



2025 Financial Report



Southeastern Colorado Water Conservancy District

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SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Management
Southeastern Colorado Water Conservancy District
31717 United Avenue
Pueblo, Colorado 81001

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeastern Colorado Water Conservancy District (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Organization'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, budgetary comparison schedule - General Fund, and reconciliation of the budgetary basis of accounting to GAAP basis of accounting - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Water and Storage Activity Enterprise Fund – Budget and Actual, Schedule of Revenues and Expenditures - Arkansas Valley Conduit Enterprise Fund - Budget and Actual, Schedule of Revenues and Expenditures - Hydro Project Enterprise Fund - Budget and Actual, and Schedule of Revenue and Expenditures - General Fund 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.

Colorado Springs, Colorado
May 27, 2026

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

INTRODUCTION

This discussion and analysis provide an overview of the Southeastern Colorado Water Conservancy District's financial condition and operating results of the past year and to inform our constituents about the District's financial issues and activities. We encourage readers to consider all of the information presented here including the independent auditors' report, the basic financial statements, notes, required supplementary information, and additional information.

Government-wide activities and assets include both the Governmental (District) and the Proprietary (Enterprise) Funds. The District functions as a Governmental Fund with one set of standard accounting policies and the Enterprise funds function as Business-type Proprietary Funds with a different set of standard accounting policies both in accordance with generally accepted accounting principles. These policies are discussed in the summary of significant accounting policies in Note 1 to the financial statements. Reconciliations for the Governmental Fund and its activities are necessary in order to make a consolidated presentation.

OVERVIEW

This annual report includes a series of financial statements. In addition to this Management's Discussion and Analysis (MD&A), the report consists of (1) government-wide statements, (2) fund financial statements, (3) the notes to the financial statements, (4) required supplementary information, and (5) supplemental information.

The first two basic statements present a government-wide view of the District's finances. All District operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic governmental and administrative services, the repayment of primary debt, and the protection of the District's water rights. The District's business-type activities carried out by the Proprietary Funds include the sale and administration of water and storage from the Fryingpan-Arkansas Project, related surcharges, and return flows. The business-type activities : (1) The Arkansas Valley Conduit Project, (2) the Excess Capacity Master Contract, (3) Enlargement of the Pueblo Reservoir and Turquoise Lake, (4) the Lease of Power Privilege for Hydroelectric Power at the Pueblo Dam, as well as operation of the Hydroelectric Powerhouse facility, and (5) other water issues and projects as identified by the Board of Directors. These government-wide statements are designed to present both the governmental and business-type activities as a consolidated total for the District.

FINANCIAL HIGHLIGHTS

1. As of December 31, 2025, government-wide assets exceed their liabilities and deferred inflows of resources by \$192,674,383. The unrestricted net position of the government activities is \$12,966,875 and may be used to meet ongoing obligations. In addition, the unrestricted net position of the Business-type activities is \$10,139,347 as of December 31, 2025, and may be used to meet ongoing obligations. The combined total unrestricted net position available to meet ongoing obligations is \$23,106,222.
2. The District's net position (government-wide) increased from \$184,015,070 on December 31, 2024, to \$192,674,383 as of December 31, 2025. This is an increase of \$8,659,313 or 4.71 percent from the prior year.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

3. The most significant asset of the District is its perpetual water rights and are reported at \$132,237,478. Note 5 exhibits more detailed information relating to the District's capital assets. The government-wide Net Position of \$192,674,383, includes the carrying value of the perpetual water rights, other capital assets and land is, net netted against long-term liabilities, as well as deferred inflows of resources. The Statement of Net Position clearly illustrates these details.
4. The District's governmental activities debt primarily consists of the amount due to the U.S. Bureau of Reclamation (Reclamation) and is associated with the Fryngpan-Arkansas Project construction contract. The contract obligation debt reflects a balance of \$9,539,219 as of December 31, 2025. Details of this obligation are provided in Note 6.
5. Business-type activities debt includes a construction loan for the Hydroelectric Power Project, totaling \$16,080,156. Details of this obligation are provided in Note 6.
6. The Arkansas Valley Conduit includes a total of 39 participants, two of which, Boone and Avondale delivery lines were designed and constructed in 2024. Progress continued east of Pueblo County for the remaining 37 participants in the Arkansas Valley. A total of \$1,022,000 was spent in 2025 on design work, using \$129,000 in American Rescue Plan Act (ARPA) funds from Otero County, \$30,000 of Per- and polyfluoroalkyl substances (PFAS) funding from the CWCB (Colorado Water Conservation Board), and an additional \$863,000 of District funds to bring us to 60% completion on design work east of Pueblo through Rocky Ford and the Hilltop spur south of Rocky Ford. The final ARPA funding of \$90,000 is scheduled to be used in 2026 with the completion of a vault design for the Town of Lamar.
7. Charges for Services decreased by \$985,225 from 2024 to 2025. Interfund services provided to the enterprise activities are largely tied to the work performed by District staff on these activities. The District operated with fewer staff than in 2024. Staffing levels were increased as new employees were hired and trained in the second half of 2025.

BASIC FINANCIAL STATEMENTS

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of the District, the liabilities it owes and its deferred inflows and the net difference as of December 31, 2025. The net difference is further separated into amounts for net investment in capital assets, restricted for specific purposes, and unrestricted amounts. Governmental and business-type activities are reported on the economic resource measurement focus and the accrual basis of accounting. The Statement of Net Position demonstrates that the District is in a solid position for future operations with a net position that has steadily increased in recent years.
- The Statement of Activities focuses on the gross and net costs of the District's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's ability to determine the extent to which the programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on the governmental fund and the proprietary funds. Governmental fund statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting and follow the more traditional presentation of financial

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

statements and include a reconciliation of the governmental Fund Balance Sheet to the Statement of Net Position and a reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Funds Balance to the Statement of Activities. Statements for the District's proprietary fund follow the governmental fund statements and include the Proprietary Fund Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

- The notes to the financial statements provide additional disclosures required by generally accepted accounting principles and provide information to assist the reader in understanding the District's financial condition.

The MD&A is intended to explain the significant changes to the financial position and differences in operations between current and prior years. The MD&A includes currently known information that management is aware of at the date of the auditor's report. Please read it in conjunction with the District's financial statements that follow this section.

GOVERNMENT-WIDE

The District continued to move in a positive direction in 2025. The total Net Position is the best indicator in this presentation of a successful year as it displays the increase of net position as of December 31, 2025.

**Government Wide
Condensed Statement of Net Position
December 31**

| | 2025 Government Activities | 2025 Business- Type Activities | Total | 2024 | Change 2025 from 2024 |
|----------------------------------|-------------------------------|-----------------------------------|-----------------------------|-----------------------------|---------------------------|
| Current and other assets | \$69,282,366 | 10,812,147 | \$80,094,513 | \$70,021,241 | \$10,073,272 |
| Capital Assets, net | 132,849,407 | 21,690,493 | 154,539,900 | 153,949,136 | 590,764 |
| Total Assets | <u>202,131,773</u> | <u>32,502,640</u> | <u>234,634,413</u> | <u>223,970,377</u> | <u>10,664,036</u> |
| Current and other liabilities | 5,033,163 | 1,351,911 | 6,385,074 | 4,840,014 | 1,545,060 |
| Long-term liabilities | 7,423,370 | 15,625,198 | 23,048,568 | 25,070,491 | (2,021,923) |
| Total Liabilities | <u>12,456,533</u> | <u>16,977,109</u> | <u>29,433,642</u> | <u>29,910,505</u> | <u>(476,863)</u> |
| Deferred inflows of resources | 12,526,388 | - | 12,526,388 | 10,044,802 | 2,481,586 |
| Net investment in capital assets | 123,310,188 | 5,287,899 | 128,598,087 | 126,336,802 | 2,261,285 |
| Restricted for TABOR | 350,000 | - | 350,000 | 300,000 | 50,000 |
| Restricted for BOR | 40,521,789 | 98,285 | 40,620,074 | 35,856,163 | 4,763,911 |
| Unrestricted | 12,966,875 | 10,139,347 | 23,106,222 | 21,522,105 | 1,584,117 |
| Total Net Position | <u>\$177,148,852</u> | <u>\$15,525,531</u> | <u>\$192,674,383</u> | <u>\$184,015,070</u> | <u>\$8,659,313</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

GOVERNMENTAL ACTIVITIES

The following table compares revenues and expenses for the governmental activities for 2025.

**Condensed Comparative Statement of Activities
Governmental Activities
Year Ending December 31**

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|----------------------------------|-----------------------------|-----------------------------|---------------------------|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | 1,691,153 | \$2,213,806 | (\$522,653) |
| Intergovernmental revenue | 12,350 | 573,269 | (560,919) |
| General Revenues | | | |
| Property taxes | 10,027,099 | 11,823,882 | (1,796,783) |
| Specific ownership taxes | 991,441 | 1,144,387 | (152,946) |
| Investment earnings | 2,107,534 | 1,971,557 | 135,977 |
| Insurance Recovery | 23,700 | 18,148 | 5,552 |
| Other | 0 | - | 0 |
| Total Revenues | <u>14,853,277</u> | <u>17,745,049</u> | <u>(2,891,772)</u> |
| Expenses | | | |
| General government | 8,076,315 | 6,623,771 | 1,452,544 |
| Total Expenses | <u>8,076,315</u> | <u>6,623,771</u> | <u>1,452,544</u> |
| Change in net position | 6,776,962 | 11,121,278 | (4,344,316) |
| Net position, beginning of year | <u>170,371,890</u> | <u>159,250,612</u> | <u>11,121,278</u> |
| Net position, end of year | <u>\$177,148,852</u> | <u>\$170,371,890</u> | <u>\$6,776,962</u> |

The contract between the District and Reclamation for the Fryingpan-Arkansas Project was first signed in 1982 for a period of 40 years, with an added 10 years for a total contract of 50 years. There has been a total of 11 amendments to the original Fryingpan-Arkansas contract between 1982 through 2018. The original contract required a contract review of the prior 40-year period. In 2021, the District and Reclamation negotiated and finalized a similar but sustainable contract to remain in perpetuity.

The Fryingpan-Arkansas contract stipulates that the District is responsible for repayment of a portion of the costs of the Fryingpan-Arkansas Project. The total original repayment obligation for the District was \$132,237,478. That amount represented \$74,348,993 allocated to agriculture and \$57,888,485 is allocated to municipal and industrial. Each year the District also incurs operating and maintenance costs.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

The Fryingpan-Arkansas contract requires the District to make semi-annual installment payments of \$733,786, totaling \$1,467,572 annually, to reduce the remaining debt of the Fryingpan-Arkansas Project through the contract period of December 2031. The contract also mandates an upfront or pre-payment for the District's portion of the operations, maintenance, and replacement (OM&R) costs for the Project. This pre-payment is based on estimated costs and Reclamation credits, with a true-up process to adjust for actual costs and credits, calculated with each semi-annual installment. In 2025, total installment payments made to the Reclamation amounted to \$4,467,478. This includes the 2025 debt payment of \$1,467,572, which covers the 2024 Year-end Payment of \$733,786 and the 2025 Mid-year Payment of \$733,786, along with the 2024 OM&R costs and the estimated 2025 OM&R costs of \$3,179,896. As of December 31, 2025, the District had not received an invoice from Reclamation for the second portion of the 2025 debt and OM&R expense, which is typically required by the contract. The District recorded an estimated payable based on the most recent reconciled payout schedule provided in 2022. The Fryingpan-Arkansas contract also requires the District maintain a restricted reserve equal to annual Fryingpan-Arkansas project property tax collected, minus the total installment payments made to Reclamation. As of December 31, 2025, the reserve and estimated excess in tax collections to date is \$40,521,789.

The Reclamation applies other miscellaneous revenues according to Public Law 111-11. These revenues were applied to the payoff the South Outlet construction at the Pueblo Dam, Ruedi Reservoir, and the Fountain Valley Conduit primary debt. The future use of these funds will be applied towards the Arkansas Valley Conduit, which is part of the original Fryingpan-Arkansas Project authorization. Construction began on the federally constructed trunk line in July 2023. It is estimated the repayment of the Arkansas Valley Conduit project will begin when final construction of the project is complete.

In 2025, the District experienced a decrease in property tax revenue of \$1,796,783 from 2024. Property tax assessments are made in the year prior to receipt of ad valorem tax. Additionally, Specific Ownership tax revenues decreased by \$152,946, compared to 2024. Specific Ownership taxes are levied on personal vehicles, trailers, boats, mobile homes, etc. These decreases are due to Colorado Senate Bill 24-233 which passed in 2024 which capped and reduced assessment rates across the state.

The general government expense increased approximately 22 percent when compared to 2024. While most expenses remained similar or decreased compared to the prior year, including administrative and personnel expenses, Bureau of Reclamation expenses increased by approximately \$2,000,000. This increase was caused by the BOR's invoice to the District for work being significantly higher than expected in addition to a large accrual for the expected invoice for BOR repair work on the Cunningham tunnel.

The District holds the Excess Capacity Master Contract on behalf of the participants and is charged annually for each acre foot of water that is stored in the Pueblo Reservoir. The District passes these fees to the participants of the Excess Capacity contract. Excess Capacity Storage fees that were collected in the fourth quarter 2024, were due and payable to the Reclamation for the 2025 contract period and represent a total revenue and expenditure of \$358,355. The District collected storage fees relating to the 2026 contract period and reflects an advance deposit balance of \$361,011. In addition, the District also assesses surcharges that are retained and are used as operating revenue for Enterprise Activity.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

BUSINESS-TYPE ACTIVITIES

The Business Activity Enterprise (Enterprise) functions from a solid financial base; however, the success of the proprietary funds is more accurately measured by the impact that it has facilitating projects and programs within the District and that benefit our constituents. The Enterprise includes the Water and Storage Activity, Arkansas Valley Conduit Project, and the Hydroelectric Power Project at the Pueblo Dam. The Hydroelectric Power Project provides additional revenue resources and will significantly increase the future financial support within the Proprietary Funds.

The generation of hydroelectric power is the primary source of revenue for the Hydroelectric Project. In 2025, the hydroelectric power generated \$1,305,418 in revenues. The Hydroelectric loan with the CWCB was closed at the end of 2022, and the third payment of \$776,560 was made in December 2025.

The Arkansas Valley Conduit (AVC) continued to make considerable progress in 2025. In 2024, the U.S. Bureau of Reclamation awarded the Arkansas Valley Conduit Project additional funding by way of Bipartisan Infrastructure Act funds, bringing the total federal appropriations since the beginning of the project to nearly \$613 million. The funds have supported three major contracts and the installation of nearly 10 miles of pipeline. The construction of the federally constructed trunk line began in July 2023. In 2024, the Enterprise completed construction of delivery lines to Boone and Avondale, using \$1.2 million in funding from Pueblo County under the American Rescue Plan Act (ARPA). Ongoing design efforts east of Pueblo County were funded with an additional \$1.2 million in ARPA funding awarded to Otero County, plus a total of \$633,000 awarded to the Town of Ordway, Prowers County, Las Animas, and Bent County. Design work continued through 2025 completing 60% east of Pueblo through Rocky Ford including the Hilltop spur. Approximately \$3.03 million in ARPA funds have been used to date. The District contributed approximately \$863,000 of fund balance towards design and oversight administration work in 2025. The State of Colorado has authorized \$90 million in loans and \$30 million in grants through the Colorado Water Conservation Board for construction of delivery lines, though these funds have not been accessed to date.

The sale of project water and storage fees charges are the primary sources of operating revenue for the Enterprise Water fund. The project water and return flows sales generated \$809,555 in revenues, and the storage and surcharges fees produced \$1,059,598 in revenues. Storage fees are based on Carryover, Excess Capacity (In an Out of District), and Winter Water. Total water related for the 2025 financial period amounted to \$1,869,153. Note 11 explains the details of the Excess Capacity Master Contract with the Reclamation.

The following table compares revenues and expenses for the business-type activities separated by the Water Storage Activities, AVC, and the Hydroelectric Project for 2025 compared to 2024.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

**Business-Type Activities
Year Ending December 31**

| | 2025 Water Storage Activity | 2025 Arkansas Valley Conduit Project | 2025 Hydro Project | 2025 Total | 2024 Total | Change 2025 from 2024 |
|------------------------------|-----------------------------------|--|-----------------------|---------------------|---------------------|--------------------------|
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services & sales | \$2,140,031 | \$322,866 | \$1,305,418 | \$3,768,315 | \$4,230,895 | (\$462,580) |
| Intergovernmental revenue | - | 158,322 | - | 158,322 | 856,360 | (698,038) |
| Misc Revenues | - | - | - | - | - | - |
| Investment earnings (Loss) | 309,652 | 144,995 | 103,558 | 558,205 | 489,493 | 68,712 |
| Total Revenues | 2,449,683 | 626,183 | 1,408,976 | 4,484,842 | 5,576,748 | (1,091,906) |
| Expenses | | | | | | |
| Operating Expenses | 1,331,215 | 243,616 | 697,137 | 2,271,968 | 2,797,450 | (525,482) |
| Interest Expense | - | - | 330,524 | 330,524 | 339,270 | (8,746) |
| Financing Fees | - | - | - | - | - | - |
| Total Expenses | 1,331,215 | 243,616 | 1,027,661 | 2,602,492 | 3,136,720 | (534,228) |
| Change in net position | 1,118,468 | 382,567 | 381,315 | 1,882,350 | 2,440,028 | (557,678) |
| Net position, January 1 | 7,823,970 | 7,732,789 | (1,913,578) | 13,643,181 | 11,203,152 | 2,440,029 |
| Net position, December 31 | \$8,942,438 | \$8,115,356 | (\$1,532,263) | \$15,525,531 | \$13,643,180 | 1,882,351 |

GENERAL FUND ANALYSIS

In 2025, the general fund experienced strong financial performance, marked by a significant increase in total revenues and an improved fund balance. Total revenues for the year amounted to \$14,853,277, a decrease of \$2,891,772 (19.47%) compared to \$17,745,049 in 2024. This decline was driven by several key factors that included reduction in property taxes and charges for services in addition to the District receiving a one-time property tax relief payment from the state in 2024.

Total expenditures in 2025 amounted to \$9,556,493, up \$1,368,645 (17%) from \$8,187,848 in 2024. This increase was due to an increase in payments to the Bureau of Reclamations (BOR) for OM&R expenditures which fluctuate from year to year depending on work done by the BOR.

BUDGET ANALYSIS

In December 2024, the District's Board of Directors adopted a budget for the General Fund for the calendar year 2025, following a public hearing as required by state law. The original budget appropriations for the year ending December 31, 2025, totaled \$10,888,007. The Board of Directors chose not to modify the expenditures by an amendment in 2025. Actual expenditures for 2025 totaled \$9,385,368. The budget variance of \$1,502,369 is primarily due to reductions in payroll and overhead and significantly reduced planning and development expenses.

In December 2024 and following a public hearing as required by law, the District Board of Directors adopted a 2025 expenditure budget of \$2,816,201 for the Water and Storage Activity. The Board of Directors for the Water and Storage Activity chose not to modify the expenditures by amendment in 2025. Actual expenditures for 2025 totaled \$1,331,215. The budget variance of \$1,484,986 is related to reductions of payroll.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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In December 2024 and following a public hearing as required by law, the District Board of Directors adopted a 2025 expenditure budget of \$6,229,348 for the AVC. The Board of Directors for the AVC chose not to modify the expenditures by amendment in 2025. Actual expenditures for 2025 totaled \$1,265,339. The budget variance of \$4,964,009 is due to reductions in personnel services and capital outlay projects that were put on hold due to a delay in funding-related issues.

In December 2024 and following a public hearing as required by law, the District Board of Directors adopted a 2025 expenditure budget of \$1,512,222 for the Hydroelectric Power Fund. The Board of Directors for the Hydroelectric Power Fund chose not to modify the expenditures by amendment in 2025. Actual expenditures for 2025 totaled \$1,117,469. The budget variance of \$394,753 is primarily due to fewer BOR repair costs than expected and capital outlay projects put on hold due to a delay in funding-related issues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end December 31, 2025, the District had \$132,257,570 invested in perpetual water rights and land classified as a non-depreciable capital asset. Note 5 details the capital assets activity.

The District utilizes the collection of ad valorem property tax to retire the debt and pay for OM&R of the Fryingpan-Arkansas Project. Annual ad valorem tax collected that are applicable to the Fryingpan-Arkansas Project and are not paid to Reclamation are deposited in the restricted Fryingpan-Arkansas reserve held by the District, as required by the Fryingpan-Arkansas contract.

The repayment contract period is 40 years with an extension of ten years. The Fryingpan-Arkansas contract amortized the debt payment over 50 years ending December 2031. As of December 31, 2025, the District's principal balance is \$9,539,219. Future payments will continue to be applied at a total of \$1,467,572 annually to decrease the debt remaining on schedule. The contract does not contain a provision for interest and therefore has an effective interest rate of 0%.

The Hydroelectric Power Project construction was completed and put into service in 2019. In 2019, the Enterprise started depreciating the Hydroelectric Power Plant under a 50-year useful life expectancy. The total balance of this contract obligation is \$16,080,156 as of December 31, 2025.

The Restoration of Yield partnership purchased a parcel of land in 2021, of which the Enterprise's share was \$135,373. The Restoration of Yield land will be used in the future for water storage purposes. The land is listed as a non-depreciable asset.

In November 2022, The District Board of Directors approved the purchase of a 9.64-acre land parcel east Pueblo from Tri-View Metropolitan District. The land serves as the location for the injection site that is needed for the Arkansas Valley Conduit trunk lines. In 2023, the land purchase was finalized in the amount of \$37,563. The land is listed as a non-depreciable asset.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

Governmental Activities

Capital Assets

as of December 31

| | 2025 | 2024 |
|----------------------------|----------------------|----------------------|
| Nondepreciable Assets | | |
| Perpetual water rights | \$132,237,478 | \$132,237,478 |
| Land | 20,092 | 20,092 |
| Construction in Progress | - | - |
| | 132,257,570 | 132,257,570 |
| Depreciable Assets | | |
| Buildings and Improvements | 1,551,769 | 1,551,769 |
| Furniture & Equipment | 520,019 | 544,732 |
| | 2,071,788 | 2,096,501 |
| Accumulated Depreciation | (1,479,951) | (1,429,934) |
| Capital Assets, Net | \$132,849,407 | \$132,924,137 |

Business-Type Activities

Capital Assets

as of December 31

| | 2025 | 2024 |
|----------------------------------|---------------------|---------------------|
| Nondepreciable Assets | | |
| Land and Non-Depreciable Assets | \$172,936 | \$172,936 |
| Construction in Progress | 5,599,076 | 4,586,246 |
| | 5,772,012 | 4,759,182 |
| Depreciable Assets | | |
| Buildings and Improvements | 15,759,015 | 15,759,015 |
| Hydroelectric Turbines & Equipme | 2,560,333 | 2,547,495 |
| AVC Equipment | 9,200 | - |
| | 18,328,548 | 18,306,510 |
| Accumulated Depreciation | (2,410,067) | (2,040,693) |
| Capital Assets, Net | \$21,690,493 | \$21,024,999 |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2025**

FINANCIAL CONTACT

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. Any questions should be directed to the Executive Director, Leann Noga at the Southeastern Colorado Water Conservancy District office at 31717 United Avenue, Pueblo, Colorado, 81001.

BASIC FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 622,454 | \$ 342,321 | \$ 964,775 |
| Cash and cash equivalents - restricted | 2,484,924 | - | 2,484,924 |
| Investments | 13,612,247 | 11,264,022 | 24,876,269 |
| Investments - restricted | 38,036,865 | 98,285 | 38,135,150 |
| Receivables | 13,027,954 | 395,171 | 13,423,125 |
| Internal balances | 1,436,728 | (1,436,728) | - |
| Inventory | - | 40,000 | 40,000 |
| Prepaid contract obligation and other assets | 61,194 | 109,076 | 170,270 |
| Capital assets - | | | |
| Land and nondepreciable capital assets | 132,257,570 | 5,772,012 | 138,029,582 |
| Other capital assets, net of accumulated depreciation | 591,837 | 15,918,481 | 16,510,318 |
| Total Capital Assets | 132,849,407 | 21,690,493 | 154,539,900 |
| TOTAL ASSETS | 202,131,773 | 32,502,640 | 234,634,413 |
| LIABILITIES | | | |
| Accounts payable | 2,228,996 | 770,855 | 2,999,851 |
| Due to other governments | 113,461 | - | 113,461 |
| Other advance deposits | 373,902 | 126,098 | 500,000 |
| Long-term liabilities - | | | |
| Due within one year - | | | |
| Contracts | 2,201,358 | 454,958 | 2,656,316 |
| Compensated absences | 115,446 | - | 115,446 |
| Due in more than one year - | | | |
| Loan contract | - | 15,625,198 | 15,625,198 |
| Contracts | 7,337,861 | - | 7,337,861 |
| Compensated absences | 85,509 | - | 85,509 |
| TOTAL LIABILITIES | 12,456,533 | 16,977,109 | 29,433,642 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes | 12,526,388 | - | 12,526,388 |
| NET POSITION | | | |
| Net investment in capital assets | 123,310,188 | 5,287,899 | 128,598,087 |
| Restricted for labor | 350,000 | - | 350,000 |
| Restricted for Bureau of Reclamation | 40,521,789 | 98,285 | 40,620,074 |
| Unrestricted | 12,966,875 | 10,139,347 | 23,106,222 |
| TOTAL NET POSITION | \$ 177,148,852 | \$ 15,525,531 | \$ 192,674,383 |

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---|-----------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities - | | | | |
| General government | \$ 8,076,315 | \$ 1,691,153 | \$ 12,350 | \$ - |
| Total governmental activities | 8,076,315 | 1,691,153 | 12,350 | - |
| Business-type activities - | | | | |
| Water activity | 1,331,215 | 2,140,031 | - | - |
| Arkansas Valley Conduit | 243,616 | 322,866 | - | 158,322 |
| Hydro project | 1,027,661 | 1,305,418 | - | - |
| Total business-type activities | 2,602,492 | 3,768,315 | - | 158,322 |
| TOTAL | \$ 10,678,807 | \$ 5,459,468 | \$ 12,350 | \$ 158,322 |
| General revenues - | | | | |
| Property taxes levied for general government purposes | | | | |
| Property taxes levied for specific purposes | | | | |
| Specific ownership taxes | | | | |
| Unrestricted investment earnings (loss) | | | | |
| Other | | | | |
| Total general revenues | | | | |
| Change in net position | | | | |
| Net position, January 1 | | | | |
| Net position, December 31 | | | | |

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Change in Net Assets

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (6,372,812) | \$ - | \$ (6,372,812) |
| <u>(6,372,812)</u> | <u>-</u> | <u>(6,372,812)</u> |
| - | 808,816 | 808,816 |
| - | 237,572 | 237,572 |
| <u>-</u> | <u>277,757</u> | <u>277,757</u> |
| <u>-</u> | <u>1,324,145</u> | <u>1,324,145</u> |
| <u>(6,372,812)</u> | <u>1,324,145</u> | <u>(5,048,667)</u> |
| 446,503 | - | 446,503 |
| 9,580,596 | - | 9,580,596 |
| 991,441 | - | 991,441 |
| 2,107,534 | 558,205 | 2,665,739 |
| <u>23,700</u> | <u>-</u> | <u>23,700</u> |
| <u>13,149,774</u> | <u>558,205</u> | <u>13,707,979</u> |
| 6,776,962 | 1,882,350 | 8,659,312 |
| <u>170,371,890</u> | <u>13,643,181</u> | <u>184,015,071</u> |
| <u>\$ 177,148,852</u> | <u>\$ 15,525,531</u> | <u>\$ 192,674,383</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2025**

| | <u>General Fund</u> |
|---|-----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 622,454 |
| Cash and cash equivalents - restricted | 2,484,924 |
| Investments | 13,612,247 |
| Investments - restricted | 38,036,865 |
| Receivables | 13,027,954 |
| Due from other fund | 72,341 |
| Advance to other fund | 2,799,105 |
| Prepaid contract obligation and other prepaid items | <u>61,194</u> |
| TOTAL ASSETS | <u><u>\$ 70,717,084</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| Liabilities - | |
| Accounts payable | \$ 2,342,457 |
| Other advance deposits | 373,902 |
| Due to other fund | 1,434,718 |
| Advance from other funds | <u>3,989,105</u> |
| Total Liabilities | <u>4,151,077</u> |
| Deferred inflows of resources - | |
| Property taxes | <u>12,526,388</u> |
| Total deferred inflows of resources | |
| Total liabilities and deferred inflows of resources | <u>16,677,465</u> |
| Fund balances - | |
| Nonspendable | 2,486,397 |
| Restricted | 40,871,789 |
| Committed | 3,500,000 |
| Unassigned | <u>7,181,433</u> |
| Total fund balances | <u>54,039,619</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 70,717,084</u></u> |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025**

Total fund balance - governmental fund \$ 54,039,619

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets is capitalized and expensed over their estimated useful lives in the statement of net position and the statement of activities

| | | |
|--------------------------|--------------------|-------------|
| Cost of capital assets | \$ 134,329,358 | |
| Accumulated depreciation | <u>(1,479,951)</u> | 132,849,407 |

Liabilities that are not due and payable in the current period are not reported in the governmental fund but are reported in the statement of net position as follows:

| | | |
|----------------------|------------------|--------------------|
| Contract payable | (9,539,219) | |
| Compensated absences | <u>(200,955)</u> | <u>(9,740,174)</u> |

Total net position - governmental activities \$ 177,148,852

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025**

| | <u>General Fund</u> |
|---|-----------------------------|
| REVENUES | |
| Property taxes | \$ 10,027,099 |
| Specific ownership taxes | 991,441 |
| Fountain Valley Authority contract revenue | 14,200 |
| Winter water storage | 116,545 |
| Excess capacity contract | 358,355 |
| Charges for services | 1,202,053 |
| Intergovernmental | 12,350 |
| Investment revenue (loss) | 2,107,534 |
| Other | 23,700 |
| TOTAL REVENUES | <u>14,853,277</u> |
| EXPENDITURES | |
| Current - | |
| Outside and professional services | 437,021 |
| Human resources | 2,101,678 |
| Meeting and travel | 70,361 |
| Headquarter operations | 252,961 |
| Collection fees | 171,125 |
| Water conservation and education | 25,793 |
| Winter water storage | 116,543 |
| Excess capacity contract | 356,970 |
| Fountain Valley Authority contract payments | 14,200 |
| Bureau operations, maintenance, repairs and credits | 4,342,139 |
| Planning and development | 168,670 |
| Capital outlay | 31,460 |
| Debt service - | |
| Principal | 1,467,572 |
| TOTAL EXPENDITURES | <u>9,556,493</u> |
| NET CHANGE IN FUND BALANCE | 5,296,784 |
| FUND BALANCE, January 1 | <u>48,742,835</u> |
| FUND BALANCE, December 31 | <u><u>\$ 54,039,619</u></u> |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Net change in fund balance - governmental fund \$ 5,296,784

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental fund as expenditures; however, these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay:

| | | |
|----------------------|---------------|----------|
| Depreciation expense | (106,190) | |
| Capital outlay | <u>31,460</u> | (74,730) |

The governmental fund reports the principal repayment of the contract obligation as an expenditure. 1,467,572

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. 87,336

Change in net position - governmental activities \$ 6,776,962

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

Business-Type Activities

| | Water and Storage Activity | Arkansas Valley Conduit | Hydro Project | Total |
|--|-------------------------------|----------------------------|-----------------------|----------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 133,081 | \$ 209,240 | \$ 342,321 |
| Investments | 1,321,675 | 2,424,638 | 2,004,202 | 5,750,515 |
| Investments - restricted | 98,285 | - | - | 98,285 |
| Accounts receivable | 139,829 | 146,035 | 29,676 | 315,540 |
| Accrued interest receivable | 45,795 | 18,001 | 15,835 | 79,631 |
| Prepaid items | - | - | 109,076 | 109,076 |
| Inventory | - | - | 40,000 | 40,000 |
| Due from other funds | 1,434,718 | - | - | 1,434,718 |
| TOTAL CURRENT ASSETS | <u>3,040,302</u> | <u>2,721,755</u> | <u>2,408,029</u> | <u>8,170,086</u> |
| NONCURRENT ASSETS | | | | |
| Investments | 4,684,080 | 409,656 | 419,771 | 5,513,507 |
| Advance to other funds | 1,190,000 | - | - | 1,190,000 |
| Capital assets - | | | | |
| Land and nondepreciable capital assets | 135,373 | 5,605,314 | 31,325 | 5,772,012 |
| Other capital assets, net of accumulated depreciation | - | 8,893 | 15,909,588 | 15,918,481 |
| Total capital assets | <u>135,373</u> | <u>5,614,207</u> | <u>15,940,913</u> | <u>21,690,493</u> |
| TOTAL NONCURRENT ASSETS | <u>6,009,453</u> | <u>6,023,863</u> | <u>16,360,684</u> | <u>28,394,000</u> |
| TOTAL ASSETS | <u>9,049,755</u> | <u>8,745,618</u> | <u>18,768,713</u> | <u>36,564,086</u> |
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 72,219 | 473,842 | 224,794 | 770,855 |
| Loan contract | - | - | 454,958 | 454,958 |
| Due to other funds | - | 65,420 | 6,921 | 72,341 |
| Other advance deposits | 35,098 | 91,000 | - | 126,098 |
| TOTAL CURRENT LIABILITIES | <u>107,317</u> | <u>630,262</u> | <u>686,673</u> | <u>1,424,252</u> |
| NONCURRENT LIABILITIES | | | | |
| Advance from other fund | - | - | 3,989,105 | 3,989,105 |
| Loan contract | - | - | 15,625,198 | 15,625,198 |
| TOTAL NONCURRENT LIABILITIES | <u>-</u> | <u>-</u> | <u>19,614,303</u> | <u>19,614,303</u> |
| TOTAL LIABILITIES | <u>107,317</u> | <u>630,262</u> | <u>20,300,976</u> | <u>21,038,555</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 135,373 | 5,152,526 | - | 5,287,899 |
| Restricted | 98,285 | - | - | 98,285 |
| Unrestricted | 8,708,780 | 2,962,830 | (1,532,263) | 10,139,347 |
| TOTAL NET POSITION | <u>\$ 8,942,438</u> | <u>\$ 8,115,356</u> | <u>\$ (1,532,263)</u> | <u>\$ 15,525,531</u> |

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

| | Business-Type Activities | | | Total |
|---|----------------------------------|-------------------------------|-----------------------|----------------------|
| | Water and Storage Activity | Arkansas Valley Conduit | Hydro Project | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 2,140,031 | \$ 322,866 | \$ 1,305,418 | \$ 3,768,315 |
| TOTAL OPERATING REVENUES | <u>2,140,031</u> | <u>322,866</u> | <u>1,305,418</u> | <u>3,768,315</u> |
| OPERATING EXPENSES | | | | |
| Outside and professional services | 145,473 | 87,119 | 101,893 | 334,485 |
| Office and administrative expenses | 950,031 | 148,764 | 200,934 | 1,299,729 |
| Meetings and travel | - | 192 | - | 192 |
| Bureau operations, maintenance and repairs | - | - | 25,243 | 25,243 |
| Partnerships and other payments | 235,711 | 7,234 | - | 242,945 |
| Depreciation | - | 307 | 369,067 | 369,374 |
| TOTAL OPERATING EXPENSES | <u>1,331,215</u> | <u>243,616</u> | <u>697,137</u> | <u>2,271,968</u> |
| OPERATING INCOME (LOSS) | <u>808,816</u> | <u>79,250</u> | <u>608,281</u> | <u>1,496,347</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental revenue | - | 158,322 | - | 158,322 |
| Interest expense | - | - | (330,524) | (330,524) |
| Investment earnings (loss) | 309,652 | 144,995 | 103,558 | 558,205 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>309,652</u> | <u>303,317</u> | <u>(226,966)</u> | <u>386,003</u> |
| CHANGE IN NET POSITION | 1,118,468 | 382,567 | 381,315 | 1,882,350 |
| NET POSITION, January 1 | <u>7,823,970</u> | <u>7,732,789</u> | <u>(1,913,578)</u> | <u>13,643,181</u> |
| NET POSITION, December 31 | <u>\$ 8,942,438</u> | <u>\$ 8,115,356</u> | <u>\$ (1,532,263)</u> | <u>\$ 15,525,531</u> |

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

| | Business-Type Activities Enterprise Funds | | | |
|--|--|----------------------------|-------------------|--------------------|
| | Water and Storage Activity | Arkansas Valley Conduit | Hydro Project | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 2,056,666 | \$ 280,208 | \$ 1,334,885 | \$ 3,671,759 |
| Cash paid for goods and supplies | (311,099) | (90,328) | (296,240) | (697,667) |
| Payments for interfund services | (949,971) | (85,333) | (65,668) | (1,100,972) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>795,596</u> | <u>104,547</u> | <u>972,977</u> | <u>1,873,120</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intergovernmental revenue received | - | 60,002 | - | 60,002 |
| Advances (to) from other funds | (795,701) | - | - | (795,701) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>(795,701)</u> | <u>60,002</u> | <u>-</u> | <u>(735,699)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Payment on contract obligation | - | - | (446,037) | (446,037) |
| Interest paid | - | - | (330,524) | (330,524) |
| Capital expenditures | - | (868,750) | (12,838) | (881,588) |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>-</u> | <u>(868,750)</u> | <u>(789,399)</u> | <u>(1,658,149)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 235,092 | 85,631 | 100,711 | 421,434 |
| Maturity and sales of investments | 1,280,000 | 1,955,000 | 400,000 | 3,635,000 |
| Purchase of investments | (1,514,987) | (1,604,615) | (500,663) | (3,620,265) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>105</u> | <u>436,016</u> | <u>48</u> | <u>436,169</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>-</u> | <u>(268,185)</u> | <u>183,626</u> | <u>(84,559)</u> |
| CASH AND CASH EQUIVALENTS, January 1 | <u>-</u> | <u>401,266</u> | <u>25,614</u> | <u>426,880</u> |
| CASH AND CASH EQUIVALENTS, December 31 | <u>\$ -</u> | <u>\$ 133,081</u> | <u>\$ 209,240</u> | <u>\$ 342,321</u> |

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS (Cont'd.)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

| | Business-Type Activities Enterprise Funds | | | |
|---|--|----------------------------|-------------------|---------------------|
| | Water and Storage Activity | Arkansas Valley Conduit | Hydro Project | Total |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | |
| TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income | \$ 808,816 | \$ 79,250 | \$ 608,281 | \$ 1,496,347 |
| Adjustments to reconcile operating income to net cash provided by operating activities - | | | | |
| Depreciation | - | 307 | 369,067 | 369,374 |
| Change in assets and liabilities - | | | | |
| Accounts receivable | (82,479) | (72,656) | 29,467 | (125,668) |
| Prepaid expenses | - | - | (4,115) | (4,115) |
| Due from other funds | - | - | 6,921 | 6,921 |
| Accounts payable | 68,897 | (1,155) | (42,995) | 24,747 |
| Other advance deposits | 362 | 29,998 | - | 30,360 |
| Due to other funds | - | 68,803 | 6,351 | 75,154 |
| | | | | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 795,596 | \$ 104,547 | \$ 972,977 | \$ 1,873,120 |
| SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Change in fair value of investments | <u>\$ 67,959</u> | <u>\$ 49,741</u> | <u>\$ (962)</u> | <u>\$ 116,738</u> |
| Change in intergovernmental receivables | <u>\$ -</u> | <u>\$ 30,241</u> | <u>\$ -</u> | <u>\$ 30,241</u> |
| Change in capital related payables | <u>\$ -</u> | <u>\$ 153,280</u> | <u>\$ -</u> | <u>\$ 153,280</u> |

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2025

| | Custodial Funds | | |
|--|---|----------------------------------|-------------------|
| | Winter Water Spill Credit Program | Regional Resource Planning | Total |
| ASSETS | | | |
| Investments | \$ 468,239 | \$ 9,781 | \$ 478,020 |
| TOTAL ASSETS | <u>468,239</u> | <u>9,781</u> | <u>478,020</u> |
| LIABILITIES | | | |
| Accounts payable and other liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Restricted | 468,239 | 9,781 | 478,020 |
| TOTAL NET POSITION | <u>\$ 468,239</u> | <u>\$ 9,781</u> | <u>\$ 478,020</u> |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2025**

| | Custodial Funds | | |
|---|---|----------------------------------|-------------------|
| | Winter Water Spill Credit Program | Regional Resource Planning | Total |
| ADDITIONS | | | |
| Investment earnings | \$ 19,393 | \$ 405 | \$ 19,798 |
| TOTAL ADDITIONS | <u>19,393</u> | <u>405</u> | <u>19,798</u> |
| DEDUCTIONS | | | |
| Benefits paid to participants or beneficiaries | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL DEDUCTIONS | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in fiduciary net position | <u>19,393</u> | <u>405</u> | <u>19,798</u> |
| NET POSITION - Beginning | 448,846 | 9,376 | 458,222 |
| NET POSITION - Ending | <u>\$ 468,239</u> | <u>\$ 9,781</u> | <u>\$ 478,020</u> |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeastern Colorado Water Conservancy District (the District) was created in 1958 under Colorado statutes to manage water resources of the Arkansas River Basin and to function as the legal taxing agency for the administration of the Fryingpan-Arkansas project and contracting agent with the federal government for reimbursable costs of the project.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting practices used by the District are described below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the District (the primary government) includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include, if applicable, (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other internally dedicated resources are reported as general revenues rather than program revenues. The net cost by function or business-type activity is normally covered by general revenues such as property taxes, specific ownership taxes or other unrestricted revenues.

Separate fund financial statements are provided for the major governmental fund, the major proprietary funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

The District's fiduciary fund is presented in the fund financial statements by type since by definition these assets are held for the benefit of third parties and cannot be used to assist the activities or obligations of the government. These funds are not incorporated into the government-wide statements.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied, while grants and similar items are recognized as revenue when all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund, while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, interest and charges for services are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until received in cash.

Business-type activities and the proprietary funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the activity or fund are included on the statement of net position. The proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net position. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operation. The principal operating revenues of the District's water and storage activity enterprise funds and the hydro project enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, along with administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

GOVERNMENTAL FUND

The District reports the following major governmental fund:

- The general fund is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund. Major revenue sources include property taxes, specific ownership taxes, and contractual revenue. Primary expenditures include general government and debt service.

PROPRIETARY FUNDS

The following is a description of the major proprietary funds of the District:

- The water and storage activity fund includes the sale and administration of water for the Fryingpan-Arkansas project, related surcharges and return flows. In addition, this fund is responsible for the safety of dams repayment obligation. Other projects accounted for in this fund include (1) the Arkansas Valley Conduit; (2) the excess capacity master contract; and (3) possible enlargement of the Pueblo Reservoir and Turquoise Lake. This fund also may include other water related programs and projects as identified by the board of directors.
- The Arkansas Valley Conduit fund project reached final design stages in 2020. Activities of the fund include final design, construction, administration, and operations of the Arkansas Valley Conduit Project, along with any future accumulation of resources for the payment of principal and interest on long-term debt. The revenues generated many include state and/or federal loans or grants and participant revenues. All costs are financed through charges to customers with rates established based on contractual agreement and/or through state and/or federal grants and loans. Construction of the Arkansas Valley Conduit began in 2023.
- The hydro project fund, which began construction during the latter part of 2017, was created to develop hydro power on the Pueblo Dam. Activities of the fund include construction, administration, operation and maintenance of the hydro project, along with accumulation of resources for the payment of principal and interest on long-term debt. The revenues generated by the hydro project are pledged as collateral for the repayment of the contract loan. All costs are financed through charges to customers with rates established based on contractual agreement. The loan with Colorado Water Conservation Board was closed and the first principal and interest payments were made in 2023.

FIDUCIARY FUNDS

The District reports two custodial funds that account for funds held and related investment income for the Winter Water Spill Credit Program and Regional Resource Planning.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is the administrative charge imposed on the water and storage activity enterprise fund by the general fund. Elimination of this charge would distort the direct costs and program revenues reported for the functions affected.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

D. BUDGETARY PRINCIPLES

The District adheres to the following procedures in establishing its budgets:

On or before October 15 of each year, the budget officer submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments and the District adopts budgets for all funds. All funds, including the enterprise funds, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law through the passage of appropriation resolutions. Budgetary control exists at the total fund level and the budget amounts reported reflect all amendments, if any, enacted by the District.

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of interest, non-interest-bearing demand deposits and money market accounts held at banks. Investments include money market mutual funds, and Colotrust, as well as brokered certificates of deposit and U.S. Treasury and agency securities that are reported at fair value. Any related unrealized gain or loss is included as part of investment revenue.

For purposes of the statement of cash flows, the District considers demand deposits to be cash and cash equivalents.

F. PROPERTY TAXES

Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the County Assessor in each county within the District's boundaries by the previous December 10. Assessed values are a percentage of actual values and a reevaluation of all property must be made every two years. The last re-evaluation date was January 1, 2025 for the 2024 base year specified by state law.

The taxes levied by December 15, 2025 reflect 2025 property taxes that will be collected in 2026 by the County Treasurer in each county within the District's boundaries. Taxes collected by each Treasurer are remitted to the District on a monthly basis. These taxes are due January 2, 2026 and may be paid in two installments (February 28 and June 15) or they may be paid in full April 30. Taxes not paid in accordance with this schedule accrue interest and penalty charges and are subject to liens if not paid by November.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

G. INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified, if applicable, as “due from other funds” and “due to other funds” in the fund financial statements. Other amounts reported as “advances to other funds” and “advances from other funds” are not expected to be repaid within the short-term.

H. PREPAID ITEMS AND INVENTORY

Prepaid items represent payments made for expenditures to be charged to a future accounting period and are recognized using the consumption method. The prepaid contract obligation reported in the governmental activities and the general fund are also reported as a liability since the collection of the funds occurs prior to the accounting period for which it is effective and is characterized as an exchange transaction under generally accepted accounting principles.

Inventory items are recorded at cost, which approximates market value using the average cost method. The Authority’s inventory represents spare parts for the Hydro plant and equipment.

I. CAPITAL ASSETS

Capital assets, which include perpetual water rights, land, construction-in-progress, buildings and improvements, along with furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District previously established a capitalization threshold of \$5,000. This level was set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are defined as assets with an initial individual cost or estimated cost that equals or exceeds the limit identified above and have a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at acquired value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is not included as part of the capitalized value of assets constructed.

Capital assets of the District, except for land, perpetual water rights and construction-in-progress, are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Governmental Activities</u> |
|----------------------------|--------------------------------|
| Buildings and improvements | 5-30 |
| Furniture and equipment | 3-10 |

Perpetual water rights represent the District’s share of the original costs of construction and are not depreciated or amortized. The original contract between the United States Bureau of Reclamation and the District grants the District perpetual rights to use water made available by the project. Project property and all related facilities remain in the exclusive control, possession and ownership of the United States.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation and sick pay benefits up to predetermined maximums and are compensated for these accumulated vacation and sick pay benefits either through paid time off or at termination or retirement.

Accumulated vacation and sick leave are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured; for example, as a result of employee resignations and retirements.

K. LONG-TERM LIABILITIES

In the government-wide financial statements and the fund financial statements for the enterprise funds, long-term debt and other similar long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts, as well as bond insurance costs, if any, are deferred and amortized over the life of the obligation using the interest method. No imputed interest is considered in relation to the safety of dams obligation to the Bureau of Reclamation.

L. FUNDEQUITY

The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for the District's governmental fund consists of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term fund advances.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution. Commitments also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.
- Unassigned – this is the residual classification for the general fund.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the governmental fund financial statements, bond premium and discounts, as well as bond issue costs, if any, are recognized during the current period. The face amount of the debt issue, along with the related discount on premium, if any, is reported as other financing sources while debt issue costs are reported as debt service expenditures.

In the government-wide financial statements, net position is classified in the following categories:

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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

M. INTERFUND TRANSACTIONS

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

N. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

O. NEW ACCOUNTING PRONOUNCEMENTS

For 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 102, Certain Risk Disclosures. GASB Statement No. 102 provides users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending.

For 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

For 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 104, Disclosure of Certain Capital Assets. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Implementation of this standard had no impact to the District’s financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are summarized as follows:

| | | |
|--|----------------------|----------------------|
| Cash and cash equivalents | | |
| Demand deposits | | \$ 964,775 |
| Demand deposits - restricted for Bureau operations | | <u>2,484,924</u> |
| | | <u>\$ 3,449,699</u> |
| Investments | | |
| U.S. Treasury securities | | \$ 3,165,879 |
| U.S. Treasury securities - restricted | | 17,457,389 |
| U.S. agency securities | | 14,072,285 |
| Brokered certificates of deposit - restricted | | 19,923,830 |
| Colotrust pooled investments | | 1,951,891 |
| Money market funds held at brokerages | | 6,164,234 |
| Money market funds held at brokerages - restricted | | <u>753,931</u> |
| | | <u>\$ 63,489,439</u> |
| | <u>Cash and Cash</u> | |
| | <u>Equivalents</u> | <u>Investments</u> |
| Reported in the financial statements as follows: | | |
| Government-wide statement of net position | \$ 3,449,699 | \$ 63,011,419 |
| Statement of fiduciary assets and liabilities | <u>-</u> | <u>478,020</u> |
| | <u>\$ 3,449,699</u> | <u>\$ 63,489,439</u> |

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

DEPOSITS

At December 31, 2025, the carrying amount of the District's deposits was \$3,449,699 and the bank balance was \$3,492,715. Of the bank balance, \$255,007 was covered by federal depository insurance and \$3,237,708 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes as described above. At December 31, 2025, deposits with a bank balance of \$3,492,715 are not insured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

INVESTMENTS

The District is subject to the provisions of Colorado Revised Statutes 24-75-601 which is entitled "Concerning Investment in Securities by Public Entities". This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District uses a pricing matrix to estimate fair value of its level 2 investments.

The District's Colo Trust accounts are reported at fair value. However, these investments are not subject to the fair value hierarchy.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

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

| Investment Type | Level 1 | Level 2 | Level 3 | Total | Concentration | Investment Maturities (in years) | |
|---------------------------|---------------------|----------------------|-------------|----------------------|---------------|-------------------------------------|----------------------|
| | | | | | | Less than 1 | 1-5 |
| U.S. treasuries | \$ - | \$ 20,623,268 | \$ - | \$ 20,623,268 | 32.5% | \$ 9,067,954 | \$ 11,555,314 |
| U.S. agencies | - | 14,072,285 | - | 14,072,285 | 22.1% | 4,131,184 | 9,941,101 |
| Brokered CDs | - | 19,923,830 | - | 19,923,830 | 31.4% | 9,609,170 | 10,314,660 |
| Money market mutual funds | <u>6,918,165</u> | <u>-</u> | <u>-</u> | <u>6,918,165</u> | <u>10.9%</u> | <u>6,918,165</u> | <u>-</u> |
| Subtotal | <u>\$ 6,918,165</u> | <u>\$ 54,619,383</u> | <u>\$ -</u> | <u>61,537,548</u> | <u>96.9%</u> | <u>29,726,473</u> | <u>31,811,075</u> |
| Colo Trust | | | | <u>1,951,891</u> | 3.1% | <u>1,951,891</u> | <u>-</u> |
| | | | | <u>\$ 63,489,439</u> | | <u>\$ 31,678,364</u> | <u>\$ 31,811,075</u> |

The investment maturity tabulation presented above for the U.S. Treasury and agency securities is based on each security's stated maturity date.

The District has the following recurring fair value measurements as of December 31, 2025:

- U.S. Treasury securities of \$20,623,268 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agency securities of \$14,072,285 and Brokered CDs of \$19,923,830 are valued using a matrix pricing model (Level 2 inputs).

Custodial credit risk – Custodial credit risk for investments is the risk of that, in the event of the failure of the counterparties, the District will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not limit the holding of securities by counterparties.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – State law limits investments in money market funds to funds that are registered as an investment company; the fund investment policies must seek to maintain a constant price and no sales or bond fee can be added to the purchase or redemption price. The District has no investment policy that would further limit its investment choices. As of December 31, 2025, the District's investment in money market funds is rated Aaa-mf by Moody's, the U.S. agency securities are rated Aaa by Moody's and AA+ by Standard and Poor's.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

The ColoTrust investment pool (the Trust) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similar to a money market fund and each share is equal in value to \$1. The Trust offers two portfolios, ColoTrust Prime and ColoTrust Plus+. ColoTrust Prime invests only in U.S. Treasury and government agencies. ColoTrust Plus+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 3 – RECEIVABLES

Receivables at December 31, 2025, consist of the following:

| | <u>Governmental Activities</u> |
|----------------|-------------------------------------|
| Property taxes | \$ 12,526,388 |
| Accounts | 170,998 |
| Interest | <u>330,568</u> |
| | <u>\$ 13,027,954</u> |
| | |
| | <u>Business-Type Activities</u> |
| Accounts | \$ 315,540 |
| Interest | <u>79,631</u> |
| | <u>\$ 395,171</u> |

The amount reported above for property taxes totaling \$12,526,388 is also reported as a deferred inflow of resources as required under generally accepted accounting principles.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES

The following interfund receivables and payables are included in the fund financial statements at December 31, 2025:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|----------------------------|---------------------------------|-------------------------------|
| Governmental Fund – | | |
| General fund | \$ 72,341 | \$ 1,434,718 |
| Total governmental fund | - | 1,434,718 |
| Enterprise Fund – | | |
| Water and storage activity | 1,434,718 | - |
| Arkansas Valley Conduit | - | 65,420 |
| Hydro Project | - | 6,921 |
| Total enterprise fund | 1,434,718 | 72,341 |
| | <u>\$ 1,507,059</u> | <u>\$ 1,507,059</u> |

The amounts reported as due from other funds and due to other funds are reflective of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts reported as due from other funds are expected to be collected in the subsequent year. In addition, the due from general fund totaling \$1,434,718 as reported above in the water and storage activity enterprise fund reflects that fund’s claim on the cash and cash equivalents and investments held and reported by the general fund.

The following table summarizes advances to/from other funds at December 31, 2025:

| | <u>Advances to Other Funds</u> | <u>Advances from Other Funds</u> |
|----------------------------|------------------------------------|--------------------------------------|
| Governmental Fund – | | |
| General fund | \$ 2,799,105 | \$ - |
| Total governmental fund | 2,799,105 | - |
| Enterprise Fund – | | |
| Water and storage activity | 1,190,000 | - |
| Hydro project | - | 3,989,105 |
| Total enterprise funds | 1,190,000 | 3,989,105 |
| | <u>\$ 3,989,105</u> | <u>\$ 3,989,105</u> |

The fund advances reported above are all related to the construction of the hydro project and are expected to be collected subsequent to December 31, 2026.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2025, was as follows:

| | Balance January 1, <u>2025</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>2025</u> |
|--|--------------------------------------|--------------------|------------------|--|
| Governmental activities – | | | | |
| Nondepreciable assets – | | | | |
| Intangible assets - | | | | |
| Perpetual water rights | \$ 132,237,478 | \$ - | \$ - | \$ 132,237,478 |
| Land | <u>20,092</u> | <u>-</u> | <u>-</u> | <u>20,092</u> |
| Total capital assets not being depreciated | <u>132,257,570</u> | <u>-</u> | <u>-</u> | <u>132,257,570</u> |
| Depreciable assets – | | | | |
| Buildings and improvements | 1,551,769 | - | - | 1,551,769 |
| Furniture and equipment | <u>544,732</u> | <u>31,460</u> | <u>(56,173)</u> | <u>520,019</u> |
| Total capital assets being depreciated | <u>2,096,501</u> | <u>31,460</u> | <u>(56,173)</u> | <u>2,071,788</u> |
| Less: accumulated depreciation – | | | | |
| Buildings and improvements | (1,062,352) | (53,105) | - | (1,115,457) |
| Furniture and equipment | <u>(367,582)</u> | <u>(53,085)</u> | <u>56,173</u> | <u>(364,494)</u> |
| Total accumulated depreciation | <u>(1,429,934)</u> | <u>(106,190)</u> | <u>56,173</u> | <u>(1,479,951)</u> |
| Capital assets being depreciated, net | <u>666,567</u> | <u>(106,190)</u> | <u>-</u> | <u>591,837</u> |
| Total governmental activities capital assets, net | <u>\$ 132,924,137</u> | <u>\$ (74,730)</u> | <u>\$ -</u> | <u>\$ 132,849,407</u> |

Depreciation expense of \$106,190 was charged to the general government function.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 – CAPITAL ASSETS (Cont'd.)

| | Balance January 1, <u>2025</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>2025</u> |
|---|--------------------------------------|-------------------|------------------|--|
| Business-type activities | | | | |
| Non-depreciable assets – | | | | |
| Water & Storage land | \$ 172,936 | \$ - | \$ - | \$ 172,936 |
| Construction in progress | <u>4,586,246</u> | <u>1,012,830</u> | <u>-</u> | <u>5,599,076</u> |
| Total capital assets not being depreciated | <u>4,759,182</u> | <u>1,012,830</u> | <u>-</u> | <u>5,772,012</u> |
| Depreciable assets – | | | | |
| Hydro buildings and improvements | 15,759,015 | - | - | 15,759,015 |
| Hydro turbine and equipment | 2,547,495 | 12,838 | - | 2,560,333 |
| AVC equipment | <u>-</u> | <u>9,200</u> | <u>-</u> | <u>9,200</u> |
| Total capital assets being depreciated | <u>18,306,510</u> | <u>22,038</u> | <u>-</u> | <u>18,328,548</u> |
| Less: accumulated depreciation – | | | | |
| Hydro buildings and improvements | (1,756,222) | (317,047) | - | (2,073,269) |
| Hydro turbine and equipment | (284,471) | (52,020) | - | (336,491) |
| AVC equipment | <u>-</u> | <u>(307)</u> | <u>-</u> | <u>(307)</u> |
| Total accumulated depreciation | <u>(2,040,693)</u> | <u>(369,374)</u> | <u>-</u> | <u>(2,410,067)</u> |
| Capital assets being depreciated, net | <u>16,265,817</u> | <u>(347,336)</u> | <u>-</u> | <u>15,918,481</u> |
| Total business-type activities | <u>\$ 21,024,999</u> | <u>\$ 665,494</u> | <u>\$ -</u> | <u>\$ 21,690,493</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities in the government-wide financial statements for the year ended December 31, 2025:

| | Balance January 1, <u>2025</u> | <u>Decreases</u> | Balance December 31, <u>2025</u> | Due Within <u>One Year</u> |
|-------------------------------|--------------------------------------|-----------------------|--|-------------------------------|
| Governmental activities – | | | | |
| Contract obligation – | | | | |
| Bureau of | | | | |
| Reclamation | \$ 11,006,791- | \$ (1,467,572) | \$ 9,539,219 | \$ 2,201,358 |
| Compensated absences | <u>288,294</u> | <u>(87,339)</u> | <u>200,955</u> | <u>115,446</u> |
| Total governmental activities | <u>\$ 11,295,085</u> | <u>\$ (1,554,911)</u> | <u>\$ 9,740,174</u> | <u>\$ 2,316,804</u> |

Payments on the contract obligation to the Bureau of Reclamation and the compensated absences liability are recorded in the general fund.

| | Balance January 1, <u>2025</u> | <u>Decreases</u> | Balance December 31, <u>2025</u> | Due Within <u>One Year</u> |
|--------------------------------|--------------------------------------|---------------------|--|-------------------------------|
| Business-type activities – | | | | |
| Hydro loan contract | \$ <u>16,526,193</u> | \$ <u>(446,037)</u> | \$ <u>16,080,156</u> | \$ <u>454,958</u> |
| Total business-type activities | <u>\$ 16,526,193</u> | <u>\$ (446,037)</u> | <u>\$ 16,080,156</u> | <u>\$ 454,958</u> |

The loan contract will ultimately be serviced by the hydro project enterprise fund, while the safety of dams contract obligation is serviced by the water and storage activity enterprise fund.

The following is a description of each individual issue for the governmental activities:

The original contract obligation to the Bureau of Reclamation totaled \$132,237,478 and represents the District's share of the original costs of construction. The agreement with the Bureau of Reclamation included an agricultural component totaling \$74,348,993 with no interest provision and a municipal and industrial component totaling \$57,888,485 that carried an interest rate of 3.0460% and was completely paid effective September 30, 2009. An amendment to the contract was executed on September 20, 2018 which altered the debt schedule. Principal payments are now due in semi-annual installments of \$733,786 through 2031.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 6 - LONG-TERM LIABILITIES (Cont'd.)

The estimated debt service requirement for the governmental activities contract obligation with the Bureau of Reclamation is as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-----------------|---------------------|
| 2026 | \$ 2,201,358 | \$ - | \$ 2,201,358 |
| 2027 | 1,467,572 | - | 1,467,572 |
| 2028 | 1,467,572 | - | 1,467,572 |
| 2029 | 1,467,572 | - | 1,467,572 |
| 2030 | 1,467,572 | - | 1,467,572 |
| 2031 | <u>1,467,573</u> | <u>-</u> | <u>1,467,573</u> |
| | <u>\$ 9,539,219</u> | <u>\$ -</u> | <u>\$ 9,539,219</u> |

The following is a description of each individual issue for the business-type activities:

\$17,392,200 loan contract with the Colorado Water Conservation Board for construction of the Hydro Project; Interest rate of 2.0%; debt will be serviced by the hydro project fund; Annual debt service requirements including principal and interest of \$776,560 to begin December 31, 2023 through December 31, 2052; revenue from hydro project serves as collateral for loan contract \$ 16,080,156

The above loan contract represents the approved loan request of the District for the Arkansas Valley phase 1, Pueblo dam hydroelectric project to help the communities of the lower Arkansas river basin provide a safe and reliable water supply to replace their dependence on contaminated ground water.

The debt service requirements for the loan contract follows below:

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2026 | \$ 454,957 | \$ 321,603 | \$ 776,560 |
| 2027 | 464,056 | 312,504 | 776,560 |
| 2028 | 473,338 | 303,222 | 776,560 |
| 2029 | 482,804 | 293,756 | 776,560 |
| 2030 | 492,460 | 284,100 | 776,560 |
| 2031-2035 | 2,614,039 | 1,268,761 | 3,882,800 |
| 2036-2040 | 2,886,110 | 996,690 | 3,882,800 |
| 2041-2045 | 3,186,499 | 696,301 | 3,882,800 |
| 2046-2050 | 3,518,153 | 364,647 | 3,882,800 |
| 2051-2052 | <u>1,507,740</u> | <u>45,381</u> | <u>1,553,121</u> |
| | <u>\$ 16,080,156</u> | <u>\$ 4,886,965</u> | <u>\$ 20,967,121</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 7 – NET POSITION

Restricted net position represents the District’s net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position for governmental activities is as follows:

| | |
|-------------------------------|----------------------|
| Tabor | \$ 350,000 |
| Bureau of Reclamation | <u>40,521,789</u> |
| Total restricted net position | <u>\$ 40,871,789</u> |

Restricted for tabor – This represents an amount that exceeds the 3% minimum requirement as outlined in the Colorado constitution. Under provisions of the Colorado constitution, a portion of the District’s net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

Restricted for Bureau of Reclamation – This represents amounts of specific ad valorem taxes collected in excess of the total debt payments and operation, maintenance and repair payments made to the Bureau of Reclamation beginning in 2018 and future years. These excess funds must be held and restricted to be used for the District's proportional share of future period replacements, additions, extraordinary maintenance, rehabilitation, betterment (in situations where recurrence of severe problems can be eliminated), and/or unforeseen and unscheduled emergency maintenance work incurred by the Bureau of Reclamation as provided for in the District's contract with the Bureau. At December 31, 2025, \$2,484,924 of restricted funds were held in the District's main demand deposit account, \$17,359,104 was held in U.S Treasury notes, \$19,923,830 in F.D.I.C insured brokered certificates of deposit, and \$753,931 in money market funds. \$98,285 was also held in a pledged U.S. Treasury Note that is reported in business-type activities in the Water and Storage Activity fund.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 – FUND BALANCES

As of December 31, 2025, fund balances are composed of the following:

| | <u>General Fund</u> |
|----------------------------------|-------------------------|
| Nonspendable – | |
| Prepaid items | \$ 61,194 |
| Long-term fund advances (net) | 2,799,105 |
| Other advance deposits | (373,902) |
| Restricted – | |
| Tabor | 350,000 |
| Bureau of Reclamation | 40,521,789 |
| Committed – | |
| Repayment obligation | 1,500,000 |
| Development of enlargement space | 2,000,000 |
| Unassigned | <u>7,181,433</u> |
| Total fund balances | <u>\$ 54,039,619</u> |

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from property and liability coverage are covered by the District’s participation in the Colorado Special District’s property and liability pool which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by member special districts to provide defined liability and property coverage. The aggregate limit of losses paid by the pool for property claims is limited to \$1,000,000 with commercial company reinsurance covering any losses in excess of that amount up to \$2,000,000. All other risks of loss are handled by the purchase of commercial insurance. Settled claims from the liability pool and commercial policy have not exceeded the insurance coverage in any of the past three years.

NOTE 10 - EMPLOYEE BENEFITS

The District contributes to the Southeastern Colorado Water Conservancy District 401(a) Plan (the Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by Equitable Financial Life Insurance Company.

Benefit terms for the Plan, including participation criteria and contribution requirements, are established and may be amended by the Board of Directors. For each employee the Plan provides for employer contributions of up to 10% of compensation. For the year ended December 31, 2025, the District recognized pension expense of \$120,439.

Employees are immediately vested in District contributions and earnings on those contributions upon becoming a participant which occurs when an employee completes one year of service. The District also contributes to the Southeastern Colorado Water Conservancy District 457 Plan (the 457 Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by Equitable Financial Life Insurance Company.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 10 - EMPLOYEE BENEFITS (Cont'd.)

Benefit terms for the 457 Plan, including contribution requirements, are established and may be amended by the Board of Directors. For each employee, the 457 Plan provides for employee voluntary contributions and the District matches those employee contributions up to 5% of compensation. For the year ended December 31, 2025, employee contributions totaled \$117,185 and the District recognized pension expense of \$70,593.

Employees are immediately vested in both the District's contributions and their own contributions, along with the earnings on those contributions.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Colorado voters passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment's language in order to determine its compliance.

On September 20, 2018, the U.S. Bureau of Reclamation and the District completed Amendment 11 to the Fryingpan-Arkansas Contract. This amendment amortized semi-annual installments of \$733,786 to decrease the remaining debt of the Project through the remaining contract term ending in December 2031. The amendment required an upfront or pre-payment of the District portion of the operations maintenance and replacement for the Project. This pre-payment was based on an estimation of costs as well as a true-up process of actual cost calculated with each semi-annual installment. Pre-payment for operations maintenance and replacement for the Project was completely used by December 31, 2019. The Amendment also requires the District to hold in restricted reserve the amount of any annual Project-related property tax collected less the total annual installment. At December 31, 2025, the excess collections totaled \$40,521,789.

The total 2025 installments made to the U.S. Bureau of Reclamation was \$4,647,478.

The District entered into a long-term master contract with the U.S. Department of the Interior for the use of excess capacity in the facilities of the Fryingpan-Arkansas project on December 23, 2016 for a term of 40 years beginning on that date. The purpose of the contract is to provide a long-term contract for the storage of non-project water and project water return flows in Pueblo Reservoir, and if and when excess capacity is available, so that the District may then subcontract with Master Contract Participants to provide the Excess Capacity to the Participants. The contract rate has an excess capacity floor that is set based on the participant's commitments to purchase acre feet of capacity. This commitment can increase from time to time but cannot decrease. The base per acre foot rate increases 1.79% per year. The total excess capacity charges for 2024 were \$343,904. The participants increased their capacity beginning in 2025 to 7,685 acre feet or \$354,663 in required payments. The District bills the participants and remits these collections to the U.S. Department of the Interior annually; however, the District is required to make the annual payment whether or not funds are fully collected from the participants. The District is also allowed to charge an administrative charge to the participants. All collections under this master contract are to be credited to the Fryingpan-Arkansas project for future project needs.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Cont'd.)

The excess capacity contract payment requirements for this master contract follow below:

| Year Ended December 31, | <u>Required Payments</u> |
|-------------------------|--------------------------|
| 2026 | \$ 361,011 |
| 2027 | 367,474 |
| 2028 | 374,051 |
| 2029 | 380,747 |
| 2030 | 387,562 |
| 2031-2035 | 2,044,388 |
| 2036-2040 | 2,234,030 |
| 2041-2045 | 2,441,263 |
| 2046-2050 | 2,667,720 |
| 2051-2055 | <u>2,915,183</u> |
| | <u>\$ 14,173,429</u> |

NOTE 12 – RELATED PARTY TRANSACTIONS

The District received payments totaling \$186,114 from the Pueblo Board of Water Works for services related to project water, excess capacity, return flows, enlargement, and RRPG contracts. The Board Secretary of the District also serves as the Executive Director of the Pueblo Board of Water Works. The water and storage rates applied to these related party transactions are based on standard tariff rates that are uniformly applicable to all District customers.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2025

| | Budgeted Amounts | | Variance Between Original & Final Budget | Actual Budget Basis | Variance With Final Budget |
|--|----------------------|----------------------|--|------------------------|-------------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| Property taxes | \$ 10,039,802 | \$ 10,039,802 | \$ - | \$ 10,027,099 | \$ (12,703) |
| Collection fees | (213,857) | (213,857) | - | (171,125) | 42,732 |
| Specific ownership taxes | 892,000 | 892,000 | - | 991,441 | 99,441 |
| Winter water storage | 121,834 | 121,834 | - | 116,545 | (5,289) |
| Excess capacity contract | 354,663 | 354,663 | - | 358,355 | 3,692 |
| Charges for services | 2,369,620 | 2,369,620 | - | 1,202,053 | (1,167,567) |
| Intergovernmental | 650,000 | 650,000 | - | 12,350 | (637,650) |
| Fountain Valley Authority contract revenue | 5,000 | 5,000 | - | 14,200 | 9,200 |
| Investment revenue (loss) | 1,473,411 | 1,473,411 | - | 2,107,534 | 634,123 |
| Other | - | - | - | 23,700 | 23,700 |
| TOTAL REVENUES | <u>15,692,473</u> | <u>15,692,473</u> | <u>-</u> | <u>14,682,152</u> | <u>(1,010,321)</u> |
| EXPENDITURES | | | | | |
| Current - | | | | | |
| Outside and professional services | 1,179,132 | 1,179,132 | - | 437,021 | 742,111 |
| Human resources | 3,027,433 | 3,027,433 | - | 2,101,678 | 925,755 |
| Meeting and travel expenditures | 114,759 | 114,759 | - | 70,361 | 44,398 |
| Headquarter operations | 266,968 | 266,968 | - | 252,961 | 14,007 |
| Water conservation and education | 88,434 | 88,434 | - | 25,793 | 62,641 |
| Winter water storage | 121,834 | 121,834 | - | 116,543 | 5,291 |
| Excess capacity contract | 354,663 | 354,663 | - | 356,970 | (2,307) |
| Fountain Valley Authority contract payments | 5,000 | 5,000 | - | 14,200 | (9,200) |
| Bureau operations, maint. & repair | 2,165,324 | 2,165,324 | - | 4,944,435 | (2,779,111) |
| Bureau operations, OM&R credits | (11,679) | (11,679) | - | (602,296) | 590,617 |
| Planning and development | 1,750,628 | 1,750,628 | - | 168,670 | 1,581,958 |
| Contingency and other | 257,939 | 257,939 | - | - | 257,939 |
| Capital outlay | 100,000 | 100,000 | - | 31,460 | 68,540 |
| Debt service | 1,467,572 | 1,467,572 | - | 1,467,572 | - |
| TOTAL EXPENDITURES | <u>10,888,007</u> | <u>10,888,007</u> | <u>-</u> | <u>9,385,368</u> | <u>1,502,639</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | |
| | 4,804,466 | 4,804,466 | - | 5,296,784 | 492,318 |
| FUND BALANCE, January 1 | <u>47,963,753</u> | <u>47,963,753</u> | <u>-</u> | <u>48,742,835</u> | <u>779,082</u> |
| FUND BALANCE, December 31 | <u>\$ 52,768,219</u> | <u>\$ 52,768,219</u> | <u>\$ -</u> | <u>\$ 54,039,619</u> | <u>\$ 1,271,400</u> |

See Independent Auditors' Report and Notes to Required Supplemental Information

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE BUDGETARY BASIS OF ACCOUNTING
TO GAAP BASIS OF ACCOUNTING
GENERAL FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2025**

BUDGETARY BASIS

Explanation of differences between budgetary revenues and
GAAP revenues and budgetary expenditures and GAAP expenditures

REVENUES

| | |
|--|----------------|
| Actual amounts (budgetary basis) of revenues from budgetary comparison schedule | \$ 14,682,152 |
| Differences - budget to GAAP - Classification of collection fees | <u>171,125</u> |

| | |
|--------------------|-----------------------------|
| GAAP BASIS REVENUE | <u><u>\$ 14,853,277</u></u> |
|--------------------|-----------------------------|

EXPENDITURES

| | |
|--|----------------|
| Actual amounts (budgetary basis) of expenditures from budgetary comparison schedule | \$ 9,385,368 |
| Differences - budget to GAAP - Classification of collection fees | <u>171,125</u> |

| | |
|-------------------------|----------------------------|
| GAAP BASIS EXPENDITURES | <u><u>\$ 9,556,493</u></u> |
|-------------------------|----------------------------|

See Independent Auditors' Report and Notes to Required Supplemental Information

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT NOTES
TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DECEMBER 31, 2025**

BUDGETARY INFORMATION

Southeastern Colorado Water Conservancy District (the District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the executive director and the budget officer submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

Explanation of significant General Fund budget variances:

| Budget Line Item | Variance | Explanation |
|------------------------------------|-------------|---|
| Charges for services | (1,167,567) | Interfund services provided to the enterprise activities were less than expected. This budget is largely tied to the Human Resources budget line item below. See that explanation. |
| Intergovernmental | (637,650) | Grant seeking efforts did not materialize as planned. |
| Investment revenue (loss) | 634,123 | Due to recent market volatility, management has been conservative in planning investment returns. |
| Outside and professional services | 742,111 | Grant seeking efforts did not materialize as planned, related expenditures were budgeted. |
| Human resources | 925,755 | Some positions remained unfilled, filled positions were at less than expected salary levels and significant contingencies were built into the budget that were not needed. |
| Bureau operations, maint. & repair | (2,779,111) | The Bureau undertook a significant extraordinary tunnel project that was not budgeted. |
| Bureau operations, OM&R credits | 590,617 | These credits relate to contracts outside of the Fry Ark that share in the Fry Ark capacity. The Bureau is not consistent in reporting these credits which makes budgeting them inconsistent. |
| Planning and development | 1,581,958 | Sediment project was less than planned and Streamflow forecasting project was put on hold. |

See Independent Auditors' Report

ADDITIONAL INFORMATION

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
WATER AND STORAGE ACTIVITY ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

| | <u>Final Budget</u> | <u>Actual (Non-GAAP Basis)</u> | <u>Variance With Final Budget</u> |
|--|-------------------------|--|---------------------------------------|
| REVENUES | | | |
| Charges for services | \$ 2,308,301 | \$ 2,140,031 | \$ (168,270) |
| Intergovernmental | 92,500 | - | (92,500) |
| Investment revenue (loss) | 178,518 | 309,652 | 131,134 |
| TOTAL REVENUES | <u>2,579,319</u> | <u>2,449,683</u> | <u>(129,636)</u> |
| EXPENDITURES | | | |
| Current - | | | |
| Outside services | 171,800 | 145,473 | 26,327 |
| Personnel services | 1,497,790 | 654,471 | 843,319 |
| Office and administrative expenses | 495,134 | 295,560 | 199,574 |
| Legislative and water education | 334,608 | 235,711 | 98,897 |
| Contingency | 116,869 | - | 116,869 |
| Capital outlay | 200,000 | - | 200,000 |
| TOTAL EXPENDITURES | <u>2,816,201</u> | <u>1,331,215</u> | <u>1,484,986</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (236,882)</u> | <u>\$ 1,118,468</u> | <u>\$ 1,355,350</u> |

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**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
ARKANSAS VALLEY CONDUIT ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

| | <u>Final Budget</u> | <u>Actual (Non-GAAP Basis)</u> | <u>Variance With Final Budget</u> |
|--|-------------------------|--|---------------------------------------|
| REVENUES | | | |
| Charges for services | \$ 450,760 | \$ 322,866 | \$ (127,894) |
| Intergovernmental | 978,529 | 158,322 | (820,207) |
| Proceeds from issuance of debt | 3,200,000 | - | (3,200,000) |
| Investment revenue (loss) | 52,914 | 144,995 | 92,081 |
| TOTAL REVENUES | <u>4,682,203</u> | <u>626,183</u> | <u>(4,056,020)</u> |
| EXPENDITURES | | | |
| Current - | | | |
| Outside services | 823,117 | 87,119 | 735,998 |
| Personnel services | 221,382 | 129,998 | 91,384 |
| Office and administrative expenses | 37,505 | 18,766 | 18,739 |
| Travel and related expenses | 11,356 | 192 | 11,164 |
| Legislative and water education | 7,235 | 7,234 | 1 |
| Contingency | 153,224 | - | 153,224 |
| Capital outlay | 4,975,529 | 1,022,030 | 3,953,499 |
| TOTAL EXPENDITURES | <u>6,229,348</u> | <u>1,265,339</u> | <u>4,964,009</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (1,547,145)</u> | (639,156) | <u>\$ 907,989</u> |
| GAAP ADJUSTMENTS | | | |
| Capital outlay | | 1,022,030 | |
| Depreciation | | <u>(307)</u> | |
| CHANGE IN NET POSITION | | <u>\$ 382,567</u> | |

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SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
HYDRO PROJECT FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

| | <u>Final Budget</u> | <u>Actual (Non-GAAP Basis)</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--|---------------------------------------|
| REVENUES AND OTHER FINANCING SOURCES | | | |
| Charges for services | \$ 1,402,705 | \$ 1,305,418 | (97,287) |
| Investment earnings | <u>75,115</u> | <u>103,558</u> | <u>28,443</u> |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | <u>1,477,820</u> | <u>1,408,976</u> | <u>(68,844)</u> |
| EXPENDITURES | | | |
| Current - | | | |
| Outside services | 124,338 | 101,893 | 22,445 |
| Personnel services | 73,773 | 60,640 | 13,133 |
| Office and administrative expenditures | 174,760 | 140,294 | 34,466 |
| Bureau operations, maintenance and repairs | 130,724 | 25,243 | 105,481 |
| Interest expense | 330,524 | 330,524 | - |
| Contingency | 73,891 | - | 73,891 |
| Capital outlay | 158,175 | 12,838 | 145,337 |
| Debt service | <u>446,037</u> | <u>446,037</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>1,512,222</u> | <u>1,117,469</u> | <u>394,753</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCIAL SOURCES OVER EXPENDITURES | | | |
| | <u>\$ (34,402)</u> | 291,507 | <u>\$ 325,909</u> |
| GAAP ADJUSTMENTS | | | |
| Principal payments on debt | | 446,037 | |
| Depreciation | | (369,067) | |
| Capital outlay | | <u>12,838</u> | |
| CHANGE IN NET POSITION - GAAP BASIS | | <u>\$ 381,315</u> | |

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SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

REVENUES

| | |
|--|--------------|
| Property taxes - | |
| Contract mill levy collection | \$ 9,578,222 |
| Operating tax revenue | 446,503 |
| Abatement and refund of tax collections | 26,907 |
| Prior year tax | (24,533) |
| Total property taxes | 10,027,099 |
| Specific ownership taxes | 991,441 |
| Fountain Valley Authority contract revenue | 14,200 |
| Winter water storage | 116,545 |
| Excess capacity contract | 358,355 |
| Charges for services - | |
| Enterprise administration reimbursement | 1,183,047 |
| Total charges for services | 1,183,047 |
| Intergovernmental | 12,350 |
| Investment revenue - | |
| Interest income | 190,015 |
| Income (loss) to fair value adjustment | 71,713 |
| Interest on bonds | 1,845,806 |
| Total investment revenue | 2,107,534 |
| Other - | |
| Miscellaneous | 42,706 |
| TOTAL REVENUES | 14,853,277 |

EXPENDITURES

| | |
|---|---------|
| Outside and professional services - | |
| Annual audit | 65,776 |
| Legal representation | 218,751 |
| Consulting/lobbying services | 152,494 |
| Total outside and professional services | 437,021 |

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SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

EXPENDITURES (Cont'd.)

| | |
|--|---------------------|
| Human resources - | |
| Staff payroll | \$ 1,530,710 |
| Directors' payroll | 32,200 |
| Payroll taxes | 103,416 |
| Retirement benefits | 191,032 |
| Health benefits | 244,320 |
| Total human resources expenditures | <u>2,101,678</u> |
| Meeting and travel expenditures - | |
| Directors - meeting and travel | 34,144 |
| Executive - meeting and travel | 12,531 |
| Staff - meeting and travel | 23,686 |
| Total meeting and travel expenditures | <u>70,361</u> |
| Headquarter operations - | |
| Repairs and maintenance | 36,816 |
| Computer | 85,162 |
| Insurance | 34,371 |
| Subscriptions and fees | 32,265 |
| Office supplies | 23,264 |
| Awards & gifts | 1,943 |
| Communications | 18,882 |
| Postage & shipping | 3,756 |
| Utilities | 16,502 |
| Total headquarter operations expenditures | <u>252,961</u> |
| Water conservation and education | 25,793 |
| Collection fees | 171,125 |
| Winter water storage and excess capacity | 116,543 |
| Excess capacity contract | 356,970 |
| Fountain Valley Authority contract payments | 14,200 |
| Bureau operations, maintenance & repairs | 4,342,139 |
| Planning and development | 168,670 |
| Capital outlay - acquisition of capital assets | 31,460 |
| Debt service principal | <u>1,467,572</u> |
| TOTAL EXPENDITURES | <u>\$ 9,556,493</u> |

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