BASALT WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT

DECEMBER 31, 2025

BASALT WATER CONSERVATION DISTRICT
FOR THE YEAR ENDED
December 31, 2025

OFFICERS

Dr. Gary Knaus (Division 5) – President

Charles Spickert (Division 6) – Vice President

Michael Kennedy (Division 4(a)) – Secretary

Tim Nieslanik (Division 4(b)) - Treasurer

DIRECTORS

Charlie Bailey (Division 3)

Jeff Nieslanik (Division 2)

James Nieslanik (Division 1)

Vacant (Division 7)

MANAGEMENT DISCUSSION AND ANALYSIS

HOOD P.C.
CPAS & ADVISORS

Board of Directors
Basalt Water Conservation District
P.O. Box 527
Basalt, Colorado 81621

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Basalt Water Conservation District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Basalt Water Conservation District 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, the business-type activities, and each major fund of the Basalt Water Conservation District as of December 31, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Basalt Water Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Basalt Water Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any 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 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 one resulting in an 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 the Basalt Water Conservation 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Basalt Water Conservation District's ability to continue as a going concern for a reasonable period of time.

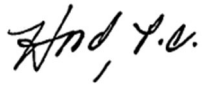
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 accounting standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Basalt Water Conservancy District's basic financial statements. The proprietary fund budgetary comparison schedule listed as Supplemental Information in the table of contents is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison schedule is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.



HOOD, P.C.
September 21, 2026

DISTRICT OVERVIEW

The Basalt Water Conservancy District (The "District") was created in 1964 for the purposes of conserving, developing and stabilizing water supplies for the benefit of users within the Roaring Fork Valley. Today, the District operates a comprehensive water supply plan that provides thousands of Valley residents with dependable legal water supplies. The District's water rights are used to benefit its contractees, by allowing them to continue to divert water at their well, spring, or surface diversion in times of shortage when their use would otherwise be curtailed. The District owns substantial domestic, municipal, and agricultural water rights, and maintains several reservoir storage contracts with the US Bureau of Reclamation for the release of water from Ruedi and Green Mountain Reservoirs.

The management's discussion and analysis of the Basalt Water Conservancy District's financial performance provides an overview of the District's financial activities for the current fiscal year. The intent of the discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2025 are as follows:

- The District's *overall* net position increased $399,126 or 9.5% from the prior fiscal year.
- The District's *overall* General Revenues accounted for $90,698 or 10% of all revenues. These general revenues include taxes, interest and other general revenues not related to service programs. Program specific revenues in the form of charges for services, accounted for $791,490 or 90% of the District's total revenues of $882,188.
- As compared to the prior year, the District's enterprise fund water contract fees increased $159,482 and augmentation fee reimbursement revenue decreased $3,218.
- *Overall* the District had $483,062 of expenses which were offset by program specific charges for services inclusive of augmentation plan reimbursements, grants, and other general revenues; this was an increase in overall expenses of $58,360 as compared to the prior year.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements,* and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District's government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

REPORTING ON THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the current fiscal year?" The statement of net position and statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

The focus of the government-wide financial statements is on the overall financial position and activities of the District; therefore, the statement of net position and the statement of activities are constructed around the concept of an overall primary reporting government, which includes all funds of the District. The statement of net position and the statement of activities report the District's *net position* and changes thereof. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

The District's net position – the difference between assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

In the statement of net position and statement of activities the District is divided into two distinct activities:

Governmental Activities – Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Most of the District's administrative operations are reported here.

Business-Type Activities – Business-type activities are financed to some degree by charging external parties for the goods or services they acquire. The District's enterprise fund for water is reported as a business-type activity as the service is provided on a charge for goods or services basis to recover the expenses of the goods and services provided.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant funds – not the District as a whole. The District's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental fund – The District's General Fund administrative activity is reported as a governmental fund, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements, if applicable.

FUND FINANCIAL STATEMENTS - *CONTINUED*

Proprietary fund – When the Enterprise (Water) Fund charges users for the water services it provides, these services are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statements of Activities. In fact, the District's enterprise fund is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Further discussion of the fund financial statements begins in the Section entitled "The District's Funds."

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Both the governmental activities and the business-type activities are presented along with a total of the two, which represents the total primary government. Following is a summary of the District's net position for the current and prior fiscal year:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Assets:						
Current Assets	$ 116,915	$ 106,399	$ 2,950,375	$ 2,539,173	$ 3,067,290	$ 2,645,572
Capital Assets, Net Total Assets	-	-	1,218,934	1,221,734	1,218,934	1,221,734
Total Assets	116,915	106,399	4,169,309	3,760,907	4,286,224	3,867,306
Liabilities:						
Current Liabilities	5,976	1,690	67,709	53,181	73,685	54,871
Total Liabilities	5,976	1,690	67,709	53,181	73,685	54,871
Deferred Inflows of Resources - Property Tax	32,622	31,644	-	-	32,622	31,644
Total Liabilities and Deferred Outflow of Resources	38,598	33,334	67,709	53,181	106,307	86,515
Net Position:						
Net Investment in Capital Assets	-	-	1,221,735	1,221,734	1,221,735	1,221,734
Non-spendable	-	-	4,634	-	4,634	-
Restrcited for Emergencies	830	830	-	-	830	830
Unrestricted	77,487	72,235	2,875,231	2,485,992	2,952,718	2,558,227
Total Net Position	$ 78,317	$ 73,065	$ 4,101,600	$ 3,707,726	$ 4,179,917	$ 3,780,791

Governmental Activities resources were greater than amounts used to provide for current year expenditures, resulting in an increase in net position.

The net position of Business type Activities increased from the prior fiscal year.

THE DISTRICT AS A WHOLE - *CONTINUED*

Statement of Activities

The perspective of the statement of activities is also of the District as a whole. The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net position for the current and prior fiscal year:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services/Sales						
Water Contract Fees	$ -	$ -	$ 760,408	$ 600,926	$ 760,408	$ 600,926
Augmentation Plan Reimbursments	-	-	31,082	34,300	31,082	34,300
Operating Grants and Contributions	-	-	-	-	-	-
Total Program Revenues	-	-	791,490	635,226	791,490	635,226
General Revenues:						
Property Taxes	31,629	33,120	-	-	31,629	33,120
Specific Ownership Taxes	1,460	1,340	-	-	1,460	1,340
Insterest Income/Other	-	-	57,609	61,381	57,609	61,381
Total General Revenues	33,089	34,460	57,609	61,381	90,698	95,841
Total Revenues	33,089	34,460	849,099	696,607	882,188	731,067
Expenses:						
Operating Expenses:						
Operations & Administration	-	-	455,225	397,147	455,225	397,147
Non-Operating Expenses:						
General Administration	26,728	26,423	-	-	26,728	26,423
Treasurer's Fees	1,109	1,132	-	-	1,109	1,132
Total Expenses	27,837	27,555	455,225	397,147	483,062	424,702
Change in Net Position	$ 5,252	$ 6,905	$ 393,874	$ 299,460	$ 399,126	$ 306,365

Revenues

Property taxes, dependent upon the overall assessed valuation of properties within the District's boundaries, increased slightly over the prior year. Specific ownership taxes are beyond the control of management.

Expenses

Overall expenditures increased $58,360 from those of the prior year primarily from increases in enterprise fund engineering and legal expenses.

Governmental Activities
The operation of the general fund is the governmental activity of the District. As indicated in the following table, the dependence on taxes and other general revenues for these governmental activities is apparent, whereas 100% of the District's governmental activities are funded by taxes and other general revenues. The community as a whole is the primary support for the District's governmental activities.

	Governmental Activities			
	Total Cost of Service		Net Cost of Service	
	2025	2024	2025	2024
Operations, Maintenance & Depreciation	$ 26,728	$ 26,423	$ 26,728	$ 26,423
Salaries and Management Services	1,109	1,132	1,109	1,132
Total/Net Cost of Service	$ 27,837	$ 27,555	$ 27,837	$ 27,555

THE DISTRICT AS A WHOLE - CONTINUED

Business-Type Activities
The enterprise (water) fund is the business-type activity of the District. Service fees are charged for water services provided to the District. As with the governmental activity, the following table summarizes information from the Statement of Activities for the business-type activities, reflecting the total cost of program services and the remaining net cost of program services, which are supported by other general revenues:

	Business-Type Activities			
	Total Cost of Service		Net Cost of Service	
	2025	2024	2025	2024
Operations & Administration	$ 455,225	$ 397,147	$ -	$ -
Total/Net Cost of Services	$ 455,225	$ 397,147	$ -	$ -

THE DISTRICT'S FUNDS

General Fund
The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting. At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from operating loans are presented as a revenue item while outflows for capital outlay and debt service payments are presented as expenditure items, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased from $73,065 to $78,317 during the current fiscal year. This represents the excess of current period revenues (financial resources) over current period expenditures (financial uses). The ending fund balance of $78,317 less non-spendable resources of $0 is the amount of net resources available for future spending. The General Fund's financial resources are from property and specific ownership taxes and the majority of expenditures are for District administration.

The District, pursuant to the TABOR Amendment, reserves funds for emergencies. The District reserves 3% of the total of all operational expenses every fiscal year. As operational expenses increase, this reserve will grow accordingly. At the end of each fiscal year, if the emergency reserves are not used the funds are carried into the next year's operational funds. At year end December 31, 2025 the District held $830 in reserve for emergencies.

Proprietary Fund -- Enterprise Fund

Proprietary Fund financial statements consist of a statement of fund net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. The District's enterprise fund is considered a proprietary fund which represents the water operations of the District.

The Water Enterprise Fund ending net position increased from $3,707,726 to $4,101,600. The change reflects that the enterprise fund's operating and non-operating revenues were sufficient in amount to offset current year operating and non-operating expenses. Net Position includes investment in the District's Website in the amount of $5,133 (net of depreciation) and the District's investment in Water Rights in the amount $1,213,801 which are both net investments in capital assets. The District also has $4,634 restricted as non-spendable resources. The remaining portion of net position in the amount of $2,875,231 in the enterprise activity represents the amount of net resources available to provide future services and improvements to the citizens of the District.

GENERAL FUND BUDGET COMPARISONS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 1* of the financial statements. Budgets for the District are adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of the Proprietary Fund. The reconciliation of the budgetary differences in the Proprietary Fund is to (GAAP) found in the notes of the financial statements. The budgetary comparison schedules for the District are found in the section entitled "Required Supplemental Information" and "Supplemental Information" following the notes to financial statements. The line-item budget is designed to control line-item expenditures, but provide flexibility for budgetary management. It is not anticipated that the District's budget variances will have an effect on future services or liquidity.

Governmental Fund Resources (Inflows)

The General Fund budgetary revenues and other financing sources in the amount of $33,089 were greater than budgetary expectations of $32,704 by $385.

Charges to Appropriations (Outflows)

The General Fund budgetary expenditures and other financing uses of $27,837 were $76,945 less than the final budget appropriation of $104,782. The total General Fund fund balance carryover to the next fiscal year is $78,317.

CAPITAL ASSETS

At the end of the fiscal year, the District holds Water Rights in the amount of $1,213,801 and has $5,133 invested in the District's Website, net of depreciation. The District carries no additional assets requiring capitalization.

DEBT ADMINISTRATION

As of the end of the fiscal year, the District is not obligated for any long-term debt.

ECONOMIC CONDITIONS AND OUTLOOK

The District has grown over the past several years, growing from an initial 80 water service contracts to over 600 contracts. The principal revenue source of the District in the next fiscal year will continue to be water fees. Operating expenditures are expected to increase due to expenditures for water augmentation plans. The District continues to develop and supply water for domestic use, irrigation and other uses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Basalt Water Conservancy District
% LRE Water
P.O. Box 974
Glenwood Springs, CO 81602
Telephone: 970-945-6777
Fax: 970-945-1137
Email: info@bwcd.org

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSTION
For the Year Ended December 31, 2025

	Governmental Activities	Business-Type Activities	Totals
Current Assets:			
Cash and Investments	$ 84,159	$ 962,938	$ 1,047,097
Restricted Cash and Investments	-	1,850,155	1,850,155
Receivables:			
Due from County Treasurer	134	-	134
Property Taxes Receivable	32,622	-	32,622
Water Contract Receivable	-	132,648	132,648
Prepaid Expenditures	-	4,634	4,634
Total Current Assets	116,915	2,950,375	3,067,290
Non-Current Assets:			
Intangible Water Rights	-	1,213,801	1,213,801
Capital Assets - Net of Accumulated Depreciation	-	5,133	5,133
Total Non-Current	-	1,218,934	1,218,934
Total Assets	116,915	4,169,309	4,286,224
Liabilities:			
Current Liabilities:			
Accounts Payable	5,976	65,188	71,164
Payroll Liabilities	-	1,293	1,293
Refunds Payable	-	1,228	1,228
Total Current Liabilities	5,976	67,709	73,685
Deferred Inflows of Resources:			
Unavailable Revenues - Property Tax	32,622	-	32,622
Total Deferred Inflow	32,622	-	32,622
Total Liabilities and Deferred Inflows	38,598	67,709	106,307
Net Position:			
Invested in Capital Assets, Net of Related Debt	-	1,221,735	1,221,735
Restricted for Emergencies	830	-	830
Unrestricted	77,487	2,879,865	2,957,352
Total Net Position	$ 78,317	$ 4,101,600	$ 4,179,917

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

	Expenses	Charges For Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Administration	$ 26,728	$ -	$ -	$ -	$ (26,728)		$ (26,728)
Treasurer's Fees	1,109	-	-	-	(1,109)		(1,109)
Total Governmental Activities	27,837	-	-	-	(27,837)		(27,837)
Business-Type Activities:							
Water Operations and Administration	455,225	791,490	-	-		$ 336,265	336,265
Total Business-Type Activities	455,225	791,490	-	-		336,265	336,265
Total Primary Government	483,062	791,490	-	-	(27,837)	336,265	308,428
General Revenues:							
Property Taxes Levied For General Purposes					31,629	-	31,629
Specific Ownership Taxes					1,460	-	1,460
Unrestricted Interest and Investment Earnings & Other					-	57,609	57,609
Total General Revenues					33,089	57,609	90,698
Change in Net Position					5,252	393,874	399,126
Net Position - Beginning of Year					73,065	3,707,726	3,780,791
Net Position - End of Year					$ 78,317	$ 4,101,600	$ 4,179,917

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

FUND FINANCIAL STATEMENTS

BASALT WATER CONSERVANCY DISTRICT
BALANCE SHEET
General Fund
For the Year Ended December 31, 2025

	Governmental Activities
Current Assets	
Cash and Investments	$ 84,159
Receivables:	
Due from County Treasurer	134
Property Taxes Receivable	32,622
Total Assets	116,915
Liabilities:	
Current Liabilities:	
Accounts Payable	5,976
Total Liabilities	5,976
Deferred Inflows of Resources	
Unavailable Revenues - Property Tax	32,622
Total Deferred Inflow of Resources	32,622
Fund Balances	
Restricted for Emergencies	830
Unrestricted	77,487
Total Fund Balance	78,317
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 116,915

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
General Fund
For the Year Ended December 31, 2025

	Governmental Activities
Revenues:	
Property Taxes	$ 31,629
Specific Ownership Taxes	1,460
Total Revenues	33,089
Expenditures:	
Accounting and Audit	24,131
Bonds and Insurance	2,160
Miscellaneous Exoense	437
Treasurer's Fees	1,109
Total Expenditures	27,837
Excess Revenues Over (Under) Expenditures	5,252
Fund Balance - Beginning of Year	73,065
Fund Balance - End of Year	$ 78,317

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF FUND NET POSTION
Proprietary Fund
For the Year Ended December 31, 2025

	Business-Type Activities
Current Assets	
Cash and Investments	$ 962,938
Restricted Cash and Investments	1,850,155
Receivables:	
Water Contract Receivable	132,648
Prepaid Expenditures	4,634
Total Current Assets	2,950,375
Capital Assets	
Intangible Water Rights	1,213,801
Capital Assets - Net of Accumulated Depreciation	5,133
Total Capital Assets	1,218,934
Total Assets	4,169,309
Liabilities:	
Current Liabilities:	
Accounts Payable	65,188
Payroll Liabilities	1,293
Refunds Payable	1,228
Total Liabilities	67,709
Net Position	
Invested in Capital Assets, Net of Related Debt	1,221,735
Unrestricted	2,879,865
Total Net Position	$ 4,101,600

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Proprietary Fund
For the Year Ended December 31, 2025

	Business-Type Activities
Revenues:	
Charges for Service	
Water Contract Fees	$ 760,408
Augmentation Plan Reimbursements	31,082
Total Revenues	791,490
Expenditures:	
Bad Debts	4,261
Billing and Water Administration	142,950
Bonds & Insurance	2,160
Depreciation Expense	2,800
Directors Fees & Payroll Taxes	15,165
Dues and Subscriptions	2,598
Engineering and Augmentation	70,894
Legal Expenses	181,691
Mileage & Miscellaneous Expense	771
Roundtable Participation/Education	2,600
Secretarial	7,668
Water Purchase O&M	21,067
Website Expense	600
Total Expenditures	455,225
Operating Income (Loss)	336,265
Non-Operating Revenues (Expense)	
Interest Income	57,609
Total Change in Fund Net Position	393,874
Fund Balance - Beginning of Year	3,707,726
Fund Balance - End of Year	$ 4,101,600

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
Proprietary Fund
For the Year Ended December 31, 2025

Cash Flows From Operating Activities:		
Cash Received from Customers	$	799,216
Cash Payments to Employees		(15,800)
Cash Payments for Goods and Services		(425,563)
Net Cash Provided By Operating Activities		357,853
Cash Flows From Investing Activities:		
Purchase of Investments		(700,000)
Interest on Investments		57,609
Reinvested Interest Earnings		(52,772)
Net Cash Provided From Investing Activities		(695,163)
Net Increase (Decrease) In Cash		(337,310)
Cash At Beginning Of Year		1,300,248
Cash At End Of Year	$	962,938
Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	$	336,265
Adjustments:		
Depreciation		2,800
(Increase) Decrease in Accounts Receivables		8,401
(Increase) Decrease in Other Current Assets		(4,139)
Increase (Decrease) in Accounts Payable		15,836
Increase (Decrease) in Accrued Salaries		(635)
Increase (Decrease) in Payroll Liabilities		(675)
Net Cash (Used) by Operating Activities	$	357,853

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basalt Water Conservancy District, herein referred to as the District, complies with generally accepted accounting principles (GAAP) as applicable governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The Basalt Water Conservancy District (the District) was formed under the Water Conservancy Act of the State of Colorado on April 24, 1964 to conserve, develop and stabilize supplies of water for domestic, irrigation, manufacturing and other beneficial uses within its boundaries located in Eagle, Garfield and Pitkin counties. The governing body of the District consists of an eight member Board of Directors which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e. the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e. unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

B. Measurement Focus and Basis of Accounting

The District's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

B. Measurement Focus and Basis of Accounting, *continued*

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the *economic resources measurement* focus and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes, other taxes and fines and penalties. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall primary government. The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the District.

FUND FINANCIAL STATEMENTS

During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. Enterprise funds are reported by type.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations based upon the purposes for which they are to be spent and by means by which spending activities are controlled.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

B. Measurement Focus and Basis of Accounting, *continued*

The various funds of the District are outlined in the following paragraphs.

GOVERNMENTAL FUND

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to general statutory laws. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

All governmental funds are accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. If applicable, governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between government-wide and governmental fund statements. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following material revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for matured principal and interest on general long-term liabilities which are reported as other financing uses.

PROPRIETARY FUND

Water (Enterprise) Fund – The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Water Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

B. Measurement Focus and Basis of Accounting, *continued*

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. This emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. All assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position, presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the District finances and meets the cash flow needs of its enterprise fund.

The focus of proprietary fund measurement is determination of operating income, changes in the net position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The District's Enterprise fund is a proprietary fund type. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges of record similar costs. Proprietary fund *operating revenue and expenses* are related to providing management and operational services within the District. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non –operating revenues and expenses.

C. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District Secretary, or other qualified persons appointed by the Board, submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.

2. Public hearings are held to obtain taxpayer comments.

3. Prior to December 15, the Board adopts, by resolution, the budget for the ensuing fiscal year and certifies the tax levy to the County Commissioners.

4. On or before December 31, the Board adopts an annual appropriating ordinance in which such sums of money are appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

C. Budgets and Budgetary Accounting, *continued*

5. Annual appropriated budgets are adopted for all funds. The level of control at which expenditures exceed appropriations is at the fund level. The District's general fund budget is adopted on a basis consistent with generally accepted accounting principles for governmental entities. Enterprise fund budgets are adopted on a non-GAAP basis, which provides that debt principal payments and capital outlay are treated as expenditures.

6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.

7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.

8. Budget appropriations lapse at the end of each year.

The District legally adopted an annual budget for all of the District's funds.

D. Fair Value of Financial Instruments / Cash and Cash Equivalents / Investments

Fair value hierarchy categorizes the inputs used to measure the fair value into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs.

Cash equivalents are readily convertible to known amounts of cash. For the purposes of the statement of cash flows, all short-term investments that are highly liquid are considered to be cash equivalents and are reported at fair market value.

Investments at December 31, 2025, consisted of CSAFE investments which are stated at amortized cost.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

E. Governmental (General) Fund – Property Taxes Receivable and Deferred Inflows

Property taxes are levied December 15, and attach as an enforceable lien on property on January 1st of the following year. They may be paid in one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Garfield, Eagle and Pitkin Counties and reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31; 2025 however, since the taxes are not available to pay current liabilities, the receivable is recorded as a deferred inflow.

F. Proprietary (Water) Fund – Customer Accounts Receivable and Unearned Revenue

The District considers customer accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment; accordingly, no allowance for doubtful accounts is considered necessary. In the event costs of collection would exceed outstanding amounts, uncollectible accounts are written-off to bad debts. The Water Fund bills for current services, therefore no unearned revenues have been accrued in the Water (Enterprise) Fund for water sales. In the event that the Water (Enterprise) Fund has authorized grants for which expenses have not yet been submitted for reimbursement; the District records a receivable and related unearned revenues.

G. Accrued Liabilities and Long-term Obligations

In general, payables and accrued liabilities are paid in a timely manner and in full from current financial resources and reported as current obligations of the fund. Long-term obligations are accrued as a long-term liability, when applicable.

H. Compensated Absences

The District has no employees that would be eligible for vacation or sick leave benefits; accordingly, there are no provisions for compensated absences included in the accompanying financial statements.

I. Proprietary (Water) Fund – Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. These revenues are charges for services and expense reimbursements. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds.

J. Proprietary (Water) Fund – Contributed Capital

Grants and contributions, which may be used for either operations or capital expenditures at the discretion of the District, are recognized as non-operating revenues. If expenditure of the funds is the prime factor for determining eligibility of the contributed funds, revenue is recognized at the time of making the expenditure.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

K. Fund Balance and Net Position –

In the government-wide financial statements, net position is classified in the following categories for both governmental and business-type activities:

Invested in Capital Assets, Net of Related Debt – this category groups all capital assets into one component. Accumulated depreciation and the outstanding debt balances that are attributable to (already invested in) the acquisition, construction or improvement of these assets reduce this category.

Restricted – assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by various enabling legislation.

Unrestricted – represents the amount which is not restricted for any purpose. It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – amounts that cannot be spent because they are either in non-spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of permanently restricted funds to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, prepaid expenses, and property acquired for resale, when applicable.

Restricted – when constraints are placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation. As discussed in *Note 6* below, Colorado voters passed an amendment to the State Constitution, one of the provisions of which requires local governments to establish an emergency reserve which is calculated at 3% of certain expenditures. These funds may only be expended in cases of emergencies as defined by the amendment, and are used to fund appropriations only after unrestricted resources are depleted.

Committed – amounts 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). These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the residual for the general fund.

It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available. Committed and assigned amounts are considered to have been spent first when an expenditure is incurred for purposes for which such categories and unassigned amounts are available.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,* continued

L. Inter-fund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the fund providing services and as expenditures/expenses in the fund receiving services. Flows of cash or goods from one fund to another without requirement for repayment are inter-fund transfers which are reported as other financing sources/uses in governmental funds and non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the fund that initially paid for them are not presented.

M. Internal Balances

During the year, the District has transactions between funds to finance operations and provide services and to allocate combined cash balances. To the extent that certain transactions between funds had not been paid or received as of year-end, balances of inter-fund amounts receivable or payable are recorded.

N. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - *DEPOSITS AND INVESTMENTS*

In order to facilitate the recording of cash transactions and maximize interest earnings, the District has pooled cash deposits for all funds. The District maintains accountability for each fund's equity in pooled cash and investments.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which included obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. 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 State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA. At December 31, 2025, the District's cash deposits (including certificates of deposit) were entirely insured or collateralized with securities held by the entity's agent in the District's name and had bank balances of $1,047,688 of which $250,000 was covered by FDIC insurance and $797,688 under PDPA, as described above.

NOTE 2 - *DEPOSITS AND INVESTMENTS,* continued

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. 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, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley authority, and certain international agency securities, including the World Bank.
- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- Bankers' acceptances of certain banks
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

As of December 31, 2025, the District has invested $1,850,155 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is a local government investment pool. Investments of the pool consist of securities of the United States Treasury, United States agencies, primary dealer repurchase agreements and Colorado depositors (with short-term ratings of A1 or better) in which the deposits are collateralized at 102% of market value under the provisions of PDPA. The custodian's internal records identify the investments owned by the pool. CSAFE records its investments at amortized cost and the District records its investment in CSAFE using the amortized cost method. Separately issued financial statements may be obtained from CSAFE at 1675 Broadway, Suite 500, Denver, CO 80202 or at www.csafe.org.

A summary of the District's total deposits and investments at December 31, 2025 is as follows:

Checking Accounts	$ 1,047,688
Net Outstanding Items	(592)
Total Bank Balances	1,047,096
CSAFE Investments	1,850,156
Total Cash and Cash Equivalents	$ 2,897,252

NOTE 2 - *CASH AND INVESTMENTS,* continued

Deposit and Investment Risk Disclosures

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits District investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The District has no investments subject to custodial credit risk.

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount it may invest in any one issuer; however the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore not subject to concentration of credit risk. The District has no deposits subject to custodial credit risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. The District has no investments that were subject to material interest rate risk as described above.

The District was not subject to foreign currency risk as of December 31, 2025.

NOTE 3 - *CAPITAL ASSETS*

A summary of changes in the District's Capital Assets follows:

	Balance 2024	Additions	Deletions	Balance 2025
Non-Depreciable				
Water rights	$ 1,213,801	$ -	$ -	$ 1,213,801
Depreciable				
Equipment	8,400	-	-	8,400
Total Capital Assets	1,222,201	-	-	1,222,201
Less Accumulated Depreciation	(467)	(2,800)	-	(3,267)
Net Capital Assets	$ 1,221,734	$ (2,800)	$ -	$ 1,218,934

NOTE 4 - *CONTINGENCIES*

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of these financial statements.

NOTE 5 - *COMMITMENTS*

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* and Statement No. 96, *Subscription-Based Information Technology Arrangements*, require recognition of certain items on the government-wide Statement of Net Assets and related note disclosures. Under these requirements, the District must determine whether a contract falls under these requirements at inception and subsequently measure, classify and recognize such commitments with contractual terms longer than twelve months. When applicable, right-to-use assets and associated obligations are included as Right-to-use Assets and Present Value of Liability, respectively, in the Statement of Net Assets. Any assets represent the District's right to use an underlying asset for the contract term and any associated liabilities represent the District's obligation to make payments, subject to annual appropriation. Operating right-of-use assets and associated liabilities are recognized based on the present value of future minimum payments to be made over the expected term, generally using the risk-free discount rate at the commencement date in determining the present value of future payments

The District has identified no commitments for leases or subscription-based information technology arrangements requiring recognition or disclosure under the requirements of GASB.

NOTE 6 - *RISK MANAGEMENT*

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

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association (SDA) of Colorado. The pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members.

There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three years. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 7 - *STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

Tabor Amendment – Revenue and Spending Limitation 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 revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. 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.

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.

NOTE 7 - *STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued*

Tabor Amendment – Revenue and Spending Limitation Amendment - *continued*

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The required reserve at December 31, 2025 is approximately $830.

The District'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, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE 8 - *SUBSEQUENT EVENTS*

Management of the District has evaluated events subsequent to December 31, 2025 through the issuance date of this report.

The District's Board of Directors have pledged $100,000 from the District to support the Colorado River Water Conservation District's acquisition of the Shoshone Water Rights subject to available revenue and future appropriations; however, no obligation has yet been recorded on the District's financial statements as of December 31, 2025, because the acquisition is subject to Colorado Water Conservation Board, Public Service Company of Colorado and the Colorado Public Utilities Commission approvals, which are projected to not be completed until 2027. Once the Colorado River Water Conservation District's acquisition of the Shoshone Water Rights approval process has been completed, it is the District's intent to record and fund the obligation subject to available revenue and appropriations, accordingly.

There have been no material events noted during this period that would impact the result reflected in this report or the District's results going forward.

REQUIRED SUPPLEMENTARY INFORMATION

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
General Fund
For the Year Ended December 31, 2025

	Original & Final Budget	Governmental Activities	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	$ 31,704	$ 31,629	$ (75)
Specific Ownership Taxes	1,000	1,460	460
Total Revenues	32,704	33,089	385
Expenditures:			
Accounting and Audit	23,490	24,131	(641)
Bonds and Insurance	2,500	2,160	340
Miscellaneous Exoense	1,000	437	563
Treasurer's Fees	1,200	1,109	91
Contingency Reserve	76,592	-	76,592
Total Expenditures	104,782	27,837	76,945
Excess Revenues Over (Under) Expenditures	(72,078)	5,252	77,330
Fund Balance - Beginning of Year	72,078	73,065	73,065
Fund Balance - End of Year	$ -	$ 78,317	$ 78,317

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

SUPPLEMENTAL INFORMATION

BASALT WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP)
With Reconciliation to GAAP Basis
Proprietary Fund
For the Year Ended December 31, 2025

	Original & Final Budget	Proprietary Fund	Variance Favorable (Unfavorable)
Revenues:			
Charges for Service			
Water Contract Fees	$ 612,850	$ 760,408	$ 147,558
Augmentation Plan Reimbursements	32,500	31,082	(1,418)
Interest Income	52,000	57,609	5,609
Total Revenues	697,350	849,099	151,749
Expenditures:			
Bad Debts	-	4,261	(4,261)
Billing and Water Administration	180,000	142,950	37,050
Bonds & Insurance	2,500	2,160	340
Directors Fees & Payroll Taxes	17,200	15,165	2,035
Dues and Subscriptions	3,500	2,598	902
Engineering and Augmentation	90,000	70,894	19,106
Legal Expenses	172,000	181,691	(9,691)
Mileage & Miscellaneous Expense	10,000	771	9,229
Repairs and Maintenane (Ditch)	15,000	-	15,000
Roundtable Participation/Education	6,500	2,600	3,900
Secretarial	5,500	7,668	(2,168)
Water Purchase	350,000	-	350,000
Water Purchase O&M	43,500	21,067	22,433
Website Expense	6,000	600	5,400
Shoshone Permancy Donation	100,000	-	100,000
Capital Outlay - Capitalized	50,000	-	50,000
Apprpriated Reserves	2,074,154	-	2,074,154
Total Budgetary Basis Expenses	3,125,854	452,425	2,673,429
Excess Revenues Over (Under) Expenditures Budget Basis	(2,428,504)	396,674	(2,521,680)
Reconciliation to GAAP			
Less Depreciation Expense		(2,800)	
Total Adjustments		(2,800)	
Net Income GAAP Basis		393,874	
Net Position - Beginning of Year	3,707,726	3,707,726	-
Net Position - End of Year	$ 1,279,222	$ 4,101,600	$ 2,822,378

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