intergovernmental or water transfer agreements.
2. Tap Fee units are given in number of dwelling units for single family (each of which would be one ¾" single family equivalent "SFE") and multi-family residential units (each of which would be approximately .56 SFE). Commercial units are stated as number of ¾" SFE. Tap Fees are collected prior to certificates of occupancy being approved.
3. The Highlands Ranch Metro District numbers include irrigation tap equivalents installed and paying usage rates but were not required to pay Tap Fees.

Source: The District

Chart B-4 New 3/4” Equivalents in Highlands Ranch

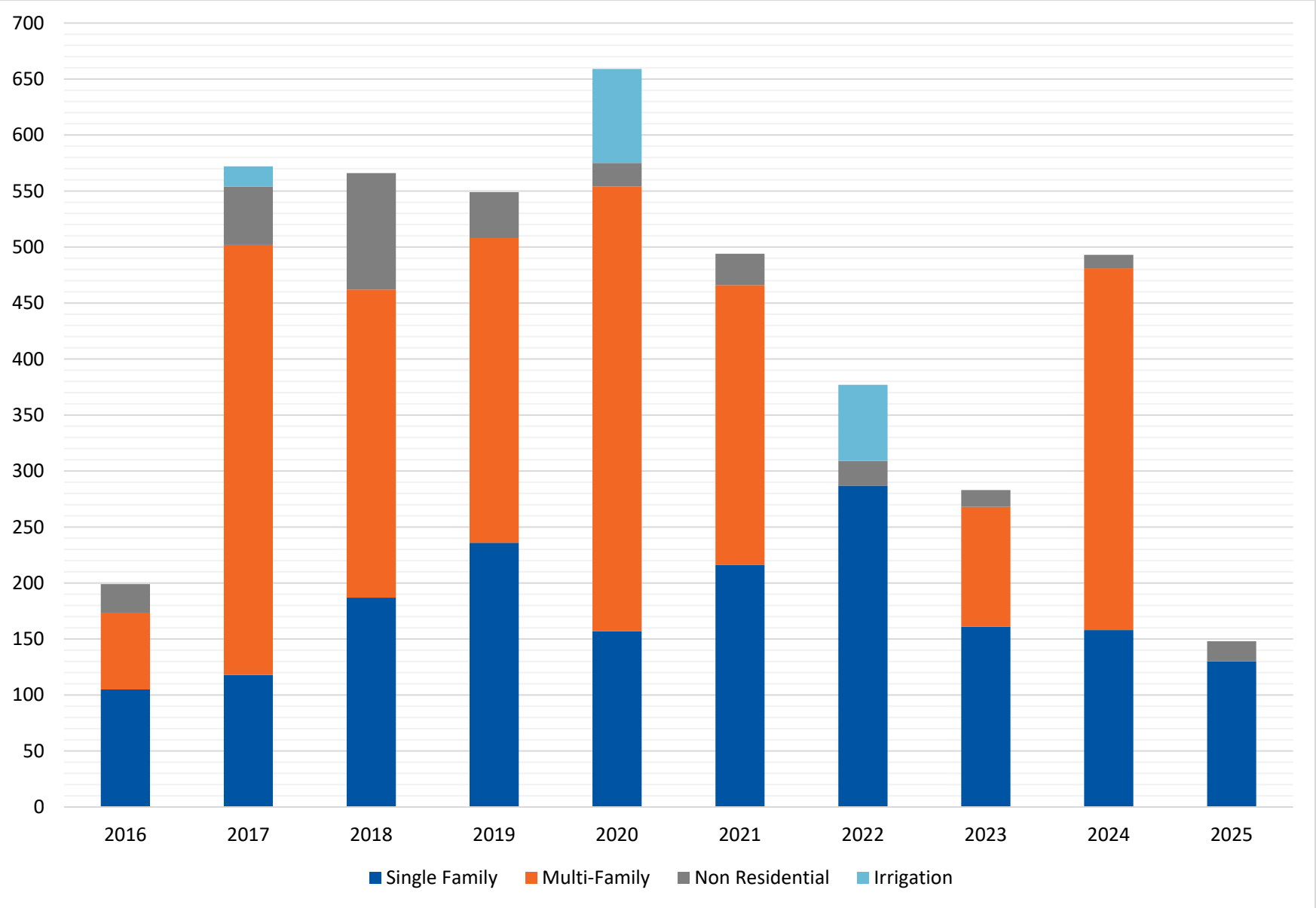


Table C-1 Ratio of Outstanding Debt by Type
Total Debt Outstanding per Capita

Year	Revenue Bonds	Revenue Notes	Direct Placement Loans	Total Debt Outstanding ⁽¹⁾	Total Outstanding Debt Per Capita
2016	2,435,352	43,520,000	-	45,955,352	471
2017	-	40,245,000	1,569,059	41,814,059	414
2018	-	34,255,000	24,167,810	58,422,810	579
2019	74,934,399	28,150,000	41,785,835	144,870,234	1,417
2020	74,393,678	21,915,000	51,300,518	147,609,196	1,426
2021	73,852,964	15,555,000	51,349,138	140,757,102	1,327
2022	73,312,249	9,060,000	50,160,782	132,533,031	1,210
2023	72,771,535	2,440,000	48,936,777	124,148,312	1,121
2024	149,465,403	-	47,676,050	197,141,453	1,791
2025	147,153,550	-	46,377,502	193,531,052	1,821

Notes:

1. Presented net of original premium/(discount).

Source: the District

Table C-2 Ratio of Bonded Debt
Net Bonded Debt Per Customer and Per Capita Served

Year	Customers Served ¹	Population Served ²	Gross Bonded Debt Outstanding ³	Less Net Debt Service Funds ⁴	Net Indebtedness	Ratio of Gross Debt		Ratio of Net Debt	
						Per Customer	Per Capita	Per Customer	Per Capita
2016	42,998	97,497	\$ 45,940,000	\$ 6,813,000	\$ 39,127,000	\$ 1,068	\$ 471	\$ 910	\$ 401
2017	43,570	101,117	40,245,000	7,257,400	32,987,600	924	398	757	326
2018	44,136	100,892	34,255,000	9,550,000	24,705,000	776	340	560	245
2019	44,685	102,217	92,505,000	9,487,265	83,017,735	2,070	905	1,858	812
2020	45,344	103,543	86,270,000	13,038,180	73,231,820	1,903	833	1,615	707
2021	45,838	106,103	79,910,000	13,326,700	66,583,300	1,743	753	1,453	628
2022	46,215	109,554	73,415,000	12,767,595	60,647,405	1,589	670	1,312	554
2023	46,498	110,751	66,795,000	7,474,713	59,320,287	1,437	603	1,276	536
2024	46,991	110,073	132,995,000	13,700,537	119,294,463	2,830	1,208	2,539	1,084
2025	47,147	106,318	147,153,550	21,390,453	125,763,097	3,121	1,384	2,667	1,183

Notes:

1. Customers served is based on the number of 3/4" single family equivalents per Table B-4.
2. Population is based on the estimated total population for Highlands Ranch Metro District, Northern Douglas County Water & Sanitation District, and Mirabelle Metropolitan District calculated using single family equivalent taps per Table B-4.
3. Gross bonded debt includes Revenue Bonds and Notes.
Gross bonded debt does not include the CWCB loans as they are not considered bonded debt.
4. Net Debt Service Funds reflects the year end fund balance in the Debt Service Fund.
5. Information presented at time of issuance.

Source: the District

Table C-3 Covenant Required Bond Coverage

Year	Annual Debt Service ⁴	100x Annual Debt Service Test ¹						125x Annual Debt Service Coverage Test ²			
		Operating Revenue	Net Investment Income/(Loss)	Total Recurring Revenue ⁵	Less Operating Expenses ⁶	Net Recurring Revenue	Debt Service Coverage ⁷	Net Recurring Revenue	Plus Capital Contributions ⁸	Total Net Revenue	Debt Service Coverage ⁹
2016	6,688,000	35,836,886	810,284	36,647,170	23,424,977	13,222,193	1.98	13,222,193	3,578,061	16,800,254	2.51
2017	6,813,000	35,994,727	924,377	36,919,104	24,284,197	12,634,907	1.85	12,634,907	5,144,263	17,779,170	2.61
2018	7,250,500	38,955,147	1,504,109	40,459,256	25,869,749	14,589,507	2.01	14,589,507	5,298,549	19,888,056	2.74
2019	11,942,000	39,530,913	4,785,312	44,316,225	25,602,786	18,713,439	1.57	18,713,439	2,399,351	21,112,790	1.77
2020	12,276,601	45,094,928	3,542,514	48,637,442	26,689,268	21,948,174	1.79	21,948,174	3,284,998	25,233,172	2.06
2021	12,349,749	44,779,068	(469,318)	44,309,750	27,512,501	16,797,249	1.36	16,797,249	3,792,726	20,589,975	1.67
2022	12,756,666	45,864,805	(2,104,959)	43,759,846	29,304,477	14,455,369	1.13	14,455,369	6,756,315	21,211,684	1.66
2023	12,749,313	44,417,468	4,978,143	49,395,611	30,822,060	18,573,551	1.46	18,573,551	2,959,056	21,532,607	1.69
2024	12,692,183	56,940,369	7,021,253	63,961,622	39,249,746	24,711,876	1.95	24,711,876	3,530,310	28,242,186	2.23
2025	10,865,818	58,734,724	7,188,710	65,923,434	43,289,191	22,634,243	2.08	22,634,243	2,026,991	24,661,234	2.27

Year	Annual Debt Service ⁴	Additional Coverage Allowed ³		
		Rate Stabilization Account Balance	25% Allowance	Debt Service Coverage ¹⁰
2016	6,688,000	7,898,634	1,672,000	2.76
2017	6,813,000	8,994,664	1,703,250	2.86
2018	7,250,500	12,694,664	1,812,625	2.99
2019	11,942,000	14,694,664	2,985,500	2.02
2020	12,276,601	18,694,664	3,069,150	2.31
2021	12,349,749	18,694,664	3,087,437	1.92
2022	12,756,666	18,694,664	3,189,167	1.91
2023	12,749,313	18,694,664	3,187,328	1.94
2024	12,692,183	18,694,664	3,173,046	2.48
2025	10,865,818	20,707,967	2,716,454	2.52

Notes:

1. Required 1.00x Coverage test as required by all outstanding debt obligations.
2. Required 1.25x Coverage test as required by all outstanding debt obligations.
3. The District is permitted to take into account amounts on deposit in its Rate Stabilization Account for up to 25x of the applicable year's annual debt service coverage.
4. Total principal and interest paid.
5. Includes income received from the operations of the District including rates and fees plus net investment income but excludes PFAS settlement funds, non-operating income and capital contributions.
6. Expenses for normal operations and maintenance but excludes depreciation and expenses for non-capitalized major repairs made from a reserve fund for such repairs.
7. Debt service coverage is based upon Net Recurring Revenue divided against the annual debt service.
8. Capital contributions include reserved capacity fees, tap fees, and tap options payments received from the Highlands Ranch Metro District, the Mirabelle Metro District, and the Northern Douglas County Water & Sanitation District.
9. Debt service coverage is based upon Total Net Revenue divided against the annual debt service.
10. Debt service coverage is based upon Total Net Revenue plus 25% of annual debt service divided against annual debt service.

Source: the District

Chart C-3 Covenant Required Bond Coverage

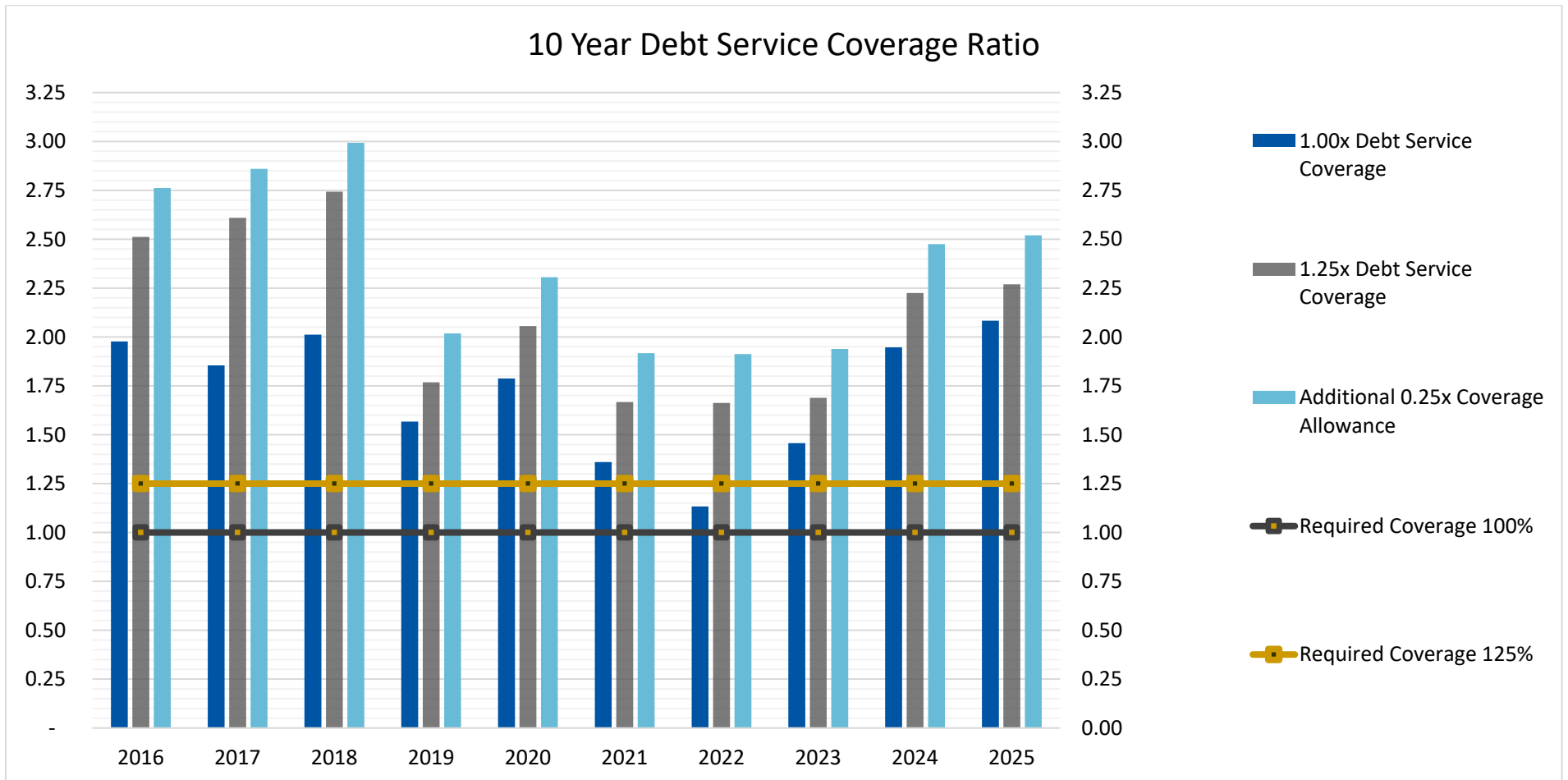


Table D-1 Douglas County, Colorado – Demographic Statistics

Year	Total Population Served ²	Douglas County, Colorado ¹							
		Estimated Population	Personal Income (\$1,000)	Personal Income Per Capita	Median Age	Average Household Size	Public School Enrollment	School Enrollment to Population	Unemployment Rate
2016	97,497	336,000	22,558,704	67,139	37.6	2.76	66,896	19.9%	2.8%
2017	101,117	346,000	24,637,968	71,208	38.9	2.75	67,740	19.6%	2.6%
2018	100,892	358,000	27,021,840	75,255	38.1	2.81	67,597	18.9%	3.4%
2019	102,217	370,000	28,072,588	78,445	38.1	2.79	67,591	18.3%	2.8%
2020	103,543	379,000	39,933,420	78,980	38.5	2.52	67,305	17.8%	6.3%
2021	106,103	373,275	29,776,147	79,770	39.3	2.75	62,979	16.9%	5.2%
2022	109,554	378,000	32,412,414	90,341	39.3	2.70	63,876	16.9%	2.3%
2023	110,751	381,500	37,286,158	99,168	39.7	2.72	62,341	16.3%	3.0%
2024	110,073	383,906	39,514,603	102,928	39.8	2.70	61,409	16.0%	4.3%
2025	106,297	393,995	42,238,032	107,204	39.8	2.69	61,535	15.6%	3.9%

Notes:

1. The Highlands Ranch Metro District, Northern Douglas County Water and Sanitation District, and Mirabelle Metropolitan District are located within Douglas County. Demographic data (other than population estimates) for the three districts is not calculated, however Douglas County data is generally representative of the three districts.
2. District population served is based on taps sold from Tables B-4, multiplied by occupancy % and population per household estimates.

Source: Douglas County, Colorado and the District

Table D-2 Douglas County, Colorado – Principal Employers

2025				2016		
Employer	Rank	Employee Count	% of Total	Rank	Employee Count	% of Total
Douglas County School District	1	8,150	3.78%	1	7,790	6.9%
Charles Schwab	2	4,200	1.95%	2	3,500	3.1%
Echostar Communications	3	2,700	1.25%			
Lockheed Martin Corporation	4	2,250	1.04%			
AdventHealth	5	1,600	0.74%			
HCA HealthONE Sky Ridge Medical Center	6	1,600	0.74%	7	1,185	1.0%
Douglas County Government	7	1,491	0.69%	6	1,220	1.1%
Kiewit Companies	8	1,400	0.65%			
VISA Debit Processing Services	9	1,300	0.60%			
Wind Crest	10	900	0.42%			
DISH Network				3	2,800	2.5%
Jacobs Engineering (formerly CH2M Hill)				4	1,510	1.3%
Western Union				5	1,310	1.2%
Sprint				8	1,030	0.9%
Computershare				9	950	0.8%
IHS Markit (formerly Information Handling Systems)				10	945	0.8%
Total for Principal Employers		25,591	11.9%		22,240	19.7%
Total Employment in Douglas County		215,400			112,883	
Total Labor Force in Douglas County		224,200				

Source: Douglas County Economic Development Largest Employer List - Private Non-Retail, Colorado Department of Education

Table E-1 Operating Information

Total Full Time Equivalent Employees										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water/Wastewater Operations	68.000	69.000	72.000	71.000	72.000	68.000	68.000	66.000	69.000	69.000
Engineering/Public Works	8.375	5.475	6.700	6.700	6.800	6.800	6.800	7.800	9.500	9.500
Administration	11.260	14.260	13.650	13.400	13.400	13.150	13.400	14.850	15.600	15.600
Customer Service	7.250	6.500	6.500	6.500	6.500	7.000	7.500	7.250	4.250	4.250
Temporaries	2.960	2.960	2.960	1.800	1.800	1.800	1.800	1.800	1.800	1.800
TOTAL	97.845	98.195	101.810	99.400	100.500	96.750	97.500	97.700	100.150	100.150

Operating Indicators										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Customers Served	42,998	43,570	44,136	44,685	45,344	45,838	46,215	46,498	46,991	47,147
Gallons Billed (in millions)	4,940,513	4,653,971	4,936,722	4,576,083	5,298,384	4,577,048	4,506,570	3,700,157	4,568,422	4,531,415

Capital Assets										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WATER										
Water Treatment Plant Capacity	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD	40 MGD
Wells Available for Service	55	55	55	55	55	55	55	51	51	51
Pump Stations	12	12	12	13	13	13	13	14	14	14
Raw Water Storage Reservoirs	2	2	2	2	3	3	3	4	4	4
Capacity	6605 AF	6605 AF	6605 AF	6605 AF	13527 AF	13527 AF	13527 AF	17,400 AF	17,400 AF	17,400 AF
Treated Storage Reservoirs	8	8	8	8	8	8	8	8	8	8
Capacity	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG	38 MG
Ground Water Treatment Plants	2	2	2	2	2	2	2	2	2	2
Miles of Water Pipelines	446	452	452	457	461	463	464	464	465	466
Fire Hydrants	3,129	3,164	3,180	3,228	3,278	3,293	3,312	3,312	3,312	3,300
WASTEWATER										
8.5 MGD Treatment Plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	4	4	4	4	6	6	6	6	6	6
Miles of Sewer Pipeline	327	328	333	336	339	339	342	342	342	343
Manholes	8,794	8,845	8,887	9,005	9,103	9148	9,204	9,205	9,205	9,231

Source: the District