

**UPPER YAMPA WATER
CONSERVANCY DISTRICT**

Financial Statements
And
Supplemental Information
With
Independent Audit Report

December 31, 2024

UPPER YAMPA WATER CONSERVANCY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Yampa Water Conservancy District
Steamboat Springs, Colorado

Opinion

We have audited the financial statements of the business-type activities of Upper Yampa Water Conservancy District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Upper Yampa Water Conservancy District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Upper Yampa Water Conservancy District as of December 31, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Yampa Water Conservancy District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Upper Yampa Water Conservancy District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Yampa Water Conservancy District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Yampa Water Conservancy District's basic financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 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 auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Watson Coon Ryan, LLC

WATSON COON RYAN, LLC
CENTENNIAL, COLORADO

MAY 22, 2025

UPPER YAMPA WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis
2024

The intent of the Management's Discussion and Analysis is to provide an overview and highlights of the financial and other activities of the Upper Yampa Water Conservancy District (UYWCD) for the year ended on December 31, 2024. UYWCD Board members and readers are encouraged to read this discussion and analysis in conjunction with the accompanying audited financial statements. In addition to the accompanying audit, it provides a report by the General Manager of the activities of the UYWCD in 2024.

UYWCD History and Background

The UYWCD was organized in March of 1966 for the purpose of conserving, developing, and stabilizing water supplies within its boundaries. The UYWCD encompasses Routt County and a portion of Moffatt County and is divided into three divisions: Division 1 (Hayden area), Division 2 (Steamboat Springs area), and Division 3 (Oak Creek/Yampa area). The nine members of the Board of Directors, three representing each Division, are appointed by the District Judge to serve staggered four-year terms. The UYWCD was formed on the basis that properties within the UYWCD would benefit through conservation, development, and stabilization of water supplies for agricultural, industrial, municipal, and other beneficial uses. This led to the construction of Yamcolo Reservoir (9,621 AF), located in the Flattops near the headwaters of the Yampa River, in 1980 and Stagecoach Reservoir (36,439 AF), located southeast of Steamboat Springs, in 1989. The UYWCD also owns and operates the Stillwater Ditch in partnership with the agricultural water users supplied by this ditch system. In addition to these UYWCD owned facilities, the UYWCD contracts for 360 AF of water supply out of Steamboat Lake for the purpose of operating an Umbrella Water Augmentation Plan for the Elk River.

The UYWCD's current combined infrastructure assets represent the largest source of stored water available for water users in the Yampa River Basin managed by a single entity. The Yampa River Basin is largely recognized as the river with the least amount of stored water, by percentage of natural flow, of all major river basins in the Colorado River system.

Overview of the 2024 UYWCD Operations and Economic Factors

The initial recovery from drought conditions in the Colorado River system in 2023 continued to a moderate degree into 2024, enabling varied recovery of system reservoirs. The renegotiation of the operating rules for Powell and Mead Reservoirs continued in 2024. UYWCD closely followed these negotiations to monitor and plan for any potential impacts on the Yampa River Basin. The flows of the Yampa River basin provide approximately ten percent of the annual flow in the Colorado River at Lees Ferry, which serves as the delivery point for water from the Upper Colorado River Basin to the Lower Colorado River Basin. The contribution of the Yampa River to this critically important regional resource makes the caretaking of our local water resources regionally important. A

healthy and productive Yampa River is an integral part of the health of our local community and communities throughout the Colorado River Basin.

In the Yampa River Basin, the 2023/24 water year was characterized by average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in below average hydro-power generation at Stagecoach Dam. Water storage deliveries from the UYWCD Reservoirs were, again, extensive. Continued demand for water storage deliveries from the UYWCD Reservoirs continues to drive stable water storage contract revenues.

UYWCD is committed to serving our constituents through responsible water resource management that conserves, protects, and enhances the water resources of the Yampa River Basin to ensure a sustainable future for our communities. In 2024, UYWCD continued funding projects that assist water users and managers in their decision-making process and to educate community members, including future generations, on the water matters that impact our most valuable natural resource, the Yampa River.

Capital investment to UYWCD facilities included upgrades to the control house and replacement of the butterfly valve at Yamcolo dam, electronic upgrades, inverter replacement, generator and transformer testing at Stagecoach Powerhouse, wetland improvements at Stagecoach Reservoir, design, replacement and construction of a headgate at Union Ditch, general improvements to equipment at Yamcolo and Stagecoach Dams, and surveying for the structural repair project at Stillwater Ditch.

Financial activities for the 2024 year included an increase in augmentation contracts for both Yampa and Elk River Umbrella Augmentation Plans, continued funding support of community water education and water diversion infrastructure projects, and the UYWCD Yampa River Youth Festival.

Revenues

Property tax revenues from a 1.82 mill levy on the taxable property of the UYWCD generated \$4,218,858, net of \$128,247 of Treasurer Collection Fees.

Overall water sales were \$715,289, \$280,622 above the \$434,667 budgeted. This revenue variance stemmed from additional water purchases from Colorado Water Trust through an Environmental, Instream and Recreational Water storage agreement and new augmentation contracts.

Hydro-power generation produced a total revenue of \$88,462 for the year, \$86,538 below the \$175,000 budgeted. Hydro-power generation is directly influenced by the magnitude and timing of Yampa River flows into Stagecoach Reservoir. The 2023/24 water year was characterized by average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in full recovery of the UYWCD Reservoirs, but below average hydro-power generation at Stagecoach Dam. Stagecoach Dam Powerhouse maintenance needs also influenced hydro-power generation.

Other revenues include those generated by the Stillwater Ditch and Reservoirs Company of \$14,435,

Direct Flow Water Right lease revenues of \$2,714 and investment yields and interest income of \$1,239,104.

Pass through revenues and expenses were received and disbursed in 2024 for the *Evaluating the Observation Network and Enhancing Soil Moisture Observations to Support Decision Making in the Upper Yampa Basin Project*, the *Yampa River Dashboard Project*, the *Wildfire Ready Action Plan* and *Infrastructure Improvement Projects*.

Expenditures

Operation and Maintenance expenditures, and capital improvements for Stagecoach Dam and Reservoir, Yamcolo Dam and Reservoir, and the Stillwater Ditch continue to improve the condition of UYWCD facilities consistent with current operational standards. Total Operating and Capital Expenditures for all UYWCD facilities and operations (net of depreciation) were \$3,251,858, \$944,865 below the \$4,196,723 budget.

Overview of the Financial Statements

The UYWCD's financial statements comprise of two components:

1. Stand-alone Enterprise fund financial statements,
2. Notes to the financial statements.

This report also contains other supplementary information consisting of a comparison of budget to actual non-US GAAP (U.S. Generally Accepted Accounting Principles) Budgetary basis.

Stand-alone Enterprise fund financial statements:

These financial statements are designed to provide readers with a broad overview of the UYWCD in a manner similar to a private-sector business.

- The statement of net position presents information on all the UYWCD's assets and liabilities with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the UYWCD is improving or deteriorating.
- The statement of revenues, expenses and changes in net position presents information showing how the UYWCD's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The statement of cash flows represents the information on the change in the UYWCD's cash balances during the year segregated into operating, investing, and financing categories.

The assets of the UYWCD exceeded its liabilities on December 31, 2024, by \$52,638,996. Of this amount, \$27,448,999 is invested in capital assets (net of related debt) and \$526,034 is restricted. While there are no legal restrictions on the unrestricted net position of \$24,663,963, in 2024 the District encumbered a net position balance equal to \$916,235 in the Capital Maintenance Reserve, \$5,462,334 in the Emergency Facilities Reserve, and \$18,217,264 to ensure adequate net position is available to address future debt payments and the development of capital projects.

Statement of Net Position

	2024	2023
<u>Assets:</u>		
Current and Other Assets	\$29,263,401	\$26,293,647
Net Capital Assets	27,517,129	27,183,241
Total Assets	56,780,530	53,476,888
<u>Liabilities:</u>		
Current liabilities	198,262	267,023
Deferred Inflows	3,943,272	3,921,761
Total liabilities	4,141,534	4,188,784
<u>Net position:</u>		
Invested in capital,		
Net Investment in Capital Assets	27,448,999*	26,978,398
Restricted Net Position	526,034	505,734
Unrestricted♦	24,663,963**	21,803,973
Total net position	\$52,638,996	\$49,288,105

♦ Encumbered funds, including Emergency Facilities Reserve, Capital Maintenance Reserve and Capital Projects Development Fund.

* Gross capital assets of \$27,517,129, presented net of capital assets payable of \$68,130.

** Net of capital assets payable of \$68,130, \$24,595,833.

2024 Fund Closing Balance including Encumbered Funds	\$25,121,867
Encumbered Funds	\$6,904,603
Emergency Facilities Reserve	5,462,334
Capital Maintenance Reserve	916,235
Stagecoach Wetlands Mitigation Reserve	419,734
Tabor Reserve	106,300
Capital Projects Development Fund	\$18,217,264

Statement of Revenues, Expenses, and Changes in Fund Net Position

	2024	2023
Revenues		
Operating Revenues	\$820,900	\$659,063
Other Income (Expense)	5,447,962	3,908,035
Total Revenues	<u>6,268,862</u>	<u>4,567,098</u>
Expenses		
Operating Expenses	2,917,971	2,233,778
Change in Net Position	3,350,891	2,333,320
Net Position - Beginning	49,288,105	46,954,785
Net Position - Ending	<u>\$52,638,996</u>	<u>\$49,288,105</u>

Capital Assets

	Balance 12/31/23	Additions	Deletions	Balance 12/31/24
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	\$ 5,259,775	-	-	\$ 5,259,775
Dam Structure	9,080,877	-	-	9,080,877
Amenities	3,969,899	111,849	-	4,081,748
Yamcolo:				
Dam Structure	5,998,642	-	-	5,998,642
Stillwater Ditch:	530,653	-	-	530,653
Elk River Augmentation	10,000	-	-	10,000
Total capital assets not being depreciated	<u>24,849,846</u>	<u>111,849</u>	<u>-</u>	<u>24,961,695</u>
Capital assets being depreciated:				
Stagecoach				
Dam structure and equipment	3,624,209	78,099	-	3,702,308
Amenities	1,588,296	123,023	-	1,711,319
Yamcolo				
Dam structure and equipment	1,325,587	24,886	-	1,350,473
Stillwater Ditch	205,802	149,825	-	355,627
Equipment, vehicles and other	198,402	-	-	198,402
Total capital assets being depreciated	<u>31,792,142</u>	<u>487,682</u>	<u>-</u>	<u>32,279,824</u>
Less: Accumulated depreciation	(4,608,900)	(153,795)	-	(4,762,695)
Net Capital Assets	<u>\$ 27,183,242</u>	<u>\$ 333,887</u>	<u>\$ -</u>	<u>\$ 27,517,129</u>

Budgetary Comparison

The UYWCD budgets for expenses on a non-GAAP basis whereby expenses include debt principal payments and capital outlay and exclude non-cash expenses of depreciation and amortization. In 2024 there were two revenue budgetary differences. Water sales revenues were higher than budgeted due to new water storage contracts and additional water purchased through existing agreements based on availability and current water-year conditions. Power sales were below budget and interest revenues were above budget, resulting from current year hydrologic and economic conditions, respectively.

Capital project expenditures were all within budgeted amounts.
Budgetary changes have not adversely affected the financial stability of the UYWCD.

The variations between the budgeted income and expenses enumerated above will have no deleterious effect on the liquidity of the UYWCD or its future obligations and services.

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UYWCD General Manager
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P.O. Box 775529
Steamboat Springs, CO 80477

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Net Position
December 31, 2024

Assets:

Current assets:

Cash and investments	\$ 24,111,178
Accounts receivable	368,392
Property taxes receivable	3,943,272
Certificates of deposit	766,373
Prepaid expenses	72,861
Other current assets	1,325

Total current assets	<u>29,263,401</u>
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Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>27,517,129</u>
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Total assets	<u>\$ 56,780,530</u>
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Liabilities:

Current liabilities:

Accounts payable	181,870
Accrued expenses payable	<u>16,392</u>

Total current liabilities	<u>198,262</u>
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Deferred inflows of resources:

Deferred property tax revenues	<u>3,943,272</u>
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Net position:

Net investment in capital assets	27,517,129
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Restricted for:

Wetlands mitigation	419,734
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Emergencies	106,300
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Unrestricted	<u>24,595,833</u>
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Total net position	<u>\$ 52,638,996</u>
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The accompanying notes are an integral part of this financial statement.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Change in Net Position
For the year ended December 31, 2024

Operating Revenues:	
Water sales	\$ 715,289
Power revenues	88,462
Other income	17,149
Total operating revenues	<u>820,900</u>
Operating Expenses:	
Facilities:	
Stagecoach reservoir	805,886
Yamcolo reservoir	215,839
Stillwater ditch and reservoir	78,525
Elk River augmentation plan	2,528
Administration	374,969
Board of directors	75,951
External affairs	141,871
Finance	138,101
Legal	256,054
Planning	276,151
Grants, scholarships and public information	402,096
Yampa river fund	150,000
Total operating expenses	<u>2,917,971</u>
Operating loss	<u>(2,097,071)</u>
Non-Operating Revenues and (Expenses):	
Property taxes, net of collection fees	4,218,858
Pass-through income	268,492
Pass-through expense	(278,492)
Interest income	1,239,104
Net non-operating revenues	<u>5,447,962</u>
Change in net position	3,350,891
Net position, beginning of year	<u>49,288,105</u>
Net position, end of year	<u><u>\$ 52,638,996</u></u>

The accompanying notes are an integral part of this financial statement.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Cash Flows
For the year ended December 31, 2024

Cash Flows From Operating Activities:	
Cash received from customers	\$ 485,239
Cash payments to suppliers of goods or services	(2,841,862)
	<u>(2,356,623)</u>
Net cash used by operating activities	
Cash Flows From Non-Capital Financing Activities:	
Property taxes, net of collection fees	4,218,858
Cash received from pass-through grantor	268,492
Cash payments to pass-through suppliers of goods or services	(278,492)
	<u>4,208,858</u>
Net cash provided by non-capital financing activities	
Cash Flows From Capital Financing Activities:	
Purchase of capital assets	(487,682)
	<u>(487,682)</u>
Net cash used by capital financing activities	
Cash Flows From Investing Activities:	
Redemption of certificates of deposit	1,024,040
Purchase of certificates of deposit	(1,540,413)
Interest received	1,239,104
	<u>722,731</u>
Net cash provided by investing activities	
Net change in cash and cash equivalents	
	2,087,284
Cash and cash equivalents, beginning of year	
	<u>22,023,894</u>
Cash and cash equivalents, end of year	
	<u>\$ 24,111,178</u>
Reconciliation of Operating Loss to Net Cash	
Provided by Activities:	
Operating loss	\$ (2,097,071)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Depreciation	153,795
Decrease (increase) in:	
Accounts receivable	(335,661)
Prepaid expenses	(7,600)
Other current assets	(1,325)
(Decrease) increase in:	
Accounts payable	(57,582)
Accrued expenses payable	(11,179)
	<u>(11,179)</u>
Net cash used by operating activities	
	<u>\$ (2,356,623)</u>

The accompanying notes are an integral part of this financial statement.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 1: Summary of Significant Accounting Policies

The Upper Yampa Water Conservancy District (UYWCD) was formed to provide legal authority to plan and construct water conservation projects in the Yampa Valley of northwest Colorado.

UYWCD's financial statements were prepared in accordance with U.S. generally accepted accounting principles for governmental entities (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of UYWCD is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

UYWCD applies the criteria set forth in GASB Codification Section 2100: Defining the Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units.

The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing, and the primary recipient of services. Based on these criteria, UYWCD has no includable component units. UYWCD is also not included in the financial statements of any other entity.

Basic Financial Statements

As a special purpose government, basic financial statements are presented at the activity level. Activity level financial statements focus on the sustainability of UYWCD as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position, the Statement of Change in Fund Net Position, and the Statement of Cash Flows.

As a special purpose government, UYWCD has only one fund, an enterprise/proprietary fund which is also considered its business type activity. UYWCD does not present any other fund or activity information.

Measurement Focus and Basis of Accounting

UYWCD operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, UYWCD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. UYWCD's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to \$1.00 per share.

Certificates of Deposit

UYWCD holds money in nonnegotiable certificates of deposit that are valued at amortized cost. Maturities range from February to June 2025. Interest rates range from 0.05% - 4.69%.

Accounts Receivable

Amounts due to UYWCD from water storage and power sales are reported as accounts receivable. UYWCD's management reviews accounts receivable periodically to consider the collectability of the balances. District management believes all accounts receivable to be fully collectible as of December 31, 2024. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets include land, reservoir and dam structures, hydro-electric plant, buildings and improvements, furniture and fixtures and equipment. Capital assets are defined by UYWCD as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	5 - 20

Non-depreciable capital assets of UYWCD include its land, land improvements, reservoirs, and dams.

Leases and Subscription-Based IT Arrangements

Under GASB 87 and 96, UYWCD recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. UYWCD's deferred inflows of resources consist solely of unavailable revenues from property taxes.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Net Position

Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is UYWCD's practice to use restricted resources first, then unrestricted resources as they are needed.

While the unrestricted net position does not have any legal constraints on its use, the accumulation of these amounts may be necessary to offset significant unforeseen capital repairs and for the development of capital projects that may be necessary in future years. These amounts do not meet the accounting definition to be considered restricted, but UYWCD believes this balance is necessary to ensure adequate reserves are available when the need does arise.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of UYWCD. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer and Moffat County Treasurer collect property taxes and remit collections to UYWCD on a monthly basis. During the year ended December 31, 2024, UYWCD received additional property taxes related to SB 22-238, which required the State to reimburse local government entities for a reduction in property tax rates.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures.

UYWCD conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, UYWCD's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

During the year the Board may authorize supplemental appropriations, if necessary. There were no budget amendments for the year ended December 31, 2024.

Budget Law Compliance

UYWCD did not have expenditures in excess of appropriations for the year ended December 31, 2024.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

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

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. UYWCD has reserved \$106,300 of the December 31, 2024 fund net position for this purpose.

Management believes that UYWCD qualifies as an enterprise as defined by TABOR. Therefore, the provisions of TABOR are not applicable to UYWCD.

In November 1999, voters passed a referendum that permanently lifted TABOR restrictions on the amount of revenue UYWCD can collect and expend.

UYWCD's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Detailed Notes on the Fund

Cash and cash equivalents

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act (PDPA) in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicles that qualifies as 2a7-like investment pools, where the value of each share is maintained at \$1.00.

As of December 31, 2024, all of UYWCD's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
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Cash and investments as of December 31, 2024, consist of the following:

Deposits with financial institutions	\$ 606,340
Investments	23,504,838
Total cash and investments	<u>\$ 24,111,178</u>

Bank balances as of December 31, 2024 totaled \$24,089,770.

Investments

Credit risk

UYWCD follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which UYWCD may invest which include local government investment pools.

Investment Valuation

UYWCD 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.

<u>Investments:</u>	<u>Fair Value</u>
COLOTRUST (at NAV)	\$ 23,504,838

Custodial and concentration of credit risk

At December 31, 2024, UYWCD had \$23,504,838 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST.

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state sponsored investment pools. UYWCD invests in one such pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST) which is rated AAA by Standards and Poor's. This investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. UYWCD also invests excess undesignated cash reserves into certificates of deposit.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Interest rate risk

UYWCD has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

Capital Assets

Capital asset activity for the year ended December 31, 2024 is summarized below:

	January 1, 2024 Balance	Additions	Deletions	December 31, 2024 Balance
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	\$ 5,259,775	\$ -	\$ -	\$ 5,259,775
Dam Structure	9,080,877	-	-	9,080,877
Amenities	3,969,899	111,849	-	4,081,748
Yamcolo				
Dam Structure	5,998,642	-	-	5,998,642
Stillwater Ditch	530,653	-	-	530,653
Elk River Augmentation	10,000	-	-	10,000
Total capital assets not being depreciated:	24,849,846	111,849	-	24,961,695
Capital assets being depreciated:				
Stagecoach				
Dam structure and equipment	3,624,209	78,099	-	3,702,308
Amenities	1,588,296	123,023	-	1,711,319
Yamcolo				
Dam structure and equipment	1,325,587	24,886	-	1,350,473
Stillwater equipment	205,802	149,825	-	355,627
Equipment, vehicles and other	198,402	-	-	198,402
Total capital assets	31,792,142	487,682	-	32,279,824
Less: accumulated depreciation	(4,608,900)	(153,795)	-	(4,762,695)
Net capital assets	\$27,183,242	\$ 333,887	\$ -	\$27,517,129

Stillwater Ditch Agreement

UYWCD has entered into an Assignment of Stock and Water Delivery Agreement with the shareholders of the Stillwater Ditch and Reservoirs Company (the Company) whereby the shareholders assigned and transferred all shares in the Company to UYWCD in exchange for UYWCD's continued maintenance and repair of the Stillwater Ditch and delivery of water to the shareholders under certain absolute water rights retained by the shareholders.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Restricted Net Position

The United States Army Corps of Engineers (ACOE) issued a permit to UYWCD to raise the height of Stagecoach Reservoir Dam four feet inundating approximately 23.51 acres of jurisdictional wetlands. The permit requires UYWCD to post financial assurances to ensure a high level of confidence that UYWCD will complete the compensatory mitigation required by the permit. UYWCD has appropriated \$419,734 for this purpose as of December 31, 2024. The legislative appropriation will terminate when the compensatory mitigation is completed and accepted by the ACOE.

Note 4: Other Information

Defined Contribution Plan

Certain full-time employees are covered under a 401(a) defined contribution pension plan. Under the terms of the plan, UYWCD contributes at a rate of double the employee's retirement contribution not to exceed 6% of gross pay. Participants become fully vested within 3 years of participation in the plan. The plan can only be amended by UYWCD's board of directors. District contributions to the plan were \$56,205 for the year ended December 31, 2024.

Commitments and Contingencies

State of Colorado

UYWCD has entered into an agreement with the State of Colorado Department of Natural Resources, Division of Parks and Outdoor Recreation for the operation of the recreational facilities at Stagecoach Reservoir. Under the terms of the agreement UYWCD has agreed to make an annual payment to the State each December 31st through May 1, 2024. In exchange for the State managing the recreation areas and completing improvements and replacement of existing recreation facilities pursuant to the Master Plan, UYWCD will annually provide the lesser of \$35,000 or the amount of State funded improvements plus \$10,000 in the form of an operating subsidy to the State. The State is allowed to carryover excess improvement costs annually to meet subsequent years' obligations. The maximum amount that UYWCD is liable for in operating subsidies is \$700,000 over the twenty-year period. During 2023, a new lease was signed with a contract period from May 1, 2024 to May 1, 2044 and changing the required payments and maximum amount UYWCD would be liable for over the term of the lease.

Power Purchase Agreement

UYWCD entered into an agreement on October 30, 2015 to sell exclusively the hydroelectric energy generated by its Stagecoach facility to YVEA. The initial term is through December 31, 2025 and may be extended by either party for an additional 10 year period. The initial sales price is \$0.060 per kWh and is subject to annual adjustment beginning January 1, 2017. The sales price during the year ended December 31, 2024 was \$0.06 per kWh.

Reservoir Agreements

Numerous governments, organizations and individuals have reservoir agreements with UYWCD to purchase water in storage annually from UYWCD. The agreement terms range from 1 to 40 years with the majority of contracts expiring between the years 2025 and 2062.

**UPPER YAMPA WATER CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Risk Management

UYWCD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. UYWCD maintains commercial insurance for these risks by participation in an insurance pool.

UYWCD is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. UYWCD has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Contingencies

UYWCD is involved in several items of pending litigation primarily involving defense of its water rights and opposition of applications for water rights that conflict with those of UYWCD. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on UYWCD's financial position, cash flows, or results of operations.

Subsequent Events

UYWCD has evaluated subsequent events through the report date, which is the date these financial statements were available to be issued.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
For the year ended December 31, 2024

	Original and Final Budget	Actual	Variance with Final Budget
Operating Revenues:			
Water sales	\$ 434,667	\$ 715,289	\$ 280,622
Power revenues	175,000	88,462	(86,538)
Other income	12,689	17,149	4,460
Total revenues	<u>622,356</u>	<u>820,900</u>	<u>198,544</u>
Operating Expenditures:			
Facilities:			
Stagecoach reservoir	788,407	713,964	74,443
Yamcolo reservoir	186,693	164,601	22,092
Stillwater ditch and reservoir	100,233	71,517	28,716
Elk River augmentation plan	3,361	2,528	833
Administration	363,023	371,343	(8,320)
Board of directors	125,228	75,951	49,277
External affairs	171,402	141,871	29,531
Finance	162,504	138,101	24,403
Legal	311,749	256,054	55,695
Planning	340,852	276,151	64,701
Grants, scholarships and public information	634,611	402,095	232,516
Yampa river fund	150,000	150,000	-
Capital outlay	858,660	487,682	370,978
Total expenditures	<u>4,196,723</u>	<u>3,251,858</u>	<u>944,865</u>
Operating Income (Loss)	(3,574,367)	(2,430,958)	1,143,409
Other Income (Expense)			
Tax revenue, net of treasurer fee	3,804,108	4,218,858	414,750
Pass-through income	--	268,492	268,492
Pass-through expense	--	(278,492)	(278,492)
Investment earnings	916,344	1,239,104	322,760
Change in net position - non-US GAAP basis	<u>1,146,085</u>	<u>3,017,004</u>	<u>1,870,919</u>
Adjustments to US GAAP basis:			
Capital outlay		487,682	
Depreciation expense		(153,795)	
Change in net position - US GAAP basis		<u>3,350,891</u>	
Net position, beginning of year	<u>49,288,105</u>	<u>49,288,105</u>	
Net position, end of year	<u>\$ 50,434,190</u>	<u>\$ 52,638,996</u>	

The accompanying notes are an integral part of this financial statement.