UPPER YAMPA WATER CONSERVANCY DISTRICT

Financial Statements
And
Supplemental Information
With
Independent Auditor's Report

December 31, 2025

UPPER YAMPA WATER CONSERVANCY DISTRICT

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WATSON COON RYAN
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Independent Auditor's Report

Board of Directors
Upper Yampa Water Conservancy District
Steamboat Springs, Colorado

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Upper Yampa Water Conservancy District as of December 31, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Yampa Water Conservancy District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Upper Yampa Water Conservancy District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Upper Yampa Water Conservancy District's basic financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 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 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Watson Coon Ryan, LLC

WATSON COON RYAN, LLC
CENTENNIAL, COLORADO

MAY 20, 2026

UPPER YAMPA WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis
2025

The intent of the Management's Discussion and Analysis is to provide an overview and highlights of the financial and other activities of the Upper Yampa Water Conservancy District (UYWCD) for the year ended on December 31, 2025. UYWCD Board members and readers are encouraged to read this discussion and analysis in conjunction with the accompanying audited financial statements. In addition to the accompanying audit, it provides a report by the General Manager of the activities of the UYWCD in 2025.

UYWCD History and Background

The UYWCD was organized in March of 1966 for the purpose of conserving, developing, and stabilizing water supplies within its boundaries. The UYWCD encompasses Routt County and a portion of Moffatt County and is divided into three divisions: Division 1 (Hayden area), Division 2 (Steamboat Springs area), and Division 3 (Oak Creek/Yampa area). The nine members of the Board of Directors, three representing each Division, are appointed by the District Judge to serve staggered four-year terms. The UYWCD was formed on the basis that properties within the UYWCD would benefit through conservation, development, and stabilization of water supplies for agricultural, industrial, municipal, and other beneficial uses. This led to the construction of Yamcolo Reservoir (9,621 AF), located in the Flattops near the headwaters of the Yampa River, in 1980 and Stagecoach Reservoir (36,439 AF), located southeast of Steamboat Springs, in 1989. The UYWCD also owns and operates the Stillwater Ditch in partnership with the agricultural water users supplied by this ditch system. In addition to these UYWCD owned facilities, the UYWCD contracts for 360 AF of water supply out of Steamboat Lake for the purpose of operating an Umbrella Water Augmentation Plan for the Elk River.

The UYWCD's current combined infrastructure assets represent the largest source of stored water available for water users in the Yampa River Basin managed by a single entity. The Yampa River Basin is largely recognized as the river with the least amount of stored water, by percentage of natural flow, of all major river basins in the Colorado River system.

Overview of the 2025 UYWCD Operations and Economic Factors

In the Yampa River Basin, the 2024/25 water year was characterized by below average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in below average hydro-power generation at Stagecoach Dam. Water storage deliveries from the UYWCD Reservoirs were, again, extensive. Continued demand for water storage deliveries from the UYWCD Reservoirs continues to drive stable water storage contract revenues.

UYWCD is committed to serving our constituents through responsible water resource management that conserves, protects, and enhances the water resources of the Yampa River Basin to ensure a sustainable future for our communities. In 2025, UYWCD continued funding projects that assist water users and managers in their decision-making process and to educate community members, including future generations, on the water matters that impact our most valuable natural resource, the Yampa River.

Capital investment to UYWCD facilities included upgrades to the concrete courtyard at Stagecoach Powerhouse, improved buoy and anchor system at Stagecoach Reservoir, automation of gates at Yamcolo bifurcation structure, general improvements to equipment at Yamcolo and Stagecoach Dams, and construction of the structural repair project at Stillwater Ditch.

Financial activities for the 2025 year included an increase in augmentation contracts for both Yampa and Elk River Umbrella Augmentation Plans, continued funding support of community water education and water diversion infrastructure projects, and the UYWCD Yampa River Youth Festival.

Revenues

Property tax revenues from a 1.82 mill levy on the taxable property of the UYWCD generated $4,092,656, net of $123,995 of Treasurer Collection Fees.

Overall water sales were $733,941, $294,520 above the $439,421 budgeted. This revenue variance stemmed from additional water purchases from Colorado Water Trust through an Environmental, Instream and Recreational Water storage agreement and new augmentation contracts.

Hydro-power generation produced a total revenue of $73,368 for the year, $96,632 below the $170,000 budgeted. Hydro-power generation is directly influenced by the magnitude and timing of Yampa River flows into Stagecoach Reservoir. The 2024/25 water year was characterized by average snowpack and very low summer precipitation. The combined effect of these hydrologic conditions resulted in full recovery of the UYWCD Reservoirs, but below average hydro-power generation at Stagecoach Dam. Stagecoach Dam Powerhouse maintenance needs also influenced hydro-power generation.

Other revenues include those generated by the Stillwater Ditch and Reservoirs Company of $14,056, Direct Flow Water Right lease revenues of $2,764 and investment yields and investment earnings of $1,139,064.

Pass through revenues and expenses were received and disbursed in 2025 for the *Evaluating the Observation Network and Enhancing Soil Moisture Observations to Support Decision Making in the Upper Yampa Basin Project,* the Bear River *Wildfire Mitigation Project* and *Infrastructure Improvement Projects*.

Expenditures

Operation and Maintenance expenditures, and capital improvements for Stagecoach Dam and Reservoir, Yamcolo Dam and Reservoir, and the Stillwater Ditch continue to improve the condition of UYWCD facilities consistent with current operational standards. Total Operating and Capital Expenditures for all UYWCD facilities and operations (net of depreciation) were $4,344,788, $1,315,005 below the $5,659,793 budget.

Overview of the Financial Statements

The UYWCD's financial statements comprise of two components:

1. Stand-alone Enterprise fund financial statements,
2. Notes to the financial statements.

This report also contains other supplementary information consisting of a comparison of budget to actual non-US GAAP (U.S. Generally Accepted Accounting Principles) Budgetary basis.

Stand-alone Enterprise fund financial statements:
These financial statements are designed to provide readers with a broad overview of the UYWCD in a manner similar to a private-sector business.

- The statement of net position presents information on all the UYWCD's assets and liabilities with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the UYWCD is improving or deteriorating.

- The statement of revenues, expenses and changes in net position presents information showing how the UYWCD's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

- The statement of cash flows represents the information on the change in the UYWCD's cash balances during the year segregated into operating, investing, and financing categories.

The assets of the UYWCD exceeded its liabilities on December 31, 2025, by $55,449,346. Of this amount, $27,831,365 is invested in capital assets (net of related debt) and $522,734 is restricted. While there are no legal restrictions on the unrestricted net position of $27,095,247, in 2025 the District encumbered a net position balance equal to $940,973 in the Capital Maintenance Reserve, $5,609,816 in the Emergency Facilities Reserve, and $19,759,405 to ensure adequate net position is available to address future debt payments and the development of capital projects.

Statement of Net Position

	2025	2024
Assets:		
Current and Other Assets	$32,186,630	$29,263,401
Net Capital Assets	28,616,418	27,517,129
Total Assets	60,803,048	56,780,530
Liabilities:		
Current liabilities	983,660	198,262
Deferred Inflows	4,370,042	3,943,272
Total liabilities	5,353,702	4,141,534
Net position:		
Invested in capital,		
Net Investment in Capital Assets	27,831,365*	27,448,999
Restricted Net Position	522,734	526,034
Unrestricted♦	27,095,247	24,663,963
Total net position	$55,449,346	$52,638,996

♦ Encumbered funds, including Emergency Facilities Reserve, Capital Maintenance Reserve and Capital Projects Development Fund.

* Gross capital assets of $28,616,418, presented net of capital assets payable of $785,053.

**Amount includes restricted net position of $522,734, plus unrestricted net position of $27,095,247, less capital assets payable of $785,053.

2025 Fund Closing Balance including Encumbered Funds		$26,832,928**
Encumbered Funds	$7,073,523	
Emergency Facilities Reserve		5,609,816
Capital Maintenance Reserve		940,973
Stagecoach Wetlands Mitigation Reserve		419,734
Tabor Reserve		103,000
Capital Projects Development Fund	$19,759,405	

Statement of Revenues, Expenses, and Changes in Fund Net Position

	2025	2024
Revenues		
Operating Revenues	$824,129	$820,900
Other Income (Expense)	5,231,720	5,447,962
Total Revenues	6,055,849	6,268,862
Expenses		
Operating Expenses	3,245,499	2,917,971
Change in Net Position	2,810,350	3,350,891
Net Position - Beginning	52,638,996	49,288,105
Net Position - Ending	$55,449,346	$52,638,996

Capital Assets

	Balance 12/31/25	**Additions**	**Deletions**	**Balance 12/31/25**
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	$ 5,259,775	$ -	$ -	$ 5,259,775
Dam Structure	9,080,877	-	-	9,080,877
Amenities	4,081,748	36,015	-	4,117,763
Yamcolo				
Dam Structure	5,998,642	-	-	5,998,642
Stillwater Ditch:	530,653	-	-	530,653
Elk River Augmentation	10,000	-	-	10,000
Total capital assets not being depreciated	24,961,695	36,015	-	24,997,710
Capital assets being depreciated:				
Stagecoach				
Dam structure and equipment	3,702,308	317,912	-	4,020,220
Amenities	1,711,319	-	-	1,711,319
Yamcolo				
Dam structure and equipment	1,350,473	70,632	-	1,421,105
Stillwater Ditch	355,627	833,035	-	1,188,662
Equipment, vehicles and other	198,402	12,928	-	211,330
Total capital assets being depreciated	32,279,824	1,270,522	-	33,550,346
Less: Accumulated depreciation	(4,762,695)	(171,233)	-	(4,933,928)
Net Capital Assets	**$ 27,517,129**	**$1,099,289**	**$ -**	**$ 28,616,418**

Budgetary Comparison

The UYWCD budgets for expenses on a non-GAAP basis whereby expenses include debt principal payments and capital outlay and exclude non–cash expenses of depreciation and amortization. In 2025 there were two revenue budgetary differences. Water sales revenues were higher than budgeted due to new water storage contracts and additional water purchased through existing agreements based on availability and current water-year conditions. Power sales were below budget and interest revenues were above budget, resulting from current year hydrologic and economic conditions, respectively.

Capital project expenditures were all within budgeted amounts.
Budgetary changes have not adversely affected the financial stability of the UYWCD.

The variations between the budgeted income and expenses enumerated above will have no deleterious effect on the liquidity of the UYWCD or its future obligations and services.

Andy Rossi
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UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Net Position
December 31, 2025

Assets:	
Current assets:	
Cash and investments	$ 26,916,830
Accounts receivable	36,660
Property taxes receivable	4,370,042
Certificates of deposit	777,886
Prepaid expenses	81,551
Other current assets	3,661
Total current assets	32,186,630
Noncurrent assets:	
Capital assets, net of accumulated depreciation	28,616,418
Total assets	$ 60,803,048
Liabilities:	
Current liabilities:	
Accounts payable	958,591
Accrued expenses payable	25,069
Total current liabilities	983,660
Deferred inflows of resources:	
Deferred property tax revenues	4,370,042
Net position:	
Net investment in capital assets	27,831,365
Restricted for:	
Wetlands mitigation	419,734
Emergencies	103,000
Unrestricted	27,095,247
Total net position	$ 55,449,346

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

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Change in Net Position
For the year ended December 31, 2025

Operating Revenues:		
Water sales	$	733,941
Power revenues		73,368
Other income		16,820
Total operating revenues		824,129
Operating Expenses:		
Facilities:		
Stagecoach reservoir		755,671
Yamcolo reservoir		224,669
Stillwater ditch and reservoir		89,866
Elk River augmentation plan		2,483
Administration		354,072
Board of directors		84,236
External affairs		152,625
Finance		150,056
Legal		158,590
Planning		702,423
Grants, scholarships and public information		420,808
Yampa river fund		150,000
Total operating expenses		3,245,499
Operating loss		(2,421,370)
Non-Operating Revenues and (Expenses):		
Property taxes, net of collection fees		4,092,656
Pass-through income		187,885
Pass-through expense		(187,885)
Interest income		1,139,064
Net non-operating revenues		5,231,720
Change in net position		2,810,350
Net position, beginning of year		52,638,996
Net position, end of year	$	55,449,346

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

UPPER YAMPA WATER CONSERVANCY DISTRICT
Statement of Cash Flows
For the year ended December 31, 2025

Cash Flows From Operating Activities:		
Cash received from customers	$	1,155,861
Cash payments to suppliers of goods or services		(2,299,894)
Net cash used by operating activities		(1,144,033)
Cash Flows From Non-Capital Financing Activities:		
Property taxes, net of collection fees		4,092,656
Cash received from pass-through grantor		187,885
Cash payments to pass-through suppliers of goods or services		(187,885)
Net cash provided by non-capital financing activities		4,092,656
Cash Flows From Capital Financing Activities:		
Purchase of capital assets		(1,270,522)
Net cash used by capital financing activities		(1,270,522)
Cash Flows From Investing Activities:		
Redemption of certificates of deposit		1,557,369
Purchase of certificates of deposit		(1,568,882)
Interest received		1,139,064
Net cash provided by investing activities		1,127,551
Net change in cash and cash equivalents		2,805,652
Cash and cash equivalents, beginning of year		24,111,178
Cash and cash equivalents, end of year	$	26,916,830
Reconciliation of Operating Loss to Net Cash Provided by Activities:		
Operating loss	$	(2,421,370)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		171,233
Decrease (increase) in:		
Accounts receivable		331,732
Prepaid expenses		(8,690)
Other current assets		(2,336)
Increase in:		
Accounts payable		776,721
Accrued expenses payable		8,677
Net cash used by operating activities	$	(1,144,033)

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

Note 1: Summary of Significant Accounting Policies

The Upper Yampa Water Conservancy District (UYWCD) was formed to provide legal authority to plan and construct water conservation projects in the Yampa Valley of northwest Colorado.

UYWCD's financial statements were prepared in accordance with U.S. generally accepted accounting principles for governmental entities (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of UYWCD is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

UYWCD applies the criteria set forth in GASB Codification Section 2100: Defining the Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents, and the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units.

The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing, and the primary recipient of services. Based on these criteria, UYWCD has no includable component units. UYWCD is also not included in the financial statements of any other entity.

Basic Financial Statements

As a special purpose government, basic financial statements are presented at the activity level. Activity level financial statements focus on the sustainability of UYWCD as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position, the Statement of Change in Fund Net Position, and the Statement of Cash Flows.

As a special purpose government, UYWCD has only one fund, an enterprise/proprietary fund which is also considered its business type activity. UYWCD does not present any other fund or activity information.

Measurement Focus and Basis of Accounting

UYWCD operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, UYWCD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. UYWCD's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to $1.00 per share.

Certificates of Deposit

UYWCD holds money in nonnegotiable certificates of deposit that are valued at amortized cost. Maturities range from January to August 2026. Interest rates range from 3% - 3.95%.

Accounts Receivable

Amounts due to UYWCD from water storage and power sales are reported as accounts receivable. UYWCD's management reviews accounts receivable periodically to consider the collectability of the balances. District management believes all accounts receivable to be fully collectible as of December 31, 2025. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets include land, reservoir and dam structures, hydro-electric plant, buildings and improvements, furniture and fixtures and equipment. Capital assets are defined by UYWCD as assets with an initial cost of $1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	30 - 40
Furniture, fixtures and equipment	5 - 20

Non-depreciable capital assets of UYWCD include its land, land improvements, reservoirs, and dams.

Leases and Subscription-Based IT Arrangements

Under GASB 87 and 96, UYWCD recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. UYWCD's deferred inflows of resources consist solely of unavailable revenues from property taxes.

Net Position

Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is UYWCD's practice to use restricted resources first, then unrestricted resources as they are needed.

While the unrestricted net position does not have any legal constraints on its use, the accumulation of these amounts may be necessary to offset significant unforeseen capital repairs and for the development of capital projects that may be necessary in future years. These amounts do not meet the accounting definition to be considered restricted, but UYWCD believes this balance is necessary to ensure adequate reserves are available when the need does arise.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of UYWCD. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer and Moffat County Treasurer collect property taxes and remit collections to UYWCD on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting pronouncements

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 did not identify any concentrations or constraints that require disclosure.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information
Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures.

UYWCD conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, UYWCD's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.

- Public notice is offered by the Board of Directors to obtain taxpayer comments.

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

- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.

- All appropriations lapse at the end of each fiscal year.

During the year the Board may authorize supplemental appropriations, if necessary. For the year ended December 31, 2025, a budget amendment was adopted on May 21, 2025, for additional grant funding in the amount of $125,000.

Budget Law Compliance

UYWCD did not have expenditures in excess of appropriations for the year ended December 31, 2025.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. UYWCD has reserved $103,000 of the December 31, 2025 fund net position for this purpose.

Management believes that UYWCD qualifies as an enterprise as defined by TABOR. Therefore, the provisions of TABOR are not applicable to UYWCD.

In November 1999, voters passed a referendum that permanently lifted TABOR restrictions on the amount of revenue UYWCD can collect and expend.

UYWCD's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Detailed Notes on the Fund

Cash and cash equivalents

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act (PDPA) in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the State's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, repay the public deposits to the depositing government. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

COLOTRUST (Colorado Local Government Liquid Asset Trust) is a local government investment vehicles that qualifies as 2a7-like investment pools, where the value of each share is maintained at $1.00.

As of December 31, 2025, all of UYWCD's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Cash and investments as of December 31, 2025, consist of the following:

Deposits with financial institutions	$ 646,709
Investments	26,270,121
Total cash and investments	$ 26,916,830

Bank balances as of December 31, 2025 totaled $26,899,878.

Investments

Credit risk

UYWCD follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which UYWCD may invest which include local government investment pools.

Investment Valuation

UYWCD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments:	Fair Value
COLOTRUST (at NAV)	$ 26,270,121

Custodial and concentration of credit risk

At December 31, 2025, UYWCD had $26,270,121 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST.

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state sponsored investment pools. UYWCD invests in one such pool, the Colorado Local Government Liquid Asset Trust

(COLOTRUST) which is rated AAA by Standards and Poor's. This investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. UYWCD also invests excess undesignated cash reserves into certificates of deposit.

Interest rate risk

UYWCD has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

Capital Assets

Capital asset activity for the year ended December 31, 2025 is summarized below:

	January 1, 2025 Balance	Additions	Deletions	December 31, 2025 Balance
Capital assets not being depreciated:				
Stagecoach				
Land and water rights	$ 5,259,775	$ -	$ -	$ 5,259,775
Dam Structure	9,080,877	-	-	9,080,877
Amenities	4,081,748	36,015	-	4,117,763
Yamcolo				
Dam Structure	5,998,642	-	-	5,998,642
Stillwater Ditch	530,653	-	-	530,653
Elk River Augmentation	10,000	-	-	10,000
Total capital assets not being depreciated:	24,961,695	36,015	-	24,997,710
Capital assets being depreciated:				
Stagecoach				
Dam structure and equipment	3,702,308	317,912	-	4,020,220
Amenities	1,711,319	-	-	1,711,319
Yamcolo				
Dam structure and equipment	1,350,473	70,632	-	1,421,105
Stillwater equipment	355,627	833,035	-	1,188,662
Equipment, vehicles and other	198,402	12,928	-	211,330
Total capital assets	32,279,824	1,270,522	-	33,550,346
Less: accumulated depreciation	(4,762,695)	(171,233)	-	(4,933,928)
Net capital assets	$27,517,129	$ 1,099,289	$ -	$28,616,418

Stillwater Ditch Agreement

UYWCD has entered into an Assignment of Stock and Water Delivery Agreement with the shareholders of the Stillwater Ditch and Reservoirs Company (the Company) whereby the shareholders assigned and transferred all shares in the Company to UYWCD in exchange for UYWCD's continued maintenance and repair of the Stillwater Ditch and delivery of water to the shareholders under certain absolute water rights retained by the shareholders.

Restricted Net Position

The United Stated Army Corps of Engineers (ACOE) issued a permit to UYWCD to raise the height of Stagecoach Reservoir Dam four feet inundating approximately 23.15 acres of jurisdictional wetlands. The permit requires UYWCD to post financial assurances to ensure a high level of confidence that UYWCD will complete the compensatory mitigation required by the permit. UYWCD has appropriated $419,734 for this purpose as of December 31, 2025. The legislative appropriation will terminate when the compensatory mitigation is completed and accepted by the ACOE.

Note 4: Other Information

Defined Contribution Plan

Certain full-time employees are covered under a 401(a) defined contribution pension plan. Under the terms of the plan, UYWCD contributes at a rate of double the employee's retirement contribution not to exceed 6% of gross pay. Participants become fully vested within 3 years of participation in the plan. The plan can only be amended by UYWCD's board of directors. District contributions to the plan were $62,252 for the year ended December 31, 2025.

Commitments and Contingencies

State of Colorado

UYWCD has entered into an agreement with the State of Colorado Department of Natural Resources, Division of Parks and Outdoor Recreation for the operation of the recreational facilities at Stagecoach Reservoir. Under the terms of the agreement UYWCD has agreed to make an annual payment to the State each December 31st through May 1, 2044. In exchange for the State managing the recreation areas and completing improvements and replacement of existing recreation facilities pursuant to the Master Plan, UYWCD will annually provide $15,000 or actual costs of the Capital Improvements made by the State that calendar year, in the form of an operating subsidy to the State. The State is allowed to carryover excess improvement costs annually to meet subsequent years' obligations. The maximum amount that UYWCD is liable for in operating subsidies is $300,000 over the twenty-year period.

Power Purchase Agreement

UYWCD entered into an agreement on September 30, 2025 to sell exclusively the hydroelectric energy generated by its Stagecoach facility to YVEA. The initial term was through May 31, 2028, with an option for either party to extend the contract with renewal terms to be established through a mutual agreement amendment. The sales price is $0.0521 per KWh. The sales price during the year ended December 31, 2025 was $0.06 per kWh.

Reservoir Agreements

Numerous governments, organizations and individuals have reservoir agreements with UYWCD to purchase water in storage annually from UYWCD. The agreement terms range from 1 to 40 years with the majority of contracts expiring between the years 2026 and 2062.

Risk Management

UYWCD 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. UYWCD maintains commercial insurance for these risks by participation in an insurance pool.

UYWCD is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. UYWCD has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Contingencies

UYWCD is involved in several items of pending litigation primarily involving defense of its water rights and opposition of applications for water rights that conflict with those of UYWCD. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on UYWCD's financial position, cash flows, or results of operations.

Related Party

During the year ended December 31, 2025, the Organization paid stipends totaling $17,000 to members of its Board of Directors. These payments represent compensation for board services and are considered related party transactions. The stipends were approved in accordance with the Organization's governance policies. Transactions with related parties cannot be presumed to have been conducted at arm's-length, and no representation is made that the terms were equivalent to those prevailing in arm's-length transactions unless otherwise substantiated

Subsequent Events

UYWCD has evaluated subsequent events through the report date, which is the date these financial statements were available to be issued.

UPPER YAMPA WATER CONSERVANCY DISTRICT
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual
For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating Revenues:				
Water sales	$ 437,258	$ 439,421	$ 733,941	$ 294,520
Power revenues	170,000	170,000	73,368	(96,632)
Other income	12,965	12,831	16,820	3,989
Total revenues	620,223	622,252	824,129	201,877
Operating Expenditures:				
Facilities:				
Stagecoach reservoir	822,270	822,270	653,621	168,649
Yamcolo reservoir	204,115	204,115	171,064	33,051
Stillwater ditch and reservoir	101,555	101,555	77,915	23,640
Elk River augmentation plan	3,553	3,553	2,483	1,070
Administration	384,106	384,106	350,445	33,661
Board of directors	136,182	136,182	84,236	51,946
External affairs	181,331	181,331	152,625	28,706
Finance	167,861	167,861	150,056	17,805
Legal	243,444	243,444	158,590	84,854
Planning	645,102	645,102	702,423	(57,321)
Grants, scholarships and public information	730,214	855,214	420,808	434,406
Yampa river fund	150,000	150,000	150,000	-
Capital outlay	1,765,061	1,765,061	1,270,522	494,539
Total expenditures	5,534,794	5,659,794	4,344,788	1,315,006
Operating Income (Loss)	(4,914,571)	(5,037,542)	(3,520,659)	1,516,883
Other Income (Expense)				
Tax revenue, net of treasurer fee	3,824,974	3,824,974	4,092,656	267,682
Pass-through income	--	--	187,885	187,885
Pass-through expense	--	--	(187,885)	(187,885)
Investment earnings	1,023,400	1,023,400	1,139,064	115,664
Change in net position - non-US GAAP basis	(66,197)	(189,168)	1,711,061	1,900,229
Adjustments to US GAAP basis:				
Capital outlay			1,270,522	
Depreciation expense			(171,233)	
Change in net position - US GAAP basis			2,810,350	
Net position, beginning of year	52,638,996	52,638,996	52,638,996	
Net position, end of year	$ 52,572,799	$ 52,449,828	$ 55,449,346	

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