TRINCHERA WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS

December 31, 2025



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

TRINCHERA WATER CONSERVANCY DISTRICT
TABLE OF CONTENTS
December 31, 2025

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Governmental Fund Financial Statements:	
Balance Sheet	6
Statement of Revenues, Expenditures, and Changes in Fund Balance	7
Proprietary Fund Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	11
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
General Fund	22
Supplementary Information	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Non-GAAP)	
Groundwater Management SubDistrict	23

INDEPENDENT AUDITORS' REPORT

Wall, Smith, Bateman Inc.

To the Board of Directors
Trinchera Water Conservancy District
Blanca, Colorado

Opinions

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

In our opinion, the accompanying financial statements 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 District, as of December 31, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management’s discussion analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

August 25, 2026

TRINCHERA WATER CONSERVANCY DISTRICT

BASIC FINANCIAL STATEMENTS

TRINCHERA WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
December 31, 2025

	Governmental Activities	Business-Type Activities	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 87,528	$ 997,281	$ 1,084,809
Assessments Receivable	-	582,319	582,319
Due from Other Governments	-	88,912	88,912
Property Taxes Receivable	44,586	20,937	65,523
Prepaid Expenses	-	-	-
Total Current Assets	132,114	1,689,449	1,821,563
Noncurrent Assets			
Capital Assets, not being depreciated	-	2,360,786	2,360,786
Capital Assets, net of accumulated depreciation	-	832,032	832,032
Leased Assets, not being amortized	-	300,000	300,000
Leased Assets, net of accumulated amortization	-	315,025	315,025
Total Noncurrent Assets	-	3,807,843	3,807,843
TOTAL ASSETS	132,114	5,497,292	5,629,406
LIABILITIES			
Current Liabilities			
Accounts Payable	4,085	62,210	66,295
Accrued Interest Payable	-	26,226	26,226
Current Portion Lease Payable	-	11,540	11,540
Current Portion Note Payable - CWCB	-	56,949	56,949
Total Current Liabilities	4,085	156,925	161,010
Long-term Liabilities			
Lease Payable	-	300,087	300,087
Note Payable - CWCB	-	2,927,520	2,927,520
Total Long-term Liabilities	-	3,227,607	3,227,607
TOTAL LIABILITIES	4,085	3,384,532	3,388,617
			-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue- Property Tax	44,586	20,937	65,523
TOTAL DEFERRED INFLOWS OF RESOURCES	44,586	20,937	65,523
NET POSITION			
Net Investment in Capital Assets	-	511,747	511,747
Restricted:			
Tabor Reserve	1,203	-	1,203
Unrestricted	82,240	1,580,076	1,662,316
TOTAL NET POSITION	$ 83,443	$ 2,091,823	$ 2,175,266

The accompanying notes are an integral part of this financial statement.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	$ 45,874	$ -	$ -	$ -	$ (45,874)	$ -	$ (45,874)
Total Governmental Activities	45,874	-	-	-	(45,874)	-	(45,874)
Business-Type Activities:							
Enterprise Fund	580,559	563,192	-	-	-	(17,367)	(17,367)
Total Business-Type Activities	580,559	563,192	-	-	-	(17,367)	(17,367)
Total Primary Government	$ 626,433	$ 563,192	$ -	$ -	(45,874)	(17,367)	(63,241)
		General Revenues:					
		Taxes:					
		General Property Taxes and SOT Taxes			39,458	20,356	59,814
		Interest			90	-	90
		Miscellaneous			-	-	-
		Total General Revenues			39,548	20,356	59,904
		Change in Net Position			(6,326)	2,989	(3,337)
		Net Position - Beginning of Year			89,769	2,088,834	2,178,603
		Net Position - Ending			$ 83,443	$ 2,091,823	$ 2,175,266

The accompanying notes are an integral part of this financial statement.

TRINCHERA WATER CONSERVANCY DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
For the Year Ended December 31, 2025

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	$ 87,528
Property Taxes Receivable	44,586
TOTAL ASSETS	$ 132,114
LIABILITIES	
Accounts Payable	$ 4,085
TOTAL LIABILITIES	4,085
DEFERRED INFLOWS OF RESOURCES - CURRENT	
Unavailable Revenue- Property Tax	44,586
FUND BALANCE	
Restricted:	
Tabor Reserve	1,203
Assigned:	
Designated for Subsequent Year Expenditures	46,461
Unassigned	35,779
TOTAL FUND BALANCE	83,443
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 132,114

The accompanying notes are an integral part of this financial statement.

TRINCHERA WATER CONSERVANCY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2025

	GENERAL FUND
REVENUES	
Taxes	$ 39,458
Interest Income	90
Other Income	-
TOTAL REVENUES	39,548
EXPENDITURES	
General Government	
Salaries and Fringe	-
Office Expense	1,194
Professional Services	19,500
Other	10,419
Ground Water Level Network	14,761
TOTAL EXPENDITURES	45,874
Net Change in Fund Balance	(6,326)
Fund Balance at Beginning of Year	89,769
Fund Balance at End of Year	$ 83,443

The accompanying notes are an integral part of this financial statement.

TRINCHERA WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2025

	Groundwater Management Subdistrict
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 997,281
Assessments Receivable	582,319
Due from Other Governments	88,912
Property Tax Receivable	20,937
Prepaid Expense	-
Total Current Assets	1,689,449
Noncurrent Assets	
Capital Assets, not being depreciated	2,360,786
Capital Assets, being depreciated	832,032
Leased Assets, not being amortized	300,000
Leased Assets, net of accumulated amortization	315,025
Total Noncurrent Assets	3,807,843
TOTAL ASSETS	5,497,292
LIABILITIES	
Current Liabilities	
Accounts Payable	62,210
Accrued Interest Payable	26,226
Current Portion Lease Payable	11,540
Current Portion Note Payable - CWCB	56,949
Total Current Liabilities	156,925
Long-Term Liabilities	
Lease Payable	300,087
Note Payable - CWCB	2,927,520
Total Long-Term Liabilities	3,227,607
TOTAL LIABILITIES	3,384,532
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	20,937
TOTAL DEFERRED INFLOWS OF RESOURCES	20,937
NET POSITION	
Net Investment in Capital Assets	511,747
Unrestricted	1,580,076
TOTAL NET POSITION	$ 2,091,823

The accompanying notes are an integral part of this financial statement.

TRINCHERA WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2025

	Groundwater Management Subdistrict
OPERATING REVENUE	
Taxes	$ 20,356
Administrative Fee	88,500
Assessments - Pumping Fees	437,396
Contracts - Pumping Fees	37,296
Well User Fee	-
Miscellaneous Income	-
Total operating revenue	583,548
OPERATING EXPENSES	
Professional Fees	112,912
Forbearance Agreements	164,578
Replacement Water	90,405
Miscellaneous	17,888
Amortization and Depreciation Expense	60,062
Repairs & Maintenance	592
Total operating expenses	446,437
Operating Income (Loss)	137,111
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(125,769)
Debt Issuance Costs	(8,353)
Net Income (Loss)	2,989
Net Position at Beginning of Year	2,088,834
Net Position at End of Year	$ 2,091,823

The accompanying notes are an integral part of this financial statement.

TRINCHERA WATER CONSERVANCY DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	Groundwater Management Subdistrict
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Administration and Pumping Fees	$ 459,982
Cash Received from Taxes	20,356
Cash Received from Other Revenues	-
Cash Payments for Water Management Expenses	(210,661)
Cash Payments for Professional Services	(112,912)
Cash Payments for Repairs	(592)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	156,173
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	
Reimbursement to General Fund	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(149,967)
Lease Payments	(25,750)
Note Payments	(140,608)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(316,325)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
Net Increase (Decrease) in Cash and Cash Equivalents	(160,152)
Cash and Cash Equivalents, Beginning of Year	1,157,433
Cash and Cash Equivalents, End of Year	$ 997,281
OPERATING INCOME (LOSS)	$ 137,111
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Amortization Expense	17,421
Depreciation Expense	42,641
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(14,298)
(Increase) Decrease in Due from Other Governments	(88,912)
Increase (Decrease) in Accounts Payable	62,210
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 156,173
NON-CASH INVESTING/FINANCING ACTIVITIES	
Debt Issuance Costs Finaced through Increase in Note Payable	(8,353)
TOTAL NON-CASH INVESTING/FINANCING ACTIVITIES	$ (8,353)

The accompanying notes are an integral part of this financial statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Trinchera Water Conservancy District (the District) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards.*

REPORTING ENTITY

Primary Government

The District was formed by decree of the District Court in 1968. The District is governed by a board of directors appointed by the District Judge for Costilla County. In September 2008, the Trinchera Subdistrict was decreed and organized by the District Court. The District Court for Water Division No. 3 ("Water Court") entered an order confirming the Subdistrict's ability to submit a plan of water management.

The Subdistrict was created to offer services to conserve and stabilize the water supply and groundwater storage in the aquifer underlying its boundaries for existing irrigation, domestic, municipal, power, manufacturing, and other beneficial uses within its boundaries.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the District has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District. Mainly taxes and intergovernmental revenues support governmental activities, and fees paid by water users support business-type activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

Separate financial statements are provided for the governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column.

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 recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

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

Certain eliminations have been made as prescribed by the GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The District's proprietary fund includes the Groundwater Management Subdistrict. Sources of revenue consist of administration fees and pumping fees assessed on landowners within the Subdistrict.

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.

- Current year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major enterprise fund:

- The ***Enterprise Fund*** accounts for fees and expenses for operating, financing, and maintaining the Subdistrict.

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with an initial maturity of three months or less.

Receivables/Payables Due To/From Other Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

The District defines capital assets with an initial, individual cost of more than $5,000 and a useful life of more than one year. Depreciation is computed on a straight-line basis over the estimate useful life of the assets. Estimated useful lives may vary depending on the asset. Capital assets are recorded at historical cost or estimated historical 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 assets' lives are not capitalized.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the District. Property tax revenue is recognized by the District to the extent it results in a current receivable.

The 2025 property tax levy due on January 1, 2026, has been recorded as a receivable and corresponding deferred inflow of resources in the financial statements.

Assessments and Contracts– Groundwater Management Subdistrict

Assessments attach as an enforceable lien on property as of January 1 each year. The Groundwater Management Subdistrict assesses fees on overall groundwater consumptive use allocation. The Subdistrict assessed an administrative fee of $500 per well and a pumping fee of $40 per acre-foot, of which 83% is applied against the current year allocation, and 17% is applied against the average past consumptive use based on diversion records between 2009 and 2024.

The aforementioned fees are based on several variables and are subject to an appeals process by the landowner. The appeal can cause an adjustment to revenue.

Contracts are negotiated with commercial entities and the overall allotment is charged in the year of availability. The Subdistrict charged an administrative fee of $500 per well and a pumping fee of $40 per acre-foot allotted in the contract.

Deferred Inflows

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Encumbrances

The District does not record purchase orders in the accounting system. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the five categories:

- *Nonspendable Fund Balance-* are amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid insurance.

- *Restricted Fund Balance-* are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed Fund Balance-* are amounts that can only be used for specific purposes as a result of constraints imposed by the Board of Directors, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removed those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

- *Assigned Fund Balance-* are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Directors or by an official or body to which the governing body delegates the authority.

- *Unassigned Fund Balance-* are amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Leases

Lessee: The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide and proprietary fund financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease terms, (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the leases. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital asset and lease liabilities are reported with long-term debt on the statement of net position.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Trinchera Water Conservancy District follows the procedures set forth in the Colorado Local Budget Law when preparing annual budgets for each fund. Budget procedures include:

1) Preparation of budget documents by administrative staff shall be submitted to the Board.
2) Publication of a notice stating that the budget is available for public inspection.
3) Discussion of the budget in a meeting open to the public.
4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did not adopt supplemental appropriations during 2025. All budget amounts presented reflect the original budget and the final amended budget, if applicable.

NOTE 3 CASH AND DEPOSITS

Cash and Deposits

A summary of Cash and Deposits for the District is as follows:

Cash in Bank	$ 1,084,809
	$ 1,084,809

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held. The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 102% of the aggregate uninsured deposits. All deposits in 2025 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

Custodial Credit Risk

Custodial credit risk is the risk 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. As of December 31, 2025, $874,959 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

NOTE 4 PROPERTY TAXES RECEIVABLE

At December 31, 2025, the District had an estimated property tax receivable in the General Fund of approximately $44,586 and in the Subdistrict of $20,937.

NOTE 5 ASSESSMENTS RECEIVABLE

The Groundwater Management Subdistrict assessed fees on August 20, 2025. The Subdistrict is still refining the assessment computation and has an estimated uncollectable amount of $0. Assessments receivable consist of the following fees:

Previous year uncollected	$	68,362
2025 Assessments		513,957
Total Assessments Receivable	$	582,319

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in Progress	$ -	$ -	$ -	$ -
Land with Water Rights	2,360,786	-	-	2,360,786
Total capital assets not being depreciated	2,360,786	-	-	2,360,786
Capital assets being depreciated				
Land Improvements	833,387	49,967	-	883,354
Total capital assets being depreciated	833,387	49,967	-	883,354
Less accumulated depreciation for:				
Land Improvements	8,681	42,641	-	51,322
Total accumulated depreciation	8,681	42,641	-	51,322
Total capital assets being depreciated, net	824,706	7,326	-	832,032
Leased assets not being amortized				
Wells and Water	200,000	100,000	-	300,000
Total leased assets not being amortized	200,000	100,000	-	300,000
Leased assets being amortized				
Water Storage	348,415	-	-	348,415
Total leased assets being amortized	348,415	-	-	348,415
Less accumulated amortization for:				
Water Storage	15,969	17,421	-	33,390
Total accumulated amortization	15,969	17,421	-	33,390
Total leased assets being amortized, net	332,446	(17,421)	-	315,025
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 3,717,938	$ 89,905	$ -	$ 3,807,843

NOTE 7 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

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

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025	Due Within One Year
Business-type activities:					
Notes Payable	$ 3,031,894	$ 8,353	$ 55,778	$ 2,984,469	$ 56,949
Leases Payable	322,664	-	11,037	311,627	11,540
Total Business-type activities	$ 3,354,558	$ 8,353	$ 66,815	$ 3,296,096	$ 68,489

Colorado Water Conservation Board Loans Payable

The Subdistrict obtained an $843,587, 1.4% interest, 30-year loan in 2022 to provide financing for the Augmentation Pipeline project. The loan is secured by water activity revenue of the Groundwater Management Subdistrict of the Trinchera Water Conservancy District. Payments are paid annually in the amount of $34,630 beginning May 1, 2027. Final payment is due in May 2056. The balance at December 31, 2025 was $843,587.

The Subdistrict obtained a $2,251,290, 2.1% interest, 30-year loan in 2023 to provide financing for the Alpha Hay Farms Augmentation project. The loan is secured by water activity revenue of the Groundwater Management Subdistrict of the Trinchera Water Conservancy District. Payments are made annually in the amount of $101,907. Final payment is due in June 2053. The balance at December 31, 2025 was $2,140,882.

The annual debt service for the loans are as follows:

	Principal	Interest	Total
2026	$ 56,949	$ 44,959	$ 101,907
2027	80,965	55,573	136,537
2028	82,506	54,032	136,537
2029	84,076	52,461	136,537
2030	85,677	50,860	136,537
2031-2035	453,526	229,161	682,687
2036-2040	498,535	184,152	682,687
2041-2045	548,137	134,550	682,687
2046-2050	602,811	79,876	682,687
2051-2055	457,136	21,737	478,872
2056	34,152	478	34,630
Total	$ 2,984,469	$ 907,836	$ 3,892,306

Leases Payable

The Groundwater Management Subdistrict enters into leases to access wells, water rights, and water storage. The Subdistrict has recognized a lease liability as of December 31, 2025 for the terms of the leases summarized below:

San Luis Valley Irrigation District - On February 21, 2024, the Subdistrict entered into a 20-year lease agreement with the San Luis Valley Irrigation District for water storage in Rio Grande Reservoir. The Subdistrict has the option to renew for an additional five-year term following the end of the initial twenty-year term. Annual payments of $25,750 are subject to adjustment by applying the CPI. In addition, the Subdistrict will also pay $75 per acre-foot of storage used in excess of the firm storage amount, which has not been included in the recognized lease liability. The liability balance as of December 31, 2025 is $311,627.

The future minimum lease payments for all leases are as follows:

	Principal	Interest	Total
2026	$ 11,540	$ 14,210	$ 25,750
2027	12,066	13,684	25,750
2028	12,616	13,134	25,750
2029	13,191	12,559	25,750
2030	13,793	11,957	25,750
2031-2035	78,993	49,757	128,750
2036-2040	98,723	30,027	128,750
2041-2043	70,705	6,544	77,249
Total	$ 311,627	$ 151,872	$ 463,499

NOTE 8 RELATED PARTY TRANSACTIONS

The Subdistricts responsibilities include the creation of a plan of water management and to work in conjunction with the Trinchera Water Conservation District. The board members are made up of landowners or legal representatives of the landowners within the boundaries of the Subdistrict. As part of the Groundwater Management Plan there are programs to incentivize the reduction of irrigation water use and restore the critical balance between supply and demand. In the ordinary course of business, the Subdistrict may have transactions with its board members. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any unfavorable features to the Subdistrict.

NOTE 9 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

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.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3% of fiscal year spending. This Emergency Reserve has been presented as a restricted net position/fund balance in the financial statements. The District is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 11 SUBSEQUENT EVENTS

On March 22, 2022, the Subdistrict entered into a three-year lease agreement with Natural Prairie Colorado Farmland Holdings LLC for the eventual purchase of wells and water rights. On January 22, 2025, an addendum to the lease agreement was entered into due to the delay in the finalization of the CWCB Loan above. An additional $100,000 was paid in 2025 related to the addendum. The loan is expected to be finalized in 2026 for a total amount of $2,323,000.

TRINCHERA WATER CONSERVANCY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements,
A budgetary comparison schedule is required
for the General Fund.

TRINCHERA WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Taxes	$ 39,547	$ 39,547	$ 39,458	$ (89)
Interest Income	640	640	90	(550)
Other Income	-	-	-	-
TOTAL REVENUES	40,187	40,187	39,548	(639)
EXPENDITURES				
General Government				
Salaries and Fringe	25,500	25,500	-	25,500
Travel	200	200	-	200
Office Expense	2,225	2,225	1,194	1,031
Professional Services	20,500	20,500	19,500	1,000
Other	1,164	1,164	10,419	(9,255)
Ground Water Level Network	6,747	6,747	14,761	(8,014)
Special Projects	7,000	7,000	-	7,000
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	63,336	63,336	45,874	17,462
Change in Net Position	(23,149)	(23,149)	(6,326)	16,823
Fund Balance at Beginning of Year	112,596	112,596	89,769	(22,827)
Fund Balance at End of Year	$ 89,447	$ 89,447	$ 83,443	$ (6,004)

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is measured on the GAAP basis.

TRINCHERA WATER CONSERVANCY DISTRICT

SUPPLEMENTARY INFORMATION

TRINCHERA WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP)
GROUNDWATER MANAGEMENT SUBDISTRICT
For the Year Ended December 31, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
OPERATING REVENUE				
Taxes	$ 20,579	$ 20,579	$ 20,356	$ (223)
Administrative Fee	92,500	92,500	88,500	(4,000)
Assessments - Pumping Fees	498,902	498,902	437,396	(61,506)
Contracts - Pumping Fees	47,687	47,687	37,296	(10,391)
Other	-	-	-	-
Total operating revenue	659,668	659,668	583,548	(76,120)
OPERATING EXPENSES				
Professional Fees	135,000	135,000	112,912	22,088
Forbearance Agreements	150,000	150,000	164,578	(14,578)
Pipeline Project	38,000	38,000	-	38,000
Replacement Water	23,625	23,625	90,405	(66,780)
Miscellaneous	105,512	105,512	17,888	87,624
Repairs & Maintenance	45,000	45,000	592	44,408
Amortization and Depreciation Expense	-	-	60,062	(60,062)
Total operating expenses	497,137	497,137	446,437	50,700
Operating income (loss)	162,531	162,531	137,111	(126,820)
NONOPERATING REVENUE (EXPENSES)				
Note Payments	(125,000)	(125,000)	(55,778)	69,222
Interest Expense	(217,907)	(217,907)	(125,769)	92,138
Debt Issuance Costs	-	-	(8,353)	(8,353)
Total nonoperating revenues (expenses)	(342,907)	(342,907)	(189,900)	153,007
Change in Net Position - Budget Basis			(52,789)	$ (126,820)
Add: Note Payments			55,778	
Change in Net Position			2,989	
Net Position at Beginning of Year	1,047,000	1,047,000	2,088,834	1,041,834
Net Position at End of Year	$ 866,624	$ 866,624	$ 2,091,823	$ 1,225,199

The accompanying notes are an integral part of this financial statement.