SOUTHWESTERN WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

and Independent Auditors' Report

DECEMBER 31, 2025

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Independent Auditors' Report

Members of the Board of Directors
Southwestern Water Conservation District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Southwestern Water Conservation District (the "District") as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Southwestern Water Conservation District, as of December 31, 2025, and the respective changes in financial position 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwestern Water Conservation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Southwestern Water Conservation 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund 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.

Littleton, Colorado

June 18, 2026

Southwestern Water Conservation District
Management's Discussion and Analysis

The Board of Directors of the Southwestern Water Conservation District (the District) offers this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's Basic Financial Statements and Independent Auditors' Report.

The MD&A is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Information

The District was created on April 16, 1941, by the Colorado General Assembly through House Bill #795 (codified at C.R.S. § 37-47-101 et seq.). The District is comprised of nine counties: Archuleta, Dolores, La Plata, Montezuma, San Juan, San Miguel, and parts of Hinsdale, Mineral, and Montrose. Each Board of County Commissioners appoints a representative to the District Board of Directors, which meets bi-monthly. The District's statutory authority is to protect, conserve, use, and develop the water resources of the Southwestern basin for the welfare of the District, and safeguard for Colorado all waters of the basin to which the state is entitled. Following this mandate, the District has assumed a broad strategic role on behalf of its diverse constituents. District representatives advocate for southwestern Colorado's water interests at the local, state, and regional level.

Financial Highlights

- The District's total assets exceeded its liabilities and deferred inflows of resources on December 31, 2025, by $6,329,318. This represented an increase of $878,542 from the net position at December 31, 2024. This perspective on net position includes spendable resources as well as the net investment in land, building improvements, furniture, equipment, and right of use assets of $63,921, restricted for emergencies $42,200 and unrestricted of $6,223,197.
- The District's total liabilities decreased $17,419 and deferred inflows of resources increased $77,879.
- Total general fund expenditures were $1,414,257 for the year ended December 31, 2025. This compares with general fund expenditures of $1,751,040 for the year ended December 31, 2024.
- The District's total revenues on the fund financial statements decreased from $2,309,973 in 2024 to $2,282,219 in 2025.
- The Board of Directors increased assignments of a portion of the District's year-end general fund balance to SWCD Water Defense to "defend the water resources of the District" from $3,012,129 in 2024 to $3,339,688 in 2025, and to SWCD Water Development to "develop and maintain the water resources of the District" from $2,008,086 in 2024 to $2,226,458 in 2025.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes on the statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

Southwestern Water Conservation District
Management's Discussion and Analysis

The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for the appropriations budget.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

Reporting the District as a Whole

Government-wide Financial Statements
The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District has met the federal standards. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting similar to a for-profit entity.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid as consistent with an accrual basis of accounting. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as fees received from individuals and entities from outside the District and grants (program revenues), and revenues provided by taxpayers (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined by GASB.

Governmental activities – the District's financial activities center on protecting, conserving, using, and developing the water resources of the Southwestern basin for the welfare of the District, and safeguarding all waters of the basin to which the state is entitled. The District's revenue consists primarily of funds received from property taxes and specific ownership taxes.

Reporting the District's Fund

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the activities of the District's individual governmental fund and are divided into two parts: 1) the "modified accrual basis statements" and 2) the "budgetary basis statements".

The financial statements on pages 13 and 15 of the audit focus on assets that can readily be converted into cash in the short term and liabilities that will be settled in the short term. Governmental funds are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs.

The annual budgets shown in the "budgetary basis statements" are prepared as described in the summary of significant accounting policies in the notes to the financial statements. These budgets are presented using the modified accrual basis of accounting and are found in the Required Supplementary Information section.

The "budgetary basis statements" for the General Fund, demonstrate how the District complied with the year's approved budget. The budgetary comparison schedule is presented using the same classifications as those used in the legal budget document.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmentwide and fund financial statements.

The notes to the financial statements can be found on pages 17 through 29.

Southwestern Water Conservation District
Management's Discussion and Analysis

Government-Wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

		2025	2024	Increase (Decrease)
Assets				
Current assets		$ 8,448,232	$ 7,481,828	$ 966,404
Right of Use Assets		73,768	97,907	(24,139)
Capital Assets		65,349	68,612	(3,263)
	Total assets	8,587,349	7,648,347	939,002
Liabilities				
Current liabilities		304,890	297,161	7,729
Long-term liabilities		50,048	75,196	(25,148)
	Total liabilities	354,938	372,357	(17,419)
Deferred Inflows of Resources		1,903,093	1,825,214	77,879
Net Position				
Net investment in capital assets		63,921	67,591	(3,670)
Restricted for emergencies		42,400	52,500	(10,100)
Unrestricted		6,222,997	5,330,685	892,312
	Total net position	$ 6,329,318	$ 5,450,776	$ 878,542

The majority of the District's current assets are invested in cash, investments, and receivables for property taxes. The District has been able to provide for adequate operations without incurring debt. A restricted net position of $42,200 represents a 3% emergency reserve required by an amendment to the State constitution (TABOR) and is not available for use by the District.

The majority of the District's revenue was from property and specific ownership taxes. The District's net position increased by $878,542 (see Table II). Unrestricted net position the part of net position that can be used to finance day-to- day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased $541,209 from $5,330,685 in 2024 to $6,223,197 in 2025 (see Table I).

Southwestern Water Conservation District
Management's Discussion and Analysis

	2025	2024	Increase (Decrease)
Revenues			
Property taxes	$ 1,797,836	$ 1,723,047	$ 74,789
Special ownership taxes	140,953	143,090	(2,137)
Interest and penalties	33,651	122,893	(89,242)
Interest income	166,137	188,649	(22,512)
Water Information Program	50,860	41,835	9,025
Stream Gauging Partner Contributions	44,914	45,080	(166)
Other local sources	47,868	45,379	2,489
Total revenues	2,282,219	2,309,973	(27,754)
Expenses			
General Government	25,143	50,390	(25,247)
Administration	453,160	415,929	37,231
Water conservation activities	803,951	1,182,175	(378,224)
Water Information Program	124,584	114,468	10,116
Total expenses	1,406,838	1,762,962	(356,124)
Non-operating Revenues (Expenses):			
Unrealized gain/(loss)	3,161	(5,251)	8,412
Net Non-operating Revenues (Expenses)	3,161	(5,251)	8,412
Change in Net Position	878,542	541,760	
Net Position - beginning of year	5,450,776	4,909,016	
Net Position - end of year	$ 6,329,318	$ 5,450,776	

Fund Financial Analysis

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund as of December 31, 2025 reported a balance of $6,269,438, of which $80,765 of the funds were non-spendable. The District's required 3% reserve for emergencies is $42,200. The District has an assigned fund balance of $5,711,388. The remaining fund balance of $405,085 is available for future commitments and is unassigned fund balance.

The District receives 79% of its funding from property taxes and 6% from specific ownership taxes. Water conservation activities expenditures represent 57% of the District's total expenditures, administration 32% and Water Information Programs 9%.

Budgetary Highlights

Total District's total 2025 actual revenue was $51,654 more than budgeted. The District's total 2025 actual expenditures of $1,414,257 were less than budgeted by $612,606.

Southwestern Water Conservation District
Management's Discussion and Analysis

Capital Assets and Long-Term Debt

Capital Assets and Right of Use Assets

The District had no capital assets additions during the year ended December 31, 2025. The District did not enter into any new lease agreements in 2025.

Additional information on the District's capital assets and right of use asset can be found in the notes to the financial statements.

Long-term Debt

The District had no long-term debt during 2025.

Economic Factors And Next Year's Budget

The District will provide the following services during the 2026 budget year: support the conservation, development, and management of water use in southwestern Colorado; safeguard all waters to which the State is equitably entitled; participate in and provide funding for data collection; support, participate in, and lead local policy efforts; represent southwestern Colorado on federal and state policy concerns; and provide a variety of public education on water-related issues. Finally, the District will seek to serve constituents in providing general water information as requested. These activities align with the District's first strategic plan, which was adopted on February 17, 2022, and can be found at www.swwcd.org.

The District's total budgeted revenues for 2026 are projected to be $2,366,182. Property tax revenues are expected to be approximately $1,903,093, based on a mill levy of .356. This revenue is based on a combined assessed valuation across nine counties of $5,345,766,466.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay, in addition to operations and non-operating revenue and contributions.

- 2025 operating revenue was more than what was budgeted due to increase in specific ownership taxes.
- 2025 operating expenses were lower due to legal expenses and engineering and other technical services and other District support anticipated that did not occur.

Southwestern Water Conservation District
Management's Discussion and Analysis

Contacting Southwestern Water Conservation District's Management

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Board of Directors; Southwestern Water Conservation District; 841 East Second Avenue; Durango, CO 81301.

Basic Financial Statements

SOUTHWESTERN WATER CONSERVATION DISTRICT
Statement of Net Position
December 31, 2025

		2025
Assets		
Cash and cash equivalents	$	1,616,917
Investments		4,847,457
Deferred property taxes receivable		1,903,093
Prepaid insurance		80,765
Capital assets, not being depreciated		62,000
Capital assets, net of accumulated depreciation		3,349
Right of use asset, net of accumulated amortization		73,768
Total Assets		8,587,349
Current Liabilities		
Accounts payable		273,685
Accrued expense		5,367
Other liabilities		690
Noncurrent liabilities		
Due within one year		25,148
Due in more than one year		50,048
Total Liabilities		354,938
Deferred Inflows of Resources		
Property taxes		1,903,093
Total Deferred inflows of resources		1,903,093
Net Position		
Net investment in capital assets		63,921
Restricted - emergency reserves		42,400
Unrestricted		6,222,997
Total Net Position		6,329,318
Total Liabilities and Net Position	$	8,587,349

SOUTHWESTERN WATER CONSERVATION DISTRICT

Statement of Activities

December 31, 2025

Functions/Programs	Expenses	Net (Expense) Revenue and Change in Net Position — Total Governmental Activities
Governmental activities:		
General government	$ 25,143	$ (25,143)
Administration	453,160	(453,160)
Water conservation activities	803,951	(803,951)
Water Information Program	124,584	(124,584)
Total governmental activities	$ 1,406,838	$ (1,406,838)
General revenues		
Taxes		
Property taxes		1,797,836
Special ownership and other taxes		140,953
Interest and penalties		33,651
Interest income		169,298
Water Information Program		50,860
Stream Gauging Partner Contributions		44,914
Other local sources		47,868
Total general revenues		2,285,380
Change in net position		878,542
Net position, beginning of year		5,450,776
Net position, end of year		$ 6,329,318

SOUTHWESTERN WATER CONSERVATION DISTRICT
Balance Sheet - Governmental Fund
December 31, 2025

		General Fund
Assets		
Cash and cash equivalents	$	1,616,917
Investments		4,847,457
Deferred property taxes receivable		1,903,093
Prepaid insurance		80,765
Total Current Assets		8,448,232
Current Liabilities		
Accounts payable	$	273,685
Accrued expense		1,326
Other liabilities		690
Total Liabilities		275,701
Deferred Inflows of Resources		
Property taxes	$	1,903,093
Total Deferred inflows of resources		1,903,093
Fund Balance		
Nonspendable, prepaid expenses		80,765
Restricted - emergency reserves		42,200
Assigned for:		
SWCD Water Defense		3,339,688
SWCD Water Development		2,226,458
Water Information Program		145,242
Unassigned		405,085
Committed: Grants to be paid		30,000
Total fund balance		6,269,438
Total Liabilities, Deferred Inflows and Fund Balance	$	8,448,232

SOUTHWESTERN WATER CONSERVATION DISTRICT
Reconciliation of the Balance Sheet - Governmental Fund
To the Statement of Net Position
As of December 31, 2025

Total fund balance - governmental fund	$	6,269,438
Amounts reported for govermental activities in the statement of net position are different because:		
Capital assets used the governmental activites are not financial resources and therefore are not reported in the fund		65,349
Right of use assets are expensed as capital outlay in the fund but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives		73,768
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund		(4,041)
Long-term liabilities are not due and payable in the current period and there are not recognized in the funds		(75,196)
Total net position - governmental activities	$	6,329,318

SOUTHWESTERN WATER CONSERVATION DISTRICT

Statement of Revenues, Expenses, and
Changes in Fund Balance - Governmental Fund
For the Year Ended December 31, 2025

		General Fund
Operating Revenue:		
Taxes	$	1,971,564
Interest income		166,137
Water Information Program		91,045
Water seminar registration		8,559
Stream Gauging Partner Contributions		44,914
Total Operating Revenue		2,282,219
Expenditures		
General government		
Board expense	$	32,969
Administration		
Personnel		305,846
County treasurer's fees		52,373
Other services		16,713
Rent		33,508
Dues and subscriptions		18,398
Supplies		9,837
Professional and technical services		16,485
Water conservation activities		
Legal		200,180
Other district support		65,797
San Juan Recovery Program Water User Committee		56,560
Engineering		139,370
Stream gauging - federal		134,931
Lobbying		71,743
Weather modification		64,039
Water education		50,129
Stream gauging - Colorado		2,400
Other technical services		18,395
Water Information Program		124,584
Total Operating Expenses		1,414,257
Operating Income (Loss)		867,962
Non-operating Revenues (Expenses):		
Unrealized gain/(loss)		3,161
Net Non-operating Revenues (Expenses)		3,161
Change in fund balance		871,123
Fund Balance —beginning of year		5,398,315
Fund Balance —end of year	$	6,269,438

SOUTHWESTERN WATER CONSERVATION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund To the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balance - total governmental fund		$ 871,123
Amounts reported for govermental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Net amortization of right of use asset	(407)	
Depreciation expense	(3,263)	
Net difference in capital outlay treatment		(3,670)
Governmental funds do not record the change in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this change is shown as additional expense. This is the amount of decrease in accrued compensated absences in the current year		11,089
Change in net position - governmental activities		$ 878,542

1. Organization

Southwestern Water Conservation District (the District), operates under Colorado Revised Statute 37-47-101 et seq., which outlines the District's statutory authority and powers. Southwestern Water Conservation District (the District) was created in 1941 for the protection, conservation, use, and development of the water resources of the San Juan and Dolores Rivers and their principal tributaries. The District is comprised of the counties of San Miguel, Dolores, Montezuma, Archuleta, San Juan, La Plata, and portions of Hinsdale, Mineral, and Montrose counties. The District operates under a Board of Directors form of government and the directors are appointed by County Commissioners of the counties within the District.

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

Southwestern Water Conservation District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Reporting Entity
As required by generally accepted accounting principles, these financial statements present the District (the primary government) and its component units. Component units are legally separate organizations for which the appointed officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

2. Summary of Significant Accounting Policies

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of

2. Summary of Significant Accounting Policies (continued)

related cash flows. Fiduciary funds and component units that are fiduciary in nature are not included in the government-wide financial statements.

Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both "measurable and available." Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

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

The District has one governmental fund:

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

New Accounting Pronouncements

Statements with a 2025 implementation: No. 102, "Certain Risk Disclosures." – No impact

Budgets

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

On or before October 15, the District manager submits to the Board a proposed budget for the next fiscal year commencing the following January 1. The budget includes proposed exependitures and the means of financing them. Public hearings are conducted by the Board of Directors to obain taxpayer comments. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2025.

Budget appropriations lapse at the end of each year.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Certificates of Deposit

During the year, the District invested in seven certificates of deposits, which are listed at fair stated value as of December 31, 2025.

Capital Assets

Capital assets, which include office equipment and other equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $2,500. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight line method over the estimated useful lives. Furniture and equipment are depreciated over 5 to 10 years. Office improvemenets are depreciated over 7 to 15 years.

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 a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District does not have any items that qualify for reporting in this category.

The government reports both deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unused paid time off (PTO) and sick time, based on the employee’s length and hours of service. The maximum of 80 (PTO) hours of unused time may carryover into the next year. At year end, the estimated value of compensated absences expected to be used was $4,041.

2. Summary of Significant Accounting Policies (continued)

Accrued liabilities and long-term obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

Allowance for Uncollectible

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

Reserves

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

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

Revenue Recognition - Property Taxes

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

Property taxes are reported as a receivable and as deferred inflows of resources when the District has an enforceable legal claim to the taxes and as revenue when available for collection in the following year.

Revenue Recognition – Specific ownership taxes

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

2. Summary of Significant Accounting Policies (continued)

Estimates

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

Fund Equity

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation. For the year ended December 31, 2025, the total fund balance restricted was $42,200.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. For the year ended December 31, 2025, the total fund balance committed was $30,000.
- The constraint may be removed or changed only through fornal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

Subsequent Events

The District has evaluated subsequent events through June18, 2026, the date which the financial statements were available to be issued.

3. Stewardship, Compliance and Accountability

The District adopts an annual budget for the General Fund. All annual appropriations lapse at fiscal year-end. The District does not report encumbered balances as of December 31, 2025 as all encumbrances lapse at year-end.

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

- Budgets are required by state law for all funds.
- On or before October 15, the District's management submits to the Board a proposed budget for the next fiscal year commencing the following January 1.
- The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Directors to obtain citizen comments.
- Prior to December 15, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government by December 15. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2025.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

4. Cash and Investments

Cash Deposits

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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

4. Cash and Investments (continued)

A summary of deposits and investments as of December 31, 2025 follows:

Deposits with financial institutions	$ 1,616,917
Investments	4,847,457
Total cash and investments	$ 6,464,374

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities, bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- Participation with other local governments in pooled investment funds ("trusts"). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments. The Districts participates with Colorado Local Governmental Liquid Asset Trust ("COLOTRUST") pooled funds.

COLOTRUST

As of December 31, 2025, the District invested in the Colorado Local Governmental Liquid Asset Trust ("COLOTRUST"), a local governmental investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value ("NAV") of $1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. COLOTRUST Plus+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the next asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less and is rated AAAm by Standard & Poor's. At December 31, 2025, the District had $1,177,051 invested in COLOTRUST PLUS+.

4. Cash and Investments (continued)

In accordance with the Fair Value Measurements of GASB, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

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

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

Debt securities and brokered certificates of deposit are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange as well as other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets.

All brokered CDs and U.S. Government agencies held at December 31, 2025 were Level 1. Non-brokered CDs held at December 31, 2025 are Level 2.

In 2025, available-for-sale debt securities and brokered certificates of deposit are reported at fair market value based on quoted prices in active markets. The cost of debt securities and brokered certificates of deposit and their approximate fair values at December 31, 2025 are as follows:

4. Cash and Investments (continued)

2025		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
Brokered Certificate of Deposit	$	1,218,015	$	2,536	$	(592)	$	1,219,959
U.S. Government Agencies		1,950,011		2,082		(1,646)		1,950,447
COLOTRUST		1,177,051		-		-		1,177,051
Non-brokered Certificate of Deposit		500,000		-		-		500,000
	$	4,845,077	$	4,618	$	(2,238)	$	4,847,457

Change in unrealized holding gains (losses) for debt securities and brokered certificates of deposits during 2025 was $2,380 and is included in Unrealized gains/losses related to available-for-sale debt securities and brokered CDs, displayed in the Statements of Activities and Revenues, Expenses, Changes in Fund Balance.

The following is a summary of maturities of investments classified as brokered certificates of deposit and government agencies:

	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$ 728,007	$ 728,250
After one year through 5 years	2,440,019	2,442,156
	$ 3,168,026	$ 3,170,406

The following is a summary of investments classified as brokered certificates of deposit and government agencies:

Interest and dividends: Money Market	$ 41,610
Interest and dividends: Brokered CDs	95,051
Interest and dividends: Non-Brokered CDs	20,701
Interest and dividends: Cash	8,775
	$ 166,137

Asset-backed securities have a variable maturity date. Unrealized losses at December 31, 2025 were due to fluctuations in the market interest rates. Management has the ability to hold these investment securities until the fair value or unamortized cost is recovered.

Management evaluates securities for credit losses on a regular basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the District to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

4. Cash and Investments (continued)

Interest Rate Risk – In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting investments in U.S. Treasuries and Certificates of Deposit to an original maturity of five years or less.

Credit Risk – The District's investment policy limits investments to U.S. Treasury obligations, Certificates of Deposit, corporate bonds, other investment instruments and local government investment pools approved by the Board of Directors.

Concentration of Credit Risk – It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities. The District policy includes cash deposits in the total portfolio when determining concentration of investments.

5. Capital Assets

A summary of changes in capital assets for December 31, 2025 follows:

	Balance December 31, 2024	Additions/ (Deletions)	Adjustments/ Transfers	Balance December 31, 2025
Capital assets, not being depreciated:				
Land	$ 62,000	$ -	$ -	$ 62,000
Total capital assets, not being depreciated	62,000	-	-	62,000
Capital assets, being depreciated:				
Furniture and equipment	36,366	-	-	36,366
Office improvements	14,905	-	-	14,905
Total capital assets, being depreciated	51,271	-	-	51,271
Less accumulated depreciation:	(44,659)	(3,263)	-	(47,922)
Total capital assets, being depreciated, net	6,612	(3,263)	-	3,349
Capital assets, net	$ 68,612	$ (3,263)	$ -	$ 65,349
Right of use asset, net				
Right of use asset	$ 124,859	$ -	$ -	$ 124,859
Accumulated amortization	26,952	24,139	-	51,091
Right of use asset, net	$ 97,907	$ (24,139)	$ -	$ 73,768

Depreciation expense for the year ended December 31, 2025 was $3,263.

6. Property Tax Receivable

The District reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The $1,903,093 of property taxes receivable is unavailable revenue representing property tax levied in 2025 but not available until 2026.

7. Lease Agreement

In 2018, the District entered a five-year lease commencing November 1, 2018, terminating on October 31, 2023, for the business office in the West Building, located at 841 E 2nd Avenue in Durango. Lease payments are made monthly with a base amount plus their proportionate share of utilities. The lease was renewed effective November 1, 2023 for another five years. This lease is required to be reported in accordance with the requirements of GASB 87, Leases, which requires that the District recognize a right of use asset and liability for the present value of the future lease payments.

The District's base rent expense for the lease was $26,557 and included the District's proportionate share of the office's monthly janitorial service, electric, water, sewer, trash, gas charges, storage space, and parking space rentals. Annually the base rent will increase two percent through the lease term. The present value of the right of the lease liability is determined using the five-year constant maturity which is 3.84%.

	Balance December 31, 2024	Payments/ Deletions	Adjustments/ Transfers	Balance December 31, 2025
Long-term liability				
Lease liability	$ 98,928	$ (23,732)	$ -	$ 75,196
Long-term liability	$ 98,928	$ (23,732)	$ -	$ 75,196

As of the reporting date, the remaining lease term with total minimum lease payments including interest as of December 31st are as follows:

Year ended December 31,	Principal	Interest	Total
2026	$ 25,148	$ 2,358	$ 27,506
2027	26,630	1,365	27,995
2028	23,418	337	23,755
	$ 75,196	$ 4,060	$ 79,256

Right of use for the lease at year ended December 31, 2025 was $73,768.

8. Retirement Plan

The District has a 457b retirement plan for full-time employees. It is a defined contribution plan and is administered by Lincoln Financial Group. The District will match employee contributions to the plan up to 5% of the employee's annual salary. The contributions into the Plan are fully vested immediately, foregoing any purpose for forfeitures. The District contributed $12,417 during the year ended December 31, 2025.

9. Colorado TABOR

In November 1992, the people of the State of Colorado passed an amendment to the State's constitution (Article X, Section 20) known as the Taxpayer's Bill of Rights (TABOR), which was effective December 31, 1992. TABOR's intended purpose was to reasonably restrain the growth of government by imposing spending and revenue limits on the state and any local government, excluding enterprises. Provisions of TABOR require, among other things, that:

- Each district shall reserve for use in declared emergencies 3% of its fiscal year spending (as defined by TABOR) excluding bonded debt service, and this amount is set aside as part of reserved fund balance, called "declared emergencies".
- If revenue from sources not excluded from fiscal year spending exceeds the limits prescribed by TABOR in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset. Revenue collected, kept, or spent illegally since four full fiscal years before an individual or class action enforcement suit is filed shall be refunded with 10% annual simple interest from the initial conduct.
- With minor exceptions, advance voter approval is required for any new tax, tax rate increase, or mill levy above that for the prior year or creation of any multiple-fiscal year direct or indirect district debt or other financial obligation without certain cash reserve amounts or a non-appropriation clause contained within the legal.

At December 31, 2025, the District had restricted $42,200 in the General Fund for declared emergencies.

10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in

10. Risk Management (continued)

any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property and public officials liability 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 members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area.

11. Claims and Litigation

The District is unaware of any pending or threatened litigation that might have a material effect on the financial statements.

12. Subsequent Events

The District has evaluated subsequent events through June 18, 2026, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements.

Required Supplementary Information

SOUTHWESTERN WATER CONSERVATION DISTRICT

Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Taxes			
Property taxes	$ 1,825,216	$ 1,797,836	$ (27,380)
Special ownership and other taxes	120,000	140,953	20,953
Interest and penalties	31,200	33,651	2,451
Interest income	150,000	166,137	16,137
Water information program	46,735	50,860	4,125
Stream gaging	44,914	44,914	-
Other local sources	12,500	47,868	35,368
Total Operating Revenue	2,230,565	2,282,219	51,654
Expenditures			
General government			
Board expense	$ 40,000	$ 32,969	$ 7,031
Administration			
Personnel	307,970	305,846	2,124
County treasurer's fees	59,292	52,373	6,919
Other services	26,500	16,713	9,787
Rent	34,500	33,508	992
Dues and subscriptions	17,100	18,398	(1,298)
Supplies	11,000	9,837	1,163
Professional and technical services	15,500	16,485	(985)
Capital outlay	5,000	-	5,000
Water conservation activities			
Legal	350,520	200,180	150,340
Other district support	265,000	65,797	199,203
San Juan recovery program user committee	56,560	56,560	-
Engineering	250,000	139,370	110,630
Stream gaging - federal	102,293	134,931	(32,638)
Lobbying	80,778	71,743	9,035
Weather modification	80,000	64,039	15,961
Water education	74,250	50,129	24,121
Stream gaging - Colorado	2,640	2,400	240
Other technical services	150,000	18,395	131,605
Water information program	97,960	124,584	(26,624)
Total Operating Expenses	2,026,863	1,414,257	612,606
Operating Income (Loss)	203,702	867,962	664,260
Non-operating Revenues (Expenses):			
Unrealized gain/(loss)	-	3,161	(3,161)
Net Non-operating Revenues (Expenses)	-	3,161	(3,161)
Net Change in Funds Available	203,702	871,123	661,099
Funds Available - beginning of the year, as restated	5,737,565	5,398,315	(339,250)
Funds Available - end of the year, budgetary basis	$ 5,941,267	$ 6,269,438	$ 321,849