# DOLORES WATER CONSERVANCY DISTRICT, COLORADO

## FINANCIAL STATEMENTS

## DECEMBER 31, 2025

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## DISTRICT OFFICIALS

| | |
|---|---|
| Kenneth W. Curtis III | General Manager |
| Eric Sprague | Water Resources Manager |
| Lisa Jordan | Office Administrator |
| Gina Espeland | Accounting Clerk |

## APPOINTED OFFICIALS

| | |
|---|---|
| Godwin Oliver | President |
| Glen Fish | Vice President |
| Don Schwindt | Secretary/Treasurer |
| Wesley Wilson | Director |
| Jeremy Redshaw | Director |
| Landan Wilson | Director |
| Ryan Gray | Director |

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**INDEPENDENT AUDITOR'S REPORT**

President and Members of the District Board
Dolores Water Conservancy District
Cortez, Colorado

## Report on the Audit of the Financial Statements

### Opinion

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

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4-6 and budgetary comparison information on pages 33-34 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.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules for the proprietary funds on pages 35-37 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the proprietary funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of revenue and expenditures compared with the budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

ATLAS CPAs & Advisors PLLC

Longmont, Colorado
May 8, 2026

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

This is an analysis and overview of the financial activities of the Dolores Water Conservancy District (the District) for the year ended December 31, 2025. This information should be read in conjunction with the financial statements and notes which follow:

## FINANCIAL HIGHLIGHTS

- As of December 31, 2025, there had been a slight decrease in governmental activities of $(241,668) due to lower contract revenues from Reclamation for power plant operations.
- For fiscal year 2025, the Business Type Activities net position decreased $(933,103) due to decreases in overall user fees that were driven by 50% water shortages that led the Board to discount full-service water charges (rate flip). The District also had not received grant reimbursements commensurate with expenditures and had increased materials expense due to SSPP & GCPP problems.
- We did see our investment market value increase due to higher yielding CD's in the current year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the District's financial statements which follow. The statements include:

1. Statement of Net Position
2. Statement of Revenue, Expenses, and Changes in Net Position
3. Statement of Cash Flows
4. Notes to Financial Statements

*Statements of revenue, expenses, and changes in net position* present the District revenue and expenses for the year ended December 31, 2025.

*Statements of cash flows* show the net cash flows from activities for the year ended December 31, 2025.

These statements are in compliance with Governmental Accounting Standards Board (GASB) Statements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. The District's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of the District's assets and liabilities as of December 31, 2025 and the activities which occurred during the year. All statements were prepared using the accrual basis of accounting as required by GASB.

*Notes to financial statements* provide additional information which is essential to a full understanding of the basic financial statements.

## FINANCIAL ANALYSIS

As of December 31, the District's net position was:

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Cash and Investments | $ 43,489 | $ 376,451 | $ 1,169,906 | $ 1,735,654 |
| Cash and Investments - Restricted | 2,203,365 | 2,112,721 | 7,759,457 | 7,627,902 |
| Receivables, net | 1,038,941 | 1,001,982 | 381,820 | 437,131 |
| Contracts Receivable | 7,954,782 | 8,155,742 | 3,116,854 | 3,286,031 |
| Capital Assets, net | 9,100,803 | 9,100,803 | 2,916,529 | 3,041,598 |
| Total Assets | 20,341,380 | 20,747,699 | 15,344,666 | 16,128,316 |
| Less: Liabilities and Deferred Inflows | 9,001,945 | 9,166,596 | 3,696,786 | 3,547,333 |
| Net Position | $ 11,339,435 | $ 11,581,103 | $ 11,647,880 | $ 12,580,983 |

The following is a comparison of the District's results of operations:

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| Revenues: | | | | |
| Charges for services | $ - | $ - | $ 2,425,779 | $ 3,470,334 |
| Contract revenue | 238,518 | 824,732 | 1,635,687 | 1,868,855 |
| General Revenues | 1,063,515 | 1,159,250 | 405,251 | 536,601 |
| Total Revenues | 1,302,033 | 1,938,982 | 4,466,717 | 5,875,790 |
| Expenses: | | | | |
| Administrative | 964,810 | 962,744 | - | - |
| Power plant | 578,891 | 723,504 | - | - |
| Operations & maintenance | - | - | 4,444,002 | 4,401,134 |
| TOWAOC/Highline Canal Committee | - | - | 920,065 | 1,012,827 |
| Dove Creek Lawn and Garden | - | - | 35,753 | 34,779 |
| Total Expenses | 1,543,701 | 1,686,248 | 5,399,820 | 5,448,740 |
| Change in Net Position | $ (241,668) | $ 297,734 | $ (933,103) | $ 427,050 |

*Capital Assets*. The District's investment in capital assets for its governmental type activities as of December 31, 2025, total $9,100,803 (net of accumulated depreciation). The investment in capital assets for its business-type activities totaled $2,916,529. This investment includes all water rights, vehicles, and equipment.

The District implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land and water rights which are not depreciated. Additional information on the District's capital assets can be found in Note 5 of this report.

## REQUEST FOR INFORMATION

This discussion and analysis is designed to provide a general overview of the District's activities for the year ended December 31, 2025. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: General Manager, Dolores Water Conservancy District, 60 Cactus St, Cortez, CO 81321.

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**STATEMENT OF NET POSITION**
**December 31, 2025**

| | Governmental Activities | Business - Type Activities | Total |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Investments | $ 43,489 | $ 1,169,906 | $ 1,213,395 |
| Cash and Investments - Restricted | 2,203,365 | 7,759,457 | 9,962,822 |
| Receivables: | | | |
| Taxes | 1,038,941 | - | 1,038,941 |
| Accounts | - | 375,880 | 375,880 |
| Leases | - | 5,940 | 5,940 |
| Contracts Receivable | 7,954,782 | 3,116,954 | 11,071,736 |
| TOTAL CURRENT ASSETS | 11,240,577 | 12,428,137 | 23,668,714 |
| CAPITAL ASSETS | 9,100,803 | 5,175,341 | 14,276,144 |
| Less Accumulated Depreciation | - | (2,258,812) | (2,258,812) |
| NET CAPITAL ASSETS | 9,100,803 | 2,916,529 | 12,017,332 |
| TOTAL ASSETS | 20,341,380 | 15,344,666 | 35,686,046 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | 8,222 | 97,383 | 105,605 |
| Accrued Expenses | - | 28,206 | 28,206 |
| Unearned Revenue | - | 283,852 | 283,852 |
| Current Portion of Long-Term Debt | 210,066 | 169,723 | 379,789 |
| TOTAL CURRENT LIABILITIES | 218,288 | 579,164 | 797,452 |
| LONG-TERM LIABILITIES | | | |
| Contracts Payable, Net of Current Portion | 7,744,716 | 2,947,231 | 10,691,947 |
| Accumulated Unpaid Employee Benefits | - | 165,271 | 165,271 |
| TOTAL LONG-TERM LIABILITIES | 7,744,716 | 3,112,502 | 10,857,218 |
| TOTAL LIABILITIES | 7,963,004 | 3,691,666 | 11,654,670 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows of Resources - Leases | - | 5,120 | 5,120 |
| Unavailable Revenue - Property Taxes | 1,038,941 | - | 1,038,941 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,038,941 | 5,120 | 1,044,061 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 9,100,803 | 2,916,529 | 12,017,332 |
| Restricted for Emergencies | 46,311 | - | 46,311 |
| Restricted for Projects | 1,760,983 | 3,033,574 | 4,794,557 |
| Unrestricted | 431,338 | 5,697,777 | 6,129,115 |
| TOTAL NET POSITION | $ 11,339,435 | $ 11,647,880 | $ 22,987,315 |

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

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**STATEMENT OF ACTIVITIES**
**Year Ended December 31, 2025**

| | | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---|---|---|---|---|---|---|
| | EXPENSES | CHARGES FOR SERVICES | CONTRACT REVENUE | GOVERNMENTAL ACTIVITIES | BUSINESS - TYPE ACTIVITES | TOTAL |
| FUNCTIONS/PROGRAMS | | | | | | |
| Government Activities | | | | | | |
| Current: | | | | | | |
| Administrative | $ 964,810 | $ - | $ - | $ (964,810) | $ - | $ (964,810) |
| Power Plant | 578,891 | - | 238,518 | (340,373) | - | (340,373) |
| TOTAL GOVERNMENTAL ACTIVITIES | 1,543,701 | - | 238,518 | (1,305,183) | - | (1,305,183) |
| Business - Type Activities | | | | | | |
| Current: | | | | | | |
| Operations and Maintenance | 4,444,002 | 2,368,909 | 807,031 | - | (1,268,062) | (1,268,062) |
| Towaoc/Highline Canal Committee | 920,065 | - | 828,656 | - | (91,409) | (91,409) |
| Dove Creek Lawn and Garden | 35,753 | 56,870 | - | - | 21,117 | 21,117 |
| TOTAL BUSINESS - TYPE ACTIVITIES | 5,399,820 | 2,425,779 | 1,635,687 | - | (1,338,354) | (1,338,354) |
| TOTAL PRIMARY GOVERNMENT | $ 6,943,521 | $ 2,425,779 | $ 1,874,205 | (1,305,183) | (1,338,354) | (2,643,537) |
| GENERAL REVENUES | | | | | | |
| Property Taxes | | | | 1,024,755 | - | 1,024,755 |
| Investment earnings | | | | 98,724 | 345,251 | 443,975 |
| Miscellaneous | | | | 36 | - | 36 |
| TRANSFERS | | | | (60,000) | 60,000 | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | 1,063,515 | 405,251 | 1,468,766 |
| CHANGE IN NET POSITION | | | | (241,668) | (933,103) | (1,174,771) |
| NET POSITION - Beginning of Year | | | | 11,581,103 | 12,580,983 | 24,162,086 |
| NET POSITION - End of Year | | | | $ 11,339,435 | $ 11,647,880 | $ 22,987,315 |

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

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**BALANCE SHEET - GOVERNMENTAL FUNDS**
**December 31, 2025**

| | GENERAL (ADMINISTRATIVE) | POWER PLANTS | TOTALS |
|---|---|---|---|
| ASSETS | | | |
| Cash and Investments | $ 29,603 | $ 13,886 | $ 43,489 |
| Cash and Investments - Restricted | 2,203,365 | - | 2,203,365 |
| Receivables: | | | |
| Taxes | 1,038,941 | - | 1,038,941 |
| TOTAL ASSETS | $ 3,271,909 | $ 13,886 | $ 3,285,795 |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts Payable | $ 8,222 | $ - | $ 8,222 |
| TOTAL LIABILITIES | 8,222 | - | 8,222 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 1,038,941 | - | 1,038,941 |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Restricted - Emergencies | 46,311 | - | 46,311 |
| Restricted | 1,288,382 | - | 1,288,382 |
| Committed | 458,715 | 13,886 | 472,601 |
| Unassigned | 431,338 | - | 431,338 |
| TOTAL FUND BALANCES | 2,224,746 | 13,886 | 2,238,632 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 3,271,909 | $ 13,886 | $ 3,285,795 |
| FUND BALANCE - GOVERNMENTAL FUNDS | | | $ 2,238,632 |
| Capital assets used in governmental activities are not resources and are not reported in the funds: | | | |
| Capital Assets | | | 9,100,803 |
| Accumulated Depreciation | | | - |
| Contract payments to be provided by system users | | | 7,954,782 |
| Long-term liabilities are not due and payable in the current period | | | (7,954,782) |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | | | $ 11,339,435 |

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

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**
**Year Ended December 31, 2025**

| | GENERAL (ADMINISTRATIVE) | POWER PLANTS | TOTALS |
|---|---|---|---|
| REVENUES | | | |
| Property Tax | $ 1,024,755 | $ - | $ 1,024,755 |
| Reimbursement Contracts | - | 238,518 | 238,518 |
| Interest | 782 | 13 | 795 |
| Investment income, net of investment expenses | 97,929 | - | 97,929 |
| Miscellaneous | 36 | - | 36 |
| TOTAL REVENUES | 1,123,502 | 238,531 | 1,362,033 |
| EXPENDITURES | | | |
| Current: | | | |
| Contracts | 772,788 | - | 772,788 |
| Directors | 27,583 | - | 27,583 |
| Office | 47,638 | - | 47,638 |
| Professional Services | 86,992 | - | 86,992 |
| Project Promotion | 671 | - | 671 |
| Training | 7,752 | 11,801 | 19,553 |
| Treasurer's Fees | 21,386 | - | 21,386 |
| Operating Expenses | - | 312,792 | 312,792 |
| Electric Power | - | 663 | 663 |
| Insurance | - | 6,794 | 6,794 |
| Materials, Parts & Supplies | - | 246,841 | 246,841 |
| TOTAL EXPENDITURES | 964,810 | 578,891 | 1,543,701 |
| REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES | 158,692 | (340,360) | (181,668) |
| OTHER FINANCING USES | | | |
| Transfers (Out) | (60,000) | - | (60,000) |
| REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES | 98,692 | (340,360) | (241,668) |
| FUND BALANCE, Beginning of Year | 2,126,054 | 354,246 | 2,480,300 |
| FUND BALANCE, Ending | $ 2,224,746 | $ 13,886 | $ 2,238,632 |
| Net Change in Fund Balances - Total Governmental Funds | | | $ (241,668) |
| Change in Net Position - Governmental Activities | | | $ (241,668) |

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

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**STATEMENT OF NET POSITION -**
**PROPRIETARY FUNDS**
**December 31, 2025**

| | OPERATIONS AND MAINTENANCE | TOWAOC/ HIGHLINE CANAL COMMITTEE | DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM | TOTAL |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Investments | $ 769,806 | $ 347,911 | $ 52,189 | $ 1,169,906 |
| Cash and Investments - Restricted | 7,335,772 | 358,233 | 65,452 | 7,759,457 |
| Contracts Receivable | 3,116,954 | - | - | 3,116,954 |
| Lease receivable | 5,940 | - | - | 5,940 |
| Accounts Receivable | 293,304 | - | 82,576 | 375,880 |
| TOTAL CURRENT ASSETS | 11,521,776 | 706,144 | 200,217 | 12,428,137 |
| CAPITAL ASSETS | | | | |
| Water Rights | 2,266,000 | - | - | 2,266,000 |
| Equipment | 2,909,341 | - | - | 2,909,341 |
| Total Capital Assets | 5,175,341 | - | - | 5,175,341 |
| Accumulated Depreciation | (2,258,812) | - | - | (2,258,812) |
| NET CAPITAL ASSETS | 2,916,529 | - | - | 2,916,529 |
| TOTAL ASSETS | 14,438,305 | 706,144 | 200,217 | 15,344,666 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | 94,630 | 2,753 | - | 97,383 |
| Accrued Expenses | 28,206 | - | - | 28,206 |
| Unearned Revenue | - | 283,852 | - | 283,852 |
| Current Portion of Contracts Payable | 169,723 | - | - | 169,723 |
| TOTAL CURRENT LIABILITIES | 292,559 | 286,605 | - | 579,164 |
| LONG-TERM LIABILITIES | | | | |
| Contracts Payable | 2,947,231 | - | - | 2,947,231 |
| Accumulated Unpaid Employee Benefits | 165,271 | - | - | 165,271 |
| TOTAL LONG-TERM LIABILITIES | 3,112,502 | - | - | 3,112,502 |
| TOTAL LIABILITIES | 3,405,061 | 286,605 | - | 3,691,666 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources - leases | 5,120 | - | - | 5,120 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 2,916,529 | - | - | 2,916,529 |
| Restricted for Projects | 2,609,889 | 358,233 | 65,452 | 3,033,574 |
| Unrestricted | 5,501,706 | 61,306 | 134,765 | 5,697,777 |
| TOTAL NET POSITION | $ 11,028,124 | $ 419,539 | $ 200,217 | $ 11,647,880 |

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

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**
**Year Ended December 31, 2025**

| | OPERATIONS AND MAINTENANCE | TOWAOC/ HIGHLINE CANAL COMMITTEE | DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM | TOTAL |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| Users' Fees | $ 2,368,909 | $ - | $ 56,870 | $ 2,425,779 |
| Reimbursement Contracts | 807,031 | 828,656 | - | 1,635,687 |
| TOTAL OPERATING REVENUES | 3,175,940 | 828,656 | 56,870 | 4,061,466 |
| OPERATING EXPENSES | | | | |
| Contracts | 1,225,006 | - | 13,242 | 1,238,248 |
| Electric Power | 318,654 | 17,836 | 4,174 | 340,664 |
| Employee | 1,372,701 | - | 15,286 | 1,387,987 |
| Materials, Parts & Supplies | 1,087,408 | - | 3,051 | 1,090,459 |
| Office Expense | 77,037 | - | - | 77,037 |
| Professional Expense | 86,018 | - | - | 86,018 |
| Training | 22,867 | - | - | 22,867 |
| Operating Expenses | - | 220,023 | - | 220,023 |
| Administration | - | 15,751 | - | 15,751 |
| Maintenance | - | 666,455 | - | 666,455 |
| Depreciation | 185,049 | - | - | 185,049 |
| TOTAL OPERATING EXPENSES | 4,444,002 | 920,065 | 35,753 | 5,399,820 |
| OPERATING INCOME (LOSS) | (1,268,062) | (91,409) | 21,117 | (1,338,354) |
| NONOPERATING INCOME (EXPENSE) | | | | |
| Investment income, net of investment expenses | (29,695) | 19,492 | - | (10,203) |
| Interest Income | 332,390 | 20,301 | 2,763 | 355,454 |
| NONOPERATING INCOME (EXPENSE) | 302,695 | 39,793 | 2,763 | 345,251 |
| NET INCOME (LOSS) BEFORE TRANSFERS | (965,367) | (51,616) | 23,880 | (993,103) |
| TRANSFERS | | | | |
| Transfers In | 60,000 | - | - | 60,000 |
| NET TRANSFERS | 60,000 | - | - | 60,000 |
| NET INCOME (LOSS) | (905,367) | (51,616) | 23,880 | (933,103) |
| NET POSITION, Beginning of Year | 11,933,491 | 471,155 | 176,337 | 12,580,983 |
| NET POSITION, Ending | $ 11,028,124 | $ 419,539 | $ 200,217 | $ 11,647,880 |

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

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**STATEMENT OF CASH FLOWS -**
**PROPRIETARY FUNDS**
**Year Ended December 31, 2025**

| | OPERATIONS AND MAINTENANCE | TOWAOC/ HIGHLINE CANAL COMMITTEE | DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM | TOTAL |
|---|---|---|---|---|
| Cash Flows From Operating Activities: | | | | |
| Cash Received from Users and Contracts | $ 3,393,076 | $ 1,112,508 | $ 52,878 | $ 4,558,462 |
| Cash Paid to Suppliers for Goods and Services | (2,947,242) | (918,783) | (22,511) | (3,888,536) |
| Cash Paid to Employees for Services and Administration | (1,437,152) | - | (13,242) | (1,450,394) |
| Net Cash Provided (Used) by Operating Activities | (991,318) | 193,725 | 17,125 | (780,468) |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Transfers In | 60,000 | - | - | 60,000 |
| Net Cash Provided by Noncapital Financing Activities | 60,000 | - | - | 60,000 |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Net (Acquisition) Disposition of Investments | 1,004 | - | - | 1,004 |
| Net (Acquisition) Disposition of Capital Assets | (59,980) | - | - | (59,980) |
| Net Cash (Used) by Capital and Related Financing Activities | (58,976) | - | - | (58,976) |
| Cash Flows From Investing Activities: | | | | |
| Investment Income, net of Expenses | (29,695) | 19,492 | - | (10,203) |
| Interest Received from Investments | 332,390 | 20,301 | 2,763 | 355,454 |
| Net Cash Provided (Used) by Investing Activities | 302,695 | 39,793 | 2,763 | 345,251 |
| Net Increase (Decrease) in Cash | (687,599) | 233,518 | 19,888 | (434,193) |
| CASH AND INVESTMENTS, Beginning | 8,793,177 | 472,626 | 97,753 | 9,363,556 |
| CASH AND INVESTMENTS, Ending | $ 8,105,578 | $ 706,144 | $ 117,641 | $ 8,929,363 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Income (Loss) | $ (1,268,062) | $ (91,409) | $ 21,117 | $ (1,338,354) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | 185,049 | - | - | 185,049 |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 48,059 | - | (3,992) | 44,067 |
| (Increase) Decrease in Contracts Receivable | 169,077 | - | - | 169,077 |
| Increase (Decrease) in Accounts Payable | 42,712 | 1,282 | - | 43,994 |
| Increase (Decrease) in Contracts Payable | (169,077) | - | - | (169,077) |
| Increase (Decrease) in Accrued Expenses | (1,085) | | - | (1,085) |
| Increase (Decrease) in Unearned Revenue | - | 283,852 | - | 283,852 |
| Increase (Decrease) in Accumulated Unpaid Benefits | 2,009 | - | - | 2,009 |
| Total Adjustments | 276,744 | 285,134 | (3,992) | 557,886 |
| Net Cash Provided (Used) by Operating Activities | $ (991,318) | $ 193,725 | $ 17,125 | $ (780,468) |

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dolores Water Conservancy District, Colorado (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### Definition of the Reporting Entity

The District (District) is a political subdivision of the State of Colorado and is included in parts of Montezuma and Dolores Counties. The District is governed by a seven member board of directors appointed by the 22nd Judicial District Court in Cortez, Colorado.

The District was formed in 1961 for the purpose of acquiring and appropriating waters of the Dolores River, its tributaries and other sources of supply, to divert, impound and store such water and conduct such water in and to the District and use such water for domestic, irrigation, power, manufacturing and other purposes. In 1977, the District entered into a contract with the United States Bureau of Reclamation (Bureau) to manage the water and maintain the facilities of the Dolores Project and make repayment to the Bureau for the construction costs. The Dolores Project includes: the McPhee Dam; tunnel; and canals for distribution of water to various areas in Montezuma and Dolores Counties of Colorado.

The President, Vice-President and Secretary-Treasurer are elected at the first regular meeting in even numbered years and serve a two-year term of office. This Board serves as the legislative and policymaking body of the District. The District Manager, chief administrative officer for the District, is appointed by the Board and is responsible for the general administration of all District business.

The accompanying financial statements present the activities of the District. Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the financial statements. The District has no component units and is not included in any other governmental reporting entity .

### Fund Accounting

The government-wide financial statement (i.e., the statement of net position and the statement of activities) reports information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities (which normally are supported by taxes, charges for services and intergovernmental revenues) are reported separately from business-type activities (which rely to a significant extent on user charges for support).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

## Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The General Fund is called the Administrative fund and is used to account for all revenues and expenditures not accounted for in another fund. The Administrative fund accounts for the general administrative activities of the District. The Fund's revenues consist primarily of property taxes and interest.
- The Power Plants Fund accounts for the operation and maintenance of the project's power plants. The power plants have not been transferred to the District as part of the project but are maintained by the District under contract with the Bureau. The Fund's revenues consist primarily of reimbursement contract amounts.

The District reports the following major business-type activity funds:

- The Operations and Maintenance Fund accounts for the operations and maintenance of project facilities for which responsibility for operations and maintenance has been transferred to the District from the Bureau.
- The Towaoc/Highline Canal Committee Fund accounts for operations and maintenance of the Towaoc/Highline Canal portion of the Dolores Project. This fund is required according to an agreement among: the District; Bureau; Montezuma Valley Irrigation Company; and the Ute Mountain Ute Tribe.
- The Dove Creek Lawn and Garden Secondary System Fund was established in 2003. It is used to account for the revenues and costs associated with the construction of a secondary watering system to be used for lawns and gardens in the Dove Creek area. This fund also accounts for the operation and maintenance of the system.

## Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is typically 60 days. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include:

1) Principal and interest on general long-term debt, which is recognized when due and
2) Compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are reimbursement contracts and charges for services. Entitlement revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The statement of revenues, expenses, and changes in net position distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations.

## Cash and Cash Equivalents

For purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

## Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value. The change in value of investments is recognized as an increase or decrease to investment assets and investment income.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make: (1) estimates and assumptions that affect the reported amounts of assets and liabilities and (2) disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Property Taxes

Property taxes for the current year are levied and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31.

## Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the District as assets that have a useful life of one or more years and for which the initial, individual value equals or exceeds the following dollar amounts:

| Assets Class | Dollar Value |
|---|---|
| Water Rights | No Minimum |
| Vehicles and Equipment | $ 5,000 |

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| Assets Class | Useful Life |
|---|---|
| Vehicles and Equipment | 5 – 30 years |

## Long-Term Liabilities

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise fund type statement of net position.

The long-term compensated absences are serviced from revenues of the Operations and Maintenance Fund from future appropriations.

## Compensated Absences

Compensated absences arise from policies concerning vacation and sick leave. Vacation leave accumulates at a rate of 6.667 hours per month of employment. Any unused sick leave will be paid to employees upon termination at 25 percent of their regular rate, and 50 percent upon retirement.

Vacation time accrues at a rate of 6.667 hours per month for the first four years of employment. After that it accrues at a rate of 10 hours per month. Employees may accrue up to 240 hours, which will be paid upon termination if not used. The following amounts were vested as of December 31, 2025:

| | |
|---|---|
| Vacation and Compensatory Leave | $165,271 |

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for that leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented effective January 1, 2024. The implementation of the standard did not have an effect on the District in the current year.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period, so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The District has items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue - property taxes*, is reported in the government-wide statement of net position and in the governmental funds balance sheet.

### Net Position/Fund Balances

Net Position: Net position in the government-wide financial statements are classified as: (1) net invested in capital assets; (2) restricted; and (3) unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, granters, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balances: In the governmental fund financial statements, the following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders or other debt holders, contributors, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority through an ordinance or resolution. Committed fund balance can also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action (ordinance or resolution) to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned.

### Interfund Transactions

All interfund transfers are reported as transfers in or transfers out.

### Leases

Effective January 1, 2022, the District implemented GASB No. 87, Leases. As the lessee, the District determines whether a contract is, or contains a lease at inception. Lease agreements with a maximum lease term of twelve months or less, including options to extend, are accounted for as short-term leases. Lease agreements that transfer ownership of the underlying asset to the District at the end of the contract are recorded as a finance purchase with a related lease liability. Lease agreements not classified as a short-term lease, or a finance purchase are accounted for as an intangible right to use lease asset. An Intangible right to use lease asset represents the District's right to use an underlying asset during the lease term and the lease liability represents the District's obligation to make lease payments arising from the lease. Intangible right to use lease assets and lease liabilities are recognized at lease commencement based upon the estimate prevent value of unpaid lease payments over the lease term. The District uses its incremental borrowing rate based on information available at lease commencement in determining the present value of unpaid lease payments. As the lessor, the District applies the same criteria but recognizes a lease receivable and a deferred inflow of resources equal to the present value of the lease payments.

### Subscription-Based IT Arrangements

Effective January 1, 2023, the District implemented GASB No. 96, Subscription-Based Information Technology Arrangements (SBITA). The District determines whether a contract conveys control of the right to use another party's (SBITA vendor's) IT software, infrastructure, or data warehouse, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The SBITA liability is the present value of the annual payments using the District's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement.

The District did not have any SBITA's that were material or applicable to the implementation of the new standard during the year ended December 31, 2025. Therefore, GASB No. 96 did not affect the financial statement presentation and disclosure.

### Accounting Changes and Error Corrections

Effective January 1, 2024, the District implemented GASB No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The standard did not have any impact on the District's financial statements for the year ended December 31, 2025. Therefore, GASB No. 100 does not affect the financial statement presentation and disclosure.

## NOTE 2: BUDGETARY REQUIREMENTS

The District Board follows the procedures listed below in establishing the budgetary data reflected in the financial statements.

1) On or before October 15, the District Manager shall submit to the Board a proposed budget for the next ensuing budget year with an explanatory message. The proposed budget provides a complete financial plan for the District.
2) The budget is in sufficient detail to show each fund's estimated revenues by source and estimated expenditures. The budget is arranged to show comparative figures for receipts and expenditures for the last completed fiscal year, estimates for the current year, and the District Manager's recommendations for the ensuing year.
3) A public hearing is conducted to obtain taxpayer comments.
4) The Board shall adopt an annual budget no later than the regular December meeting of the District for the ensuring year, pursuant to the "Local Government Budget Law of Colorado." The District Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the District Board.
5) The level on which expenditures may not legally exceed appropriations is the legally adopted annual operating budget for each fund in total.
6) The District Board may legally amend the budget by ordinance once it has been approved. Budgeted amounts are shown as adopted by the District Board, including all amendments.

## NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between fund balances (total governmental funds and net position) and governmental activities, as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances and changes in net position of governmental activities, as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the government fund statements during the consolidation of governmental activities.

## NOTE 4: CASH, DEPOSITS AND INVESTMENTS

The District cash, deposits and investments at December 31, 2025 are:

| Deposits: | Rating | Carrying Value | Less Than One Year | One to Five Years |
|---|---|---|---|---|
| Checking | N/A | $ 1,213,395 | $ 1,213,395 | $ - |
| Investments: | | | | |
| CD | N/A | 3,701,745 | 738,071 | 2,963,674 |
| COLOTRUST | AAA by S&P | 6,261,077 | 6,261,077 | - |
| Total Investments | | 9,962,822 | 6,999,148 | 2,963,674 |
| **Total cash and investments** | | $ 11,176,217 | $ 8,212,543 | $ 2,963,674 |

| Reconciliation to Statement of Net Position | |
|---|---|
| Current: | |
| Cash and Investments | $ 1,213,395 |
| Restricted: | |
| Investments | 9,962,822 |
| Total | $ 11,176,217 |

Cash Invested - Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools and obligations of the United States Government. The District maintains a cash pool for checking transactions that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash".

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Depository Protection Act ("POPA"). The FDIC insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are collateralized as required by POPA. The carrying amount of the District's demand deposits was $1,213,395 at year end.

Interest Rate Risk - The District's reserve investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but the State policy allows up to a 5 year limit.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's reserve investment policy does not further limit its investment choices.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

The District invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield.

The District invests in an investment pool: the Colorado Liquid Assets Trust (COLOTRUST), which is a 2a7-like pool. The fair value of the pool is determined by the pool's net asset value. The District has no regulatory oversight for the pool. At December 31, 2025, the District had an investment of $6,261,077 in COLOTRUST.

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

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

| Investments Measured at Fair Value | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Certificates of Deposit | $ 3,701,745 | $ 3,701,745 | $ - | $ - |
| Investments Measured at Net Asset Value | | | | |
| Colotrust | 6,261,077 | | | |
| Total Investments | $ 9,962,822 | | | |

**NOTE 5: CAPITAL ASSETS**

| | Balance 1/1/25 | Additions | Deletions | Balance 12/31/25 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Not depreciated: | | | | |
| Water Rights | $ 9,100,803 | $ - | $ - | $ 9,100,803 |
| Net Capital Assets | $ 9,100,803 | $ - | $ - | $ 9,100,803 |

| | Balance 1/1/25 | Additions | Deletions | Balance 12/31/25 |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| Not depreciated: | | | | |
| Water Rights, Class B | $ 2,266,000 | $ - | $ - | $ 2,266,000 |
| Depreciable capital assets: | | | | |
| Equipment | 2,849,361 | 59,980 | - | 2,909,341 |
| Total Depreciable: | 2,849,361 | 59,980 | - | 2,909,341 |
| Less: Accumulated Depreciation | (2,073,763) | (185,049) | - | (2,258,812) |
| Net Capital Assets | $ 3,041,598 | $ (125,069) | $ - | $ 2,916,529 |

All business-type depreciation is related to the Operations & Maintenance Fund.

## NOTE 6 LEASE INCOME

The District leases space under a non-cancelable operating lease with 1 tenant. Designated space was initially leased via a five-year lease term, with increasing yearly rent ranging from $931/month to $1,007/month.

Lease income totaled $11,975 for the year ended December 31, 2025.

## NOTE 7 CONTRACTS AND COMMITMENTS

On September 23, 1977, the District entered into a contract with the United States Bureau of Reclamation (the Bureau) for the repayment of the cost of the Dolores Project.

The contract stipulates that the District is to begin payments as water becomes available for the various end users. The payment for municipal and industrial water (domestic water) will include interest at 6.063 percent per annum over 50 annual payments. The domestic water payments can be deferred (all or part) without interest for up to ten years from which the water is first available. Payments for irrigation water are to begin five (5) years after the facilities are in full operation. No interest is charged for the payments of irrigation water.

On June 4, 1985, the District entered into a contract with the Bureau to provide service as needed for the completion and maintenance of the Dolores Project until the facilities are transferred to the District for maintenance. The agreement states that the Bureau will advance the District monies to perform the services and the District will do whatever is required by the Bureau to complete the project and maintain the facilities. The agreement was substantially completed in 1998.

## NOTE 8: CONTRACTS RECEIVABLE

In accordance with the repayment contract with the Bureau, the District is to provide water to various entities and individuals throughout the District. These entities and individuals are required to pay for their share of the project costs under a 50 year repayment contract with the District. The District uses the proceeds to partially repay its obligation to the Bureau.

Contracts receivable at December 31, 2025 are as follows:

| | | Balance |
|---|---|---|
| Town of Dove Creek had water available and began using it in 1991. They also began to pay their obligation at that time. Interest accrues at 6.063 percent per annum on the unpaid principal balance. Annual payments, including interest, Are $29,948 and are due February 1st of each year. | $ | 307,346 |
| Montezuma Valley Irrigation Company began repayment in 1990. The Contract calls for annual payments of $63,220 with no interest. | | 1,547,668 |
| Full-service users are farmers whose land has been allocated a portion of irrigation water from the project. The contract calls for payments with no interest to begin five years after the irrigation system is in full operation. The FairView and Cahone canals became operational in1992, the South canal in 1994 and the Dove Creek canal in1995. The total annual payments to be assessed the users of these canals is $73,300 annually. | | 193,600 |
| Montezuma Valley Irrigation Company is also obligated to pay $10 for each account (users to whom water is delivered) each year, for the 50 year period. The number of accounts is to be determined every five years. Currently, Montezuma Valley Irrigation Company pays for 1,465 accounts or $14,650 each year. | | 884,800 |
| Full-service users are also obligated to pay $50 each, each year for 50 years beginning five years after service became available. There are currently 194 full- service users with total annual payments of $9,700. | | 183,540 |
| **Total Contracts Receivable – Business-Type Activities** | $ | 3,116,954 |

## NOTE 9: CONTRACTS PAYABLE

In 1977, the District entered into a contract with the United States Bureau of Reclamation to repay the construction costs of the Dolores Project. The contract calls for the repayment to begin when various portions of the project are completed and placed in service. In 1996, the taxpayers of the District voted to raise the mill levy and assume a. portion of the obligation which the Town of Dove Creek had agreed to pay in the original contract, but were seeking relief because of the lack of need. The portion of the obligation, which is being paid from fee collections and from contracts receivable, are accounted for in the enterprise fund.

Contracts payable at December 31, 2025 are as follows:

| Business-Type Activities | Balance |
|---|---|
| Municipal and industrial water for domestic use in the Town of Dove Creek was first available in 1987. Partial payments began at that time. Interest accrues on the unpaid balance at 6.063 percent. Annual payments, including interest, are $29,948 for the Town of Dove Creek, due February 1st of each year. | $ 307,346 |
| Irrigation water was available beginning in 1990. Payments began in 1995. Annual payments are $158,410. No interest is charged for this portion of the obligation. | 2,809,608 |
| **Total Contracts Payable – Business-Type Activities** | $ 3,116,954 |

The annual requirements to amortize this portion of the contract as of December 31, 2025 are as follows:

| | Town of Dove Creek | | Fairview & Cahone | Dove Creek Block | South Canal Block |
|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Principal | Principal |
| 2026 | $ 11,313 | $ 18,635 | $ 36,654 | $ 8,376 | $ 28,270 |
| 2027 | 11,999 | 17,949 | 36,654 | 8,376 | 28,270 |
| 2028 | 12,727 | 17,221 | 36,654 | 8,376 | 28,270 |
| 2029 | 13,499 | 16,449 | 36,654 | 8,376 | 28,270 |
| 2030 | 14,317 | 15,631 | 36,654 | 8,376 | 28,270 |
| 2031-35 | 85,709 | 64,031 | 183,270 | 41,880 | 141,350 |
| 2036-40 | 115,097 | 34,702 | 183,270 | 41,880 | 141,350 |
| 2041-45 | 41,728 | 4,692 | 183,270 | 41,880 | 141,350 |
| 2046-48 | 957 | 58 | - | 25,128 | 56,540 |
| Total | $ 307,346 | $ 189,368 | $ 733,080 | $ 192,648 | $ 621,940 |

| Year | Full Service Users Principal | Montezuma Valley Irrigation Principal | Montezuma Valley Irrigation Principal | Total Principal |
|---|---|---|---|---|
| 2026 | $ 8,800 | $ 63,200 | $ 13,110 | $ 169,723 |
| 2027 | 8,800 | 63,200 | 13,110 | 170,409 |
| 2028 | 8,800 | 63,200 | 13,110 | 171,137 |
| 2029 | 8,800 | 63,200 | 13,110 | 171,909 |
| 2030 | 8,800 | 63,200 | 13,110 | 172,727 |
| 2031-35 | 44,000 | 316,000 | 65,550 | 877,759 |
| 2036-40 | 44,000 | 252,800 | 52,440 | 830,837 |
| 2041-45 | 44,000 | - | - | 452,228 |
| 2046-48 | 17,600 | - | - | 100,225 |
| Total | $ 193,600 | $ 884,800 | $ 183,540 | $ 3,116,954 |

Total interest paid for business-type activities in 2025 was $19,281.

| Governmental Activities | Balance |
|---|---|
| Municipal and industrial water for domestic user in Montezuma and Dolores County rural area was first available in 1987. Partial payments began at that time. Interest accrues at 6.063 percent interest. Annual payments, including interest, are $546,175 and due February 1st of each year. | $ 6,380,959 |
| Ad valorem tax of ½ mills of the assessed value of all taxable property within the District is to be paid as it is collected for 50 years after water becomes available to the District. The total obligation will depend on the assessed value of property each year. | 1,573,823 |
| **Total Contracts Payable – Governmental Activities** | $ 7,954,782 |

The annual requirements to amortize this portion of the contract are:

| | Blocks 2-4, 2-5 | | Blocks 3-6 | | Ad Valorem Tax | Total | Total |
|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Principal | Interest |
| 2026 | $ 149,379 | $ 362,661 | $ 9,918 | $ 24,217 | $ 50,769 | $ 210,066 | $ 386,878 |
| 2027 | 158,436 | 353,604 | 10,519 | 23,616 | 50,769 | 219,724 | 377,220 |
| 2028 | 168,042 | 343,998 | 11,157 | 22,978 | 50,769 | 229,968 | 366,976 |
| 2029 | 178,230 | 333,810 | 11,833 | 22,302 | 50,769 | 240,832 | 356,112 |
| 2030 | 189,037 | 323,003 | 12,551 | 21,584 | 50,769 | 252,357 | 344,587 |
| 2031-35 | 1,131,649 | 1,428,551 | 75,135 | 95,540 | 253,845 | 1,460,629 | 1,524,091 |
| 2036-40 | 1,507,133 | 1,042,312 | 100,847 | 69,828 | 253,845 | 1,861,825 | 1,112,140 |
| 2041-45 | 2,019,494 | 527,271 | 135,355 | 35,320 | 253,845 | 2,408,694 | 562,591 |
| 2046-50 | 480,134 | 29,111 | 32,110 | 1,947 | 253,845 | 766,089 | 31,058 |
| 2051-55 | - | - | - | - | 253,845 | 253,845 | - |
| 2056 | - | - | - | - | 50,753 | 50,753 | - |
| Total | $ 5,981,534 | $ 4,744,321 | $ 399,425 | $ 317,332 | $ 1,573,823 | $ 7,954,782 | $ 5,061,653 |

Total interest paid for governmental activities in 2025 was $395,984.

## NOTE 10: LONG-TERM LIABILITIES

The following table summarizes the changes in the District's long-term liabilities for the year ended December 31, 2025:

| Governmental Activities | Balance January 1, 2025 | Borrowings | Repayments | Balance December 31, 2025 | Due Within One Year |
|---|---|---|---|---|---|
| Contracts Payable | $ 8,155,742 | $ - | $ (200,960) | $ 7,954,782 | $ 210,066 |
| Total | $ 8,155,742 | $ - | $ (200,960) | $ 7,954,782 | $ 210,066 |

| Business-Type Activities | Balance January 1, 2025 | Borrowings | Repayments | Balance December 31, 2025 | Due Within One Year |
|---|---|---|---|---|---|
| Contracts Payable | $ 3,286,031 | $ - | $ (169,077) | $ 3,116,954 | $ 169,723 |
| Compensated Absences (net) | 163,262 | 2,009 | - | 165,271 | 82,636 |
| Total | $ 3,449,293 | $ 2,009 | $ (169,077) | $ 3,282,225 | $ 252,359 |

## NOTE 11: INTERFUND TRANSACTIONS

The following is a summary of transfers from and to other funds during December 31, 2025:

| | Transfers In | Transfers Out |
|---|---|---|
| Administrative Fund | $ - | $ 60,000 |
| Operations and Maintenance Fund | 60,000 | - |
| | $ 60,000 | $ 60,000 |

## NOTE 12: RESTRICTED EQUITY

The following investments have been restricted and committed per District agreements or actions:

| Activity | Restricted | Committed |
|---|---|---|
| TOWAOC Highline | $ 358,233 | $ - |
| Operating Reserve | - | 466,045 |
| TABOR Reserve | 44,426 | - |
| Water Supply Management | - | 2,231,052 |
| WETPack Reserve | - | 218,771 |
| Discretionary Reserve | - | 458,715 |
| Dove Creek Project Reserve | 65,452 | - |
| Capital Reserve | 311,766 | - |
| Future Projects Reserve | - | 1,970,706 |
| Repayment/Holding Reserve | 260,907 | - |
| Election Water Repayment | 1,388,458 | - |
| Replacement Reserve | - | 780,568 |
| Deficiency Reserve | - | 225,794 |
| McPhee Gate Repair | 1,181,929 | - |
| | $ 3,611,171 | $ 6,351,651 |

## NOTE 13: RETIREMENT COMMITMENTS

The District provides a deferred compensation plan that is a defined contribution plan under IRS Code Section 457, and is completely voluntary, administered by Nationwide Insurance ("Dolores Water Conservancy District Section 457 Deferred Compensation Plan"). Benefit terms, including contribution requirements, are established & amended by related IRS rules and are approved and adopted by the District Board. Employees are allowed to contribute to the plan up to 25 percent of their annual salaries. The District will match their employee's contribution, on a 50 percent basis, up to six (6) percent of the employee's salary. Therefore, the District's maximum contribution to the plan would be three (3) percent of the employee's salary. Employees are immediately vested in all contributions. For the year ended December 31, 2025, employee contributions totaled $78,074, and the District recognized pension expense of $18,619.

The District also has a single-employer defined contribution plan under IRS Code Section 401(a), administered by Nationwide Insurance ("Dolores Water Conservancy District Money Purchase Plan and Trust"). This Plan is a defined contribution money purchase plan. The District has no future liability to this Plan. Benefit terms, including contribution requirements, are established and amended by related IRS rules and are approved and adopted by the District Board. The District contributes five (5) percent of eligible employees' salaries to the plan. These contributions are vested at 20 percent each year of service and become fully vested after 5 years. Nonvested District contributions are forfeited upon termination; such forfeitures are used first used to pay any administrative plan expenses and then allocated to the total compensation of all participants. For the year ended December 31, 2025, the District recognized pension expense of $53,804, which includes $0 of credited forfeitures.

## NOTE 14: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and general liability.

### Colorado Special Districts Property and Liability Pool

The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). Additionally, the District is afforded certain protection under the Colorado Governmental Immunity Act which limits the District's liability in certain situations to $387,000 per person and $1,093,000 per occurrence. The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to $1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, worker's compensation, and public officials coverage. 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 member. 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.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2024 (the last audited information available) is as follows:

| | | |
|---|---|---|
| **Assets** | $ | 86,648,039 |
| Liabilities | $ | 57,746,885 |
| Capital and Surplus | | 28,901,154 |
| **Total** | $ | 86,648,039 |
| | | |
| Revenue | $ | 32,245,532 |
| Underwriting expenses | | 30,236,676 |
| Underwriting income | | 2,008,856 |
| Other income | | 2,533,713 |
| **Net Income** | $ | 4,542,569 |

## NOTE 15: CONTINGENCIES

Claims and Judgments: The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of December 31, 2025 grant expenditures have not been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## NOTE 16: TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

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 that 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. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

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

TABOR also requires local governments to establish an emergency reserve to be used to declare emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved $46,311, which is the approximate required reserve at December 31, 2025.

The District's voters approved the following ballot issue on November 3, 2015:

Shall Dolores Water Conservancy District be authorized to collect, retain, and spend all revenues and other funds received from all sources, including without limitation grants, fees, and the District's existing general operating property tax, which property tax shall not be increased without voter approval, commencing January 1, 2015 and in each year thereafter, as a voter approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution or any other law, and as a permanent waiver of the 5.5% limitation under Section 29-1-301 C.R.S.

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 17: COMPLIANCE WITH STATE STATUTES

Expenditures in the TOWAOC/Highline Canal Committee, exceeded appropriations by $35,763. This may be a violation of State statutes.

## NOTE 18: SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated transactions for potential disclosure through May 8, 2026, the date the financial statements were available to be issued. Management has determined that the 2026 drought has caused more extreme water shortages than 2025 yielding about 15% for the full-service farmers. Water rates were flipped again in April 2026 by $10/AF. The net result will be significant revenue shortfalls though operating material costs are expected to run below budget. The District will consider transfers from water supply reserve funds intended to cover revenue shortfalls due to the drought. Other than items previously mentioned, there are no other events that occurred subsequent to December 31, 2025 that require disclosure.

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL (ADMINISTRATIVE) FUND**
**Year Ended December 31, 2025**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE-FAVORABLE (UNFAVORABLE) |
|---|---|---|---|---|
| REVENUES | | | | |
| Property Tax | $ 1,086,222 | $ 1,086,222 | $ 1,024,755 | $ (61,467) |
| Interest | 1,000 | 1,000 | 782 | (218) |
| Investment income, net of investment expenses | - | - | 97,929 | - |
| Other | 35 | 35 | 36 | 1 |
| TOTAL REVENUES | 1,087,257 | 1,087,257 | 1,123,502 | (61,684) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contracts | 790,525 | 790,525 | 772,788 | 17,737 |
| Directors | 25,400 | 25,400 | 27,583 | (2,183) |
| Office | 40,950 | 40,950 | 47,638 | (6,688) |
| Professional Services | 127,500 | 127,500 | 86,992 | 40,508 |
| Project Promotion | 4,000 | 4,000 | 671 | 3,329 |
| Training | - | - | 7,752 | (7,752) |
| Treasurer's Fees | 25,050 | 25,050 | 21,386 | 3,664 |
| TOTAL EXPENDITURES | 1,013,425 | 1,013,425 | 964,810 | 48,615 |
| EXCESS OF REVENUES OVER EXPENDITURES | 73,832 | 73,832 | 158,692 | (13,069) |
| OTHER FINANCING (USES) | | | | |
| Transfers (Out) | (73,652) | (73,652) | (60,000) | 13,652 |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 180 | 180 | 98,692 | 583 |
| FUND BALANCE, Beginning of Year | 1,575,423 | 1,575,423 | 2,126,054 | 550,631 |
| FUND BALANCE, Ending | $ 1,575,603 | $ 1,575,603 | $ 2,224,746 | $ 551,214 |

See the accompanying Independent Auditor's Report.

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**BUDGETARY COMPARISON SCHEDULE**
**POWER PLANTS FUND**
**Year Ended December 31, 2025**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE-FAVORABLE (UNFAVORABLE) |
|---|---|---|---|---|
| REVENUES | | | | |
| Reimbursement Contracts | $ 922,836 | $ 922,836 | $ 238,518 | $ (684,318) |
| Interest | 50 | 50 | 13 | (37) |
| TOTAL REVENUES | 922,886 | 922,886 | 238,531 | (684,355) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Operating Expenses | 659,000 | 659,000 | 312,792 | 346,208 |
| Electric Power | 1,000 | 1,000 | 663 | 337 |
| Insurance | 7,000 | 7,000 | 6,794 | 206 |
| Materials, Parts & Supplies | 187,000 | 187,000 | 246,841 | (59,841) |
| Training | 60,000 | 60,000 | 11,801 | 48,199 |
| TOTAL EXPENDITURES | 914,000 | 914,000 | 578,891 | 335,109 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 8,886 | 8,886 | (340,360) | 349,246 |
| FUND BALANCE, Beginning of Year | (83,942) | (22,802) | 354,246 | 331,444 |
| FUND BALANCE, Ending | $ (75,056) | $ (13,916) | $ 13,886 | $ (17,802) |

See the accompanying Independent Auditor's Report.

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**BUDGETARY COMPARISON SCHEDULE**
**OPERATIONS AND MAINTENANCE FUND**
**Year Ended December 31, 2025**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE-FAVORABLE (UNFAVORABLE) |
|---|---|---|---|---|
| REVENUES | | | | |
| User Fees | $ 3,171,690 | $ 3,171,690 | $ 2,416,968 | $ (754,722) |
| Reimbursed Contracts | 1,047,511 | 1,047,511 | 807,031 | (240,480) |
| TOTAL REVENUES | 4,219,201 | 4,219,201 | 3,223,999 | (995,202) |
| EXPENSES | | | | |
| Operating Expenses | | | | |
| Contracts | 1,294,513 | 1,294,513 | 1,175,749 | 118,764 |
| Electric Power | 459,850 | 459,850 | 312,091 | 147,759 |
| Employee | 1,570,756 | 1,570,756 | 1,372,820 | 197,936 |
| Insurance | 68,000 | 68,000 | 65,256 | 2,744 |
| Materials, Parts & Supplies | 950,000 | 950,000 | 1,051,313 | (101,313) |
| Office Expense | 62,000 | 62,000 | 74,410 | (12,410) |
| Professional Expense | 110,000 | 110,000 | 86,018 | 23,982 |
| Training | 37,000 | 37,000 | 22,779 | 14,221 |
| Capital Outlay | 85,000 | 85,000 | 63,867 | 21,133 |
| TOTAL OPERATING EXPENSES | 4,637,119 | 4,637,119 | 4,224,303 | 412,816 |
| NET (LOSS) FROM OPERATIONS | (417,918) | (417,918) | (1,000,304) | (1,408,018) |
| NONOPERATING REVENUES | | | | |
| Investment income, net of investment expenses | - | - | (29,695) | (29,695) |
| Interest income | 47,000 | 47,000 | 332,390 | 285,390 |
| TOTAL NONOPERATING REVENUES | 47,000 | 47,000 | 302,695 | 255,695 |
| NET (LOSS) BEFORE TRANSFERS | (370,918) | (370,918) | (697,609) | (1,152,323) |
| TRANSFERS IN | 163,523 | 163,523 | 60,000 | (103,523) |
| NET (LOSS) | $ (207,395) | $ (207,395) | (637,609) | $ (1,255,846) |
| ADJUSTMENTS TO GAAP BASIS OF NET (LOSS) | | | | |
| Depreciation | | | (185,049) | |
| Accounts Receivable | | | (48,059) | |
| Contracts Receivable | | | 169,077 | |
| Accounts Payable | | | (94,630) | |
| Capital Outlay | | | 59,980 | |
| Debt Service | | | (169,077) | |
| NET (LOSS) - GAAP BASIS | | | $ (905,367) | |

See the accompanying Independent Auditor's Report.

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**BUDGETARY COMPARISON SCHEDULE**
**TOWAOC/HIGHLINE CANAL COMMITTEE FUND**
**Year Ended December 31, 2025**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE-FAVORABLE (UNFAVORABLE) |
|---|---|---|---|---|
| REVENUES | | | | |
| Reimbursement Contracts | $ 881,549 | $ 881,549 | $ 828,656 | $ (52,893) |
| TOTAL REVENUES | 881,549 | 881,549 | 828,656 | (52,893) |
| EXPENSES | | | | |
| Operating Expenses | 151,000 | 151,000 | 220,023 | (69,023) |
| Electric Power | 20,291 | 20,291 | 15,139 | 5,152 |
| Office Expense | 309 | 309 | - | 309 |
| Administration | 18,670 | 18,670 | 15,751 | 2,919 |
| Maintenance | 691,279 | 691,279 | 666,399 | 24,880 |
| TOTAL OPERATING EXPENSES | 881,549 | 881,549 | 917,312 | (35,763) |
| NET (LOSS) FROM OPERATIONS | $ - | $ - | $ (88,656) | $ (88,656) |
| NONOPERATING REVENUES | | | | |
| Investment income, net of investment expenses | - | - | 19,492 | 19,492 |
| Interest income | 725 | 725 | 20,301 | 19,576 |
| TOTAL NONOPERATING REVENUES | 725 | 725 | 39,793 | 39,068 |
| NET INCOME (LOSS) | $ 725 | $ 725 | (48,863) | $ (49,588) |
| ADJUSTMENTS TO GAAP BASIS OF NET (LOSS) | | | | |
| Accounts Payable | | | (2,753) | |
| NET (LOSS) - GAAP BASIS | | | $ (51,616) | |

See the accompanying Independent Auditor's Report.

**DOLORES WATER CONSERVANCY DISTRICT, COLORADO**

**BUDGETARY COMPARISON SCHEDULE**
**DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM FUND**
**Year Ended December 31, 2025**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE-FAVORABLE (UNFAVORABLE) |
|---|---|---|---|---|
| REVENUES | | | | |
| Users' Fees | $ 46,600 | $ 46,600 | $ 52,878 | $ 6,278 |
| Interest | 159 | 159 | 2,763 | 2,604 |
| TOTAL REVENUES | 46,759 | 46,759 | 55,641 | 8,882 |
| EXPENSES | | | | |
| Operating Expenses | | | | |
| Contracts | 13,900 | 13,900 | 13,242 | 658 |
| Electric Power | 4,000 | 4,000 | 4,174 | (174) |
| Employee | 18,250 | 18,250 | 15,286 | 2,964 |
| Materials, Parts and Supplies | 57,750 | 57,750 | 3,051 | 54,699 |
| TOTAL OPERATING EXPENSES | 93,900 | 93,900 | 35,753 | 58,147 |
| NET INCOME (LOSS) | $ (47,141) | $ (47,141) | 19,888 | $ 67,029 |
| ADJUSTMENTS TO GAAP BASIS OF NET INCOME | | | | |
| Accounts Receivable | | | 3,992 | |
| NET INCOME - GAAP BASIS | | | $ 23,880 | |

See the accompanying Independent Auditor's Report.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

President and Members of the District Board
Dolores Water Conservancy District
Cortez, Colorado

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Dolores Water Conservancy District, Colorado (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, and have issued our report thereon dated May 8, 2026.

### *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATLAS CPAs & Advisors PLLC

Longmont, Colorado
May 8, 2026