

**PROJECT 7 WATER AUTHORITY  
FINANCIAL STATEMENTS  
& INDEPENDENT AUDITOR'S  
REPORT  
December 31, 2017 & 2016**

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June 20, 2018

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Project 7 Water Authority  
Montrose, CO 81401

I have audited the accompanying financial statements of the business-type activities of the Project 7 Water Authority, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility 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.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Project 7 Water Authority as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project 7 Water Authority's financial statements as a whole. The supplementary information, which includes: revenues and expenditures – budget and actual (budgetary basis), is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relate 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 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Kelly Neal Teets, CPA, PC*

Delta, Colorado

June 4, 2018

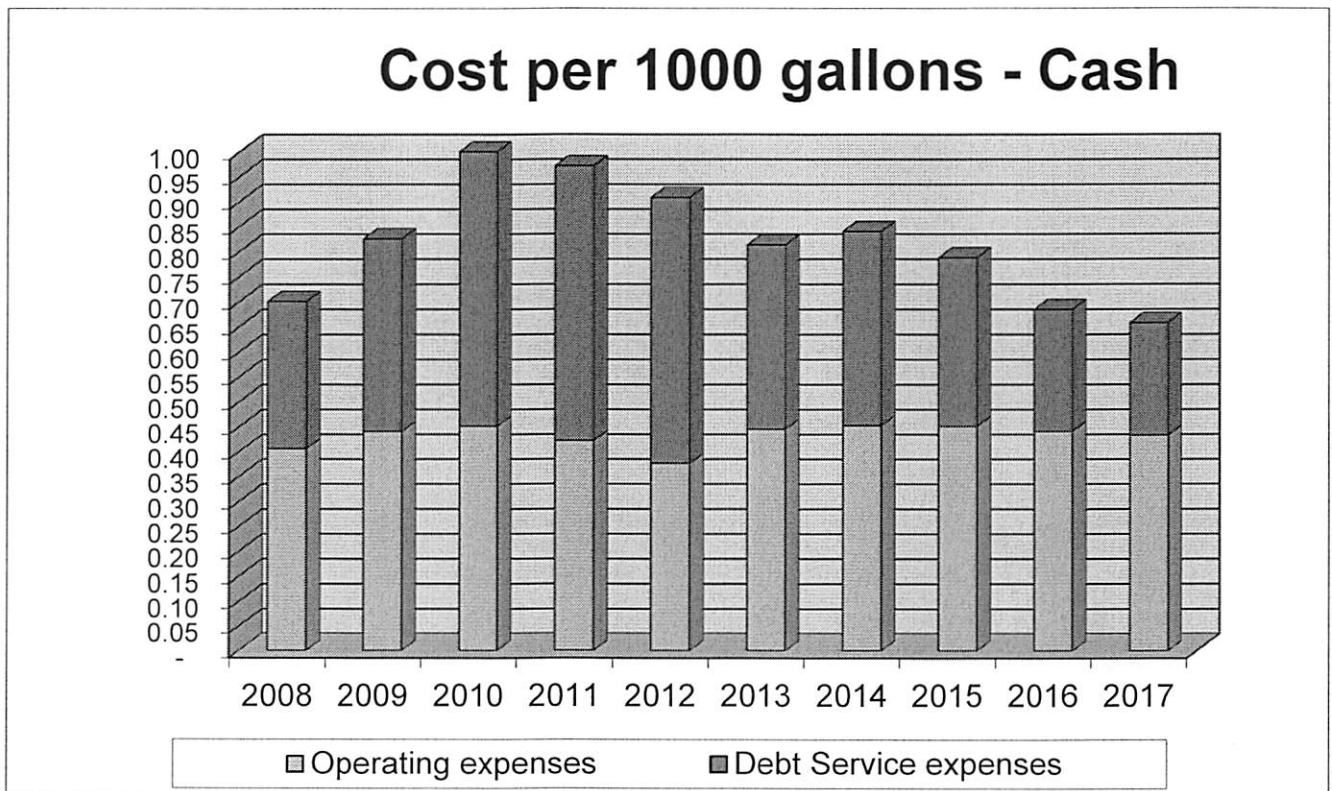
## MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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, 2017 and 2016.

### Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2017 and 2016 by \$8,626,487 and \$8,229,178 respectively, (net position). Of this amount, \$3,382,998 and \$2,685,939, at December 31, 2017 and 2016, 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 \$397,309 and \$276,809 for the years ended December 31, 2017 and 2016, respectively.
- The Authority's operating expenses have remained relatively consistent from 2016 to 2017. Water sales increased 6.8% due to an increase in consumption.
- The cost per 1000 gallons has consistently decreased due to a decrease in debt service costs.



## 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 District including depreciation. Non-operating revenue includes interest income and non-operating expense includes interest expense.

The *Statement of Cash Flows* report the District'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 11 through 14 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 15 through 28 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 pages 29 through 32 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 \$8,626,487 at the close of the most recent fiscal year.

A majority of the Authority's net position, (approximately 64 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 \$312,500, 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.

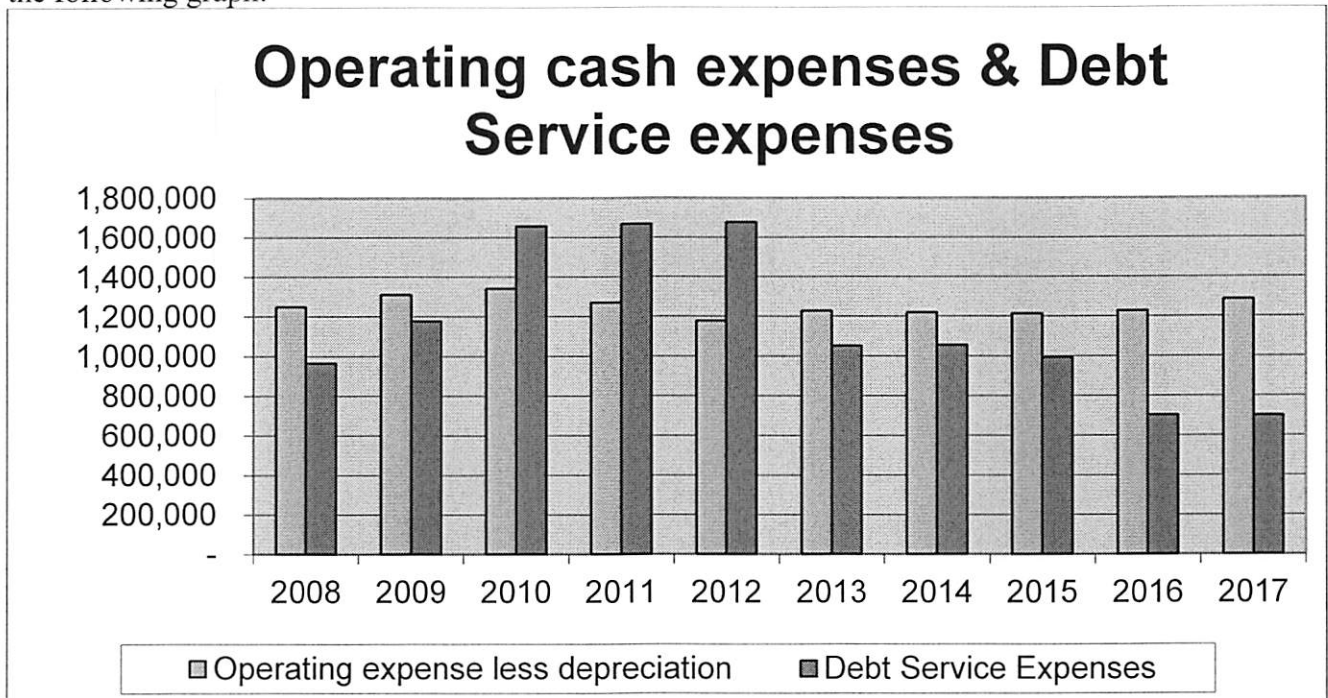
<b>Project 7 Water Authority Net Position</b>			
<b>Assets:</b>		<u>2017</u>	<u>2016</u>
Current	\$	3,546,338	2,861,867
Restricted		312,500	312,500
Capital		<u>11,705,770</u>	<u>12,452,965</u>
	<b>Total Assets</b>	<u>15,564,608</u>	<u>15,627,332</u>
<b>Liabilities:</b>			
Current		616,522	623,373
Long-term			
Debt		<u>6,321,599</u>	<u>6,774,781</u>
	<b>Total Liabilities</b>	<u>6,938,121</u>	<u>7,398,154</u>
<b>Net Position:</b>			
Net Investment in Capital Assets		4,930,989	5,230,739
Restricted		312,500	312,500
Unrestricted		<u>3,382,998</u>	<u>2,685,939</u>
	<b>Total Net Position</b>	<u>\$ 8,626,487</u>	<u>8,229,178</u>

The Authority's net position increased by \$397,308 and \$276,809, respectively, during the fiscal years ended December 31, 2017 and 2016.

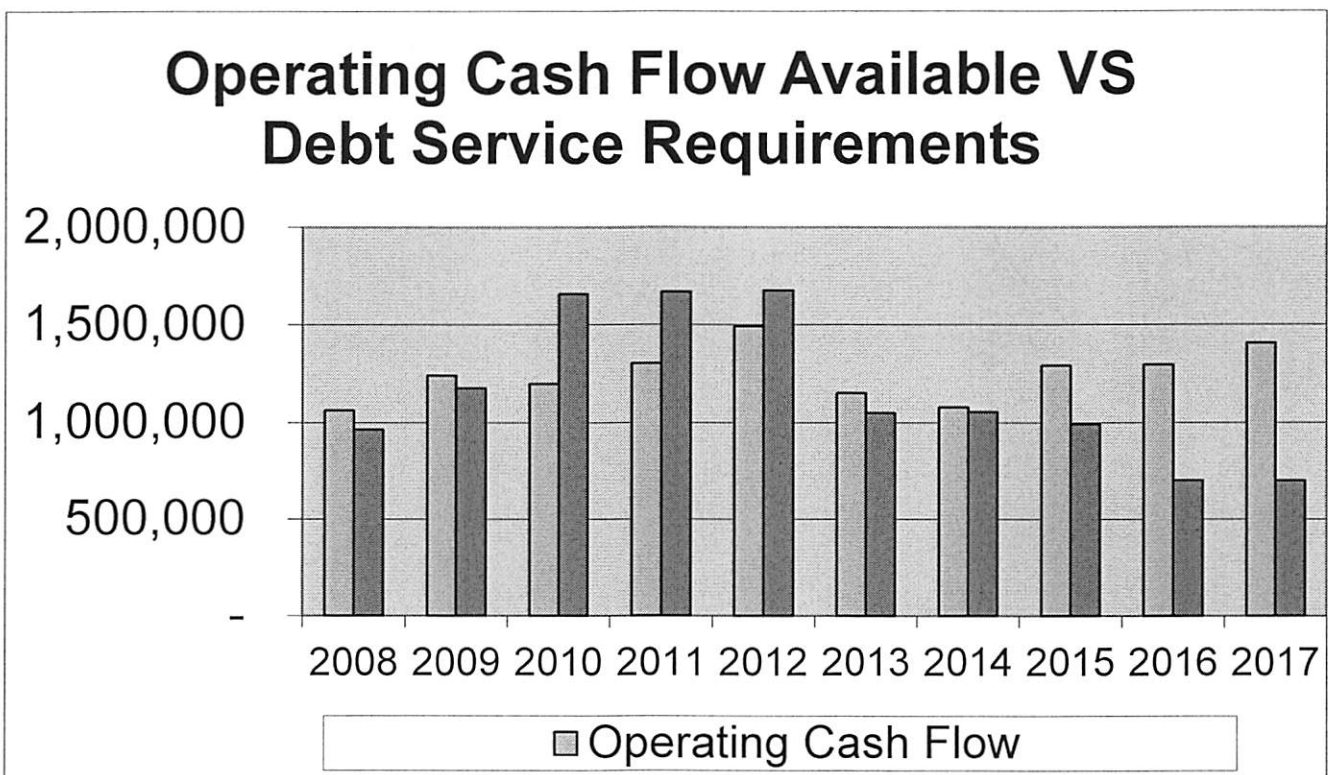
<b>Project 7 Water Authority Changes in Net Position</b>		
	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Operating	\$ 2,691,700	2,523,838
Non-Operating	12,012	6,908
<b>Total Revenues</b>	<u>2,703,712</u>	<u>2,530,746</u>
<b>Expenses:</b>		
<b>Operating Expenses:</b>		
Source of Supply	37,496	35,538
Water Treatment	1,398,973	1,349,706
Transmission and Distribution	348,116	345,283
Administrative and General	271,876	265,863
Non-Operating	249,942	257,547
<b>Total Expenses</b>	<u>2,306,403</u>	<u>2,253,937</u>
<b>Changes in Net Position</b>	397,309	276,809
<b>Net Position - Beginning of Year</b>	<u>8,229,178</u>	<u>7,952,369</u>
<b>Net Position - End of Year</b>	<u>\$ 8,626,487</u>	<u>8,229,178</u>

The increase in the end of year cash and investment balances show the result of not having to make debt payments on the 1998 CWRPDA loan that was paid off in 2015, and the amount of gallons sold to the member entities has increased 6.8% and 3.5% during 2017 and 2016, respectively.

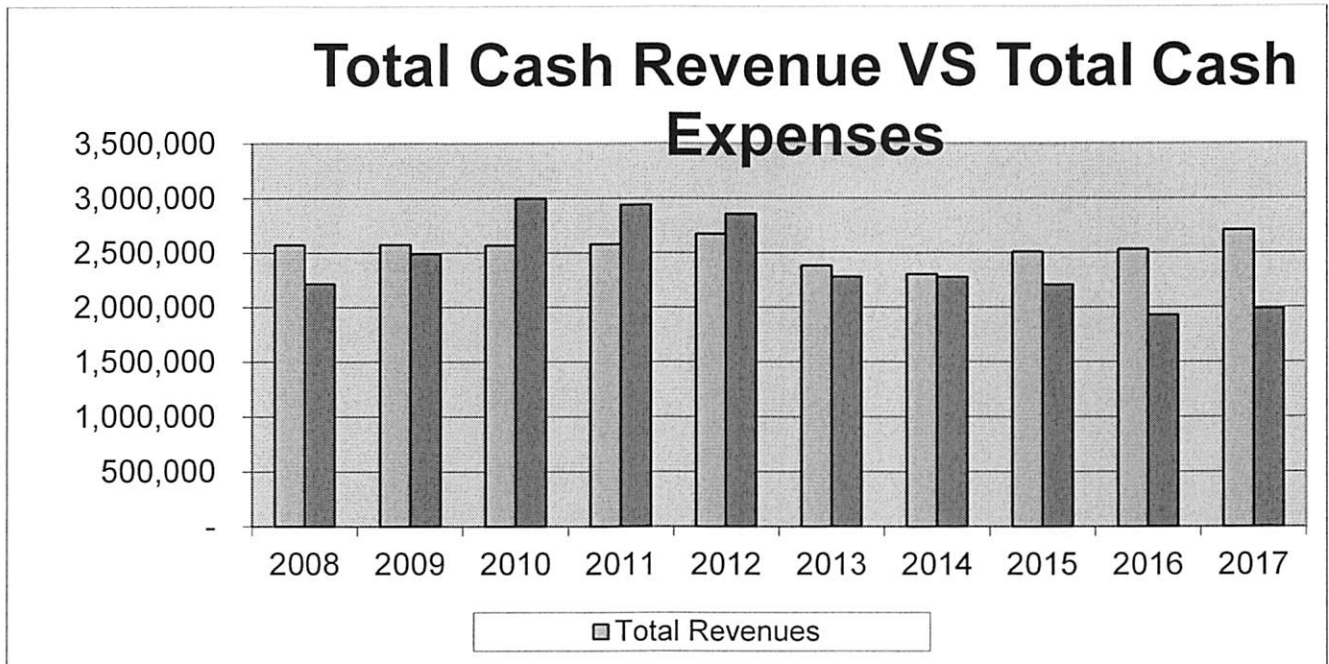
The Authority's operating cash expenses compared to the debt service expenses are illustrated in the following graph:



The Authority's net cash flow available (revenues less operating expenses excluding depreciation) compared to the debt service requirements illustrated in the following graph:



The Authority's total cash revenues compared to cash expenses, including debt service, is illustrated by the following graph:



### Capital Asset and Debt Administration

**Capital Assets.** The Authority's investment in capital assets as of December 31, 2017 and 2016 amounted to \$12,452,966 and \$12,452,966, respectively, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, water tanks and distribution system. There were no major capital asset events during the past fiscal year.

#### PROJECT 7 WATER AUTHORITY CAPITAL ASSETS

*(Net of Depreciation)*

	<u>2017</u>	<u>2016</u>
Land and Right-Of-Ways	\$ 96,750	96,750
Storage Reservoir and Transmission Line	93,751	127,276
Buildings and Improvements	198,917	211,267
Water Treatment Plant	8,448,794	8,819,170
Equipment	148,657	172,311
Vehicles	3,629	7,257
Transmission, Storage and Distribution System	2,265,272	3,001,270
Construction in Progress	<u>40,000</u>	<u>17,665</u>
<b>Total Capital Assets</b>	<b>\$ <u>11,705,770</u></b>	<b><u>12,452,966</u></b>

Additional information on the Authority’s capital assets can be found in Note 3 on page 21 of this report.

**Long-term debt.** At the end of the current fiscal year, the Authority had \$ 6,774,781 of loans with the Colorado Water Resources and Power Development Authority secured by the revenues of the Authority.

		<u>2017</u>	<u>2016</u>
2008 CWRPDA Loan	\$	<u>6,774,781</u>	<u>7,222,226</u>
<b>LONG-TERM DEBT</b>	<b>\$</b>	<b><u>6,774,781</u></b>	<b><u>7,222,226</u></b>

Additional information on the Authority’s long-term debt can be found in note 5 on page 23 of this report.

**Economic Factors and Next Year’s Budgets**

- The Authority was pleased with the Lead and Copper sampling in June of 2017 and will continue to watch the pH of the finished water closely, not wanting to drop below 7.0 for corrosion purposes.
- Management believes that an additional water treatment plant (WTP) near Ridgway Reservoir at Ridgway, Colorado is the best plan towards creating resiliency as well as increased treatment capacity for the long-term. A preliminary design for a WTP was initiated in 2017 and will continue in 2018 which is being contracted with HDR, Inc. Management would like to solicit bids towards going to construction on the WTP by 2019-2020.
- Although the Authority paid off the loan on the water tanks in 2015, management is now looking at options to re-paint the two storage tanks. We have coated the West tank in 2018 and plan to do the East tank in 2019. Inspections continue to reveal good integrity of the inside steel and structural components. Bids have ranged from \$360,000 to \$956,000 each. This is included in the Capital Improvement Plan.
- Chipeta Water District approached the Board of Directors requested to be a contracting party which was approved and is pending the ratification of each of the current member entities. We anticipate this process to be completed by June 28, 2018.

## **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 STATEMENTS

**PROJECT 7 WATER AUTHORITY**  
**STATEMENT OF NET POSITION**  
December 31, 2016 and 2015

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,353,075	2,676,883
Due from Related Parties	130,794	122,502
Due from Other Government Entities	8,033	7,465
Prepaid Insurance	25,719	25,525
Inventory of Supplies	28,717	29,492
<b>TOTAL CURRENT ASSETS</b>	<u>3,546,338</u>	<u>2,861,867</u>
<b>NONCURRENT ASSETS</b>		
<b>RESTRICTED ASSETS</b>		
Operations and Maintenance Reserve Account:		
Cash and Cash Equivalents	312,500	312,500
<b>TOTAL RESTRICTED ASSETS</b>	<u>312,500</u>	<u>312,500</u>
<b>UTILITY PLANT IN SERVICE</b>		
Land, Right-Of-Way and Easements	96,750	96,750
Storage Reservoir and Transmission Line	1,333,704	1,333,704
Buildings and Improvements	362,390	362,390
Water Treatment Plant	14,659,777	14,659,777
Equipment	585,856	585,856
Vehicles	94,681	94,681
Transmission, Storage and Distribution System	12,926,008	12,926,008
Construction in Progress	40,000	17,665
<b>UTILITY PLANT IN SERVICE</b>	<u>30,099,166</u>	<u>30,076,831</u>
Less Accumulated Depreciation	<u>(18,393,396)</u>	<u>(17,623,866)</u>
<b>UTILITY PLANT IN SERVICE - NET</b>	<u>11,705,770</u>	<u>12,452,965</u>
<b>TOTAL ASSETS</b>	<u>15,564,608</u>	<u>15,627,332</u>

The Accompanying Notes are an Integral Part of These Financial Statements

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued Payroll	21,270	23,265
Accrued Costs of Compensated Absences	39,704	47,251
Accrued Interest Payable	102,366	105,412
Current Portion of Long-Term Debt	453,182	447,445
<b>TOTAL CURRENT LIABILITIES</b>	<u>616,522</u>	<u>623,373</u>
<b>LONG-TERM DEBT - NET</b>	<u>6,321,599</u>	<u>6,774,781</u>
<b>TOTAL LIABILITIES</b>	<u>6,938,121</u>	<u>7,398,154</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,930,989	5,230,739
Restricted:		
For Operations and Maintenance Reserve	312,500	312,500
Unrestricted	3,382,998	2,685,939
<b>TOTAL NET POSITION</b>	<u>\$ 8,626,487</u>	<u>8,229,178</u>

**PROJECT 7 WATER AUTHORITY****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Water Sales	\$ 2,675,432	2,505,497
Miscellaneous	16,268	18,341
<b>TOTAL OPERATING REVENUES</b>	<u>2,691,700</u>	<u>2,523,838</u>
<b>OPERATING EXPENSES</b>		
Source of Supply	37,496	35,538
Water Treatment	1,398,973	1,349,706
Transmission and Distribution	348,116	345,283
Administrative and General	271,876	265,863
<b>TOTAL OPERATING EXPENSES</b>	<u>2,056,461</u>	<u>1,996,390</u>
<b>OPERATING INCOME</b>	<u>635,239</u>	<u>527,448</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	12,012	6,908
Interest Expense	(249,942)	(257,547)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<u>(237,930)</u>	<u>(250,639)</u>
<b>CHANGE IN NET POSITION</b>	<u>397,309</u>	<u>276,809</u>
<b>NET POSITION - BEGINNING</b>	<u>8,229,178</u>	<u>7,952,369</u>
<b>NET POSITION - ENDING</b>	<u>\$ 8,626,487</u>	<u>8,229,178</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**PROJECT 7 WATER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Water Sales	\$ 2,666,572	2,500,507
Payments to Suppliers	(693,805)	(624,003)
Payments to Employees	(602,088)	(606,862)
Other Receipts	16,268	18,341
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,386,947</u>	<u>1,287,983</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(22,335)	(88,813)
Principal Paid on Long-Term Debt	(447,445)	(441,709)
Interest Paid on Long-Term Debt	(252,987)	(260,803)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(722,767)</u>	<u>(791,325)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	12,012	6,908
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>12,012</u>	<u>6,908</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	676,192	503,566
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>BEGINNING OF YEAR</b>	<u>2,989,383</u>	<u>2,485,817</u>
<b>END OF YEAR</b>	<u>3,665,575</u>	<u>2,989,383</u>
<b>DISPLAYED AS:</b>		
Cash and Cash Equivalents in Current Assets	3,353,075	2,676,883
Restricted Cash and Cash Equivalents:		
Operations and Maintenance Reserve Account	312,500	312,500
<b>RECONCILED TOTAL OF CASH</b>	<u>\$ 3,665,575</u>	<u>2,989,383</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Income from Operations	\$ 635,239	527,448
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	769,529	768,526
Changes in Assets and Liabilities:		
(Increase) Decrease in Due from Related Parties	(8,292)	(4,939)
(Increase) Decrease in Due from Other Government Entities	(568)	(51)
(Increase) Decrease in Prepaid Insurance	(194)	(289)
(Increase) Decrease in Inventory	775	(266)
Increase (Decrease) in Accrued Payroll	(1,995)	2,499
Increase (Decrease) in Accrued Compensated Absences	(7,547)	(4,945)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,386,947</u>	<u>1,287,983</u>

The Accompanying Notes are an Integral Part of These Financial Statements

## NOTES TO FINANCIAL STATEMENTS

***PROJECT 7 WATER AUTHORITY***  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FORM OF ORGANIZATION**

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 are the Cities of Delta and Montrose, Colorado, the Town of Olathe, Colorado, Tri-County Water Conservancy District and Menoken Water District. The Authority provides treated water to the above entities and the Chipeta Water District. The Authority is governed by a board consisting of an appointed representative from each of the contracting parties.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**B. REPORTING ENTITY**

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as 1) Appointment of a voting majority of the component unit's board and either a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or 2) fiscal dependency on the primary government. Based on these criteria, there are no other organizations that would be considered component units of the Authority.

**C. BASIC FINANCIAL STATEMENTS**

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

E. ASSETS, LIABILITIES AND NET POSITION

*Cash and cash equivalents.* The Authority considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

*Investments.* The Authority's 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.

*Allowance for Doubtful Accounts.* The Authority considers all receivables collectible, and accordingly, provides no allowance for doubtful accounts.

*Revenue Recognition.* Revenues are recognized when earned. Metered water accounts are read and billed at the end of each month.

*Inventories.* 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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. ASSETS, LIABILITIES AND NET POSITION (continued)

*Restricted Assets.* These assets consist of certificates of deposit, investments and investments classified as cash and cash equivalents restricted for debt service.

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

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

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

*Compensated Absences.* The liability for compensated absences consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

*Reclassifications.* Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES AND NET POSITION (continued)

*Net Position.* Net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, into one component of net position. Accumulated depreciation and related debt of these assets reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations, including debt service covenants, of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the Authority, which are not restricted for any project or other purpose. A deficit would require future funding.

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.

*Use of estimates.* The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budget.

- a. 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.
- b. 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.
- c. The Board of Directors may authorize supplemental appropriations during the year. During 2017 and 2016 no supplemental appropriations were adopted.
- d. Unused appropriations lapse at the end of the year.

2 – DEPOSITS 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.

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016 none of the Authority's bank balances of \$2,729,541 and \$2,077,262, respectively, were exposed to custodial credit risk as \$750,000 and \$750,000 was insured, and \$1,979,541 and \$1,327,262, respectively, was collateralized by securities pledged by financial institutions.

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

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**2 – DEPOSITS AND INVESTMENTS (continued)**

Investments

At December 31, 2017 and 2016, the Authority had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	
		<u>2017</u>	<u>2016</u>
Colostrust Plus	N/A	\$ 949,254	938,697

*Interest Rate risk.* The Authority does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority has not experienced fair value losses for the past ten years.

*Credit Risk.* 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' acceptances 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. The Authority has no policy that would further limit its investment choice. As of December 31, 2017 and 2016, the Authority's investment in Colostrust Plus, a 2a7-like investment pool, was rated AAAM by Standard & Poor's, Aaa by Moody's Investors Service and AAA/V-1 by Fitch Ratings. Separate financial statements for Colostrust are available at [www.colostrust.com](http://www.colostrust.com).

*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 years ended 2017 and 2016 were in Colostrust Plus.

**PROJECT 7 WATER AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2017 and 2016

3 - CAPITAL ASSETS (continued)

2017	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets Not Being Depreciated:</b>				
Land and Rights-Of-Way	\$ 96,750			\$ 96,750
Construction in Progress	17,665	22,335		40,000
<b>Total Capital Assets Not Being Depreciated</b>	<b>114,415</b>	<b>22,335</b>	<b>-</b>	<b>136,750</b>
<b>Capital Assets Being Depreciated:</b>				
Storage Reservoir and Transmission Line	1,333,704			1,333,704
Buildings and Improvements	362,390			362,390
Water Treatment Plant	14,659,777			14,659,777
Equipment	585,856			585,856
Vehicles	94,681			94,681
Transmission, Storage and Distribution System	12,926,008			12,926,008
<b>Total Capital Assets Being Depreciated</b>	<b>29,962,416</b>	<b>-</b>	<b>-</b>	<b>29,962,416</b>
<b>Less Accumulated Depreciation For:</b>				
Storage Reservoir and Transmission Line	1,206,428	33,525		1,239,953
Buildings and Improvements	151,123	12,349		163,473
Water Treatment Plant	5,840,607	370,376		6,210,983
Equipment	413,545	23,654		437,199
Vehicles	87,424	3,628		91,052
Transmission, Storage and Distribution System	9,924,738	325,997		10,250,736
<b>Total Accumulated Depreciation</b>	<b>17,623,865</b>	<b>769,529</b>	<b>-</b>	<b>18,393,396</b>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 12,452,966</b>	<b>(747,194)</b>	<b>-</b>	<b>\$ 11,705,770</b>

**PROJECT 7 WATER AUTHORITY**

## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

## 3 - CAPITAL ASSETS (continued)

2016	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets Not Being Depreciated:</b>				
Land and Rights-Of-Way	\$ 96,750			\$ 96,750
Construction in Progress	-	17,665		17,665
<b>Total Capital Assets Not Being Depreciated</b>	<u>96,750</u>	<u>17,665</u>	<u>-</u>	<u>114,415</u>
<b>Capital Assets Being Depreciated:</b>				
Storage Reservoir and Transmission Line	1,333,704			1,333,704
Buildings and Improvements	362,390			362,390
Water Treatment Plant	14,659,777			14,659,777
Equipment	514,708	71,148		585,856
Vehicles	94,681			94,681
Transmission, Storage and Distribution System	12,926,008			12,926,008
<b>Total Capital Assets Being Depreciated</b>	<u>29,891,268</u>	<u>71,148</u>	<u>-</u>	<u>29,962,416</u>
<b>Less Accumulated Depreciation For:</b>				
Storage Reservoir and Transmission Line	1,172,904	33,524		1,206,428
Buildings and Improvements	138,774	12,349		151,123
Water Treatment Plant	5,470,231	370,376		5,840,607
Equipment	390,894	22,651		413,545
Vehicles	83,795	3,629		87,424
Transmission, Storage and Distribution System	9,598,741	325,997		9,924,738
<b>Total Accumulated Depreciation</b>	<u>16,855,339</u>	<u>768,526</u>	<u>-</u>	<u>17,623,865</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 13,132,679</u>	<u>(679,713)</u>	<u>-</u>	<u>\$ 12,452,966</u>

Depreciation was charged to operations during the years ended December 31, 2017 and 2016 as follows:

	2017	2016
Source of Supply	\$ 33,525	33,524
Water Treatment	401,158	400,156
Transmission and Distribution	325,997	325,997
Administrative and General	8,849	8,849
	<u>\$ 769,529</u>	<u>768,526</u>

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

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4 - SHORT-TERM DEBT

For the years ended December 31, 2017 and 2016, the Authority had no short-term debt.

5 - LONG-TERM DEBT

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOANS

	<u>2017</u>	<u>2016</u>
\$10,176,512 - 2008 loan due in semi-annual installments of February 1st and August 1st each year of \$349,430 in 2018 and decreasing to \$346,085 in 2030 including interest at 3.82%		
Accrued interest payable is \$102,366 and \$105,412 at December 31, 2017 and 2016, respectively	\$ 6,774,781	7,222,226
Total principal amounts due	6,774,781	7,222,226
Less amounts due in one year	(453,182)	(447,445)
Long-term Debt - Net	\$ <u>6,321,599</u>	<u>6,774,781</u>

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

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5 - LONG-TERM DEBT (continued)  
COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOANS (continued)

A summary of changes in debt is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>2017:</b>					
2008 CWRPDA Loan	\$ <u>7,222,226</u>	<u>                    </u>	<u>447,445</u>	<u>6,774,781</u>	<u>453,182</u>
<b>2016:</b>					
2008 CWRPDA Loan	\$ <u>7,663,935</u>	<u>                    </u>	<u>441,709</u>	<u>7,222,226</u>	<u>447,445</u>

The annual requirements to amortize all debt outstanding as of December 31, 2017 is as follows:

Year	Principal	Interest	Total Payment
2018	\$ 453,182	245,678	698,860
2019	464,655	237,875	702,530
2020	470,392	230,558	700,950
2021	476,128	222,813	698,941
2022	481,864	215,151	697,015
2023-2027	2,569,942	916,306	3,486,248
2028-2030	<u>1,858,618</u>	<u>226,455</u>	<u>2,085,073</u>
	\$ <u>6,774,781</u>	<u>2,294,836</u>	<u>9,069,617</u>

For the years ended December 31, 2017 and 2016, the Authority had no capitalized interest and incurred \$249,942 and \$257,547 respectively of interest costs which was charged to interest expense.

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

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5 – LONG-TERM DEBT (continued)

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOANS  
PAYABLE (continued)

The Authority may prepay the loans with the CWRPDA in whole or in part in the amount of \$100,000 or any integral multiple of \$100,000, with payments applied first to accrued interest and then to principal.

The Authority has covenanted to establish, maintain, revise and collect charges and rates at least sufficient to create gross revenues each year sufficient for all costs associated with operation and maintenance expenses and to create net revenue in an amount: (i) equal to not less than 110% of the amount necessary to pay when due the principal of and interest on the 2008 loan, and (ii) sufficient to make up any deficiencies in the rate stabilization reserve account. For the years ended December 31, 2017 and 2016, a rate stabilization reserve account was not required due to the fact that the net revenues available for debt service were sufficient in compliance with this covenant as follows:

<b>Debt Service Coverage Ratio</b>	<u>2017</u>	<u>2016</u>
Revenues Available for Debt Service	\$ 2,703,711	2,530,746
Operating Expenses - Budget Basis	<u>1,286,932</u>	<u>1,227,864</u>
Net Revenues Available for Debt Service	<u>\$ 1,416,779</u>	<u>1,302,882</u>
Total Principle and Interest On Long-Term Debt		
Maturities For The Current Year	<u>\$ 702,432</u>	<u>702,512</u>
Coverage Ratio	202%	185%

An Operations and Maintenance Reserve account equal to three month's budgeted operations and maintenance expenses is required and has been provided in the amount of \$312,500.

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

**6 – BUDGETARY ACCOUNTING**

Originally adopted budgeted expenditures, amendments and final adopted budgeted expenditures for the years ended December 31, 2017 and 2016 are as follows:

	Original Budget	Amendment	Final Budget
2017	\$ 2,490,510		2,490,510
2016	2,137,782		2,137,782

The following adjustments are required to convert from financial statements presented in accordance with generally accepted accounting principles (GAAP), to revenues and expenditures using the budgetary basis of accounting as described in Note 1:

	GAAP Basis		Adjustments	Budgetary Basis
<b>2017</b>				
<b>REVENUES:</b>				
Operating Revenues	\$ 2,691,700			2,691,700
Interest Income	12,012			12,012
	<u>\$ 2,703,712</u>		<u>-</u>	<u>2,703,712</u>
<b>EXPENDITURES:</b>				
Operating Expenses	\$ 2,056,461	B)	(769,529)	1,286,932
Debt Service:				-
Principal		A)	447,445	447,445
Interest	249,942	B)	3,045	252,987
Capital Improvements		C)	22,335	22,335
	<u>\$ 2,306,403</u>		<u>(296,704)</u>	<u>2,009,699</u>
<b>2016</b>				
<b>REVENUES:</b>				
Operating Revenues	\$ 2,523,838			2,523,838
Interest Income	6,908			6,908
	<u>\$ 2,301,745</u>		<u>-</u>	<u>2,301,745</u>
<b>EXPENDITURES:</b>				
Operating Expenses	\$ 1,996,390	B)	(768,526)	1,227,864
Debt Service:				-
Principal		A)	441,709	441,709
Interest	257,547	B)	3,256	260,803
Capital Improvements		C)	88,813	88,813
	<u>\$ 2,253,937</u>		<u>(234,748)</u>	<u>2,019,189</u>

- A) Long-Term Debt Principal Payments
- B) Depreciation and Amortization
- C) Capital Improvements and Equipment Purchases

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

**7 – RELATED PARTIES**

	Accounts Receivable		Water Purchase	
	2017	2016	2017	2016
City of Montrose	\$ 49,031	44,193	1,138,860	1,061,809
City of Delta	21,316	21,432	472,213	447,633
Tri-County Conservancy Distri	48,228	45,699	730,682	650,277
Menoken Water District	9,840	8,235	136,196	150,052
Town of Olathe	2,379	2,943	70,387	79,620
	130,794	122,502	2,548,338	2,389,391
Chipeta Water District	8,033	7,465	127,094	116,106
<b>TOTAL</b>	<b>\$ 138,827</b>	<b>129,967</b>	<b>\$ 2,675,432</b>	<b>2,505,497</b>

**PROJECT 7 WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2017 and 2016**

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**8 – EMPLOYEE RETIREMENT PLAN**

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

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

	<u>2017</u>	<u>2016</u>
Total Payroll	\$ 592,546	604,415
Base Salary	573,344	588,824
Contributions	81,415	83,613

**9 – SPENDING AND DEBT LIMITATIONS**

The State Constitution, Article X, Section 20, has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. It is the opinion of management and the Authority’s attorney that the Authority is an enterprise within the meaning of Article X, Section 20, and is not subject to the revenue limitations nor required to establish the emergency reserves.

**10 – 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 fiscal years.

## **SUPPLEMENTARY INFORMATION**

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES WITH BUDGET COMPARISONS**  
For the year ended December 31, 2017 with comparative totals for 2016

	2017			2016
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>REVENUES</b>				
Water Sales	\$ 2,675,432	2,455,772	219,660	2,505,497
Miscellaneous	16,267	15,000	1,267	18,341
Interest Income	12,012	1,550	10,462	6,908
<b>TOTAL REVENUES</b>	<b>\$ 2,703,711</b>	<b>2,472,322</b>	<b>231,389</b>	<b>2,530,746</b>

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES WITH BUDGET COMPARISONS**  
For the year ended December 31, 2017 with comparative totals for 2016

	2017			2016
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>SOURCE OF SUPPLY</b>				
Electricity	\$ 473	500	27	440
Telemetry	1,458	1,500	42	1,458
Maintenance	2,040	2,000	(40)	116
Professional Services		2,000	2,000	
<b>TOTAL SOURCE OF SUPPLY</b>	<b>3,971</b>	<b>6,000</b>	<b>2,029</b>	<b>2,014</b>
<b>WATER TREATMENT</b>				
<b>PERSONNEL SERVICES</b>				
Salaries	465,987	488,900	22,913	476,277
Group Health Insurance	162,012	150,400	(11,612)	150,183
Employee Retirement	63,287	67,250	3,963	65,336
Life Insurance	1,494	3,000	1,506	2,187
Workmen's Compensation	26,259	22,500	(3,759)	21,591
Payroll Taxes	4,166	3,600	(566)	4,054
<b>TOTAL PERSONNEL SERVICES</b>	<b>723,205</b>	<b>735,650</b>	<b>12,445</b>	<b>719,628</b>
<b>OTHER OPERATING EXPENSES</b>				
Tools	172	700	528	936
Chemicals	195,383	168,000	(27,383)	167,513
Computer Expenses	140	1,200	1,060	2,874
Diesel Fuel and Lubricants	859	2,600	1,741	912
Education and Travel	910	2,200	1,290	2,257
Electricity	8,928	7,500	(1,428)	3,443
Miscellaneous	405		(405)	
Outside Lab Analysis	16,697	16,500	(197)	12,696
Natural Gas	2,370	4,100	1,730	2,340
Professional Services		1,400	1,400	50
Safety		300	300	809
Security	4,024	2,500	(1,524)	1,471
Repairs and Maintenance				
Buildings	4,396	11,600	7,204	5,080
Plant	18,575	5,000	(13,575)	4,251
Yard	1,685	3,000	1,315	4,422
Instrumentation	4,025	4,700	675	4,778
Sludge Disposal		4,500	4,500	-
Supplies	9,270	13,500	4,230	10,035
Trash Service	1,516	1,400	(116)	1,419
Uniforms and Laundry	1,517	2,000	483	2,372
Vehicle Expense	3,738	6,200	2,462	2,264
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>274,610</b>	<b>258,900</b>	<b>(15,710)</b>	<b>229,922</b>
<b>TOTAL WATER TREATMENT</b>	<b>\$ 997,815</b>	<b>994,550</b>	<b>(3,265)</b>	<b>949,550</b>

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES WITH BUDGET COMPARISONS (continued)**  
For the year ended December 31, 2017 with comparative totals for 2016

	2017			2016
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>TRANSMISSION AND DISTRIBUTION</b>				
Electricity	\$ 5,043	5,000	(43)	4,368
Professional Services	2,173	1,000	(1,173)	2,642
Telemetry Circuits	11,661	11,000	(661)	11,829
Repairs and Maintenance				
Lines	3,242	7,000	3,758	447
Meters		1,800	1,800	
<b>TOTAL TRANSMISSION AND DISTRIBUTION</b>	<b>\$ 22,119</b>	<b>25,800</b>	<b>3,681</b>	<b>19,286</b>
<b>ADMINISTRATIVE AND GENERAL PERSONNEL SERVICES</b>				
Salaries	126,559	139,500	12,941	128,138
Group Health Insurance	44,799	38,800	(5,999)	37,248
Employee Retirement	18,128	19,121	993	18,278
Life Insurance	408	750	342	492
Payroll Taxes	1,748	2,050	302	1,876
Workmen's Compensation	8,753	7,350	(1,403)	6,864
<b>TOTAL PERSONNEL SERVICES</b>	<b>200,395</b>	<b>207,571</b>	<b>7,176</b>	<b>192,896</b>
<b>OTHER OPERATING EXPENSES</b>				
Advertising and Legal Notices	283	500	217	273
Audit	6,000	6,000	-	6,000
Communications	3,196	2,300	(896)	2,803
Computer Expense	268	600	332	108
Director's Expenses	3,780	4,400	620	3,941
Dues, Memberships and Subscriptions	932	1,000	68	899
Education and Travel	75	1,000	925	477
Insurance	38,385	40,000	1,615	37,999
Legal	313	800	487	705
Miscellaneous	640	2,000	1,360	2,544
Office Expense	3,667	5,200	1,533	3,355
Postage	441	700	259	486
Professional Services		4,000	4,000	-
Telephone	3,482	3,200	(282)	3,386
Vehicle Expense	1,013	2,000	987	985
Water	157	200	43	157
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>62,632</b>	<b>73,900</b>	<b>11,268</b>	<b>64,118</b>
<b>TOTAL ADMINISTRATIVE AND GENERAL</b>	<b>\$ 263,027</b>	<b>281,471</b>	<b>18,444</b>	<b>257,014</b>
<b>TOTAL OPERATING EXPENSES BUDGET BASIS</b>	<b>\$ 1,286,932</b>	<b>1,307,821</b>	<b>20,889</b>	<b>1,227,864</b>

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES WITH BUDGET COMPARISONS (continued)**  
For the year ended December 31, 2017 with comparative totals for 2016

	2017			2016
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>DEBT SERVICE</b>				
Principal	\$ 447,445	728,649	281,204	441,709
Interest	252,987	304,041	51,054	260,803
<b>TOTAL DEBT SERVICE</b>	<b>700,432</b>	<b>1,032,690</b>	<b>332,258</b>	<b>702,512</b>
<b>CAPITAL OUTLAY</b>				
Construction	22,335	125,000	102,665	17,665
Equipment		25,000	25,000	71,148
<b>TOTAL CAPITAL OUTLAY</b>	<b>22,335</b>	<b>150,000</b>	<b>127,665</b>	<b>88,813</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,009,699</b>	<b>2,490,511</b>	<b>480,812</b>	<b>2,019,189</b>