FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

CITY OF GRAND JUNCTION/MESA COUNTY, COLORADO
JOINT SEWER SYSTEM

DECEMBER 31, 2025 AND 2024

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Independent Auditors' Report

City of Grand Junction / Mesa County, Colorado Joint Sewer System
Grand Junction, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of City of Grand Junction / Mesa County, Colorado Joint Sewer System (the "Joint Sewer System") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Joint Sewer System'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 business-type activities of the Joint Sewer System, as of December 31, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Joint Sewer System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Joint Sewer System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Joint Sewer System's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
June 25, 2026

MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of the City of Grand Junction/Mesa County Joint Sewer System's (Joint Sewer System) financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2025. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Joint Sewer System remains in strong financial condition.
- The assets of the Joint Sewer System exceeded its liabilities at the close of 2025 by $169.4 million (net position). Of this amount, $45.9 million, or 27.1%, is unrestricted and may be used to meet the ongoing obligations to customers and creditors. During 2025, the net position increased by $8.1 million due to an increase in capital assets from planned major capital projects and capital contributions.
- The Joint Sewer System invested nearly $48.4 million in sewer collection and treatment system improvements.
- In 2024, the City issued $65.5 million in revenue bonds, including the bond premium, to finance the Persigo Wastewater Treatment Facility Project (WWTFP). Of the $48.4 million in improvements, the treatment plant was $45.5 million in 2025. This project is ongoing into the 2026 fiscal year.
- Sewer rates increased from $26.02 in 2024 to $27.58 in 2025 for a single-family equivalent.
- The Joint Sewer System continues to operate a biogas condition system and pipeline that produces fuel from the wastewater treatment plant's digester gas. This system was completed in 2015 and has earned nation-wide recognition for innovation. Currently, the approximate equivalent of 400 gallons of gasoline is produced onsite daily and has offset the same volume use in diesel fuel which has resulted in a carbon emission reduction of approximately 3 million pounds per year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the Joint Sewer System's basic financial statements. The MD&A represents management's examination and analysis of the Joint Sewer System's financial condition and performance. The financial statements report information about the Joint Sewer System using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; notes to the financial statements; and other supplementary information.

The statement of net position presents information on all the Joint Sewer System's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Joint Sewer System is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the Joint Sewer System's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., billed but uncollected sewer charges and earned but unused paid time off).

The statement of cash flows presents changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earnings event when an obligation arises, or capital assets are depreciated.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Joint Sewer System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Supplemental information comparing the budget to actual expenses is presented as a summary following the notes to financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Joint Sewer System's net position increased by $8.1 million during fiscal year 2025.

By far, the largest portion of the Joint Sewer System's net position (72.9%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, leases, and machinery and equipment) less any related outstanding debt used to acquire those assets. The Joint Sewer System uses these capital assets to provide direct wastewater services to citizens in the Joint Sewer System boundary as well as indirect services to many additional citizens in the Grand Junction area. Consequently, these assets are not available for future spending. Although the Joint Sewer System's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENTS OF NET POSITION

	2025	2024
Current and other assets	$ 58,926,897	$ 93,056,507
Capital assets	185,530,110	141,220,399
Total assets	244,457,007	234,276,906
Long-term debt outstanding	63,074,474	64,259,535
Other liabilities	11,990,336	8,709,345
Total liabilities	75,064,810	72,968,880
Net position:		
Net investment in capital assets	123,492,390	118,096,553
Unrestricted	45,899,807	43,211,473
Total net position	$ 169,392,197	$ 161,308,026

Changes in Net Position

The Joint Sewer System's total revenues of $26.2 million, including capital contributions, exceeded program expenses of $18.1 million for an increase in net position of $8.1 million in 2025.

Sewer service charges continue to be the main source of revenue for the Joint Sewer System and represent 69.4% of total 2025 revenues.

CHANGES IN NET POSITION

	2025	2024
Revenues:		
Charges for sales and services	$ 18,187,765	$ 16,915,300
Investment income	3,219,549	3,746,014
Total revenues	21,407,314	20,661,314
Expenses:		
Personnel services	4,520,893	4,240,840
Costs of sales and services	6,279,394	6,394,562
Depreciation and amortization	4,543,912	4,877,121
Interest expense	2,791,683	2,284,380
Loss on disposition of property and equipment	-	209,055
Total expenses	18,135,882	18,005,958
Capital contributions	4,812,739	4,621,431
Change in net position	8,084,171	7,276,787
Net position - beginning	**161,308,026**	**154,031,239**
Net position - ending	**$ 169,392,197**	**$ 161,308,026**

BUDGETARY HIGHLIGHTS

During the fiscal year, the Joint Sewer System's budgeted expenditures increased from an original budget total of $69.9 million to a final budget of $99.1 million. All recommended amendments for budget changes come through the Finance Department and City Manager to City Council and Mesa County Commissioners via ordinance as required. Ordinance enactment requires a public hearing and the opportunity for public discussion. The City does allow small intra-departmental budget changes that modify line items within departments in the same fund. In 2025, actual expenditures were $63.2 million, which is less than the final budget of $99.1 million primarily due to the delay of budgeted major capital projects that were temporarily postponed. For the Joint Sewer System, the original budget for revenues was $21.8 million and the final budget for revenues was $23.7 million primarily due to an updated investment earnings forecast. In 2025, actual revenues exceeded budget by $1.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the Joint Sewer System had invested in a broad range of capital assets, including buildings, improvements, and other infrastructure.

The table below provides a summary of total capital assets at December 31, 2025 and 2024:

CAPITAL ASSETS AT YEAR-END
(net of depreciation)

	2025	2024
Land	$ 180,891	$ 180,891
Buildings	660,556	715,991
Vehicles, machinery, and equipment	1,052,595	941,815
Construction in progress	69,224,504	28,820,718
Improvements	7,258,436	31,787
Intangible assets	77,389	77,389
Infrastructure	106,966,990	110,220,283
Lease right-to-use asset	108,749	231,525
Total	$ 185,530,110	$ 141,220,399

Major capital additions during 2025 include:

	2025
Sewer line replacements	$ 2,356,249
Wastewater treatment plant expansion	45,582,155
Various other sewer projects	454,318

The Joint Sewer System remains committed to the upkeep and maintenance of its largest assets. More detailed information about the Joint Sewer System's capital assets is presented in Note 3 to the financial statements.

Debt Administration

The Joint Sewer System had total debt outstanding of $64.4 million. See Note 4 to the financial statements. The note provides a summary of the Joint Sewer System's long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Joint Sewer System is in a strong financial position. Reserves are at levels currently directed by the City Council/County Commissioners. During 2026, the sewer rate will increase to $30.89 per single-family equivalent unit. The Plant Investment Fee (PIF) will increase from $5,544 to $6,544 per single-family equivalent unit, effective January 1, 2026. The PIF increase will fund necessary growth-related plant and collection system expansion projects. The 2026 budget reflects the Joint Sewer System's ongoing commitment to the community and environment.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the City/County Joint Sewer System's finances and to show the accountability for the funds and assets it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at City of Grand Junction, 250 N. 5th Street, Grand Junction, CO 81501.

City of Grand Junction/Mesa County, Colorado

Joint Sewer System

STATEMENTS OF NET POSITION

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and investments	$ 54,011,000	$ 44,722,034
Restricted cash and investments	2,506,871	46,167,766
Accounts receivable, net of allowance for uncollectibles of $2	2,409,026	2,153,264
Prepaids	-	13,443
Total current assets	58,926,897	93,056,507
Noncurrent assets:		
Capital assets		
Land	180,891	180,891
Buildings, improvements, plant and system	195,083,483	186,844,410
Equipment	5,502,027	5,102,985
Construction in progress	69,224,504	28,820,718
Intangible assets	77,389	77,389
Lease right-to-use asset	514,444	578,500
Less accumulated depreciation and amortization	(85,052,628)	(80,384,494)
Capital assets (net of accumulated depreciation and amortization)	185,530,110	141,220,399
Total noncurrent assets	185,530,110	141,220,399
Total assets	244,457,007	234,276,906
LIABILITIES		
Current liabilities:		
Accounts payable	5,146,139	4,395,945
Retainages payable	3,392,676	1,391,435
Accrued liabilities	137,123	78,469
Lease liability	106,914	231,878
Accrued interest payable	1,818,020	1,164,801
Current portion loan premium amortization	185,062	188,277
Current maturities of long-term debt	1,000,000	955,000
Compensated absences payable (current)	27,021	43,767
Total current liabilities	11,812,955	8,449,572
Noncurrent liabilities:		
Compensated absences payable (noncurrent)	177,381	259,773
Long-term debt including premium	63,074,474	64,259,535
Total noncurrent liabilities	63,251,855	64,519,308
Total liabilities	75,064,810	72,968,880
NET POSITION		
Net investment in capital assets	123,492,390	118,096,553
Unrestricted	45,899,807	43,211,473
Total net position	$ 169,392,197	$ 161,308,026

The notes to the financial statements are an integral part of these statements.

City of Grand Junction/Mesa County, Colorado

Joint Sewer System

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Charges for sales and services	$ 18,187,765	$ 16,915,300
Total operating revenues	18,187,765	16,915,300
Operating expenses:		
Personnel services	4,520,893	4,240,840
Costs of sales and services	6,279,394	6,394,562
Depreciation and amortization	4,543,912	4,877,121
Total operating expenses	15,344,199	15,512,523
Operating income	2,843,566	1,402,777
Nonoperating revenues (expenses):		
Investment income	3,219,549	3,746,014
Loss on disposition of property and equipment	-	(209,055)
Interest expense	(2,791,683)	(2,284,380)
Total nonoperating revenues (expenses)	427,866	1,252,579
Income before contributions and transfers	3,271,432	2,655,356
Capital contributions	4,812,739	4,621,431
Change in net position	8,084,171	7,276,787
Net position - beginning	161,308,026	154,031,239
Net position - ending	$ 169,392,197	$ 161,308,026

The notes to the financial statements are an integral part of these statements.

City of Grand Junction/Mesa County, Colorado
Joint Sewer System

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from customers and users	$ 17,932,003	$ 16,921,995
Cash paid to suppliers	(3,514,516)	(3,922,354)
Cash paid to employees	(4,561,377)	(4,213,957)
Net cash provided by operating activities	9,856,110	8,785,684
Cash flows from capital and related financing activities:		
Contributed capital - tap fees	4,163,561	4,090,115
Contributed capital - special assessments	-	3,861
Proceeds of bond issuance including discount	-	65,549,250
Principal payments - bonds	(955,000)	(605,000)
Interest paid	(2,795,750)	(1,278,185)
Purchase of capital assets	(48,392,722)	(28,962,460)
Leases	(124,963)	(121,675)
Net cash provided by (used in) capital and related financing activities	(48,104,874)	38,675,906
Cash flows from investing activities:		
Investment income	3,876,835	3,746,014
Net cash provided by investing activities	3,876,835	3,746,014
Net (decrease) increase in cash and investments	(34,371,929)	51,207,604
Cash and investments, January 1	44,722,034	10
Restricted cash and investments, January 1	46,167,766	39,682,186
Cash and investments, December 31	54,011,000	44,722,034
Restricted cash and investments, December 31	2,506,871	46,167,766
Total cash and investments, December 31	$ 56,517,871	$ 90,889,800
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 2,843,566	$ 1,402,777
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	4,543,912	4,877,121
(Increase) decrease in accounts receivable	(255,762)	9,269
Increase (decrease) in accounts payable	750,194	2,472,624
Increase (decrease) in retainages payable	2,001,241	-
(Increase) decrease in prepaids	13,443	(416)
Increase (decrease) in accrued wages and compensated absences payable	(40,484)	26,883
(Increase) decrease in unearned revenues	-	(2,574)
Total adjustments	7,012,544	7,382,907
Net cash provided by operating activities	$ 9,856,110	$ 8,785,684
Noncash investing, capital and financing activities		
Purchase of capital assets on account	$ 14,736,512	$ 4,392,451
Noncash capital asset contributions	649,178	527,452

The notes to the financial statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the City of Grand Junction/Mesa County, Colorado Joint Sewer System (Joint Sewer System) is presented to assist in understanding the Joint Sewer System's financial statements. The financial statements and notes are representations of the Joint Sewer System's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

History and Activity

The Joint Sewer System was organized under several agreements, the most recent being dated May 1, 1980, between the City Council of the City of Grand Junction, Colorado (the City) and the Board of County Commissioners of Mesa County, Colorado (the County). The Joint Sewer System was organized to provide sewer collection and treatment facilities for the metropolitan area in the Grand Valley. The City contributed certain assets, which were included in its Sewer Fund, while the County contributed its name through the issuance of revenue bonds. Both the City and the County approve the Joint Sewer System's annual appropriation budget, and the City's utility department operates and manages the system. Per the May 1, 1980 agreement, upon dissolution of the system, ownership of the assets of the system shall be determined by mutual agreement between the City and the County.

On July 17, 1992, the Ridges Metropolitan District, a special district which provided its residents with municipal water, irrigation, and sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Ridges Metropolitan District was contributed to the Joint Sewer System upon annexation.

On January 1, 1993, the Grand Junction West Water and Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Grand Junction West Water and Sanitation District was contributed to the Joint Sewer System upon annexation.

On January 1, 2009, the Fruitvale Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Fruitvale Sanitation District was contributed to the Joint Sewer System upon annexation.

On December 31, 2012, the Central Grand Valley Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Central Grand Valley Sanitation District was contributed to the Joint Sewer System upon annexation.

On December 29, 2016, the Orchard Mesa Sanitation District, a special district which provided its residents with sanitary sewer services, was effectively dissolved and annexed into the City. The sewer service portion of the Orchard Mesa Sanitation District was contributed to the Joint Sewer System upon annexation.

Reporting Entity and Fund Type

The Joint Sewer System has no component units using the criteria as set forth in GAAP. The Joint Sewer System is accounted for as an enterprise fund.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Since the Joint Sewer System is a special purpose government engaged only in a business-type activity, only enterprise fund financial statements are presented.

Budget and Budgetary Accounting

An annual budget is adopted for the Joint Sewer System. The budget is prepared on the accrual basis of accounting modified to include tap fees and bond proceeds as budgeted revenues and capital expenditures, debt issuance costs, and debt service principal payments as budgeted expenditures and to exclude depreciation, amortization, adjustments for investment market value changes, and adjustments for accrued compensated absences from budget expenditures. The budget is approved by both the City Council of the City and the Board of County Commissioners of the County.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Depreciation of property, plant, and equipment is provided on the straight-line method over the following estimated useful lives:

	Estimated lives
Plant and system	10-50 years
Equipment	3-10 years
Right-to-use leased equipment	5-10 years

Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property, plant, and equipment are included in income.

Leases

The Joint Sewer System adopted the requirements of GASB Statement No. 87, Leases, effective January 1, 2022. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Lessee:

The Joint Sewer System is a lessee for noncancellable leases of equipment. The Joint Sewer System recognizes a lease liability and an intangible right-to-use lease asset (lease asset). The Joint Sewer System recognizes lease liabilities with an initial individual value of $5,000 or more.

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

Key estimates and judgments related to leases include how the Joint Sewer System determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

> The Joint Sewer System uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Joint Sewer System generally uses its estimated incremental borrowing rate as the discount rate for leases.
>
> The lease term includes the noncancellable period of the lease.
>
> Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Joint Sewer System is reasonably certain to exercise.

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

Lease assets are reported with other capital assets, and lease liabilities are reported with other liabilities on the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resource, represents an acquisition of net assets that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Joint Sewer System reports deferred inflows of resources for leases.

Net Position

Investment in capital assets (net of related debt) is intended to reflect the portion of net position that is associated with non-liquid capital assets less outstanding capital related debt.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure are recorded during the year as an extension of formal budgetary integration to reserve that portion of the applicable appropriation, is not included for financial reporting purposes at year end because unused appropriations and encumbrances lapse at year end and must be reappropriated in the following year to be expended.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Joint Sewer System and the City consider all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, to be cash equivalents. Cash in the City's common cash and investment pool is also considered to be cash or a cash equivalent.

Special Assessments Receivable

Special assessments receivable are recorded for a property owner's share of the cost of utility improvements within special improvement districts. The property owner's share of the cost of these improvements has been recorded as contributed capital.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at December 31, 2025 and 2024 consisted of the following:

	2025	2024
Equity in pooled cash and investments with the City of Grand Junction, Colorado	$ 54,011,000	$ 44,722,034
Equity in restricted pooled cash and investments with the City of Grand Junction, Colorado	2,506,871	46,167,766
Total equity in pooled cash and investments	$ 56,517,871	$ 90,889,800

Substantially all the Joint Sewer System's cash and investments are part of the City's sponsored cash pool, which includes both internal and external participants. The pool is not registered with the Securities and Exchange Commission as an investment company. Authority to manage the investment program is granted to the General Services Director (Investment Officer). The Investment Officer shall act in accordance with established written

procedures and internal controls for the operation of the investment program consistent with the City's Investment Policy. The Investment Officer carries out his/her responsibilities through the issuance of procedures and internal controls that are established by the Finance Director.

Cash and investments held for the Joint Sewer System are included in and inseparable from the City's pooled cash and investments. Since the Joint Sewer System is not part of the City's reporting entity, they are considered involuntary external participants of the City's cash pool. Under GASB Statement No. 31, as amended, the Joint Sewer System's pool share value is reported as an Investment Trust Fund in the City's financial statements.

Cash Deposits

Custodial credit risk – deposits. In the case of deposits, custodial credit risk is the risk that the government's deposits may not be returned in the event of a bank failure. Colorado State Statutes require that all deposits be secured by federal deposit insurance or collateral. Statutes require a financial institution to deposit collateral with another financial institution securing 102% of the market value of public funds held, exceeding the amount insured by federal deposit insurance. All deposits of the City are insured or collateralized with government securities held by or for the entity.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The composition of all cash held by the City cash pool at December 31, 2025 was as follows:

	Bank Balance	Carrying Balance
Cash on hand	$ -	$ 12,796
Insured deposits	500,000	500,000
Deposits collateralized in single institutional pools	16,154,163	14,591,384
	$ 16,654,163	$ 15,104,180

The composition of all cash held by the City cash pool at December 31, 2024 was as follows:

	Bank Balance	Carrying Balance
Cash on hand	$ -	$ 12,796
Insured deposits	500,000	500,000
Deposits collateralized in single institutional pools	9,764,830	9,367,494
	$ 10,264,830	$ 9,880,290

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by maintaining a minimum of 30% of the portfolio in short-term securities (less than one year) and employing a buy-and-hold strategy.

The City voluntarily participates in the state investment pools. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State of Colorado. The state investment pools and mutual funds are similar to money market funds, with each share valued at $1. The designated custodial banks provide safekeeping and depository services, and the Federal Reserve Bank holds securities owned by the trusts in the accounts maintained for the custodian banks. Investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. Investments in state investment pools and mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry

form. The fair value of the position in the state investment pools approximate the value of the City's investment in the pools.

As of December 31, 2025, the City had the following investments:

Investment Type	S&P Rating		Fair Value	Weighted Average Maturity (Months)
Federal agency securities	AA+	$	28,741,256	1.92
Treasury coupon securities	AAA		6,972,906	2.39
Certificates of deposit	FDIC Ins.		1,476,304	2.41
Municipal securities	AA		53,890,101	1.73
Corporate holdings	AA		2,097,477	1.24
Money market accounts	NR		7,738,305	0.00
State investment pools	AAAm		134,789,702	0.00
Total		$	235,706,050	1.15

As of December 31, 2024, the City had the following investments:

Investment Type	S&P Rating		Fair Value	Weighted Average Maturity (Months)
Federal agency securities	AA+	$	40,275,991	1.88
Treasury coupon securities	AAA		7,105,678	1.69
Certificates of deposit	FDIC Ins.		2,216,424	1.39
Municipal securities	AA		57,039,517	1.64
Corporate holdings	AA		3,448,978	0.76
Money market accounts	NR		3,761,765	0.00
State investment pools	AAAm		174,429,005	0.00
Total		$	288,277,358	1.05

Credit risk. The City's investment practices are governed by the City of Grand Junction Charter, Article IX paragraph 72, the Colorado Revised Statutes 24-75-601 to 605, and the City's investment policy as approved by the City Manager. These controls limit investments to U.S. Government and Agency obligations, collateralized deposits, and commercial paper with the highest rating issued by one of the nationally recognized statistical rating organizations (NRSRO's).

Concentration of credit risk. The City's investment policy dictates diversification and does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments.

Custodial credit risk. State law requires financial institutions to collateralize deposits of government funds. By City policy, all marketable securities shall be deposited in a safekeeping account with an independent third-party state or national bank having an office in Colorado.

Foreign Currency Risk. The City's investment policy, excluding the FPPA pension plans, does not allow for investment in foreign currency.

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	$ 180,891	$ -	$ -	$ 180,891
Construction in progress	28,820,718	47,993,680	7,589,894	69,224,504
Intangible assets	77,389	-	-	77,389
Total capital assets, not being depreciated	29,078,998	47,993,680	7,589,894	69,482,784
Capital assets, being depreciated:				
Improvements other than buildings	52,539	7,261,718	-	7,314,257
Equipment	5,102,985	399,042	-	5,502,027
Buildings and systems	186,791,871	977,354	-	187,769,224
Total capital assets, being depreciated	191,947,395	8,638,113	-	200,585,508
Less accumulated depreciation for:				
Improvements other than buildings	20,752	35,069	-	55,821
Equipment	4,161,170	288,262	-	4,449,432
Buildings and systems	75,855,597	4,286,083	-	80,141,680
Total accumulated depreciation	80,037,519	4,609,414	-	84,646,933
Total capital assets, being depreciated, net	111,909,876	4,028,699	-	115,938,575
Right-to-use assets				
Building	64,056	-	64,056	-
Equipment	514,444	-	-	514,444
Total right-to-use assets	578,500	-	64,056	514,444
Less accumulated amortization for:				
Building	42,704	21,352	64,056	-
Equipment	304,271	101,424	-	405,695
Total accumulated amortization	346,975	122,776	64,056	405,695
Total right-to-use assets, net	231,525	(122,776)	-	108,749
Joint Sewer Fund capital assets, net	$ 141,220,399	$ 51,899,603	$ 7,589,894	$ 185,530,108

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	$ 180,891	$ -	$ -	$ 180,891
Construction in progress	18,301,241	25,698,196	15,178,719	28,820,718
Intangible assets	77,389	-	-	77,389
Total capital assets, not being depreciated	18,559,521	25,698,196	15,178,719	29,078,998
Capital assets, being depreciated:				
Improvements other than buildings	52,539	-	-	52,539
Equipment	4,858,212	345,841	101,069	5,102,985
Buildings and systems	167,321,785	19,673,769	203,682	186,791,871
Total capital assets, being depreciated	172,232,536	20,019,610	304,751	191,947,395
Less accumulated depreciation for:				
Improvements other than buildings	18,702	2,051	-	20,752
Equipment	3,877,814	384,424	101,069	4,161,170
Buildings and systems	71,487,727	4,367,870	-	75,855,597
Total accumulated depreciation	75,384,243	4,754,345	101,069	80,037,519
Total capital assets, being depreciated, net	96,848,293	15,265,265	203,682	111,909,876
Right-to-use assets				
Building	64,056	-	-	64,056
Equipment	514,444	-	-	514,444
Total right-to-use assets	578,000	-	-	578,500
Less accumulated amortization for:				
Building	21,352	21,352	-	42,704
Equipment	202,848	101,424	-	304,271
Total accumulated amortization	224,200	122,776	-	346,975
Total right-to-use assets, net	354,300	(122,776)	-	231,525
Joint Sewer Fund capital assets, net	$ 115,762,114	$ 40,840,685	$ 15,382,401	$ 141,220,399

NOTE 4 – LONG-TERM DEBT

The following is a summary of long-term liability of the Joint Sewer System for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bond:					
2024 revenue bond	$ 62,000,000	$ -	$ 955,000	$ 61,045,000	$ 1,000,000
Plus deferred amounts:					
For revenue bond premium	3,402,812	-	188,277	3,214,535	185,061
Total revenue bond payable	65,402,812	-	1,143,277	64,259,535	1,185,061
Compensated absences	303,539	-	99,137	204,402	27,020
Business-type activity long-term liabilities	$ 65,706,351	$ -	$ 1,242,414	$ 64,463,937	$ 1,212,081

The following is a summary of long-term liability of the Joint Sewer System for the year ended December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Loan payable:					
CWRPDA	$ 605,000	$ -	605,000	$ -	$ -
Plus deferred amounts:					
For loan premium	2,101	-	2,101	-	-
Total loan payable	607,101	-	607,101	-	-
Revenue bond:					
2024 series	-	62,000,000	-	62,000,000	955,000
Plus deferred amounts:					
For revenue bond premium	-	3,549,251	146,439	3,402,812	118,277
Total revenue bond payable	-	65,549,251	146,439	65,402,812	1,073,277
Compensated absences	290,126	13,414	-	303,540	43,766
Business-type activity long-term liabilities	$ 897,227	$ 65,562,665	753,540	$ 65,706,352	$ 1,187,044

Revenue Bonds

During 2024, the City of Grand Junction issued $62,000,000 of Joint Sewer System Revenue Bonds, Series 2024 bearing interest at 4.00% to 5.00%, payable June 1 and December 1 annually through December 1, 2054. These bonds were issued to fund the expansion of the Persigo Wastewater Treatment Facility. There was $61,045,000 of unpaid principal at December 31, 2025, payable over the following term:

Year	Principal	Interest	Total
2026	$ 1,000,000	$ 2,748,000	$ 3,748,000
2027	1,050,000	2,698,000	3,748,000
2028	1,105,000	2,645,500	3,750,500
2029	1,160,000	2,590,250	3,750,250
2030	1,220,000	2,532,250	3,752,250
2031-2035	7,070,000	11,683,500	18,753,500
2036-2040	9,025,000	9,730,000	18,755,000
2041-2045	11,525,000	7,236,250	18,761,250
2046-2050	14,275,000	4,481,000	18,756,000
2051-2054	13,615,000	1,388,200	15,003,200
	$ 61,045,000	**$ 47,732,950**	**$ 108,777,950**

NOTE 5 - LEASES

As Lessee:

The Joint Sewer System has entered into a lease agreement as lessee for equipment. Most leases have initial terms of up to five years and contain one or more renewal periods in the lease term at the Joint Sewer System's option, generally, for five-year periods. Generally, renewal periods have been included in the lease term when it is reasonably certain that the Joint Sewer System will exercise the renewal option. The Joint Sewer System leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. The Joint Sewer System's lease arrangement contains no material residual value guarantees. As the interest rate implicit in the Joint Sewer System's leases is not readily determinable, the Joint Sewer System utilizes its incremental borrowing rate to discount the lease payments.

As of December 31, 2025, the Joint Sewer System's leases payable balance of $106,914 was comprised of one equipment lease with principal and interest payments totaling $110,367 at an interest rate of 3.23 percent with a remaining lease term of 1 year.

The annual payment requirements to amortize the long-term lease payable as of December 31, 2025, including principal and interest payments to maturity are shown below.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 106,914	$ 3,453	$ 110,367
Total	$ 106,914	$ 3,453	$ 110,367

NOTE 6 - RETIREMENT PLAN

Defined Contribution Plan

All full-time employees of the Joint Sewer System participate in a mandatory defined contribution retirement plan. In a defined contribution plan, benefits depend solely on the plan participant's contributions to the plan plus investment earnings. The plan is administered by Empower, with the City of Grand Junction General Employees Retirement Plan Board having the option to alter, amend, or terminate the plan. The plan provides for retirement benefits based upon an

employee's vested account. A participant becomes 100% vested on the completion of five years of service. Amounts forfeited by employees who leave employment before becoming fully vested are used to pay for administrative expenses of the plan. The Joint Sewer System matches employees' required contributions of 6% of base salary. In 2025, covered wages in the Joint Sewer System under this plan were $3,138,347, employer contributions were $188,301, and employee contributions were $180,301. Total payroll for the Joint Sewer System for the year ended December 31, 2025 was $3,290,098 At December 31, 2025, no amounts were due from the City to the plan.

NOTE 7 - RISK MANAGEMENT AND INSURANCE

The Joint Sewer System is exposed to various risks of loss related to employee health claims; torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Joint Sewer System is included in the City's risk financing. The City has established the Insurance Internal Service Fund to account for and finance its uninsured risks of loss. Prior to 2018, the City was self-insured for workers' compensation with an excess policy purchased from the Colorado Intergovernmental Risk Sharing Agency (CIRSA). Effective January 1, 2018, the City became fully insured with CIRSA for workers' compensation. The Insurance Internal Service Fund provides coverage for up to a maximum of $250,000 per occurrence on each workers' compensation and $150,000 for general liability or property damage claim.

For excess liability, property and workers' compensation, the City is involved with CIRSA, a separate and independent governmental and legal entity formed by an intergovernmental agreement by member municipalities pursuant to the provision of 24-10-1 15.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2). The City's share of surplus contributions held by CIRSA at December 31, 2025 was $1,156,085. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

It is the intent of the members of CIRSA to create an entity of perpetuity, which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss to the limit of the financial resource of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity, and the City does not approve budgets nor does it have the ability to significantly affect the operations of the unit.

Beginning in 2024, the City transitioned from a fully insured health insurance model to a self-insured plan in order to improve cost control and provide greater flexibility in benefit design. This change was driven by rising premiums under the fully insured model and allowed the City to assume direct responsibility for employee healthcare claims. The City now directly funds health claims and administers the plan with the assistance of a professional insurance broker. To mitigate the financial risk of large claims, stop-loss insurance limits the City's liability under the self-insured health plan to $150,000 per covered participant (individual stop-loss) and 125% of the total expected claims expense across all participants (aggregate stop-loss).

The Joint Sewer System and all funds of the City participate in the program and make payments to the Insurance Internal Service Fund at approximate amounts which would have been paid to outside insurance providers. The claims liability of $3,194,949 in the Insurance Internal Service Fund at December 31, 2025 includes estimated ultimate losses for claims made and claims incurred but not reported, where information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider these factors.

Changes in the City's Insurance Internal Service Fund workers' compensation, general liability, and property damage claims liability in 2024 and 2025 were:

	January 1 Claims Payable	Claims and Changes in Estimates	Claim Payments	December 31 Claims Payable
2024	$ 2,906,687	$ 1,147,768	$ (1,257,557)	$ 2,796,898
2025	$ 2,796,898	$ 1,499,591	$ (1,101,540)	$ 3,194,949

Changes in the City's Insurance Internal Service Fund self-insurance IBNR liability 2024 and 2025 were:

	January 1 Claims Payable	Claims and Changes in Estimates	Claim Payments	December 31 Claims Payable
2024	$ -	$ 13,947,210	$ (12,161,173)	$ 1,786,037
2025	$ 1,786,037	$ 15,327,337	$ (14,893,212)	$ 2,220,162

Total changes in the City's Insurance Internal Service Fund liability for 2024 and 2025 were:

	January 1 Claims Payable	Claims and Changes in Estimates	Claim Payments	December 31 Claims Payable
2024	$ 2,906,687	$ 15,094,978	$ (13,418,730)	$ 4,582,935
2025	$ 4,582,935	$ 16,826,928	$ (15,994,752)	$ 5,415,111

NOTE 8 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, and certain election requirements, which apply to the State of Colorado and all local governments.

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. **The City of Grand Junction/Mesa County Joint Sewer System is considered an "enterprise" by definition, and therefore, is exempt from TABOR and the establishment of an emergency reserve.**

TABOR is complex and subject to interpretation. The Joint Sewer System's management believes the Joint Sewer System is in compliance with the provisions of TABOR, as it is understood from judicial interpretations, legal opinions, and commonly accepted practices.

SUPPLEMENTAL INFORMATION

City of Grand Junction/Mesa County, Colorado

Joint Sewer System

SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

Year ended December 31, 2025

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Charges for sales and services	$ 18,379,605	$ 18,379,605	$ 18,187,765	$ (191,840)
Fines and forfeitures	1,000	1,000	-	(1,000)
Sewer tap fees and system development	2,550,240	2,550,240	4,163,561	1,613,321
Investment income	824,730	2,795,859	2,478,848	(317,011)
	21,755,575	23,726,704	24,830,174	1,103,470
Expenditures:				
Personnel services	5,450,751	5,450,747	4,520,893	929,854
Costs of sales and services	6,837,153	6,837,153	6,503,495	333,658
Debt retirement and interest expense	3,750,750	3,750,750	3,750,750	-
Capital outlay	53,855,777	83,096,929	48,392,722	34,704,207
	69,894,431	99,135,579	63,167,860	35,967,719
Increase (decrease) in net position	$ (48,138,856)	$ (75,408,875)	$ (38,337,686)	$ 37,071,189
Adjustments:				
Add:				
Capital outlay			48,392,722	
Debt principal			955,000	
Investment fair market value adjustment			740,701	
Lease revenues			131,787	
Accrued compensated absences			99,137	
			50,319,347	
Less:				
Sewer tap fees and system development			(4,163,561)	
Depreciation and amortization expense			(4,355,635)	
Bond amortization			(188,277)	
Accrued interest			(2,756)	
			(8,710,229)	
Net income before contributions and transfers			$ 3,271,432	

Note: The budget basis differs from generally accepted accounting principles (GAAP) basis as shown above.