

**PROJECT 7 WATER AUTHORITY
MONTROSE, COLORADO**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2024**

**PROJECT 7 WATER AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2024**

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Title Page	
Table of Contents	
 FINANCIAL SECTION	
Management's Discussion and Analysis	M1 – M5
Independent Auditors' Report	1 – 3
 BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Fund Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 20
 OTHER SUPPLEMENTARY INFORMATION	
<u>Proprietary Funds</u>	
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual	21

FINANCIAL SECTION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)**

Management's Discussion and Analysis

As management of the Project 7 Water Authority, (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2024 and 2023.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2024 and 2023 by \$21,121,896 and \$16,294,655 respectively, (net position). Of this amount, \$1,320,090 and \$6,951,058, at December 31, 2024 and 2023, respectively, (unrestricted net position), may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position increased by \$4,827,241 and \$2,009,114 for the years ended December 31, 2024, and 2023, respectively.
- The Authority's operating expenses decreased from 2023 to 2024 because we spent part of the year minus one employee. Water sales increased by 26.0% even though there was a moderate increase in consumption of 1%. This was due to a rate increase from \$1.45 per thousand gallons to \$1.95 per thousand gallons of treated water to the contracting parties.
- The cost of chemicals stabilized slightly in 2024 and employee costs dropped a little as we spent part of the year with ten employees instead of eleven.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements in an enterprise fund. As an enterprise fund, the Authority's basic financial statements are presented as a special purpose government engaged only in business type activities, i.e. providing water treatment services and are comprised of two components: 1) the financial statements and 2) notes to financial statements used to explain in more detail some of the information in the financial statements.

The Statement of Net Position reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term obligations. The statements provide information about the nature and the amounts of investments (assets) and the obligations owed by the Authority (liabilities). It provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. However, other non-financial factors should be considered, such as changes in economic conditions and the effects of new or changed governmental legislation.

The Statement of Revenues, Expenses and Changes in Net Position reports the Authority's operating and non-operating revenues and expenses. Operating expenses include all operational costs of the Authority including depreciation. Non-operating revenue includes interest income and non-operating expense includes interest expense.

The Statement of Cash Flows report the Authority's cash flows from operating, capital and investing activities. Also presented are beginning and end of year cash and cash equivalents.

The basic financial statements can be found on pages 4 through 6 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 7 through 20 of the report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's budgetary comparisons for revenues and expenditures. Supplementary information can be found on page 16 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$21,121,896 at the close of the most recent fiscal year.

A majority of the Authority's net position, (approximately 62 percent), reflects its investment in capital assets, (e.g. land, buildings, equipment, water tanks and distribution system), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to members; consequently, these assets are not available for future spending. Restricted net position of \$570,707, are those net assets legally restricted for loan covenants.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

	2024	RESTATED 2023
ASSETS		
Current and Other Assets	\$ 15,510,897	\$ 9,391,340
Capital Assets	<u>29,352,291</u>	<u>17,742,339</u>
Total Assets	<u>44,863,188</u>	<u>27,133,679</u>
LIABILITIES		
Current Liabilities	1,765,473	1,605,856
Noncurrent Liabilities	<u>21,975,820</u>	<u>9,233,168</u>
Total Liabilities	<u>23,741,293</u>	<u>10,839,024</u>
NET POSITION		
Net Investment in Capital Assets	19,231,099	8,801,379
Restricted	570,707	542,218
Unrestricted	<u>1,320,090</u>	<u>6,951,058</u>
Total Net Position	<u>\$ 21,121,896</u>	<u>\$ 16,294,655</u>

The Authority's net position increased by \$4,827,241 and \$2,009,114, respectively, during the fiscal years ended December 31, 2024 and 2023.

	2024	RESTATED 2023
OPERATING REVENUES		
Operating Revenues	\$ 6,054,516	\$ 4,471,520
Non-Operating Revenues	46,432	27,780
Total Revenues	<u>6,100,948</u>	<u>4,499,300</u>
OPERATING EXPENSES		
Source of Supply	1,772	1,956
Collection, Transmission and Distribution	25,732	23,540
Production and Treatment	1,562,972	1,615,496
Administration	399,387	409,794
Depreciation Expense	515,559	522,699
Total Expenses	<u>2,505,422</u>	<u>2,573,485</u>
OTHER INCOME(EXPENSE)		
Investment Earnings	166,784	143,930
Other Revenue	15,185	15,396
Interest Expense	<u>(474,054)</u>	<u>(203,674)</u>
Total Other Income(Expense)	<u>(292,085)</u>	<u>(44,348)</u>
CONTRIBUTED CAPITAL		
Intergovernmental Revenue	1,523,800	127,647
Change in Net Position	<u>4,827,241</u>	<u>2,009,114</u>
NET POSITION, BEGINNING	16,294,655	14,285,541
NET POSITION, ENDING	<u>21,121,896</u>	<u>16,294,655</u>

The end of year cash and investment balances increased due to decreased employee costs and the rate per thousand gallons charged to the member entities increased from 2023 to 2024.

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets as of December 31, 2024 and 2023 amounted to \$29,352,293 and \$17,742,339, respectively, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, water tanks and distribution system. The major capital asset event during the past fiscal years are engineering and design for the additional water plant being constructed.

	Balance 1/1/24	Additions	Deletions	Balance 12/31/24
Assets not being depreciated:				
Land and Rights of Way	\$ 1,412,134	\$ 1,171,052	\$ -	\$ 2,583,186
Construction in Progress	<u>7,247,093</u>	<u>10,949,580</u>	-	<u>18,196,673</u>
Total assets not being depreciated	<u>8,659,227</u>	<u>12,120,632</u>	-	<u>20,779,859</u>
Assets being depreciated:				
Storage Reservoir & Transmission Line	1,333,704	-	-	1,333,704
Buildings and Improvements	362,390	-	-	362,390
Water Treatment Plant	14,859,582	4,880	-	14,864,462
Equipment	829,169	-	-	829,169
Vehicles	154,234	-	-	154,234
Transmission, Storage & Distrib Sys	<u>13,700,285</u>	-	-	<u>13,700,285</u>
Total assets being depreciated	<u>31,239,364</u>	<u>4,880</u>	-	<u>31,244,244</u>
Less: Accumulated depreciation				
Storage Reservoir & Transmission Line	(1,328,359)	(705)	-	(1,329,064)
Buildings and Improvements	(236,990)	(11,772)	-	(248,762)
Water Treatment Plant	(8,091,240)	(275,689)	-	(8,366,929)
Equipment	(685,519)	(45,970)	-	(731,489)
Vehicles	(98,090)	(11,406)	-	(109,496)
Transmission, Storage & Distrib Sys	<u>(11,716,054)</u>	<u>(170,016)</u>	-	<u>(11,886,070)</u>
Total accumulated depreciation	<u>(22,156,252)</u>	<u>(515,558)</u>	-	<u>(22,671,810)</u>
Net Capital Assets	<u>\$ 17,742,339</u>	<u>\$ 11,609,954</u>	<u>\$ -</u>	<u>\$ 29,352,293</u>

Additional information on the Authority's capital assets can be found in Note 3 on page 12 of this report.

Long-term debt. At the end of the current fiscal year, the Authority had \$ 21,668,323 of loans with the Colorado Water Resources and Power Development Authority secured by the revenues of the Authority.

	Restated Balance 1/1/24	Advances	Repayments	Balance 12/31/24	Due Within One Year	Interest Expense	Accrued Interest
2008 CWRPDA Loan	\$ 3,940,960	\$ -	\$ 499,074	\$ 3,441,886	\$ 504,810	\$ 158,607	\$ 67,316
2023 CWRPDA Interim Loan #2	5,000,000	-	5,000,000	-	-	188,222	-
2024 CWRPDA Direct Loan	-	3,000,000	8,916	2,991,084	59,225	33,781	17,448
2024 CWRPDA Leveraged Loan	-	14,397,276	-	14,397,276	179,126	89,125	89,125
2024 CWRPDA BIL Direct Loan	-	2,338,077	1,500,000	838,077	15,228	4,318	4,318
Accrued Compensated Leave	292,208	15,289	-	307,497	53,398	-	-
Total Noncurrent Liabilities	<u>\$ 9,233,168</u>	<u>\$ 19,750,642</u>	<u>\$ 7,007,990</u>	<u>\$ 21,975,820</u>	<u>\$ 811,787</u>	<u>\$ 474,053</u>	<u>\$ 178,207</u>

Additional information on the Authority’s long-term debt can be found in note 4 on page 13 of this report.

Economic Factors and Next Year’s Budgets

In 2024, the Design/Build Team continued progress toward the 75% Design of the Resiliency Project. The McCarthy-CDM Smith JV generated a Guaranteed Maximum Price (GMP) of \$187M. After much negotiation and an Independent Construction Estimate (ICE), the Project 7 Water Authority Board made the painful decision to off-ramp from the Design/Build Team. We also hired another Municipal Adviser, DA Davidson, to help us make the necessary financial plans on how to absorb this higher ultimate price tag. We are still hoping to begin construction of the Raw Water delivery line, 6 MGD Water Treatment Plant, and Finished Water Transmission Line in late 2025 or early 2026, but it will probably be done in Phases.

In 2024, US Environmental Protection Agency (USEPA) Water Infrastructure Finance and Innovation Act (WIFIA) program informed P7WA that they could bump the amount of funding available from \$79M to \$129M, or up to 80% of the program cost. Unfortunately, we also got the unwelcome news that the WIFIA rates were substantially higher than other loan programs, so we have yet to request that loan.

P7WA applied for several grants; USEPA Title XVI grant of up to \$30M, DOLA for up to \$1M, BIL for \$5M, etc. We were successful with DOLA for \$500,000 and with BIL for \$1.5M, but the USEPA Title XVI was denied once again. We are pursuing grants and loans from Colorado Water Conservancy Board (CWCB) and USDA Rural Development.

P7 continues to upgrade remote stations on the pipeline via Browns Hill Engineering. We will also be upgrading all the PLC’s and comm’s in the WTP in 2025.

Request for Information

This financial report is designed to provide a general overview of the Project 7 Water Authority’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Project 7 Water Authority, 69128 E. Hwy 50, P.O. Box 1185, Montrose, Colorado, 81402.

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

INDEPENDENT AUDITORS' REPORT

Board of Directors
Project 7 Water Authority
Montrose, Colorado

Opinion

We have audited the accompanying financial statements of Project 7 Water Authority, as of and for the year ended December 31, 2024, and the related notes to the financial statements which collectively comprise Project 7 Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Project 7 Water Authority as of December 31, 2024, and the respective changes in financial position and cash flow 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Project 7 Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Project 7 Water Authority'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' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on 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 Project 7 Water Authority 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 Project 7 Water Authority'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.

Report on Summarized Comparative Information

We have previously audited the Project 7 Water Authority's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

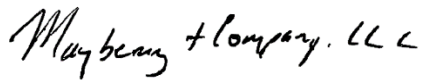
As discussed in Notes 4 and 11 to the financial statements, the 2023 financial statements have been restated to reflect the Interim # 1 loan refinance and the adoption of GASB Statement No. 101 – Compensated Absences, respectively. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the tables of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project 7 Water Authority's basic financial statements. The individual fund financial statement 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Mayberry & Company, LLC". The signature is written in a cursive, flowing style.

Englewood, Colorado
July 31, 2025

BASIC FINANCIAL STATEMENTS

PROJECT 7 WATER AUTHORITY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2024

With Comparative Totals for December 31, 2023

	<u>Business-type Activities</u>		
	Water	Total	
	Fund	2024	2023
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 3,001,656	\$ 3,001,656	\$ 6,209,228
Restricted Cash and Investments	570,707	570,707	542,218
Receivables			
Utility Receivable	298,878	298,878	211,358
Cash with Fiscal Agent	11,547,131	11,547,131	2,333,609
Inventory	54,375	54,375	60,810
Prepaid Expenses	38,150	38,150	34,117
Total Current Assets	<u>15,510,897</u>	<u>15,510,897</u>	<u>9,391,340</u>
Noncurrent Assets			
Capital Assets not being depreciated	20,779,858	20,779,858	8,659,227
Capital Assets being depreciated	31,244,244	31,244,244	31,239,364
Accumulated Depreciation	<u>(22,671,811)</u>	<u>(22,671,811)</u>	<u>(22,156,252)</u>
Total Noncurrent Assets	<u>29,352,291</u>	<u>29,352,291</u>	<u>17,742,339</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 44,863,188</u>	<u>\$ 44,863,188</u>	<u>\$ 27,133,679</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,578,505	\$ 1,578,505	\$ 1,517,845
Accrued Liabilities	150	150	160
Accrued Salaries and Benefits	8,610	8,610	16,457
Accrued Interest Payable	178,207	178,207	71,394
Total Current Liabilities	<u>1,765,472</u>	<u>1,765,472</u>	<u>1,605,856</u>
Noncurrent Liabilities			
Due within one year	811,787	811,787	5,549,244
Due in more than one year	<u>21,164,033</u>	<u>21,164,033</u>	<u>3,683,924</u>
Total Noncurrent Liabilities	<u>21,975,820</u>	<u>21,975,820</u>	<u>9,233,168</u>
TOTAL LIABILITIES	<u>23,741,292</u>	<u>23,741,292</u>	<u>10,839,024</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
NET POSITION			
Net Investment in Capital Assets	19,231,099	19,231,099	8,801,379
Restricted Net Position	570,707	570,707	542,218
Unrestricted Net Position	<u>1,320,090</u>	<u>1,320,090</u>	<u>6,951,058</u>
TOTAL NET POSITION	<u>21,121,896</u>	<u>21,121,896</u>	<u>16,294,655</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 44,863,188</u>	<u>\$ 44,863,188</u>	<u>\$ 27,133,679</u>

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

PROJECT 7 WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

Business-type Activities

	Water	Total	
	Fund	2024	2023
Operating Revenues			
Utility Charges	\$ 6,054,516	\$ 6,054,516	\$ 4,471,520
Rents	38,826	38,826	21,600
Other Charges for Services	7,606	7,606	6,180
Total Revenues	<u>6,100,948</u>	<u>6,100,948</u>	<u>4,499,300</u>
Operating Expenses			
Source of Supply	1,772	1,772	1,956
Collection, Transmission and Distribution	25,732	25,732	23,540
Production and Treatment	1,562,972	1,562,972	1,615,496
Administration	399,387	399,387	409,794
Depreciation Expense	515,559	515,559	522,699
Total Expenditures	<u>2,505,422</u>	<u>2,505,422</u>	<u>2,573,485</u>
Operating Income (Loss)	<u>3,595,526</u>	<u>3,595,526</u>	<u>1,925,815</u>
Other Income (Expense)			
Investment Earnings	166,784	166,784	143,930
Other Revenue	15,185	15,185	15,396
Interest Expense	(474,054)	(474,054)	(203,674)
Total Other Income (Expense)	<u>(292,085)</u>	<u>(292,085)</u>	<u>(44,348)</u>
Net Income (Loss) before Transfers	3,303,441	3,303,441	1,881,467
Contributed Capital			
Intergovernmental Revenue	<u>1,523,800</u>	<u>1,523,800</u>	<u>127,647</u>
Change in Net Position	<u>4,827,241</u>	<u>4,827,241</u>	<u>2,009,114</u>
Net Position, Beginning	16,294,655	16,294,655	14,488,604
Prior Period Restatement	-	-	(203,063)
Net Position, Beginning (As Restated)	<u>16,294,655</u>	<u>16,294,655</u>	<u>14,285,541</u>
Net Position, Ending	<u>\$ 21,121,896</u>	<u>\$ 21,121,896</u>	<u>\$ 16,294,655</u>

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

PROJECT 7 WATER AUTHORITY

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

	<u>Business-type Activities</u>		
	<u>Water Fund</u>	<u>Total</u>	
		<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 6,013,428	\$ 6,013,428	\$ 4,496,470
Cash Paid to Suppliers	(580,586)	(580,586)	809,871
Cash Paid to and for the Benefit of Employees	(1,338,784)	(1,338,784)	(1,312,543)
Net Cash Provided by Operating Activities	<u>4,094,058</u>	<u>4,094,058</u>	<u>3,993,798</u>
Cash Flows From Capital and Related Financing Activities:			
Loan Proceeds	5,333,609	5,333,609	1,759,375
Debt Principal Payments	(507,990)	(507,990)	(487,601)
Grant Proceeds	23,800	23,800	127,647
Interest Payments	(179,018)	(179,018)	(207,587)
Acquisition of Capital Assets	(12,125,511)	(12,125,511)	(4,190,074)
Cash Flows Used by Capital and Related Financing Activities	<u>(7,455,110)</u>	<u>(7,455,110)</u>	<u>(2,998,240)</u>
Cash Flows (Uses) From Noncapital Financing Activities:			
Other Revenues (Expense)	<u>15,185</u>	<u>15,185</u>	<u>15,396</u>
Cash Flows (Uses) From Investing Activities:			
Interest Received	<u>166,784</u>	<u>166,784</u>	<u>143,930</u>
Net Increase (Decrease) in Cash	(3,179,083)	(3,179,083)	1,154,884
Cash - Beginning	<u>6,751,446</u>	<u>6,751,446</u>	<u>5,596,562</u>
Cash - Ending	<u>\$ 3,572,363</u>	<u>\$ 3,572,363</u>	<u>\$ 6,751,446</u>
Cash and Investments	\$ 3,001,656	\$ 3,001,656	\$ 6,209,228
Restricted Cash and Investments	<u>570,707</u>	<u>570,707</u>	<u>542,218</u>
Total	<u>\$ 3,572,363</u>	<u>\$ 3,572,363</u>	<u>\$ 6,751,446</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Income (Loss)	\$ 3,595,526	\$ 3,595,526	\$ 1,925,815
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	515,559	515,559	522,699
Changes in Assets and Liabilities Related to Operations:			
(Increase) Decrease in:			
Utility Receivable	(87,520)	(87,520)	(2,830)
Inventory	6,435	6,435	285
Prepaid Expenses	(4,033)	(4,033)	(3,040)
(Increase) Decrease in:			
Accounts Payable	60,658	60,658	1,517,846
Accrued Liabilities	(10)	(10)	-
Accrued Salaries and Benefits	(7,846)	(7,846)	360
Accrued Compensated Absences	<u>15,289</u>	<u>15,289</u>	<u>32,663</u>
Total Adjustments	<u>498,532</u>	<u>498,532</u>	<u>2,067,983</u>
Net Cash Used for Operating Activities	<u>\$ 4,094,058</u>	<u>\$ 4,094,058</u>	<u>\$ 3,993,798</u>

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

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Project 7 Water Authority, (Authority), operates under a contract that established the Authority as a separate governmental entity on September 29, 1977, under Colorado Revised Statutes, 29-1-203. The contracting parties that the Authority provides treated water to are the Cities of Delta and Montrose, Colorado, the Town of Olathe, Colorado, Tri-County Water Conservancy District, Menoken Water District and the Chipeta Water District. The Authority is governed by a board consisting of an appointed representative from each of the contracting parties.

Financial Reporting Entity

Pursuant to the GASB Codification, the Authority applies the criteria outlined commencing at Section 2100.119, 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, the Authority has no includable component units. The Authority is also not included in the financial statements of any other entity.

Basis of Accounting

The Authority is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of this fund are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts invested in capital assets, restricted for debt service and loan reserves, and unrestricted net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of the change in net position is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the Authority are charges to contracting parties for sales of treated water. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents

For purposes of the statement of cash flows, the Authority treats all demand and money market bank accounts as cash and equivalents.

Investments

The Authority policy is to invest in certificates of deposit and securities guaranteed or issued by the Federal government or its agencies. Investments are stated at fair value.

Inventory

Inventory, consisting primarily of operating supplies for water treatment, is stated at the lower of cost or market. Cost is determined by using last invoice cost.

Receivables

Under the accrual basis of accounting, receivables consist of all revenues earned at year-end and not yet received. Based upon a review of the existing accounts receivable, no allowance for doubtful accounts is required.

Restricted Assets

These assets consist of certificate of deposit, investments and investments classified as cash and cash equivalents restricted for debt service.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Construction costs are increased by interest incurred on bonds during the construction period and reduced by earnings from investment of the unexpended bond proceeds. It is the Authority’s policy to capitalize all capital expenditures over \$1,000 with an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives and no depreciation is recorded in the year of acquisition or construction. The estimated useful lives are as follows:

Storage Reservoir	40 years
Buildings and Improvements	5 to 25 years
Water Treatment Plant	15 to 40 years
Equipment	3 to 10 years
Vehicles	5 years
Transmission and Distribution System	40 years

Compensated Absences.

The liability for compensated absences consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts that have been earned and can be carried over are included at year end.

Debt Issuance Costs.

Debt issuance costs are recognized as an expense during the period of issuance.

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Authority follows these procedures in establishing the budget. The Authority's manager submits a proposed operating budget to the Board and a public hearing is held prior to December for the following calendar year. The operating budget includes proposed expenditures and the means of financing them. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles, (GAAP), except that grants and loan proceeds are budgeted as revenues, principal payments and capital outlays are budgeted as expenditures, and no provision is made for depreciation or system abandonments. Budgeted expenditures are appropriated in total for the Authority and the level of control is in total. The Board of Directors may authorize supplemental appropriations during the year. Unused appropriations lapse at the end of the year.

Use of Estimates in the Preparation of Financial Statements

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

Equity

Equity is classified as net position and 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.

It is the Authority's policy to fund operations through the most restricted available equity first.

**PROJECT 7 WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024**

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act, (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 at least equal the aggregate uninsured deposits.

Cash deposits and investments are comprised of and are allocated on the December 31, 2024 statement of net position as follows:

Cash	\$ 456,503
Investments	3,115,860
Total Cash and Investments	<u>\$ 3,572,363</u>
Restricted Cash and Investments	\$ 570,707
Unrestricted Cash and Investments	3,001,656
Total Cash and Investments	<u>\$ 3,572,363</u>

CASH DEPOSITS

At December 31, 2024, the Authority's cash deposits had bank and carrying balances as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 268,098	\$ 268,098
PDPA Collateralized (not in District's name)	252,757	188,405
Total	<u>\$ 520,855</u>	<u>\$ 456,503</u>

INVESTMENTS

Credit Risk

Eligible investments shall conform to state law and may include any of the following:

- Obligations of the United States and certain U.S. government agencies securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptance of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 2: CASH AND INVESTMENTS (Continued)

At December 31, 2024, the Authority had invested in the Colorado Local Government Liquid, Asset Trust (COLOTRUST), a local government investment pool. As an Investment pool, COLOTRUST operates under the Colorado Revised Statutes (2476-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST invests in securities that are specified by the Colorado Revised Statutes (2475-601). Authorized securities included US Treasuries, US Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). COLOTRUST operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. COLOTRUST is rated AAA by the Standard & Poor's Corporation. A designated custodial bank provides banking services and trust custody for securities held on behalf of the participating governments in COLOTRUST. The custodian's internal records identify the investments owned by the participating governments. This investment is reported at amortized cost which approximates fair value.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptance of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to decline in fair value due to rising interest rates, the Authority's investment policy requires that the majority of its investments have a maturity date of 1 year or less.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer and all of the investments for the year ended 2024 were in ColostrustPlus.

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for the operations and maintenance reserve for 2024 represent an amount equal to three months of subsequent year's budgeted operating expenses as required by the 2008 loan agreements with the Colorado Water Resources and Power Development Authority (CWRPDA) (see Note 4). These monies, per agreement with CWRPDA, can be used for emergency operating purposes, if necessary.

Restricted for Debt Repayment \$ 570,707

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 3: CAPITAL ASSETS

Summaries of changes to capital assets for 2024 are as follows:

	<u>Balance 1/1/24</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/24</u>
Assets not being depreciated:				
Land and Rights of Way	\$ 1,412,134	\$ 1,171,052	\$ -	\$ 2,583,186
Construction in Progress	<u>7,247,093</u>	<u>10,949,580</u>	-	<u>18,196,673</u>
Total assets not being depreciated	<u>8,659,227</u>	<u>12,120,632</u>	-	<u>20,779,859</u>
Assets being depreciated:				
Storage Reservoir & Transmission Line	1,333,704	-	-	1,333,704
Buildings and Improvements	362,390	-	-	362,390
Water Treatment Plant	14,859,582	4,880	-	14,864,462
Equipment	829,169	-	-	829,169
Vehicles	154,234	-	-	154,234
Transmission, Storage & Distrib Sys	<u>13,700,285</u>	-	-	<u>13,700,285</u>
Total assets being depreciated	<u>31,239,364</u>	<u>4,880</u>	-	<u>31,244,244</u>
Less: Accumulated depreciation				
Storage Reservoir & Transmission Line	(1,328,359)	(705)	-	(1,329,064)
Buildings and Improvements	(236,990)	(11,772)	-	(248,762)
Water Treatment Plant	(8,091,240)	(275,689)	-	(8,366,929)
Equipment	(685,519)	(45,970)	-	(731,489)
Vehicles	(98,090)	(11,406)	-	(109,496)
Transmission, Storage & Distrib Sys	<u>(11,716,054)</u>	<u>(170,016)</u>	-	<u>(11,886,070)</u>
Total accumulated depreciation	<u>(22,156,252)</u>	<u>(515,558)</u>	-	<u>(22,671,810)</u>
Net Capital Assets	\$ 17,742,339	\$ 11,609,954	\$ -	\$ 29,352,293

Depreciation expense for the year ended December 31, 2024 was charged to the following operations:

Source of Supply	\$ 706
Water Treatment	329,192
Transmission and Distribution	181,422
Administrative and General	<u>4,238</u>
Total	\$ 515,558

Future Expansion – Construction in Progress

The Authority has purchased property near Ridgeway, Colorado with the intention of building an additional water treatment plant in order to increase treatment capacity for the long-term. The Authority is still in the development stages of planning and designing the additional water treatment plant. Some construction costs were incurred during fiscal year 2024. The total cost of construction is estimated to be approximately \$172,394,936.

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 4: LONG TERM DEBT

The following is an analysis of changes in long-term debt:

	Restated Balance 1/1/24	Advances	Repayments	Balance 12/31/24	Due Within One Year	Interest Expense	Accrued Interest
2008 CWRPDA Loan	\$ 3,940,960	\$ -	\$ 499,074	\$ 3,441,886	\$ 504,810	\$ 158,607	\$ 67,316
2023 CWRPDA Interim Loan #2	5,000,000	-	5,000,000	-	-	188,222	-
2024 CWRPDA Direct Loan	-	3,000,000	8,916	2,991,084	59,225	33,781	17,448
2024 CWRPDA Leveraged Loan	-	14,397,276	-	14,397,276	179,126	89,125	89,125
2024 CWRPDA BIL Direct Loan	-	2,338,077	1,500,000	838,077	15,228	4,318	4,318
Accrued Compensated Leave	<u>292,208</u>	<u>15,289</u>	-	<u>307,497</u>	<u>53,398</u>	-	-
Total Noncurrent Liabilities	<u>\$ 9,233,168</u>	<u>\$ 19,750,642</u>	<u>\$ 7,007,990</u>	<u>\$ 21,975,820</u>	<u>\$ 811,787</u>	<u>\$ 474,053</u>	<u>\$ 178,207</u>

The Authority has several outstanding loans with the Colorado Water Resources and Power Development Authority.

2008 CWRPDA Loan

In 2008, the Authority entered into a loan agreement to complete the improvements of the existing water treatment plant. The loan contains various covenants and a revenue pledge.

Among the covenants are rate maintenance provisions, operations and maintenance reserve requirements and provisions against providing free service or capacity to any person, firm, corporation, public agency or instrumentality.

The 2008 loan requires semiannual payments through August 2030 with interest at an effective rate of approximately 3.82 percent. The Authority has the option to repay the loan in whole or in part upon prior written notice.

The Authority has pledged the revenue from the operation and use of the water treatment facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above loans. The loan agreements contain restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve (See Note 2). The Authority was in compliance with the covenants and requirements of the loan agreements at December 31, 2024.

A schedule of future loan payments is as follows:

Year	Principal	Interest	Total
2025	\$ 504,810	\$ 156,666	\$ 661,476
2026	527,756	127,457	655,213
2027	550,702	112,085	662,787
2028	585,121	77,164	662,285
2029	619,540	36,868	656,408
2030	<u>653,957</u>	<u>(8,679)</u>	<u>645,278</u>
Total	<u>\$ 3,441,886</u>	<u>\$ 664,245</u>	<u>\$ 4,605,205</u>

**PROJECT 7 WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024**

NOTE 4: LONG TERM DEBT

2024 CWRPDA Direct Loan

In September, 2024, the Authority entered into a \$3,000,000 loan agreement to partially fund an estimated \$10,600,000 design and engineering and preconstruction costs for the following project –

The project consists of constructing a raw water transmission line and intake structure downstream of the Ridgway Reservoir, a new water treatment facility and treated water transmission line serving the communities of the Uncompahgre and Gunnison River Valleys as a redundant water source.

Among the covenants are rate maintenance provisions, an operations and maintenance reserve, and other compliance requirements.

The 2024 Direct loan requires semiannual payments through May 2054 with interest at an effective rate of 3.5 percent. The Authority has the option to repay the loan in whole or in part upon prior written notice.

The Authority has pledged the revenue from the operation and use of the water treatment facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above loans. The loan agreements contain restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve (See Note 2). The Authority was in compliance with the covenants and requirements of the loan agreements at December 31, 2024.

Proceeds of the loan were placed in escrow for future use by the Authority. As of December 31, 2024, the Authority had drawn the full amount of the loan proceeds.

A schedule of future loan payments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 59,225	\$ 104,174	\$ 163,399
2026	61,316	102,083	163,399
2027	63,480	99,918	163,398
2028	65,722	97,677	163,399
2029	68,042	95,357	163,399
2030-2034	377,985	439,007	816,992
2035-2039	449,594	367,399	816,993
2040-2044	534,767	282,227	816,994
2045-2049	636,076	180,919	816,995
2050-2054	674,877	60,416	735,293
Total	<u>\$ 2,991,084</u>	<u>\$1,829,177</u>	<u>\$ 4,820,261</u>

**PROJECT 7 WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024**

NOTE 4: LONG TERM DEBT

2024 CWRPDA Drinking Water Revolving Fund (Leveraged) Loan

In November, 2024, the Authority entered into a \$14,397,276 loan agreement to partially fund an estimated \$172,394,936 costs related to the following project –

The project consists of constructing a raw water transmission line and intake structure downstream of the Ridgway Reservoir, a new water treatment facility and treated water transmission line serving the communities of the Uncompahgre and Gunnison River Valleys as a redundant water source.

Among the covenants are rate maintenance provisions, an operations and maintenance reserve, and other compliance requirements.

The 2024 Leveraged loan requires semiannual payments through August 2054 with interest at an estimated effective rate of 2.15 percent. The Authority has the option to repay the loan in whole or in part upon prior written notice.

The Authority has pledged the revenue from the operation and use of the water treatment facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above loans. The loan agreements contain restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve (See Note 2). The Authority was in compliance with the covenants and requirements of the loan agreements at December 31, 2024.

Proceeds of the loan were placed in escrow for future use by the Authority. As of December 31, 2024, the Authority had drawn \$5,188,222 of the proceeds, which were utilized to repay Interim Loan #2 described below, leaving \$9,209,054 cash in escrow at year end. The Authority is also allowed to earn up to \$264,647 of interest on undrawn loan funds in future years.

A schedule of future loan payments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 179,126	\$ 275,319	\$ 454,445
2026	320,125	350,000	670,125
2027	326,362	339,250	665,612
2028	338,203	328,500	666,703
2029	348,869	317,500	666,369
2030-2034	1,924,828	1,413,500	3,338,328
2035-2039	2,239,102	1,097,750	3,336,852
2040-2044	2,539,571	797,800	3,337,371
2045-2049	2,830,933	511,800	3,342,733
2050-2054	3,350,157	210,600	3,560,757
Total	<u>\$ 14,397,276</u>	<u>\$5,642,019</u>	<u>\$ 20,039,295</u>

**PROJECT 7 WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024**

NOTE 4: LONG TERM DEBT

2024 CWRPDA Bipartisan Infrastructure Law (BIL) Direct Loan

In November, 2024, the Authority entered into a \$2,338,077 loan agreement to partially fund an estimated \$172,394,936 costs related to the following project –

The project consists of constructing a raw water transmission line and intake structure downstream of the Ridgway Reservoir, a new water treatment facility and treated water transmission line serving the communities of the Uncompahgre and Gunnison River Valleys as a redundant water source.

Among the covenants are rate maintenance provisions, an operations and maintenance reserve, and other compliance requirements.

The 2024 BIL Direct loan requires semiannual payments through November 2054 with interest at an effective rate of 3.5 percent. The Authority has the option to repay the loan in whole or in part upon prior written notice.

The Authority received \$1,500,000 in loan principal forgiveness on the closing of the loan and is eligible for future forgiveness up to the remaining principal. CWRPDA will provide written notice (the "Notice of Post-Closing Principal Forgiveness") to the Authority once the CWRPDA determines to exercise its discretion to grant Post-Closing Principal Forgiveness, that funds are available, and that the Authority is eligible for such action.

The Authority has pledged the revenue from the operation and use of the water treatment facilities and other legally available revenue, after the payment of operation and maintenance expenses of the system, for the repayment of the above loans. The loan agreements contain restrictive covenants and requirements, including a rate covenant (See Note 9) and maintenance of a three-month operating reserve (See Note 2). The Authority was in compliance with the covenants and requirements of the loan agreements at December 31, 2024.

Proceeds of the loan were placed in escrow for future use by the Authority. As of December 31, 2024, the Authority had not drawn any funds leaving \$2,338,077 cash in escrow at year end. The Authority must draw the Leveraged loan funds before accessing the BIL funds.

A schedule of future loan payments is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 15,228	\$ 44,855	\$ 60,083
2026	16,742	28,654	45,396
2027	17,333	28,063	45,396
2028	17,945	27,451	45,396
2029	18,579	26,818	45,397
2030-2034	103,209	123,775	226,984
2035-2039	122,761	104,222	226,983
2040-2044	146,017	80,965	226,982
2045-2049	173,679	53,303	226,982
2050-2054	206,584	20,400	226,984
Total	\$ 838,077	\$ 538,506	\$ 1,376,583

**PROJECT 7 WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024**

NOTE 4: LONG TERM DEBT

Short-Term Loans

2021 CWRPDA Construction (Interim #1) Loan

In August 2021, the Authority obtained an interim loan from the Colorado Water Resources and Power Development Authority in the principal amount of \$7,000,000 for up to 24 months at an interest rate of 3% for constructing the Ridgeway Water Treatment Plant. This loan was refinanced in 2023 with the issuance of a second construction loan. The Authority had drawn \$907,016 of the loan at the time of refinance.

2023 CWRPDA Construction (Interim #2) Loan

In September, the Authority obtained an interim loan from the Colorado Water Resources and Power Development Authority in the principal amount of \$5,000,000 for up to 12 months at an interest rate of 3% for constructing the Ridgeway Water Treatment Plant. The Authority used \$941,384 of the proceeds to repay the Interim #1 loan described above, including accrued interest of \$34,368. The Authority drew an additional \$1,725,007 of the proceeds during 2023. The Authority withdrew the remaining \$2,333,609 during 2024.

This loan was refinanced in 2024 with the issuance of the 2024 CWRPDA Leveraged loan described above. The Authority paid \$188,222 of accrued interest upon the refinance.

Prior Year Restatement

The Authority did not properly disclose the refinancing of the 2021 Interim #1 loan as of December 31, 2023. The Authority has restated the prior year financial information to reflect the removal of \$2,000,000 of Cash with Fiscal Agent and a corresponding \$2,000,000 in outstanding loans. In addition, prior year results were reduced by \$34,368 to reflect the accrued interest paid upon the refinance. This resulted in a corresponding reduction in the Cash with Fiscal Agent balance of the same amount.

NOTE 5: BENEFIT PLANS

The Authority provides pension benefits for all employees through a Simplified Employee Pension (SEP) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 14.20% of the employee’s base salary each month. Contributions are transferred to an insurance company under terms of a group contract. Employees are not permitted to contribute to the plan. Full vesting of benefits begins immediately.

The Authority’s total payroll, base salary and contribution amounts were as follows:

	<u>2024</u>
Total Payroll	\$ 805,617
Base Salary	794,560
Contributions	112,375

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 6: RECONCILIATION OF PROPRIETARY (GAAP) REVENUES AND EXPENSES TO BUDGETARY REVENUES AND EXPENDITURES

The Authority prepares its budget annually. The following reconciliation is presented to reconcile the annual budgeted revenues and expenditures to the GAAP basis financial statements.

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis	\$ 13,140,326	\$ 21,597,419
GAAP Basis Adjustments		
Capital Outlay	-	(12,125,512)
Debt Proceeds	(5,333,609)	-
Debt Service Principal	-	(7,007,990)
Depreciation Expense	-	515,559
GAAP Basis	<u>\$ 7,806,717</u>	<u>\$ 2,979,476</u>

NOTE 7: COMMITMENTS AND CONTIGENCIES

TABOR Amendment

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

TABOR Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including interpretation of qualification as an Enterprise will require judicial interpretation.

Commitments

The Authority has entered into construction commitments of \$11,558,383 with \$1,374,935 remaining committed as of year-end.

The Authority has entered into Owner's Advisory Services commitments of \$856,602 with \$256,980 remaining committed as of year-end.

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 8: RISK MANAGEMENT

The Authority is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure, except for the distribution system, is covered by purchase of commercial insurance, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 9: RATE MAINTENANCE

The Colorado Water Resources and Power Development Authority loan agreements requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due.

Operating revenues	\$ 6,100,948
Other revenue	181,970
Capital contributions	<u>1,523,800</u>
Total revenue	<u>7,806,718</u>
Operating expenses	(2,505,422)
Less: Depreciation	<u>515,559</u>
Adjusted operating expenses	<u>(1,989,863)</u>
Net revenue	<u>5,816,855</u>
Debt service	
2008 CWRPDA	661,758
2024 CWRPDA Direct	<u>25,250</u>
Total debt service	687,008
Required rate	<u>110%</u>
Net revenue required	<u>755,709</u>
Excess (deficit)	<u>\$ 5,061,146</u>

NOTE 10: RELATED PARTIES

The following is a summary of total charges and year end receivables by participating entity for the current fiscal year.

Customer	Sales	% of Sales	Receivable
City of Montrose	\$ 2,429,053	40%	\$ 88,711
Tri-County Water	1,822,109	30%	111,294
City of Delta	1,017,520	17%	51,150
Menoken Water District	336,006	6%	21,019
Chipeta Water District	308,404	5%	19,395
Town of Olathe	<u>141,424</u>	<u>2%</u>	<u>7,309</u>
Total	<u>\$ 6,054,516</u>	<u>100%</u>	<u>\$ 298,878</u>

**PROJECT 7 WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024**

NOTE 11: ADOPTION OF GASB STATEMENT 101 – COMPENSATED ABSENCES

The District has adopted GASB Statement 101 – Compensated Absences. This is considered a change in accounting principle. A change in accounting principle is the application of an accounting principle to transactions or other events of a similar type that is different from the accounting principle previously applied to those transactions or other events.

The change required a restatement of the beginning accrued compensated absence liability, as of December 31, 2022, due to the inclusion of sick leave balances that were previously not accrued. This resulted in an increase in the accrued liability of \$203,063 and a corresponding reduction in beginning governmental net position as of December 31, 2022. Operating results for 2023 have been restated by \$(27,418) as if the Standard was in effect as of December 31, 2022.

OTHER SUPPLEMENTARY INFORMATION

PROJECT 7 WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL

Water Fund

FOR THE YEAR ENDED DECEMBER 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

	2024		Variance with Final Budget	2023
	Final Budget	Actual		Actual
Operating Revenues				
Utility Charges	\$ 6,240,000	\$ 6,054,516	\$ (185,484)	\$ 4,471,520
Rents	-	38,826	38,826	21,600
Other Charges for Services	-	7,606	7,606	6,180
Total Revenues	<u>6,240,000</u>	<u>6,100,948</u>	<u>(139,052)</u>	<u>4,499,300</u>
Operating Expenses				
Source of Supply	3,000	1,772	1,228	1,956
Collection, Transmission and Distribution	60,000	25,732	34,268	23,540
Production and Treatment	1,701,070	1,562,972	138,098	1,615,496
Administration	404,800	399,387	5,413	409,794
Other Capital Outlay	<u>43,000,000</u>	<u>12,125,512</u>	<u>30,874,488</u>	<u>4,190,074</u>
Total Expenditures	<u>45,168,870</u>	<u>14,115,375</u>	<u>31,053,495</u>	<u>6,240,860</u>
Operating Income (Loss)	<u>(38,928,870)</u>	<u>(8,014,427)</u>	<u>30,914,443</u>	<u>(1,741,560)</u>
Other Income (Expense)				
Investment Earnings	100,000	166,784	66,784	143,930
Other Revenue	20,000	15,185	(4,815)	15,396
Debt Service	<u>(661,758)</u>	<u>(7,482,044)</u>	<u>(6,820,286)</u>	<u>(7,691,275)</u>
Total Other Income (Expense)	<u>(541,758)</u>	<u>(7,300,075)</u>	<u>(6,758,317)</u>	<u>(7,531,949)</u>
Net Income (Loss), Budget Basis	<u>(39,470,628)</u>	<u>(15,314,502)</u>	<u>24,156,126</u>	<u>(9,273,509)</u>
Contributed Capital				
Intergovernmental Revenue	42,500,000	1,523,800	(40,976,200)	127,647
Debt Proceeds	-	5,333,609	5,333,609	1,240,625
Total Contributed Capital	<u>42,500,000</u>	<u>6,857,409</u>	<u>(35,642,591)</u>	<u>1,368,272</u>
Change in Net Position (Budget Basis)	<u>\$ 3,029,372</u>	<u>(8,457,093)</u>	<u>\$ (11,486,465)</u>	<u>(7,905,237)</u>
Budget to GAAP Reconciliation				
Debt Proceeds		(5,333,609)		(1,240,625)
Principal Paid		7,007,990		7,487,601
Depreciation Expense		(515,559)		(522,699)
Capital Outlay		<u>12,125,512</u>		<u>4,190,074</u>
Change in Net Position - GAAP Basis		4,827,241		2,009,114
Net Position, Beginning		<u>16,294,655</u>		<u>14,285,541</u>
Net Position, Ending		<u>\$ 21,121,896</u>		<u>\$ 16,294,655</u>

See accompanying Independent Auditors' Report.