

LOWER ARKANSAS VALLEY
WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2025

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 669

ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812

Andrew H. Froese CPA 719-980-1962

INDEPENDENT AUDITORS' REPORT

Board of Directors

Lower Arkansas Valley Water Conservancy District

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Lower Arkansas Valley Water Conservancy District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lower Arkansas Valley Water Conservancy District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lower Arkansas Valley Water Conservancy District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 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 Lower Arkansas Valley Water Conservancy District's basic financial statements. The individual fund financial statements and budget schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budget schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



HANCOCK FROESE & COMPANY LLC

Rocky Ford, Colorado
June 12, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lower Arkansas Valley Water Conservancy District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2025. This information is presented in conjunction with the audited financial statements that follow this section.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement No. 34.

District-Wide Financial Statements

The district-wide statement consists of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets, deferred inflows of resources and liabilities and activities of the District in a manner similar to private sector businesses. The District's net position, the difference between assets and liabilities, is one way to measure the District's 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. In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities: governmental activities and business-type activities.

Governmental Activities - The activity of the District's general fund is reported here. Property taxes, specific ownership taxes, and interest income make up the majority of the revenues and general and administration expenditures are the major activities of this fund.

Business-Type Activities - The District manages two enterprise activity funds. The Water Activity Enterprise Fund develops and operates the District's water right assets and the Lower Ark Valley Engineering Services Enterprise Fund develops and operates the District's engineering services. The activities of the Water Activity Enterprise Fund and Lower Ark Valley Engineering Services Enterprise Fund are supported by engineering services, leasing activities and reimbursements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into two categories: governmental funds and proprietary funds.

Governmental Fund - The District's basic services are reported in the 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. This fund is reported using the modified accrual basis of accounting, which measures cash and 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects.

Proprietary Funds - The District maintains two proprietary funds – the Water Activity Enterprise Fund and the Lower Ark Valley Engineering Services Enterprise Fund. Both funds are reported using the accrual basis of accounting. Both enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information. The District uses the enterprise funds to account for the District's water management operations and engineering services.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to basic financial statements can be found following the financial statements.

District-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$34,170,274 at the end of the current year.

Financial Highlights

The total net position of the District exceeded its liabilities and deferred inflows of resources by \$34,170,274. Of this amount \$28,056,612 (unrestricted net position) less intangible assets of \$18,822,580 may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by \$1,575,008 during the current year. The net position of our governmental activities increased by \$1,036,674 and net position of our business-type activities increased by \$538,334.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of \$8,158,666 an increase of \$1,036,674 in comparison with the prior year balances of \$7,121,992
- At the end of the current year, unrestricted net position for the governmental activities was \$7,750,893.

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2025 and 2024.

Statement of Net Position

2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 11,806,088	\$ 2,218,190	\$ 14,024,278
Total Non-Current Assets	-	51,501	51,501
Total Capital Assets	96,629	7,290,692	7,387,321
Total Intangible Assets	233,744	18,588,836	18,822,580
TOTAL ASSETS	\$ 12,136,461	\$ 28,149,219	\$ 40,285,680
Liabilities:			
Current Liabilities	\$ 718,195	\$ 176,936	\$ 895,131
Non-Current Liabilities	-	1,914,227	1,914,227
Total Liabilities	718,195	2,091,163	2,809,358
Deferred Inflows of Resources	3,259,600	46,448	3,306,048
Net Position:			
Net investment in Capital Assets	330,373	5,376,465	5,706,838
Restricted	77,400	329,424	406,824
Unrestricted	7,750,893	20,305,719	28,056,612
Total Net Position	8,158,893	26,011,608	34,170,274
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 12,136,461	\$ 28,149,219	\$ 40,285,680

2024

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 10,129,950	\$ 2,067,860	\$ 12,197,710
Total Non-Current Assets	-	55,211	55,211
Total Capital Assets	103,634	7,305,665	7,409,299
Total Intangible Assets	-	18,588,836	18,588,836
TOTAL ASSETS	\$ 10,233,484	\$ 28,017,572	\$ 38,251,056
Liabilities:			
Current Liabilities	\$ 242,992	\$ 579,091	\$ 822,083
Non-Current Liabilities	-	1,914,227	1,914,227
Total Liabilities	242,992	2,493,318	2,736,310
Deferred Inflows of Resources	2,868,500	50,980	2,919,480
Net Position:			
Net investment in Capital Assets	103,634	5,228,711	5,332,345
Restricted	56,700	313,288	369,988
Unrestricted	6,961,658	19,931,275	26,892,933
Total Net Position	7,121,992	25,473,274	32,595,266
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 10,233,484	\$ 28,017,572	\$ 38,251,056

Statement of Activities

The change in net position for the governmental activities was \$1,036,674 for the year ended December 31, 2025 and 1,669,740 for the year ended December 31, 2024. The change in net position for the business-type activities was \$538,334 for the year ended December 31, 2025 and \$243,883 for the year ended December 31, 2024. The perspective of the statement of activities is of the District as a whole.

The following tables reflect the change in net position for the years 2025 and 2024:

				CHANGES IN NET POSITION		
2025			Capital and Operating			
Functions	Expenses	Charges for Services	Reimbursements & Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,350,626	\$ -	\$ 36,578	\$ (2,314,048)	\$ -	\$ (2,314,048)
TOTAL BUSINESS-TYPE ACTIVITIES	1,778,203	1,187,436	1,099,674	-	508,907	508,907
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,128,829</u>	<u>\$ 1,187,436</u>	<u>\$ 1,136,252</u>	(2,314,048)	508,907	(1,805,141)
TOTAL GENERAL REVENUES				3,350,722	29,427	3,380,149
CHANGE IN NET POSITION				1,036,674	538,334	1,575,008
NET POSITION JANUARY 1				<u>7,121,992</u>	<u>25,473,274</u>	<u>32,595,266</u>
NET POSITION DECEMBER 31				<u>\$ 8,158,666</u>	<u>\$ 26,011,608</u>	<u>\$ 34,170,274</u>

				CHANGES IN NET POSITION		
2024			Capital and Operating			
Functions	Expenses	Charges for Services	Reimbursements & Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,894,223	\$ -	\$ 37,723	\$ (1,856,500)	\$ -	\$ (1,856,500)
TOTAL BUSINESS-TYPE ACTIVITIES	1,794,126	988,815	995,294	-	199,983	199,983
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,688,349</u>	<u>\$ 988,815</u>	<u>\$ 1,033,017</u>	(1,856,500)	199,983	(1,656,517)
TOTAL GENERAL REVENUES				3,526,240	43,900	3,570,140
CHANGE IN NET POSITION				1,669,740	243,883	1,913,623
NET POSITION JANUARY 1				<u>5,452,252</u>	<u>25,229,391</u>	<u>30,681,643</u>
NET POSITION DECEMBER 31				<u>\$ 7,121,992</u>	<u>\$ 25,473,274</u>	<u>\$ 32,595,266</u>

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2025:

	<u>Final Budget</u>	<u>Actual</u>
2025		
Total Revenues	\$ 3,123,600	\$ 3,387,300
Total Expenditures	3,532,400	2,577,365
Transfers Out	-	-
Revenues over (under) Expenditures and other sources	(\$408,800)	809,935
Fund Balance January 1	7,018,358	7,018,358
Fund Balance December 31	6,609,558	7,828,293

Revenues: Changes between actual revenues and budgeted amounts were mainly due to an increase in property and specific ownership tax receipts when compared to the budgeted amount as well as the reimbursement received in 2025.

Expenditures: Changes between actual expenditures and budgeted amounts were due to general government expenditures being less than the budgeted amount.

WATER ACTIVITY ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON WATER ACTIVITY ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2025:

2025

Revenues:	Final Budget	Actual
Water Leasing	\$ 5,000	\$ 5,000
Fees	40,000	47,952
Management Fees	900,000	839,251
Reimbursements and Other	-	9,395
Interest	1,400	1,298
Total Revenues	\$ 946,400	\$ 902,896

Changes between actual revenue and budgeted amounts were primarily due to operational changes resulting from water leasing revenue, reimbursements, and management fees.

Expenditures: Budget comparison for year ended December 31, 2025:

2025

Expenditures:	Final Budget	Actual
Water Leases	\$ 40,000	\$ -
Water Storage Fees	146,300	134,492
Dry up and Revegetation	17,000	28,058
Super Ditch	95,000	70,654
Depreciation	-	1,106
General and Administrative	253,600	254,511
Professional Services	-	3,428
Water Assessments and Costs	80,000	81,216
Interest	30,000	27,375
Water and Capital Acquisitions	300,000	-
Water Conservation Services	-	9,395
Debt Service	165,000	162,727
Conservation Easement	62,000	66,289
Contingency	94,700	-
	\$1,283,600	\$ 839,251

Changes between actual expenditures and budgeted amounts were primarily due to operational changes, and lower general and administration, and conservation easement expenditures than anticipated.

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON LAV ENGINEERING SERVICES ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2025:

2025

Revenues:	Final Budget	Actual
Lease Income	\$ 10,000	\$ 10,532
Fees	35,000	15,299
Management Fees	600,000	269,402
Reimbursements and Other	746,000	1,090,279
Other	3,000	28,129
Total Revenues	\$ 1,394,000	\$ 1,413,641

Changes between actual revenue and budgeted amounts were primarily due to lower reimbursement and management revenue received than was anticipated.

Expenditures: Budget comparison for year ended December 31, 2025:

2025

Expenditures:	Final Budget	Actual
Water Quality Projects	\$ 15,500	\$ 11,197
Depreciation	-	13,867
General and Administrative	259,800	99,235
Soil Quality Projects	2,000	-
Pond Study	-	-
Property Taxes	600	1,340
Repairs & Maintenance	22,000	14,154
Other	1,000	16,098
Water Conservation Services	772,500	945,788
Capital Outlay	-	-
Contingency	139,400	-
Total Expenditures	\$ 1,212,800	\$ 1,101,679

Changes between actual expenditures and budgeted amounts were primarily due to lower general and administrative, soil quality projects expenditures and water conservation services expenditures than anticipated.

Capital Activity

The District's mission is to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley. One attempt in keeping water in the valley is to purchase water/land with the end result that the water will remain in the valley.

Long-Term Liabilities

Long Term Liabilities include loans with Colorado Water Conservation Board and Eleanor Schiro for the purchase of water stock in the Colorado Canal Company, Lake Henry Reservoir Company, and Lake Meredith Reservoir.

Contacting the District's Financial Management

The District's financial statements are designed to present users (water users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability.

If you have any question regarding this report or need additional information, please contact:

Lower Arkansas Valley Water Conservancy District
801 Swink Ave
Rocky Ford, CO 81067
(719) 254-5115 phone (719) 254-5150 fax

BASIC FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 8,429,831	\$ 1,179,536	\$ 9,609,367
RESTRICTED CASH	-	329,424	329,424
RECEIVABLES (NET)			
REIMBURSEMENT RECEIVABLES	-	60,505	60,505
ACCRUED INTEREST RECEIVABLE	43,994	-	43,994
LEASE RECEIVABLE	-	3,710	3,710
TAXES RECEIVABLE	3,259,600	-	3,259,600
WATER INVENTORY	-	97,036	97,036
DEPOSITS	41,552	-	41,552
PREPAIDS	-	129,650	129,650
DUE FROM OTHER FUNDS	-	417,131	417,131
DUE FROM OTHER ENTITIES	31,111	1,198	32,309
NONCURRENT ASSETS			
LEASE RECEIVABLE	-	51,501	51,501
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	80,894	279,987	360,881
LAND	15,735	20,143	35,878
WATER STOCK	-	6,990,562	6,990,562
INTANGIBLE ASSETS	233,744	18,588,836	18,822,580
TOTAL ASSETS	<u>\$ 12,136,461</u>	<u>\$ 28,149,219</u>	<u>\$ 40,285,680</u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 225,123	\$ 69,456	\$ 294,579
ACCRUED EXPENSES	113,004	70,417	183,421
UNEARNED REVENUE	-	-	-
DUE TO OTHER FUNDS	380,068	37,063	417,131
NONCURRENT LIABILITIES:			
DUE WITHIN ONE YEAR	-	165,200	165,200
DUE IN MORE THAN ONE YEAR	-	1,749,027	1,749,027
TOTAL LIABILITIES	<u>718,195</u>	<u>2,091,163</u>	<u>2,809,358</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	3,259,600	-	3,259,600
DEFERRED REVENUES - LEASE	-	46,448	46,448
TOTAL DEFERRED INFLOW OF RESOURCES	<u>3,259,600</u>	<u>46,448</u>	<u>3,306,048</u>
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	330,373	5,376,465	5,706,838
RESTRICTED FOR			
EMERGENCIES - TABOR	77,400	-	77,400
STEWARDSHIP COSTS	-	181,029	181,029
DEBT RETIREMENT	-	148,395	148,395
UNRESTRICTED	7,750,893	20,305,719	28,056,612
NET POSITION	<u>8,158,666</u>	<u>26,011,608</u>	<u>34,170,274</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 12,136,461</u>	<u>\$ 28,149,219</u>	<u>\$ 40,285,680</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

FUNCTIONS GOVERNMENTAL ACTIVITIES GENERAL GOVERNMENT	PROGRAM REVENUES			CHANGES IN NET POSITION		
	CHARGES FOR SERVICES	OPERATING REIMBURSEMENTS & CONTRIBUTIONS	CAPITAL REIMBURSEMENTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
	EXPENSES					
	\$ 2,350,626	\$ -	\$ 36,578	\$ -	\$ (2,314,048)	\$ -
	2,350,626	-	36,578	-	(2,314,048)	-
TOTAL GOVERNMENTAL ACTIVITIES						(2,314,048)
BUSINESS-TYPE ACTIVITIES WATER CONSERVATION	1,778,203	1,187,436	1,099,674	-	-	508,907
TOTAL BUSINESS-TYPE ACTIVITIES	1,778,203	1,187,436	1,099,674	-	-	508,907
TOTAL PRIMARY GOVERNMENT	\$ 4,128,829	\$ 1,187,436	\$ 1,136,252	\$ -	(2,314,048)	(1,805,141)
GENERAL REVENUES:						
				2,840,043	-	2,840,043
				268,571	-	268,571
				242,108	29,427	271,535
TOTAL GENERAL REVENUES				3,350,722	29,427	3,380,149
CHANGE IN NET POSITION				1,036,674	538,334	1,575,008
NET POSITION JANUARY 1				7,121,992	25,473,274	32,595,266
NET POSITION DECEMBER 31				\$ 8,158,666	\$ 26,011,608	\$ 34,170,274

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2025

ASSETS

CASH IN BANKS	\$ 8,429,831
ACCRUED INTEREST RECEIVABLE	43,994
TAXES RECEIVABLE	3,259,600
DEPOSITS	41,552
DUE FROM OTHER FUNDS	-
DUE FROM OTHER ENTITIES	31,111

TOTAL ASSETS	<u>\$ 11,806,088</u>
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LIABILITIES

ACCOUNTS PAYABLE	\$ 225,123
ACCRUED EXPENSES	113,004
DUE TO OTHER FUNDS	380,068

TOTAL LIABILITIES	<u>718,195</u>
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DEFERRED INFLOWS OF RESOURCES

DEFERRED REVENUE - PROPERTY TAX	<u>3,259,600</u>
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FUND BALANCE

RESTRICTED FOR EMERGENCIES - TABOR	77,400
ASSIGNED FOR FUTURE YEARS EXPENDITURES	431,900
UNASSIGNED	<u>7,318,993</u>

TOTAL FUND BALANCE	<u>7,828,293</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 11,806,088</u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

TOTAL FUND BALANCE - GOVERNMENTAL FUND			\$ 7,828,293
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS.			
THE COST OF THE CAPITAL ASSET IS		384,347	
ACCUMULATED DEPRECIATION IS		<u>(53,974)</u>	
			<u>330,373</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 8,158,666</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2025

REVENUES	
TAXES	\$ 3,108,614
REIMBURSEMENTS	36,578
MISCELLANEOUS	<u>242,108</u>
TOTAL REVENUES	<u>3,387,300</u>
EXPENDITURES	
GENERAL GOVERNMENT	2,577,365
CAPITAL OUTLAY	<u>-</u>
TOTAL REVENUES	<u>2,577,365</u>
REVENUES OVER (UNDER) EXPENDITURES	809,935
FUND BALANCE JANUARY 1	<u>7,018,358</u>
FUND BALANCE DECEMBER 31	<u>\$ 7,828,293</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

NET CHANGE IN FUND BALANCE	\$ 809,935
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GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES.
HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE
ASSETS ARE ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND
REPORTED AS DEPRECIATION EXPENSE. THIS IS THE AMOUNT BY WHICH
CAPITAL OUTLAYS DIFFER FROM DEPRECIATION IN THE CURRENT PERIOD.

CAPITAL OUTLAY	233,744
DEPRECIATION EXPENSE	(7,005)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,036,674</u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CURRENT ASSETS			
CASH	\$ 199,262	\$ 980,274	\$ 1,179,536
REIMBURSEMENT RECEIVABLES	9,395	51,110	60,505
LEASE RECEIVABLE	-	3,710	3,710
WATER INVENTORY	97,036	-	97,036
PREPAIDS	129,150	500	129,650
DUE FROM OTHER FUNDS	417,131	-	417,131
DUE FROM OTHER ENTITIES	1,198	-	1,198
TOTAL CURRENT ASSETS	853,172	1,035,594	1,888,766
RESTRICTED ASSETS			
RESTRICTED CASH	329,424	-	329,424
NONCURRENT ASSETS			
LEASE RECEIVABLE	-	51,501	51,501
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	70,000	209,987	279,987
LAND	20,143	-	20,143
WATER STOCK	6,990,562	-	6,990,562
NET CAPITAL ASSETS	7,080,705	209,987	7,290,692
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	18,588,836	-	18,588,836
TOTAL ASSETS	\$ 26,852,137	\$ 1,297,082	\$ 28,149,219
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$ 39,857	\$ 29,599	\$ 69,456
ACCRUED EXPENSES	51,788	18,629	70,417
DUE TO OTHER FUNDS	-	37,063	37,063
UNEARNED REVENUE	-	-	-
NOTES PAYABLE - CURRENT	165,200	-	165,200
TOTAL CURRENT LIABILITIES	256,845	85,291	342,136
NONCURRENT LIABILITIES			
NOTES PAYABLE	1,749,027	-	1,749,027
TOTAL LIABILITIES	2,005,872	85,291	2,091,163
DEFERRED INFLOW OF RESOURCES			
LEASE	-	46,448	46,448
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	5,166,478	209,987	5,376,465
RESTRICTED FOR STEWARDSHIP COSTS	181,029	-	181,029
RESTRICTED FOR DEBT RETIREMENT	148,395	-	148,395
UNRESTRICTED	19,350,363	955,356	20,305,719
TOTAL NET POSITION	24,846,265	1,165,343	26,011,608
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 26,852,137	\$ 1,297,082	\$ 28,149,219

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
OPERATING REVENUES			
LEASE INCOME	\$ 5,000	\$ 10,532	\$ 15,532
FEE INCOME	47,952	15,299	63,251
MANAGEMENT FEES AND REIMBURSEMENTS	839,251	269,402	1,108,653
TOTAL OPERATING REVENUES	892,203	295,233	1,187,436
OPERATING EXPENSES			
DRY UP AND REVEGETATION	28,058	-	28,058
SUPER DITCH	70,654	-	70,654
EASEMENTS	66,289	-	66,289
NEPA STORAGE	7,316	-	7,316
WATER QUALITY PROJECTS	-	11,197	11,197
DEPRECIATION	1,106	13,867	14,973
STORAGE FEES	127,176	-	127,176
PERSONNEL	232,104	99,235	331,339
PROFESSIONAL SERVICES	3,428	-	3,428
WATER ASSESSMENTS	81,216	-	81,216
PROPERTY TAXES	3,707	1,340	5,047
REPAIRS AND MAINTENANCE	-	14,154	14,154
OTHER	18,700	16,098	34,798
TOTAL OPERATING EXPENSES	639,754	155,891	795,645
OPERATING INCOME	252,449	139,342	391,791
NONOPERATING REVENUES (EXPENSES)			
INTEREST AND OTHER INCOME	1,298	28,129	29,427
INTEREST EXPENSE	(27,375)	-	(27,375)
WATER CONSERVATION SERVICES	(9,395)	(945,788)	(955,183)
REIMBURSEMENT FOR SERVICES	9,395	1,090,279	1,099,674
TOTAL NONOPERATING REVENUES (EXPENSES)	(26,077)	172,620	146,543
CHANGE IN NET POSITION	226,372	311,962	538,334
NET POSITION JANUARY 1	24,619,893	853,381	25,473,274
NET POSITION DECEMBER 31	\$ 24,846,265	\$ 1,165,343	\$ 26,011,608

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2025

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIVED FROM CUSTOMERS	\$ 62,909	\$ 24,342	\$ 87,251
RECEIVED FROM INTERFUND ACTIVITIES	637,481	208,047	845,528
PAYMENTS FOR SUPPLIES, GOODS AND SERVICES	(392,831)	(18,995)	(411,826)
PAYMENTS TO EMPLOYEES	(223,891)	(100,233)	(324,124)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	83,668	113,161	196,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
REIMBURSEMENT FOR SERVICES	-	822,013	822,013
PAYMENTS FOR WATER CONSERVATION SERVICES	(9,395)	(945,788)	(955,183)
NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES	(9,395)	(123,775)	(133,170)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
ACQUISITION OF CAPITAL ASSETS & WATER STOCK	-	-	-
LOAN PAYMENTS	(162,727)	-	(162,727)
INTEREST PAID	(31,507)	-	(31,507)
NET CASH PROVIDED (USED) IN CAPITAL & RELATED FINANCING ACTIVITIES	(194,234)	-	(194,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
INTEREST RECEIVED AND OTHER	1,298	28,129	29,427
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,298	28,129	29,427
NET CHANGE IN CASH AND RESTRICTED CASH	(118,663)	17,515	(101,148)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	647,349	962,759	1,610,108
CASH AND RESTRICTED CASH - END OF YEAR	\$ 528,686	\$ 980,274	\$ 1,508,960
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES			
OPERATING INCOME	\$ 252,449	\$ 139,342	\$ 391,791
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES			
DEPRECIATION	1,106	13,867	14,973
CHANGES IN ASSETS AND LIABILITIES			
RECEIVABLES AND PREPAIDS	(2,075)	3,043	968
WATER INVENTORY	(16,452)	-	(16,452)
DUE FROM/TO OTHER FUNDS	(201,770)	(61,355)	(263,125)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	40,453	22,796	63,249
DUE FROM/TO OTHER ENTITIES	9,957	-	9,957
DEFERRED INFLOW OF RESOURCES	-	(4,532)	(4,532)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 83,668	\$ 113,161	\$ 196,829

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Arkansas Valley Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes and as decreed by the District Court in and for Pueblo County, in 2002. The Court appoints a seven-member Board of Directors to act as the governing authority. The mission of the District is to acquire, retain, and conserve native water flowing in the Arkansas River and its tributaries in the five counties comprising the District. The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The District's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" amended by GASB Statement No. 39, describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB Statement No. 14. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units, if applicable. Currently no component units have been included in the District's reporting entity because of a lack of significant operational or financial relationship with the District.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*" which amended GASB Statement No. 14 to clarify the reporting of equity interests in legally separate organizations. If a government owns a majority of the equity interest in a legally separate organization (for example, through acquisition of its voting stock) and the government's intent for owning the equity interest is not directly to enhance its ability to provide governmental services it should report the equity interest as an investment. The District's investment is water stock that has been purchased. As of December 31, 2025, the Lower Arkansas Valley Water Conservancy District owned 14,997.020 shares or approximately 88% of Larkspur Inc. The Larkspur Inc. is a mutual irrigation company that provides for the storage and distribution of irrigation water for the mutual benefit of its stockholders.

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental and proprietary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as 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.

Property and specific ownership taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and entitlement awards are recorded as revenue when earned. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The District reports the following major governmental funds:

General Fund - The general fund is the general operation fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major proprietary funds:

Water Activity Enterprise Fund – Accounts for the activities of water acquisition, retainage, and conservation within the Lower Arkansas River region.

Lower Ark Valley Engineering Services Enterprise Fund – Accounts for the activities of engineering services provided by the District.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are composed of water and water stock sales, leasing activities, management fees, engineering services and reimbursements. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise funds account for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at the present time it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Budgets and Budgetary Accounting

The District adheres to the following procedures in establishing budgeting data reflected in the financial statements:

Public hearings are held to obtain taxpayer comment

Prior to December 31, the budget is adopted by formal resolution.

Revisions that alter the total expenditures of any fund generally must be approved by the Board of Directors.

Appropriations lapse at year end and any open purchase items must be reappropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level. For the year ended December 31, 2025, there were no funds of the District in violation.

Cash and Cash Equivalents

The District's cash and cash equivalents are represented by cash on hand as well as demand deposits and certificate of deposits held in banks. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of net positions of the proprietary funds that sum to the total of the same such amounts shown in the statement of cash flows:

	Water Activity Enterprise Fund	Lower Ark Valley Engineering Services Enterprise Fund	Total Proprietary Funds
Cash and Cash Equivalents	\$ 199,262	\$ 980,274	\$ 1,179,536
Restricted Assets	329,424	-	329,424
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows	<u>\$ 528,686</u>	<u>\$ 980,274</u>	<u>\$ 1,508,960</u>

Restricted Cash / Assets

Restricted cash in the proprietary funds represent payments received for stewardship fees on conservation easements and cash set aside for debt retirement per loan covenants.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash / Assets (Continued)

Restricted cash balances at December 31, 2025 are restricted as follows:

	Water Activity Enterprise Fund	Lower Ark Valley Engineering Services Enterprise Fund
Cash Restricted for Stewardship Costs	\$ 181,029	\$ -
Cash Restricted for Debt Retirement	148,395	-
Total Restricted Cash / Assets	<u>\$ 329,424</u>	<u>\$ -</u>

Water Inventory

The water inventory is carried at the lower of cost or market, with cost determined using the expenses involved in acquiring water held in storage.

Reimbursement Receivables

Reimbursement receivables consist primarily of noninterest-bearing amounts due for District operations related to water activity, engineering services and other projects. The District determines the allowance for uncollectable reimbursement receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Reimbursement receivables are written off when deemed uncollectable. At December 31, 2025, no allowance was noted. The full reimbursement outstanding balance for all funds is deemed current, collectable within a year.

Lease Receivable

Leased assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the District at or before the commencement of the lease term, less any lease incentives received from the District at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Leases entered into by the District had an agreement that conveyed the right to use the asset, whether it be a building, land, vehicle, or equipment. The lease agreement was analyzed to determine the recognition of GASB statement No. 87 "Leases". Leases that met the guidelines of the lease standard were at least over a 12-month period and were over the District's defined threshold of \$5,000. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure the lease receivable.

The lease receivable balance was \$55,211 for the year ended December 31, 2025. The deferred inflow of resources balance as of December 31, 2025 was \$46,448. See Note 4 – Lease Receivable for further details.

Due To / From Other Funds and Entities

Outstanding balances between funds and other entities are reported as "due to/from other funds" or "due to/from other entities". For "due to/from other funds", any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Capital Assets

Capital assets, which include water stocks, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The monetary threshold for capitalization of assets is \$5,000. The District's depreciable capital assets currently consist of assets being depreciated over 5 - 40 years.

Water Stocks

Water stocks represent an investment in stocks that the District has purchased in canal and reservoir companies in the area served by the District. The water stocks are recorded at cost. Based on the fact that the water stocks have a perpetual life and a decrease in value is remote, depreciation is not recognized.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets consist of conservation easements and computer dry-up mapping software. The intangible assets are reported as follows:

	General Fund	Water Activity Enterprise Fund	Total Intangible Assets
Conservation Easements	\$ -	\$ 18,588,836	\$ 18,588,836
Computer Dry-up Mapping Software	233,744	-	233,744
Total Intangible Assets	<u>\$ 233,744</u>	<u>\$ 18,588,836</u>	<u>\$ 18,822,580</u>

Conservation Easements: The conservation easements were donated by landowners or purchased by the District. Under GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", easements are capitalized if donated by the landowners or purchased by the District. The District recognizes contribution easement revenue from donated conservation easements as the difference between the appraised value before the donated conservation easement and the appraised value after the donated conservation easement. The District records the easements using an indefinite useful life since there is no legal, contractual, regulatory, technological, or other factors that limit the useful life of the easements. Due to the indefinite useful life of the easements recorded, they are not amortized.

Computer Dry-up Mapping Software: The cost of developing the computer dry-up mapping model software is being capitalized and the District records the software using an indefinite life since there is no legal, contractual, regulatory, technological, or other factors that limit the useful life of the software. Due to the indefinite useful life of the software recorded, it is not amortized. The District will evaluate the carrying value of the capitalized software for impairment whenever events or changes in circumstances indicate an impairment loss should be recognized.

Water Leases

The right to use water from certain canal companies and reservoirs in the area is leased from the stockholders of these entities for a period designated in the leases. The District in turn rents the right to the water to individuals or entities that wish to use the water for a fee. The lease is amortized into expense over the term of the lease, usually one year. The revenue from the use of the water is recognized as earned based on the terms of the lease.

Accrued Compensated Absences

The District recognizes the accrual in the general fund in that it is expected that the liability will be liquidated with expendable available financial resources.

Property Tax Revenues Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied December 15 and are due and payable in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year to the County Treasurers and are recorded as revenue in the year for which they are levied. Accordingly, the taxes receivable is for the next year and are recorded as deferred revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category.

Deferred Revenue - Property Taxes: The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

Deferred Revenue – Leases: Lease related amounts are recognized at the inception of leases in which the District is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

In proprietary funds, unearned revenues represent payments received from other governmental entities for services that have not yet been provided and have not yet been earned.

Net Position / Fund Balance

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

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws, or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position”

GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, 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; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by 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.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

Restricted Fund Balances

In the General Fund, an emergency reserve has been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of the fund balance has been restricted in compliance with this requirement.

The net position of the proprietary fund has been restricted for 1.) cash that is held in a restricted account which the cash may only be used to pay for stewardship costs incurred in complying with easement requirements, and 2.) cash that has been set aside for debt retirement per the loan covenants.

Retirement Plan

The District participates in a defined contribution plan that is administered by Vanguard Group, Inc. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. The plan is a Simple IRA and participation in the plan is available to both full and part time employees who work at least 1,000 hours per year and are 21 years of age after one year of full-time service. The District matches 100% of an employee’s contribution up to 3% of their annual salary into the plan. If the employee makes no contributions, the District contributes 2% of eligible employee’s annual salary into the plan. The expense was \$19,122 for the year ended December 31, 2025.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 2 - CASH AND TEMPORARY CASH 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. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial credit risk in that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The following shows the custodial risk of the District.

Deposits at December 31, 2025 had a bank balance of \$10,062,442 and a corresponding carrying balance as follows:

Insured Deposits	\$ 1,497,562
Covered by Public Deposit Protection Act	<u>8,441,229</u>
	<u>\$ 9,938,791</u>

Cash is reported as follows:

Cash and Cash Equivalents	\$ 9,609,367
Restricted Assets	<u>329,424</u>
	<u>\$ 9,938,791</u>

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2025 property tax assessments, which are due in 2026. Deferred revenue in the same amount has also been recognized.

NOTE 4 – LEASE RECEIVABLE

The District, as a lessor, has entered into long-term lease agreement for retail space and facilities, which expires March 31, 2036 and includes two 5-year options to renew. During the year ended December 31, 2025, the District recognized \$4,532 and \$3,037 in lease revenue and interest revenue, respectively, pursuant to that contract. The future minimum lease receipts to be received from the aforementioned lease is as follows:

<u>Year Ending</u>	<u>Principal / Receivable</u>	<u>Interest</u>
2026	\$ 3,710	\$ 2,826
2027	4,085	2,603
2028	4,321	2,367
2029	4,570	2,117
2030	4,834	1,854
2031 – 2035	31,867	4,750
2036	<u>1,824</u>	<u>16</u>
Total	<u>\$ 55,211</u>	<u>\$ 16,533</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Primary Government:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 15,735	\$ -	\$ -	\$ 15,735
Capital Assets Being Depreciated:				
Building and Other	134,868	-	-	134,868
Accumulated Depreciation	(46,969)	(7,005)	-	(53,974)
	<u>87,899</u>	<u>(7,005)</u>	<u>-</u>	<u>80,894</u>
Governmental Activities				
Capital Assets - Net	\$ 103,634	\$ (7,005)	\$ -	\$ 96,629

Business-Type Activities:

Capital assets, not being depreciated				
Water Stock	\$ 6,990,562	\$ -	\$ -	\$ 6,990,562
Land	20,143	-	-	20,143
	<u>7,010,705</u>	<u>-</u>	<u>-</u>	<u>7,010,705</u>
Capital Assets Being Depreciated:				
Building and Other	499,775	-	-	499,775
Accumulated Depreciation	(204,815)	(14,973)	-	(219,788)
	<u>294,960</u>	<u>(14,973)</u>	<u>-</u>	<u>279,987</u>
Business-Type Activities				
Capital Assets - Net	\$ 7,305,665	\$ (14,973)	\$ -	\$ 7,290,692

For the year ended December 31, 2025, depreciation expense of \$7,005 was charged to general government in the governmental activities and \$14,973 to water conservation in the business-type activities.

NOTE 6 – NOTES PAYABLE

Colorado Water Conservation Board ("CWCB") - The District through its Water Activity Enterprise Fund entered into a loan agreement on July 13, 2015 with CWCB in the amount of \$2,560,350, with a 1.45% interest rate. The loan proceeds were used to purchase water stock. The loan is payable in annual installments of \$148,395 beginning January 1, 2017 and maturing January 1, 2036. The loan is payable from the revenues generated from the Water Activity Enterprise Fund. The loan is collateralized by 126.60 shares of the Lake Henry Reservoir Company, 282.00 shares of the Lake Meredith Reservoir Company, 408.60 shares of the Colorado Canal Company and 91.34 shares of the Twin Lakes Reservoir and Canal Company.

Eleanor Schiro ("Schiro") - The District through its Water Activity Enterprise Fund entered into a loan agreement on May 12, 2015 with Schiro in the amount of \$1,108,151, with a 1.75% interest rate. The loan proceeds were used to purchase water stock. The loan is payable in annual installments of \$45,838 beginning July 1, 2016 and maturing December 16, 2035. The loan is collateralized by 149.40 shares of the Lake Henry Reservoir Company and 149.40 shares of the Colorado Canal Company.

Annual debt service requirements to maturity are as follow for the Water Activity Enterprise Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 165,200	\$ 29,034	\$ 194,234
2027	167,711	26,523	194,234
2028	170,260	23,974	194,234
2029	172,849	21,385	194,234
2030	175,477	18,757	194,234
2031-2035	918,236	52,932	971,168
2036	<u>144,494</u>	<u>51,070</u>	<u>195,564</u>
	<u>\$ 1,914,227</u>	<u>\$ 223,675</u>	<u>\$ 2,137,902</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NOTES PAYABLE (Continued)

In connection with the above notes payable, the District is subject to various covenants. The District is required to establish a cash reserve account per the covenants of the note with the Colorado Water Conservation Board. For the year ending December 31, 2025, the cash reserve account had a balance of \$148,395. As of December 31, 2025, the District was in compliance with all covenants.

The following is a summary of long-term obligation transactions of the District for the year ended December 31, 2025:

Water Activity Enterprise Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes Payable:					
CWCB	\$ 1,623,677	\$ -	\$ (124,852)	\$ 1,498,825	\$ 126,663
Schiro	<u>453,277</u>	<u>-</u>	<u>(37,875)</u>	<u>415,402</u>	<u>38,537</u>
Totals	<u>\$ 2,076,954</u>	<u>\$ -</u>	<u>\$ (162,727)</u>	<u>\$ 1,914,227</u>	<u>\$ 165,200</u>

For the year ended December 31, 2025, interest incurred and expensed in the Water Activity Enterprise Fund was \$27,375 with \$25,258 of the total reported as accrued interest payable.

NOTE 7 - AMENDMENT ONE

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property, sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Emergency reserves have been presented as a reservation of fund balance in the general funds. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment in order to determine its compliance.

NOTE 8 – RISK MANAGEMENT

The District carries commercial insurance for their risks. These risks are business interruption, property losses, natural disasters, and injuries to employees. In the past three years the District did not have any claims that exceeded insurance coverage.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – INTER-FUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between the District funds for the reimbursement of expenditures. Related inter-fund receivables and payables are classified as “due from other funds” and “due to other funds” on the balance sheet and statement of net position and will be settled within one year.

Interfund receivables and payables at December 31, 2025 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Activity Enterprise	General Fund	\$ 335,327
Engineering Services Enterprise	General Fund	44,741
		<u>\$ 380,068</u>
Water Activity Enterprise	Engineering Services Enterprise	<u>\$ 81,804</u>

NOTE 10 – LEASES

On February 16, 2022, the District entered into a supplemental agreement to extend the lease of 100 acre-feet of water rights for five additional years through December 31, 2026. The Lessor will pay \$5,000 or \$50 per share annually, based on the number of Acre-Feet, of Colorado Canal Water.

The future minimum lease payments to be received as of December 31, 2025 are as follows:

2026	<u>\$ 5,000</u>
Total	<u>\$ 5,000</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The District purchased leased water, received lease revenue from and paid assessment fees to Larkspur Inc. (“Larkspur”), which the District owned approximately 88% of the shares as of December 31, 2025. The total amount paid by the District in 2025 to Larkspur was \$31,971 and the total amount received from Larkspur was \$32,794. As of December 31, 2025, the balance due to Larkspur was \$0 and the amount due from Larkspur was \$32,309 and is reported in “due from other entities” on the Statement of Net Position for the Water Activity Enterprise Fund for \$1,198 and on the Balance Sheet of the General Fund for \$31,111.

NOTE 12 - COMMITMENTS

The District shall repay to the State the grant funds from the Colorado Water Conservation Board (“CWCB”) pertaining to the purchase of a conservation easement and any appreciation in the value of the easement (if any appreciation exists and only in an amount equal to the State’s proportionate contribution to the purchase price), if the easement is terminated or extinguished or its material provisions rendered unenforceable due to acts or omissions of the District, its employees, agents, successors or assigns, including, but not limited to, complying with or enforcing the provisions of the easement. If any part of the grant funds were originally received by the State from Great Outdoors Colorado (GOCO), then the District shall make repayment to the State if GOCO makes a demand for repayment to CWCB.

NOTE 13 – SUBSEQUENT EVENT

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON A BUDGETARY BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	\$ 2,868,500	\$ 2,868,500	\$ 2,840,043	\$ (28,457)
SPECIFIC OWNERSHIP	215,100	215,100	268,571	53,471
REIMBURSEMENTS	-	-	36,578	36,578
INTEREST & OTHER	40,000	40,000	242,108	202,108
	<u>3,123,600</u>	<u>3,123,600</u>	<u>3,387,300</u>	<u>263,700</u>
TOTAL REVENUES				
EXPENDITURES				
GENERAL GOVERNMENT	3,193,000	3,193,000	2,577,365	615,635
CAPITAL OUTLAY	27,000	27,000	-	27,000
CONTINGENCY	312,400	312,400	-	312,400
	<u>3,532,400</u>	<u>3,532,400</u>	<u>2,577,365</u>	<u>955,035</u>
TOTAL EXPENDITURES				
REVENUES OVER (UNDER) EXPENDITURES	(408,800)	(408,800)	809,935	1,218,735
FUND BALANCE JANUARY 1	<u>7,018,358</u>	<u>7,018,358</u>	<u>7,018,358</u>	<u>-</u>
FUND BALANCE DECEMBER 31	<u>\$ 6,609,558</u>	<u>\$ 6,609,558</u>	<u>\$ 7,828,293</u>	<u>\$ 1,218,735</u>

SUPPLEMENTARY INFORMATION

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CASH IN BANKS	\$ 8,429,831	\$ 7,165,432
ACCRUED INTEREST RECEIVABLE	43,994	22,705
TAXES RECEIVABLE	3,259,600	2,868,500
DEPOSITS	41,552	39,961
DUE FROM OTHER FUNDS	-	8,200
DUE FROM OTHER ENTITIES	31,111	25,052
	<u>31,111</u>	<u>25,052</u>
TOTAL ASSETS	<u>\$ 11,806,088</u>	<u>\$ 10,129,850</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 225,123	\$ 20,797
ACCRUED EXPENSES	113,004	97,053
DUE TO OTHER FUNDS	380,068	125,142
	<u>380,068</u>	<u>125,142</u>
TOTAL LIABILITIES	<u>718,195</u>	<u>242,992</u>
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUE - PROPERTY TAX	3,259,600	2,868,500
	<u>3,259,600</u>	<u>2,868,500</u>
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	77,400	56,700
ASSIGNED FOR FUTURE YEARS EXPENDITURES	431,900	408,800
UNASSIGNED	7,318,993	6,552,858
	<u>7,318,993</u>	<u>6,552,858</u>
TOTAL FUND BALANCE	<u>7,828,293</u>	<u>7,018,358</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 11,806,088</u>	<u>\$ 10,129,850</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
REVENUES		
TAXES	\$ 3,108,614	\$ 3,361,401
REIMBURSEMENTS	36,578	37,723
MISCELLANEOUS	<u>242,108</u>	<u>164,839</u>
TOTAL REVENUES	<u>3,387,300</u>	<u>3,563,963</u>
EXPENDITURES		
GENERAL GOVERNMENT	2,577,365	1,887,218
CAPITAL OUTLAY	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,577,365</u>	<u>1,887,218</u>
REVENUES OVER (UNDER) EXPENDITURES	809,935	1,676,745
FUND BALANCE JANUARY 1	<u>7,018,358</u>	<u>5,341,613</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 7,828,293</u></u>	<u><u>\$ 7,018,358</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2025 AND 2024

	2025	2024
CURRENT ASSETS		
CASH	\$ 199,262	\$ 334,061
REIMBURSEMENT RECEIVABLE	9,395	-
WATER INVENTORY	97,036	80,584
PREPAIDS	129,150	127,075
DUE FROM OTHER FUNDS	417,131	215,361
DUE FROM OTHER ENTITIES	1,198	11,155
TOTAL CURRENT ASSETS	<u>853,172</u>	<u>768,236</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	181,029	179,732
CASH RESTRICTED FOR DEBT RETIREMENT	148,395	133,556
TOTAL RESTRICTED ASSETS	<u>329,424</u>	<u>313,288</u>
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	70,000	71,106
LAND	20,143	20,143
WATER STOCK	6,990,562	6,990,562
NET CAPITAL ASSETS	<u>7,080,705</u>	<u>7,081,811</u>
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	18,588,836	18,588,836
TOTAL ASSETS	<u>\$ 26,852,137</u>	<u>\$ 26,752,171</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 39,857	\$ 7,617
ACCRUED EXPENSES	26,530	18,317
ACCRUED INTEREST PAYABLE	25,258	29,390
NOTES PAYABLE - CURRENT	165,200	162,727
TOTAL CURRENT LIABILITIES	256,845	218,051
NONCURRENT LIABILITIES		
NOTES PAYABLE	1,749,027	1,914,227
TOTAL NONCURRENT LIABILITIES	<u>1,749,027</u>	<u>1,914,227</u>
TOTAL LIABILITIES	<u>2,005,872</u>	<u>2,132,278</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	5,166,478	5,004,857
RESTRICTED FOR STEWARDSHIP COSTS	181,029	179,732
RESTRICTED FOR DEBT RETIREMENT	148,395	133,556
UNRESTRICTED	19,350,363	19,301,748
TOTAL NET POSITION	<u>24,846,265</u>	<u>24,619,893</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,852,137</u>	<u>\$ 26,752,171</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
WATER ACTIVITY ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
WATER LEASING	\$ 5,000	\$ 5,000
RULE 10 FEE INCOME	47,952	41,976
MANAGEMENT FEES AND REIMBURSEMENTS	839,251	768,075
TOTAL REVENUES	<u>892,203</u>	<u>815,051</u>
OPERATING EXPENSES		
DRY UP AND REVEGETATION	28,058	5,220
SUPER DITCH	70,654	32,819
EASEMENTS	66,289	62,337
NEPA STORAGE	7,316	7,740
DEPRECIATION	1,106	1,500
STORAGE FEES	127,176	120,569
PERSONNEL	232,104	213,084
PROFESSIONAL SERVICES	3,428	20,812
WATER ASSESSMENTS	81,216	79,929
PROJECT WATER RETURN FLOWS	-	7,796
PROPERTY TAXES	3,707	3,722
OTHER	18,700	18,415
TOTAL OPERATING EXPENSES	<u>639,754</u>	<u>573,943</u>
OPERATING INCOME	<u>252,449</u>	<u>241,108</u>
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	-	53
INTEREST INCOME	1,298	1,292
WATER CONSERVATION SERVICES	(9,395)	-
INTEREST EXPENSE	(27,375)	(33,842)
REIMBURSEMENT FOR SERVICES	9,395	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(26,077)</u>	<u>(32,497)</u>
CHANGE IN NET POSITION	226,372	208,611
NET POSITION JANUARY 1	<u>24,619,893</u>	<u>24,411,282</u>
NET POSITION DECEMBER 31	<u><u>\$ 24,846,265</u></u>	<u><u>\$ 24,619,893</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 62,909	\$ 52,115
RECEIVED FROM INTERFUND ACTIVITIES	637,481	983,046
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(392,831)	(376,763)
PAYMENTS TO EMPLOYEES	(223,891)	(204,969)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	83,668	453,429
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	-	7,519
PAYMENTS FOR WATER CONSERVATION SERVICES	(9,395)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(9,395)	7,519
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
WATER STOCK PURCHASES	-	(30,299)
LOAN PAYMENTS	(162,727)	(160,291)
INTEREST PAID	(31,507)	(33,942)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(194,234)	(224,532)
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	1,298	1,345
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,298	1,345
NET CHANGE IN CASH AND RESTRICTED CASH	(118,663)	237,761
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	647,349	409,588
CASH AND RESTRICTED CASH - END OF YEAR	\$ 528,686	\$ 647,349
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 252,449	\$ 241,108
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	1,106	1,500
CHANGES IN ASSETS AND LIABILITIES		
WATER INVENTORY	(16,452)	(4,081)
PREPAIDS	(2,075)	(2,025)
DUE FROM/TO OTHER FUNDS	(201,770)	214,971
ACCOUNTS PAYABLE & ACCRUED EXPENSES	40,453	(3,183)
DUE FROM/TO OTHER ENTITIES	9,957	5,139
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 83,668	\$ 453,429

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

DECEMBER 31, 2025 AND 2024

	2025	2024
CURRENT ASSETS		
CASH	\$ 980,274	\$ 725,569
REIMBURSEMENT RECEIVABLES	51,110	20,034
LEASE RECEIVABLE	3,710	3,043
PREPAIDS	500	500
TOTAL CURRENT ASSETS	1,035,594	749,146
RESTRICTED ASSETS		
CASH RESTRICTED FOR SEP AGREEMENT	-	237,190
NONCURRENT ASSETS		
LEASE RECEIVABLE	51,501	55,211
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	209,987	223,854
TOTAL ASSETS	\$ 1,297,082	\$ 1,265,401
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 29,599	\$ 5,804
ACCRUED EXPENSES	18,629	19,627
UNEARNED REVENUE	-	237,190
DUE TO OTHER FUNDS	37,063	98,419
TOTAL CURRENT LIABILITIES	85,291	361,040
DEFERRED INFLOW OF RESOURCES		
LEASE	46,448	50,980
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	209,987	223,854
UNRESTRICTED	955,356	629,527
TOTAL NET POSITION	1,165,343	853,381
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 1,297,082	\$ 1,265,401

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
LEASE INCOME	\$ 10,532	\$ 8,145
FEE INCOME	15,299	13,822
MANAGEMENT FEES AND REIMBURSEMENTS	269,402	161,797
TOTAL REVENUES	<u>295,233</u>	<u>183,764</u>
OPERATING EXPENSES		
WATER QUALITY PROJECTS	11,197	8,266
DEPRECIATION	13,867	13,867
PERSONNEL	99,235	151,967
PROPERTY TAXES	1,340	467
REPAIRS AND MAINTENANCE	14,154	19,133
OTHER	16,098	16,245
TOTAL OPERATING EXPENSES	<u>155,891</u>	<u>209,945</u>
OPERATING INCOME (LOSS)	<u>139,342</u>	<u>(26,181)</u>
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	22,648	35,494
INTEREST INCOME	5,481	7,061
WATER CONSERVATION SERVICES	(945,788)	(976,396)
REIMBURSEMENT FOR SERVICES	1,090,279	995,294
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>172,620</u>	<u>61,453</u>
CHANGE IN NET POSITION	311,962	35,272
NET POSITION JANUARY 1	<u>853,381</u>	<u>818,109</u>
NET POSITION DECEMBER 31	<u><u>\$ 1,165,343</u></u>	<u><u>\$ 853,381</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 24,342	\$ 20,279
RECEIVED FROM INTERFUND ACTIVITIES	208,047	183,311
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(18,995)	(43,584)
PAYMENTS TO EMPLOYEES	(100,233)	(148,608)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	113,161	11,398
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	822,013	394,810
PAYMENTS FOR WATER CONSERVATION SERVICES	(945,788)	(976,396)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(123,775)	(581,586)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	28,129	33,535
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	28,129	33,535
NET CHANGE IN CASH	17,515	(536,653)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	962,759	1,499,412
CASH AND RESTRICTED CASH - END OF YEAR	\$ 980,274	\$ 962,759
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 139,342	\$ (26,181)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
DEPRECIATION	13,867	13,867
CHANGES IN ASSETS AND LIABILITIES		
RECEIVABLES AND PREPAIDS	3,043	2,844
DUE FROM/TO OTHER FUNDS	(61,355)	21,514
ACCOUNTS PAYABLE & ACCRUED EXPENSES	22,796	3,886
DEFERRED INFLOW OF RESOURCES	(4,532)	(4,532)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 113,161	\$ 11,398

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL ON A BUDGETARY BASIS

WATER ACTIVITY ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
WATER LEASING	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
FEE INCOME	40,000	40,000	47,952	7,952
MANAGEMENT FEES	900,000	900,000	839,251	(60,749)
REIMBURSEMENT FOR SERVICES	-	-	9,395	9,395
INTEREST AND OTHER	1,400	1,400	1,298	(102)
TOTAL REVENUES	946,400	946,400	902,896	(43,504)
EXPENDITURES				
WATER LEASES	40,000	40,000	-	40,000
WATER AND NEPA STORAGE FEES	146,300	146,300	134,492	11,808
DRY UP AND REVEGETATION	17,000	17,000	28,058	(11,058)
SUPER DITCH	95,000	95,000	70,654	24,346
DEPRECIATION	-	-	1,106	(1,106)
GENERAL AND ADMINISTRATIVE	253,600	253,600	254,511	(911)
PROFESSIONAL SERVICES	-	-	3,428	(3,428)
WATER ASSESSMENTS AND COSTS	80,000	80,000	81,216	(1,216)
INTEREST	30,000	30,000	27,375	2,625
WATER ACQUISITIONS	300,000	300,000	-	300,000
WATER CONSERVATION SERVICES	-	-	9,395	(9,395)
DEBT SERVICE	165,000	165,000	162,727	2,273
CONSERVATION EASEMENTS	62,000	62,000	66,289	(4,289)
CONTINGENCY	94,700	94,700	-	94,700
TOTAL EXPENDITURES	1,283,600	1,283,600	839,251	444,349
REVENUE OVER (UNDER) EXPENDITURES	\$ (337,200)	\$ (337,200)	63,645	\$ 400,845
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
WATER STOCK ACQUISITION			-	
PRINCIPAL PAID ON LOANS			162,727	
CHANGE IN NET POSITION			226,372	
NET POSITION JANUARY 1			24,619,893	
TOTAL NET POSITION DECEMBER 31			\$ 24,846,265	

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL ON A BUDGETARY BASIS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
LEASE INCOME	\$ 10,000	\$ 10,000	\$ 10,532	\$ 532
FEE INCOME	35,000	35,000	15,299	(19,701)
MANAGEMENT FEES	600,000	600,000	269,402	(330,598)
REIMBURSEMENT FOR SERVICES	746,000	746,000	1,090,279	344,279
OTHER	3,000	3,000	28,129	25,129
TOTAL REVENUES	<u>1,394,000</u>	<u>1,394,000</u>	<u>1,413,641</u>	<u>19,641</u>
EXPENDITURES				
WATER QUALITY PROJECTS	15,500	15,500	11,197	4,303
DEPRECIATION	-	-	13,867	(13,867)
GENERAL AND ADMINISTRATIVE	259,800	259,800	99,235	160,565
SOIL QUALITY PROJECTS	2,000	2,000	-	2,000
PROPERTY TAXES	600	600	1,340	(740)
REPAIRS AND MAINTENANCE	22,000	22,000	14,154	7,846
OTHER	1,000	1,000	16,098	(15,098)
WATER CONSERVATION SERVICES	772,500	772,500	945,788	(173,288)
CAPITAL OUTLAY	-	-	-	-
CONTINGENCY	139,400	139,400	-	139,400
TOTAL EXPENDITURES	<u>1,212,800</u>	<u>1,212,800</u>	<u>1,101,679</u>	<u>111,121</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 181,200</u>	<u>\$ 181,200</u>	311,962	<u>\$ 130,762</u>
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
CAPITAL ASSET PURCHASES			-	
CHANGE IN NET POSITION			311,962	
NET POSITION JANUARY 1			<u>853,381</u>	
TOTAL NET POSITION DECEMBER 31			<u>\$ 1,165,343</u>	