ANIMAS-LA PLATA
WATER CONSERVANCY DISTRICT

ANNUAL FINANCIAL REPORT
And Independent Auditors' Report

DECEMBER 31, 2025

Haynie

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Independent Auditors' Report

Animas-La Plata Water Conservancy District
Board of Directors

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of Animas-La Plata 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Animas-La Plata Water Conservancy District, as of December 31, 2025 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. 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Animas-La Plata Water Conservancy District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Animas-La Plata 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 Animas-La Plata 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 management's discussion and analysis and the budgetary comparison for the general fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.



Littleton, Colorado
June 4, 2026

Animas-La Plata Water Conservancy District
Management's Discussion and Analysis (Unaudited)
December 31, 2025

As management of the Animas-La Plata Water Conservancy District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025.

This discussion and analysis is intended to be an easily readable analysis of the Animas-La Plata Water Conservancy District's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Animas-La Plata Water Conservancy District is a governmental fund entity whose primary function for several years was to plan for and oversee the development of the Animas La Plata Project. This project has been completed. It is now coordinating the sale of project water allocations and providing financial assistance to various water projects in its District. The financial statements of Animas-La Plata Water Conservancy District consist of two primary statements: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Balance.

The Statement of Net Position reflects the cumulative financial condition of the District on December 31, 2025. Net position reflects the sum total of earnings and contributions to the District over its lifetime, net of any losses incurred.

The Statement of Revenues, Expenses and Changes in Fund Balance shows the change in financial condition from operations and other activities during the calendar year ending December 31, 2025.

This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year. Significant changes from the prior year are explained following the reports.

Budgetary Highlights

The budgetary comparison schedule for the District is included in Required Supplementary information.

Statement of Net Position:

	2025	2024	Change
Assets			
Cash and cash equivalents	$ 110,476	$ 796,271	$ (685,795)
Investments	1,540,230	507,129	1,033,101
Accounts receivable	2,524	2,782	(258)
Other assets	16,471	17,252	(781)
Property taxes receivable	396,977	384,789	12,188
Capital assets, net	1,672,749	1,711,749	(39,000)
Total assets	3,739,427	3,419,972	319,455
Liabilities			
Accounts payable	7,062	17,497	(10,435)
Total liabilities	7,062	17,497	(10,435)
Deferred Inflow of Resources			
Property tax revenue	396,977	384,789	12,188
Total deferred inflow of resources	396,977	384,789	12,188
Net Position			
Net investment in capital assets	1,672,749	1,711,749	(39,000)
Restricted for emergency reserves	5,190	5,998	(808)
Unrestricted	1,657,449	1,299,939	357,510
Total net position	3,335,388	3,017,686	317,702
Total Liabilities, Deferred Inflow of Resources & Net Position	$3,739,427	$3,419,972	$ 319,455

During the year ended December 31, 2025, total assets increased by $319,455. This increase resulted primarily from positive operating results for the year.

The District invests in a certificate of deposit ladder to diversify risk and enhance investment income. The certificates of deposit with maturities in excess of 90 days are classified as investments in the Statement of Net Position. All certificates of deposit are FDIC insured.

Statement of Activities:

Revenues	**2025**	**2024**	**Change**
Taxes			
Property taxes	$ 385,879	$ 381,405	$ 4,474
Specific ownership taxes	35,200	33,187	2,013
Interest & penalties	824	851	(27)
Investment income	61,482	56,610	4,872
Gain on sale of water allocations	5,856	-	5,856
Administrative fees from sale of water allocations	1,346	-	1,346
Other local sources	125	147	(22)
Total Revenues	490,712	472,200	18,512
Expenses			
General Government			
Board Expenses	8,600	9,500	(900)
Administration			
Other Services	14,162	19,262	(5,100)
County treasurer's fees	11,462	11,340	122
Rent	6,112	5,938	174
Dues & subscriptions	6,378	6,450	(72)
Professional & technical services	93,460	104,767	(11,307)
Supplies	857	542	315
Share of Animas-La Plata Project operating costs	19,039	19,138	(99)
Water conservation and assistance activities	12,940	22,993	(10,053)
Total Expenditures	173,010	199,930	(26,920)
Excess of Revenues Over Expenditures	$ 317,702	$ 272,270	$ 45,432

For the year ended December 31, 2025, revenue increased because of the increase in the District's valuation for property tax and the sale of water allocations. In addition, investment income increased due to more excess cash available for investment.

Operating expenses decreased approximately 13% for 2025 due primarily to a decrease in professional services and water conservation activities. These expenses vary from year to year depending on the activities of the District and water projects approved and undertaken by the District each year.

Financial Contact

The District's financial statements are designed to present citizens with a general overview of the District's finances and demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact Treasurer, Dave Peters, 954 E. 2nd Avenue, Suite 102, Durango, Colorado 81301 or 970-247-2659.

Basic Financial Statements

Animas-La Plata Water Conservancy District
Statement of Net Position
December 31, 2025

	Governmental Activities
Assets	
Cash and cash equivalents	$ 110,476
Investments	1,540,230
Accounts receivable	2,524
Other assets	16,471
Property taxes receivable	396,977
Capital assets, net	1,672,749
Total assets	$ 3,739,427
Liabilities	
Accounts payable	$ 7,062
Deferred Inflow of Resources	
Property tax revenue	396,977
Total deferred inflow of resources	396,977
Net Position	
Net investment in capital assets	1,672,749
Restricted - emergency reserves	5,190
Unrestricted	1,657,449
Total Net Position	3,335,388
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 3,739,427

The accompanying notes are an integral part of these financial statements.

Animas-La Plata Water Conservancy District
Statement of Activities
For the Year Ended December 31, 2025

Functions/Program Activities	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:		
General government	$ 8,600	$ (8,600)
Administration	132,431	(132,431)
Animas-La Plata Project	19,039	(19,039)
Water conservation and assistance activities	12,940	(12,940)
Total governmental activities	173,010	(173,010)
General revenues:		
Taxes:		
Property taxes		385,879
Specific ownership taxes		35,200
Interest and penalties		824
Investment income		61,482
Gain on sale of water allocations		5,856
Administrative fee from sale of water allocations		1,346
Other local sources		125
Total general revenues		490,712
Change in net position		317,702
Net position - beginning of year		3,017,686
Net position - end of year		$ 3,335,388

The accompanying notes are an integral part of these financial statements.

Animas-La Plata Water Conservancy District
Governmental Fund Balance Sheet
and Reconciliation of Fund Balance to Net Position
December 31, 2025

	Total Governmental Fund
Assets	
Cash and cash equivalents	$ 110,476
Investments	1,540,230
Accounts receivable	2,524
Prepaid expense	16,011
Property taxes receivable	396,977
Other assets	460
Total assets	$ 2,066,678
Liabilities	
Accounts payable	$ 7,062
Total liabilities	7,062
Deferred Inflow of Resources	
Property tax revenue	396,977
Total deferred inflow of resources	396,977
Fund Balance	
Non-spendable - prepaid expenses	16,011
Restricted for emergency reserves	5,190
Assigned - subsequent year's expenditures	1,641,438
Total Fund Balance	1,662,639
Total Liabilities, Deferred Inflow of Resources and Fund Balance	$ 2,066,678

Reconciliation of Fund Balance to Net Position

Fund Balance - Total Governmental Fund	$ 1,662,639
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:	
Capital assets used in governmental activities are not financial resources and are excluded from the funds.	
Governmental capital assets	1,672,749
Net position of governmental activities	$ 3,335,388

The accompanying notes are an integral part of these financial statements.

Animas-La Plata Water Conservancy District
Statement of Revenues, Expenses, and Change in Fund Balance- Governmental Fund
For the Year Ended December 31, 2025

	Total
Revenues	
Taxes:	
Property taxes	$ 385,879
Specific ownership taxes	35,200
Interest and penalties	824
Investment income	61,482
Sale of project water allocations	44,856
Administrative fee from sale of water allocations	1,346
Other local sources	125
Total Revenues	529,712
Expenses	
General government	
Board expenses	8,600
Administration:	
Other services	14,162
County treasurer's fees	11,462
Rent	6,112
Dues and subscriptions	6,378
Professional and technical services	93,460
Supplies	857
District's share of Animas - La Plata Project operating costs	19,039
Water conservation and assistance activities	12,940
Total Expenditures	173,010
Excess of Revenues over Expenditures	356,702
Fund balance:	
Beginning of the year	1,305,937
End of the year	$ 1,662,639

The accompanying notes are an integral part of these financial statements.

Animas-La Plata Water Conservancy District
Reconciliation of the Statement of Revenues, Expenses and Change in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balance—total governmental funds	$ 356,702
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays, such as purchases of water depletions, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives. Additionally, governmental funds report capital sales, such as sales of water depletions, as revenues. However, in the statement of activities, sales of water depletion are recorded as a reduction to the corresponding asset sold with a resulting gain or loss.	
Book value of water allocations sold	(39,000)
Change in net position of governmental activities	$ 317,702

The accompanying notes are an integral part of these financial statements.

Animas-La Plata Water Conservancy District
Notes to Financial Statements
December 31, 2025

1. Definition of Reporting Entity

Animas-La Plata Water Conservancy District (the District), operates under the statutes governing conservancy districts of the State of Colorado. The District was organized in 1981 to acquire and appropriate water of the Animas and La Plata rivers and their tributaries by means of "works" as defined in the "Water Conservancy Act" and to divert, store, transport, conserve and stabilize all of these supplies of water for beneficial uses within and for the District. The District operates under a Board of Directors, and its members are appointed by the local Water Court Judge.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, the District's ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Animas-La Plata Water Conservancy District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

This summary of the Animas-La Plata Water Conservancy District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

2. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both "measurable and available." Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when a liability is incurred as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

The District has one governmental fund:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

On or before October 15, the District staff submits to the Board a proposed budget for the next 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. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District.

Cash, Cash Equivalents and Investments

The District considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

The investments in certificates of deposit are recorded at fair market value which approximates cost.

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include water allocation, equipment, and land, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $1,000. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives, as applicable. The District uses the straight line depreciation method over the calculated useful life of applicable assets. The capital assets currently recorded are non-depreciating assets, therefore the District has not recorded any depreciation expense in the current year.

The District has implemented GASB 51, which changes the way intangible assets are treated and amortized on the financial statements. The District's intangible assets are water allocations (depletions). Based on GASB 51, intangible assets with an indefinite life should not be amortized unless their useful life is subsequently determined to be no longer indefinite due to a change in circumstances. The District has determined that its water allocations (depletions) have an indefinite life and will not be amortized.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

Reserves

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use. The following is a list of reserves used by the District and a description of each:

Reserved for Emergencies - An account used to reflect equity of the District which is restricted for emergency purposes by the Tabor Amendment of the State of Colorado Constitution. "Emergency" excludes economic conditions, revenue shortfalls, or District salary and fringe benefit increases.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition - Property Taxes

The District's property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the District to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year in which the taxes are collected.

Revenue Recognition – Specific ownership taxes

Specific ownership taxes are collected for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by the County in which the property was purchased.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints.

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

2. Summary of Significant Accounting Policies (continued)

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through fornal action of the Board of Directors.

- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictuve classification first.

Subsequent Events

The District has evaluated subsequent events through June 4, 2026, the date which the financial statements were available to be issued.

3. Cash, Cash Equivalents and Investments

As of December 31, 2025, the District's cash and cash equivalents consisted of the following:

TBK Bank	$	49,853
Edward Jones account:		
Cash		621
Certificate of Deposit - Goldman Sachs Nk, 4.10%, Maturing 1/7/2026		60,002
Total	$	110,476

3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2025, the District's TBK bank account carried a balance of $49,853. The TBK account and the certificate of deposit, which is carried at fair market value and held in the District's Edward Jones account, are fully FDIC insured.

At December 31, 2025, the District's investments consisted of COLOTRUST PLUS + of $927,964 and bank certificates of deposit, maturing in more than three months, and held in its Edward Jones account of $612,266.

COLOTRUST

The District utilizes the Colorado Local government Liquid Asset Trust (COLOTRUST or the Trust), a local government investment pool, to invest excess funds to enhance interest income. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, and the District invests in the COLOTRUST PLUS +. This portfolio invests in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury obligations, certain U.S. government agency obligations, highest rated commercial paper and repurchase agreements collateralized by certain U.S. Government agencies. COLOTRUST records its investments at fair value, and the District records its investment in COLOTRUST at net asset value as determined by fair value. Investments in external investment pools, such as COLOTRUST, are not categorized within the fair value hierarchy. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The COLORUST PLUS+ portfolio is rated AAAm by Standard and Poor's.

Certificates of Deposit

	Rate	Maturity Date	Fair Value at December 31, 2025
Morgan Stanley Bk	4.90%	4/17/2026	$ 100,299
Essa Bank & Trust	3.80%	7/15/2026	60,054
Morgan Stanley Bk	3.75%	10/16/2026	63,071
Morgan Stanley Bk	4.25%	12/4/2026	82,480
Morgan Stanley Bk	4.00%	2/8/2027	65,282
Firstbank Puerto Rico Santurec	3.95%	2/11/2027	65,220
Bank Hapoalim B M NY	3.60%	4/30/2027	49,986
Godlman Sachs Bk	3.45%	5/4/2027	49,882
UBS Bk USA Salt Lake	3.70%	12/30/2027	75,992
Total			$ 612,266

3. Cash, Cash Equivalents and Investments (continued)

In accordance with the Fair Value Measurements of FASB Accounting Standards Codification (ASC) 820-10, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect the District's own estimates of assumptions that market participants would use in pricing the asset or liability.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Association's assessment of the quality, risk, or liquidity profile of the asset or liability.

Certificates of deposit are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions.

All CDs held at December 31, 2025 are Level 2.

3. Cash, Cash Equivalents and Investments (continued)

Concentration of Credit Risk - It is the intent of the District to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Investments in time certificates of deposit are allowed with maturities not exceeding five years from the trade date. The District's total portfolio was within these limits for the year ended December 31, 2025. During the year ended December 31, 2022, the District adopted a formal investment policy which established guidelines for management of the District's cash assets. Primary objectives in order of priority are (1) safety of principal, (2) maintenance of sufficient liquidity to meet current operating requirements, and (3) attainment of a market rate of return using allowable market products. The District is required to comply with state and Federal laws governing investment of public funds.

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

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

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

- Obligations of the United States and certain U.S. government agency securities and certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Local government investment pool

4. Capital Assets

	December 31, 2024	Additions	Sales	December 31, 2025
Land	$ 500,000	$ -	$ -	$ 500,000
Equipment (not in use)	15,351	-	-	15,351
Water allocations	1,196,398	-	(39,000)	1,157,398
Capital assets, net	$ 1,711,749	$ -	$ (39,000)	$ 1,672,749

The equipment listed above is a 9% interest in the butterfly valve at Lake Nighthorse which has not been put into service as of year end. The District evaluated its capital assets for impairment indicators during the year and determined that no impairment losses were required to be recognized. There was no depreciation expense for the year ended December 31, 2025. See note 2 above.

5. Related Party Transactions

In 2008, the District and La Plata Water Conservancy District were sponsors in establishing La Plata West Water Authority (LPWWA) which is a governmental entity formed to develop a domestic water system in Southwest La Plata County. In accordance with the establishment document, three members of the LPWWA board are appointed by the District for three-year terms.

From time to time, the District has provided financial assistance to LPWWA for development of the water system. In November 2021, the District's Board approved a $60,000 financing package to LPWWA to assist with cash flow requirements that was funded in February 2022. The package included a cash grant of $30,000 and cash of $30,000 in exchange for a two- year, non-interest-bearing promissory note. The note was paid off in March 2024.

On October 16, 2018, the District and LPWWA entered into an agreement whereby LPWWA would purchase from the District 200 acre-feet of its water depletions from the Animas-La Plata Project at a cost of $3,000 per acre-foot plus reimbursement of operation, maintenance and repair costs paid by the District to the Animas-La Plata Operations, Maintenance and Replacement Association and a 3% administration fee. The first purchase of 50 acre-feet of depletion was completed in April of 2019 with the remaining additional purchases to be made in 50 acre-feet increments every four years ending in 2031.

5. Related Party Transactions (continued)

On May 25, 2023, the District and LPWWA altered the terms of the original agreement by amendment whereby LPWWA would purchase its second acquisition of 50 acre-feet of depletion by April 30, 2025. At the request of LPWWA, a second amendment to the agreement was entered into by the parties on May 21, 2025, whereby LPWWA would purchase an additional 100 acre-feet of the remaining 150 acre-feet of depletion, with purchases of 13 acre-feet increments by May 31, 2025, April 30, 2026, April 30, 2027, April 30, 2028, April 30, 2029, April 30, 2030 and a purchase of 22 acre- feet of depletion by April 30 2031, or sooner if needed to supply additional domestic water for the LPWWA distribution system. The District's sales to LPWWA in 2025 were $44,856.

6. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance.

The District has established an emergency reserve of 3% of its 2025 fiscal spending in accordance with the provisions of the Amendment. Restricted net assets and fund balances consist of amounts restricted for emergency purposes by the Tabor Amendment in the amount of $5,190.

7. Lease Agreement

The District entered into a lease agreement for office space for 12 months that expires July 31, 2026. The District has the option to extend the lease for additional terms. Monthly rent under the lease for the 12-month period is $518, or $6,216 annually. Total rent expense under this agreement in 2025 was $6,111. This lease is considered short term and does not qualify under GASB statement No. 87.

Future commitments are as follows:

Year Ended December 31,	
2026	$ 4,144
	$ 4,144

8. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

9. Commitments and Water Allocation (Depletion)

The District entered into a cost sharing agreement for the Animas-La Plata Project in 1988. That agreement required the District to pay $75,000 toward cost sharing of the project with payments of $5,000 per year, commencing the first year the United States Secretary of the Interior expends funds for the project. As part of the Colorado Ute Indian Water Rights Settlement Act Amendment of 2000, the District was allocated 2,600 acre feet of water depletions from the project in exchange for payment of a portion of the construction costs for the project. The amount of payment required to be paid by the District to the United States in 2000 was $7,256,750.

The District contracted with the Colorado Water Resources and Power Development Authority to pay the required amount to the United States, and the District assigned its rights to the 2,600 acre feet of water depletions to the Authority.

In April 2005, the District contracted with the Authority to purchase back 700 acre feet of water depletions for their estimated purchase price of $1,800,000. The District made a down payment of $90,453, with the balance to be due at closing, when water was available from the project.

In December 2012, the District renegotiated its contract and purchased 105 acre feet of water depletions from the Authority in the amount of $269,126 of which $112,935 of that amount was the initial down payment and $156,191 was an additional cash payment. In September 2020, the District purchased an additional 151-acre feet of water depletions which completed its contractual obligation to purchase 700-acre feet of water from the Authority.

9. Commitments and Water Allocation (Depletion) (continued)

Including and subsequent to this water allocation purchase contract, the District purchased and sold water depletions as follows:

Description	Year	Acre feet of depletions	Value
Allocation contract	2012	105	$ 269,126
Purchase of water depletions	2013	32	103,662
Purchase of water depletions	2014	35	114,996
Purchase of water depletions	2015	36	111,976
Purchase of water depletions	2016	36	116,017
Water depletions sold	2017	(50)	(150,000)
Purchase of water depletions	2017	101	280,832
Water depletions sold	2018	(25)	(75,000)
Purchase of water depletions	2018	71	198,903
Water depletions sold	2019	(25)	(75,000)
Purchase of water depletions	2019	72	197,930
Water depletions sold	2019	(50)	(150,000)
Purchase of water depletions	2019	61	166,147
Water depletions sold	2020	(25)	(75,000)
Purchase of water depletions	2020	151	386,809
Water depletions sold	2021	(25)	(75,000)
Water depletions sold	2022	(25)	(75,000)
Water depletions sold	2023	(25)	(75,000)
Water depletions sold	2025	(13)	(39,000)
		437	$ 1,157,398

The Animas-La Plata Project began operations in 2013, and the District is responsible for its portion of the costs to operate and maintain the project. The District's portion is based on the amount of acre feet of water depletions that the District has purchased, net of sales. The amount of these costs is determined on an annual basis and was $19,039 in 2025.

Required Supplementary Information

Animas-La Plata Water Conservancy District
Statement of Revenues, Expenses and Change in Fund Balance—Actual and Budget
For the Year Ended December 31, 2025

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	$ 384,789	$ 385,879	$ 1,090
Specific ownership taxes	33,000	35,200	2,200
Interest and penalties	700	824	124
Total tax revenue	418,489	421,903	3,414
Other revenue			
Investment income	55,000	61,482	6,482
Sale of water allocations	86,261	44,856	(41,405)
Administrative fee for sale of water allocations	2,588	1,346	(1,242)
Miscellaneous	100	125	25
Total other revenue	143,949	107,809	(36,140)
Total revenue	562,438	529,712	(32,726)
Expenditures:			
General government			
Board expenses	10,000	8,600	1,400
Administration			
Other services and expenses	29,500	14,162	15,338
County treasurers' fees	11,544	11,462	82
Rent	6,200	6,112	88
Dues and subscriptions	6,500	6,378	122
Professional and technical services	101,430	93,460	7,970
Supplies	600	857	(257)
District's share of Animas-La Plata Project operating expenses	18,500	19,039	(539)
Water conservation and assistance activities	196,000	12,940	183,060
Total operating expenditures	380,274	173,010	207,264
Other Expenditures			
Contingency	30,000	-	30,000
Emergency reserves	11,408	-	11,408
Total other expenditures	41,408	-	41,408
Total expenditures	421,682	173,010	248,672
Excess Revenue Over (Under) Expenditures	140,756	356,702	215,946
Fund Balance—Beginning of year	1,296,892	1,305,937	
Fund Balance—End of Year	$ 1,437,648	$ 1,662,639	