PROJECT 7 WATER AUTHORITY
MONTROSE, COLORADO

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025

PROJECT 7 WATER AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2025

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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, 2025 and 2024.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2025 and 2025 by $25,555,121 and $20,999,507 respectively, (net position). Of this amount, $10,171,629 and $12,867,220, at December 31, 2025 and 2024, 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 $4,555,614 and $4,769,459 for the years ended December 31, 2025, and 2024, respectively.

- The Authority’s operating expenses increased from 2024 to 2025 due to cost increases for chemicals and healthcare. Water sales increased by 28.5% even though there was a slight increase in consumption of 2.3%. This was due to a rate increase from $1.95 per thousand gallons to $2.45 per thousand gallons of treated water to the contracting parties.

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 21 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 $25,555,121 at the close of the most recent fiscal year.

A majority of the Authority's net position, (approximately 58 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 $624,739 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.

	2025	**RESTATED 2024**
ASSETS		
Current and Other Assets	$ 15,562,221	$ 15,510,896
Capital Assets	31,795,469	29,378,562
Total Assets	47,357,690	44,889,458
LIABILITIES		
Current Liabilities	472,498	1,765,472
Noncurrent Liabilities	21,330,071	22,124,479
Total Liabilities	21,802,569	23,889,951
NET POSITION		
Net Investment in Capital Assets	14,758,753	7,561,580
Restricted	624,739	570,707
Unrestricted	10,171,629	12,867,220
Total Net Position	**$ 25,555,121**	**$ 20,999,507**

The Authority's net position increased by $4,555,614 and $4,769,459, respectively, during the fiscal years ended December 31, 2025 and 2024.

	2025	RESTATED 2024
OPERATING REVENUES		
Operating Revenues	$ 7,778,047	$ 6,054,516
Non-Operating Revenues	56,265	46,432
Total Revenues	7,834,312	6,100,948
OPERATING EXPENSES		
Source of Supply	1,303	1,772
Collection, Transmission and Distribution	38,811	25,732
Production and Treatment	1,603,061	1,568,580
Administration	463,498	399,387
Deprieciation Expense	569,188	559,209
Total Expenses	2,675,861	2,554,680
OTHER INCOME(EXPENSE)		
Investment Earnings	157,057	166,784
Other Revenue	1,593	15,185
Interest Expense	(761,487)	(482,578)
Total Other Income(Expense)	(602,837)	(300,609)
CONTRIBUTED CAPITAL		
Intergovermental Revenue	-	1,523,800
Change in Net Position	4,555,614	4,769,459
NET POSITION, BEGINNING	20,999,507	16,230,048
NET POSITION, ENDING	**25,555,121**	**20,999,507**

The end of year cash and investment balances increased due to reimbursements from loan proceeds that were received in 2025 for project expenditures in 2025 and 2024.

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets as of December 31, 2025 and 2025 amounted to $31,795,469 and $29,378,562, 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.

	Restated Balance 1/1/25	Additions	Deletions	Balance 12/31/25
Assets not being depreciated:				
Land and Rights of Way	$ 2,583,186	$ 32,639	$ -	$ 2,615,825
Construction in Progress	18,073,209	2,919,182	888,241	20,104,150
Total assets not being depreciated	20,656,395	2,951,821	888,241	22,719,975
Assets being depreciated:				
Storage Reservoir & Transmission Line	1,333,704	-	-	1,333,704
Buildings and Improvements	362,390	-	-	362,390
Water Treatment Plant	14,864,462	94,384	75,642	14,883,204
Equipment	829,169	820,773	5,467	1,644,475
Vehicles	154,234	-	-	154,234
Transmission, Storage & Distrib Sys	13,700,285	-	75,642	13,624,643
Total assets being depreciated	31,244,244	915,157	156,751	32,002,650
Right to Use Assets being amortized	218,250	7,358	-	225,608
Less: Accum. depreciation & amort.				
Storage Reservoir & Transmission Line	(1,329,064)	(706)	-	(1,329,770)
Buildings and Improvements	(248,763)	(11,772)	-	(260,535)
Water Treatment Plant	(8,366,929)	(270,994)	(75,642)	(8,562,281)
Equipment	(731,488)	(61,421)	(5,467)	(787,442)
Vehicles	(109,497)	(11,406)	-	(120,903)
Transmission, Storage & Distrib Sys	(11,886,069)	(168,626)	(75,642)	(11,979,053)
Right to Use Assets Amortization	(68,517)	(44,263)	-	(112,780)
Total accumulated deprec./amort.	(22,740,327)	(569,188)	(156,751)	(23,152,764)
Net Capital Assets	**$ 29,378,562**	**$ 3,305,148**	**$ 888,241**	**$ 31,795,469**

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 $ 20,297,494 of loans with the Colorado Water Resources and Power Development Authority secured by the revenues of the Authority.

	Restated Balance 1/1/25	Advances	Repayments	Balance 12/31/25	Due Within One Year	Interest Expense	Accrued Interest
2008 CWRPDA Loan	$ 3,441,887	$ -	$ 504,810	$ 2,937,077	$ 527,756	$ 154,315	$ 64,965
2024 CWRPDA Direct Loan	2,991,084	-	59,225	2,931,859	61,316	103,829	17,103
2024 CWRPDA Leveraged Loan	14,397,276	-	179,126	14,218,150	320,125	468,603	193,824
2024 CWRPDA BIL Direct Loan	838,077	-	15,228	822,849	16,742	27,979	4,800
2023 SBITA Financing Agreement	148,658	-	42,038	106,620	44,188	6,478	-
2025 SBITA Financing Agreement	-	7,358	1,267	6,091	1,592	283	-
Accrued Compensated Leave	307,497	-	72	307,425	60,858	-	-
Total Noncurrent Liabilities	$ 22,124,479	$ 7,358	$ 801,766	$ 21,330,071	$ 1,032,577	$ 761,487	$ 280,692

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

Economic Factors

In 2025, after putting the Resiliency Project on hold, it was determined that some existing capital projects still needed to be priority projects. Fairview Reservoir upgrades had been pushed into the future, reasoning that once the Resiliency Project came on line, it would provide the buffer needed to drain Fairview and work on the outlet structures from the bottom up. We also wanted to investigate increasing the storage capacity of the Reservoir via increasing the sideboards or dredging. We did a Comprehensive Dam Safety Evaluation of Fairview Reservoir in conjunction with Division of Water Resources and W.W. Wheeler & Associates. Through this effort, we came to the conclusion that upstream guard gates and inspection ports should be a priority to evaluate the outlet pipes upstream of the valve house. We are currently evaluating proposals to install the gates and inspection ports.

The Board also decided to stand up a Technical Advisory Group, or TAG, made up of staff from each entity to make recommendations about technical needs of the existing water treatment plant and Transmission system as a whole. This effort is to begin in earnest in 2026.

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.

FINANCIAL 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, 2025, 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, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 11 to the financial statements, the 2024 and prior financial statements have been restated to reflect the correction of a previously reported in progress capital asset to a right-to-use asset with a related financing agreement. 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.

Mayberry & Company, LLC

Castle Rock, Colorado
June 29, 2026

BASIC FINANCIAL STATEMENTS

PROJECT 7 WATER AUTHORITY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025
With Comparative Totals for December 31, 2024

	Business-type Activities		
	Water	Total	
	Fund	2025	Restated 2024
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	$ 10,479,572	$ 10,479,572	$ 3,001,656
Restricted Cash and Investments	624,739	624,739	570,707
Receivables			
Utility Receivable	364,138	364,138	298,878
Cash with Fiscal Agent	3,985,930	3,985,930	11,547,130
Inventory	65,398	65,398	54,375
Prepaid Expenses	42,444	42,444	38,150
Total Current Assets	15,562,221	15,562,221	15,510,896
Noncurrent Assets			
Capital Assets not being depreciated	22,719,975	22,719,975	20,656,395
Capital Assets being depreciated	32,002,650	32,002,650	31,244,244
Right to Use Assets being amortized	225,608	225,608	218,250
Accumulated Depreciation/Amortization	(23,152,764)	(23,152,764)	(22,740,327)
Total Noncurrent Assets	31,795,469	31,795,469	29,378,562
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 47,357,690	$ 47,357,690	$ 44,889,458
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 184,874	$ 184,874	$ 1,578,505
Accrued Liabilities	150	150	150
Accrued Salaries and Benefits	6,782	6,782	8,610
Accrued Interest Payable	280,692	280,692	178,207
Total Current Liabilities	472,498	472,498	1,765,472
Noncurrent Liabilities			
Due within one year	1,032,413	1,032,413	5,592,401
Due in more than one year	20,297,658	20,297,658	16,532,078
Total Noncurrent Liabilities	21,330,071	21,330,071	22,124,479
TOTAL LIABILITIES	21,802,569	21,802,569	23,889,951
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
NET POSITION			
Net Investment in Capital Assets	14,758,753	14,758,753	7,561,580
Restricted Net Position	624,739	624,739	570,707
Unrestricted Net Position	10,171,629	10,171,629	12,867,220
TOTAL NET POSITION	25,555,121	25,555,121	20,999,507
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 47,357,690	$ 47,357,690	$ 44,889,458

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, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Business-type Activities		
	Water	Total	
			Restated
	Fund	2025	2024
Operating Revenues			
Utility Charges	$ 7,778,047	$ 7,778,047	$ 6,054,516
Rents	53,745	53,745	38,826
Other Charges for Services	2,520	2,520	7,606
Total Revenues	7,834,312	7,834,312	6,100,948
Operating Expenses			
Source of Supply	1,303	1,303	1,772
Collection, Transmission and Distribution	38,811	38,811	25,732
Production and Treatment	1,603,061	1,603,061	1,568,580
Administration	463,498	463,498	399,387
Depreciation and Amortization Expense	569,188	569,188	559,209
Total Expenditures	2,675,861	2,675,861	2,554,680
Operating Income (Loss)	5,158,451	5,158,451	3,546,268
Other Income (Expense)			
Investment Earnings	157,057	157,057	166,784
Other Revenue	1,593	1,593	15,185
Interest Expense	(761,487)	(761,487)	(482,578)
Total Other Income (Expense)	(602,837)	(602,837)	(300,609)
Net Income (Loss) before Transfers	4,555,614	4,555,614	3,245,659
Contributed Capital			
Intergovernmental Revenue	-	-	1,523,800
Change in Net Position	4,555,614	4,555,614	4,769,459
Net Position, Beginning	20,999,507	20,999,507	16,294,655
Prior Period Restatement - Note 11	-	-	(64,607)
Net Position, Beginning (As Restated)	20,999,507	20,999,507	16,230,048
Net Position, Ending	$ 25,555,121	$ 25,555,121	$ 20,999,507

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, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Business-type Activities		
	Water	Total	
			Restated
	Fund	2025	2024
Cash Flows From Operating Activities:			
Cash Received from Customers	$ 7,769,052	$ 7,769,052	$ 6,013,428
Cash Paid to Suppliers	(2,157,118)	(2,157,118)	(586,193)
Cash Paid to and for the Benefit of Employees	(1,360,404)	(1,360,404)	(1,338,784)
Net Cash Provided by Operating Activities	4,251,530	4,251,530	4,088,451
Cash Flows From Capital and Related Financing Activities:			
Loan Proceeds	7,561,201	7,561,201	5,333,609
Debt Principal Payments	(801,693)	(801,693)	(547,982)
Grant Proceeds	-	-	23,800
Interest Payments	(659,003)	(659,003)	(187,542)
Acquisition of Capital Assets	(2,978,737)	(2,978,737)	(12,071,388)
Cash Flows Used by Capital and Related Financing Activities	3,121,768	3,121,768	(7,449,503)
Cash Flows (Uses) From Noncapital Financing Activities:			
Other Revenues (Expense)	1,593	1,593	15,185
Cash Flows (Uses) From Investing Activities:			
Interest Received	157,057	157,057	166,784
Net Increase (Decrease) in Cash	7,531,948	7,531,948	(3,179,083)
Cash - Beginning	3,572,363	3,572,363	6,751,446
Cash - Ending	$ 11,104,311	$ 11,104,311	$ 3,572,363
Cash and Investments	$ 10,479,572	$ 10,479,572	$ 3,001,656
Restricted Cash and Investments	624,739	624,739	570,707
Total	$ 11,104,311	$ 11,104,311	$ 3,572,363
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:			
Operating Income (Loss)	$ 5,158,451	$ 5,158,451	$ 3,546,268
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	569,188	569,188	559,209
Changes in Assets and Liabilities Related to Operations:			
(Increase) Decrease in:			
Utility Receivable	(65,260)	(65,260)	(87,520)
Inventory	(11,023)	(11,023)	6,435
Prepaid Expenses	(4,294)	(4,294)	(4,033)
(Increase) Decrease in:			
Accounts Payable	(1,393,631)	(1,393,631)	60,659
Accrued Liabilities	-	-	(10)
Accrued Salaries and Benefits	(1,829)	(1,829)	(7,846)
Accrued Compensated Absences	(72)	(72)	15,289
Total Adjustments	(906,921)	(906,921)	542,183
Net Cash Used for Operating Activities	$ 4,251,530	$ 4,251,530	$ 4,088,451

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

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 position. 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.

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 $5,000 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.

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.

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, 2025 statement of net position as follows:

Cash	$ 6,541,450
Investments	4,562,861
Total Cash and Investments	**$ 11,104,311**

Restricted Cash and Investments	$ 624,739
Unrestricted Cash and Investments	10,479,572
Total Cash and Investments	**$ 11,104,311**

CASH DEPOSITS

At December 31, 2025, the Authority's cash deposits had bank and carrying balances as follows:

	Bank Balance	Carrying Balance
FDIC Insured	$ 454,065	$ 454,065
PDPA Collateralized (not in District's name)	4,307,042	6,087,385
Total	**$ 4,761,107**	**$ 6,541,450**

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

NOTE 2: CASH AND INVESTMENTS (Continued)

At December 31, 2025, 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 2025 were in ColotrustPlus.

RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments for the operations and maintenance reserve for 2025 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	$ 624,739

NOTE 3: CAPITAL ASSETS

Summaries of changes to capital assets for 2025 are as follows:

	Restated Balance 1/1/25	Additions	Deletions	Balance 12/31/25
Assets not being depreciated:				
Land and Rights of Way	$ 2,583,186	$ 32,639	$ -	$ 2,615,825
Construction in Progress	18,073,209	2,919,182	888,241	20,104,150
Total assets not being depreciated	20,656,395	2,951,821	888,241	22,719,975
Assets being depreciated:				
Storage Reservoir & Transmission Line	1,333,704	-	-	1,333,704
Buildings and Improvements	362,390	-	-	362,390
Water Treatment Plant	14,864,462	94,384	75,642	14,883,204
Equipment	829,169	820,773	5,467	1,644,475
Vehicles	154,234	-	-	154,234
Transmission, Storage & Distrib Sys	13,700,285	-	75,642	13,624,643
Total assets being depreciated	31,244,244	915,157	156,751	32,002,650
Right to Use Assets being amortized	218,250	7,358	-	225,608
Less: Accum. depreciation & amort.				
Storage Reservoir & Transmission Line	(1,329,064)	(706)	-	(1,329,770)
Buildings and Improvements	(248,763)	(11,772)	-	(260,535)
Water Treatment Plant	(8,366,929)	(270,994)	(75,642)	(8,562,281)
Equipment	(731,488)	(61,421)	(5,467)	(787,442)
Vehicles	(109,497)	(11,406)	-	(120,903)
Transmission, Storage & Distrib Sys	(11,886,069)	(168,626)	(75,642)	(11,979,053)
Right to Use Assets Amortization	(68,517)	(44,263)	-	(112,780)
Total accumulated deprec./amort.	(22,740,327)	(569,188)	(156,751)	(23,152,764)
Net Capital Assets	**$ 29,378,562**	**$ 3,305,148**	**$ 888,241**	**$ 31,795,469**

Depreciation and amortization expense for the year ended December 31, 2025 was charged to the following operations:

Source of Supply	$ 706
Water Treatment	339,747
Transmission and Distribution	224,295
Administrative and General	4,440
Total	**$ 569,188**

Capital Asset Restatement – Right to Use Assets

The District commenced capitalization of telemetry improvements in 2023. These improvements had not been placed in service as of December 31, 2024. It was subsequently determined that a large portion of these payments were related to a Subscription Based Information Technology Agreement that was entered into during 2023. This agreement should have resulted in the reporting of a Right to Use asset along with a related financing agreement.

Accordingly, the District has restated the beginning capital assets as of January 1, 2023 by removing Construction in Progress reported in 2023 of $69,340 and an additional $54,124 recorded in 2024. In place of those additions, the District has reported a Right to Use asset in the amount of $218,250 and accumulated amortization of $24,867. Amortization expense of $43,650 has been reported in the 2024 restated income statement.

The net restatement of capital assets as of January 1, 2023 was $124,043.

NOTE 3: CAPITAL ASSETS (Continued)

Future Expansion – Construction in Progress

The Authority has purchased property near Ridgway, 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 2025. The total cost of construction is estimated to be approximately $172,394,936.

NOTE 4: LONG TERM DEBT

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

	Restated Balance 1/1/25	Advances	Repayments	Balance 12/31/25	Due Within One Year	Interest Expense	Accrued Interest
2008 CWRPDA Loan	$ 3,441,887	$ -	$ 504,810	$ 2,937,077	$ 527,756	$ 154,315	$ 64,965
2024 CWRPDA Direct Loan	2,991,084	-	59,225	2,931,859	61,316	103,829	17,103
2024 CWRPDA Leveraged Loan	14,397,276	-	179,126	14,218,150	320,125	468,603	193,824
2024 CWRPDA BIL Direct Loan	838,077	-	15,228	822,849	16,742	27,979	4,800
2023 SBITA Financing Agreement	148,658	-	42,038	106,620	44,188	6,478	-
2025 SBITA Financing Agreement	-	7,358	1,267	6,091	1,592	283	-
Accrued Compensated Leave	307,497	-	72	307,425	60,858	-	-
Total Noncurrent Liabilities	$ 22,124,479	$ 7,358	$ 801,766	$ 21,330,071	$ 1,032,577	$ 761,487	$ 280,692

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, 2025.

NOTE 4: LONG TERM DEBT (Continued)

2008 CWRPDA Loan (Continued)

A schedule of future loan payments is as follows:

Year	Principal	Interest	Total
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	653,958	(8,679)	645,279
Total	**$ 2,937,077**	**$ 344,895**	**$ 3,281,972**

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, 2025.

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.

NOTE 4: LONG TERM DEBT

2024 CWRPDA Direct Loan (Continued)

A schedule of future loan payments is as follows:

Year	Principal	Interest	Total
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	70,444	92,954	163,398
2031-2035	391,331	425,662	816,993
2036-2040	465,467	351,526	816,993
2041-2045	553,648	263,346	816,994
2046-2050	658,533	158,462	816,995
2051-2054	533,876	38,018	571,894
Total	**$ 2,931,859**	**$ 1,725,003**	**$ 4,656,862**

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, 2025.

Proceeds of the loan were placed in escrow for future use by the Authority. For the year ended December 31, 2025, the Authority drew and additional $6,031,814 of the proceeds, which were utilized for ongoing project costs leaving $3,177,240 of 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.

NOTE 4: LONG TERM DEBT (Continued)

2024 CWRPDA Drinking Water Revolving Fund (Leveraged) Loan (Continued)

A schedule of future loan payments is as follows:

Year	Principal	Interest	Total
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	360,185	306,250	666,435
2031-2035	1,988,954	1,353,000	3,341,954
2036-2040	2,302,498	1,034,000	3,336,498
2041-2045	2,596,039	741,400	3,337,439
2046-2050	2,889,045	453,400	3,342,445
2051-2054	2,747,870	143,400	2,891,270
Total	**$ 14,218,150**	**$ 5,366,700**	**$ 19,584,850**

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, 2025.

Proceeds of the loan were placed in escrow for future use by the Authority. As of December 31, 2025, the Authority had drawn $1,529,387 of the funds leaving $808,690 cash in escrow at year end. The Authority was required to draw the Leveraged loan funds before accessing the BIL funds, although CWRPDA released a portion of the BIL loan proceeds in 2025.

NOTE 4: LONG TERM DEBT (Continued)

2024 CWRPDA Bipartisan Infrastructure Law (BIL) Direct Loan (Continued)

A schedule of future loan payments is as follows:

Year	Principal	Interest	Total
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	19,235	26,162	45,397
2031-2035	106,853	120,131	226,984
2036-2040	127,095	99,888	226,983
2041-2045	151,172	75,809	226,981
2046-2050	179,811	47,171	226,982
2051-2054	168,084	13,504	181,588
Total	**$ 822,849**	**$ 493,651**	**$ 1,316,500**

Long-Term Debt Restatement – 2023 Right to Use Asset Financing Agreement

The District has restated the beginning long term debt as of January 1, 2024 related to the capital asset restatement described in Note 3. This resulted in the recording of a outstanding liability related to a Subscription Based Information Technology Agreement that was entered into as of October 2022 with the related technology placed in service as of February 2023.

The agreement requires the payment of a one-time setup fee of $4,043 with additional $4,043 monthly payments due for an additional sixty months. The vendor installed, and will maintain and replace, the equipment required to provide the vSaaS Services outlined in the agreement. The agreement carries an imputed interest rate of 5%.

The District restated the January 1, 2024 balances to record a $218,250 financing agreement liability as of the date of commencement, and related principal payments that occurred during 2023 in the amount of $29,600 for a net restatement of $(188,650).

The District has restated the 2024 debt activity to reflect the payment of $39,992 of principal and $8,524 of interest paid during the year.

2025 Right to Use Asset Financing Agreement

In 2025, the District amended the 2023 agreement to include an additional site. The amendment added an $7,358 Right to Use asset which requires fifty three additional monthly payments of $155 commencing March 2025. The District used the original 5% imputed interest rate to determine the value of the Right to Use asset.

NOTE 4: LONG TERM DEBT

Payments on the combined and amended financing agreement to maturity are as follows:

Year	Total	Principal	Interest
2026	$ 50,376	$ 45,780	$ 4,596
2027	50,376	48,122	2,254
2028	18,032	17,741	291
2029	1,085	1,068	17
Total	$ 119,869	$ 112,711	$ 7,158

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:

	2025
Total Payroll	$ 827,940
Base Salary	813,615
Contributions	115,379

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.

	Revenues	Expenditures
Budgetary Basis	$ 15,554,163	$ 6,655,949
GAAP Basis Adjustments		
Capital Outlay	-	(2,986,095)
Debt Proceeds	(7,561,201)	-
Debt Service Principal	-	(801,694)
Depreciation Expense	-	569,188
GAAP Basis	**$ 7,992,962**	**$ 3,437,348**

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.

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	$7,834,312
Other revenue	158,650
Capital contributions	-
Total revenue	7,992,962
Operating expenses	(2,675,861)
Less: Depreciation	569,188
Adjusted operating expenses	(2,106,673)
Net revenue	5,886,289
Debt service	
2008 CWRPDA	661,476
2024 CWRPDA BIL	42,726
2024 CWRPDA Leveraged	543,029
2024 CWRPDA Direct	163,399
Total debt service	1,410,630
Required rate	110%
Net revenue required	1,551,693
Excess (deficit)	$4,334,596

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	$ 3,129,753	40%	$ 113,303
Tri-County Water	2,388,017	31%	134,819
City of Delta	1,229,143	16%	58,080
Menoken Water District	438,891	6%	24,524
Chipeta Water District	394,930	5%	20,379
Town of Olathe	197,313	3%	12,683
Total	$ 7,778,047	100%	$ 363,788

NOTE 11: PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR

The District has recorded a capital asset – right-to-use asset restatement described in Note 3 in the amount of $124,043 and the related financing agreement liability described in Note 4 in the amount of $(188,650) for a net restatement of beginning net position of $(64,607).

NOTE 12: SUBSEQUENT EVENTS

The Resiliency Project has been put on hold at the direction of the Board. This is due to the significant total costs of the project that were determined during the design/build stage of the project and also the challenges to acquire grant and financing due to state and national economic uncertainties.

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, 2025
With Comparative Totals for the Year Ended December 31, 2024

	2025			Restated 2024
	Final Budget	Actual	Variance with Final Budget	Actual
Operating Revenues				
Utility Charges	$ 7,840,000	$ 7,778,047	$ (61,953)	$ 6,054,516
Rents	-	53,745	53,745	38,826
Other Charges for Services	-	2,520	2,520	7,606
Total Revenues	7,840,000	7,834,312	(5,688)	6,100,948
Operating Expenses				
Source of Supply	3,000	1,303	1,697	1,772
Collection, Transmission and Distribution	75,000	38,811	36,189	25,732
Production and Treatment	1,779,369	1,603,061	176,308	1,568,580
Administration	425,460	463,498	(38,038)	399,387
Other Capital Outlay	43,000,000	2,986,095	40,013,905	12,071,388
Total Expenditures	45,282,829	5,092,768	40,190,061	14,066,859
Operating Income (Loss)	(37,442,829)	2,741,544	40,184,373	(7,965,911)
Other Income (Expense)				
Investment Earnings	100,000	157,057	57,057	166,784
Other Revenue	20,000	1,593	(18,407)	15,185
Debt Service	(661,476)	(1,563,181)	(901,705)	(7,530,559)
Total Other Income (Expense)	(541,476)	(1,404,531)	(863,055)	(7,348,590)
Net Income (Loss), Budget Basis	(37,984,305)	1,337,013	39,321,318	(15,314,501)
Contributed Capital				
Intergovernmental Revenue	42,500,000	-	(42,500,000)	1,523,800
Debt Proceeds	-	7,561,201	7,561,201	10,521,831
Total Contributed Capital	42,500,000	7,561,201	(34,938,799)	12,045,631
Change in Net Position (Budget Basis)	$ 4,515,695	8,898,214	$ 4,382,519	(3,268,870)
Budget to GAAP Reconciliation				
Debt Proceeds		(7,561,201)		(10,521,831)
Principal Paid		801,694		7,047,981
Depreciation and Amortization Expense		(569,188)		(559,209)
Capital Outlay		2,986,095		12,071,388
Change in Net Position - GAAP Basis		4,555,614		4,769,459
Net Position, Beginning		20,999,507		16,294,655
Prior Period Restatement - Note 11		-		(64,607)
Net Position, Beginning (As Restated)		20,999,507		16,230,048
Net Position, Ending		$ 25,555,121		$ 20,999,507

See accompanying Independent Auditors' Report.