

**PROJECT 7 WATER AUTHORITY  
FINANCIAL STATEMENTS  
& INDEPENDENT AUDITOR'S  
REPORT  
December 31, 2021 & 2020**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Project 7 Water Authority  
Montrose, CO 81401

**Opinions**

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Project 7 Water Authority's basic financial statements as listed in the table of contents.

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, 2021 and 2020, 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.

**Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Project 7 Water Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Responsibilities of Management for the Financial Statements**

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my 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 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, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project 7 Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project 7 Water Authority's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 my 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.

## **Supplementary Information**

My 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 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 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Kelly Neal Scates, CPA, PC*  
Delta, Colorado  
May 9, 2022

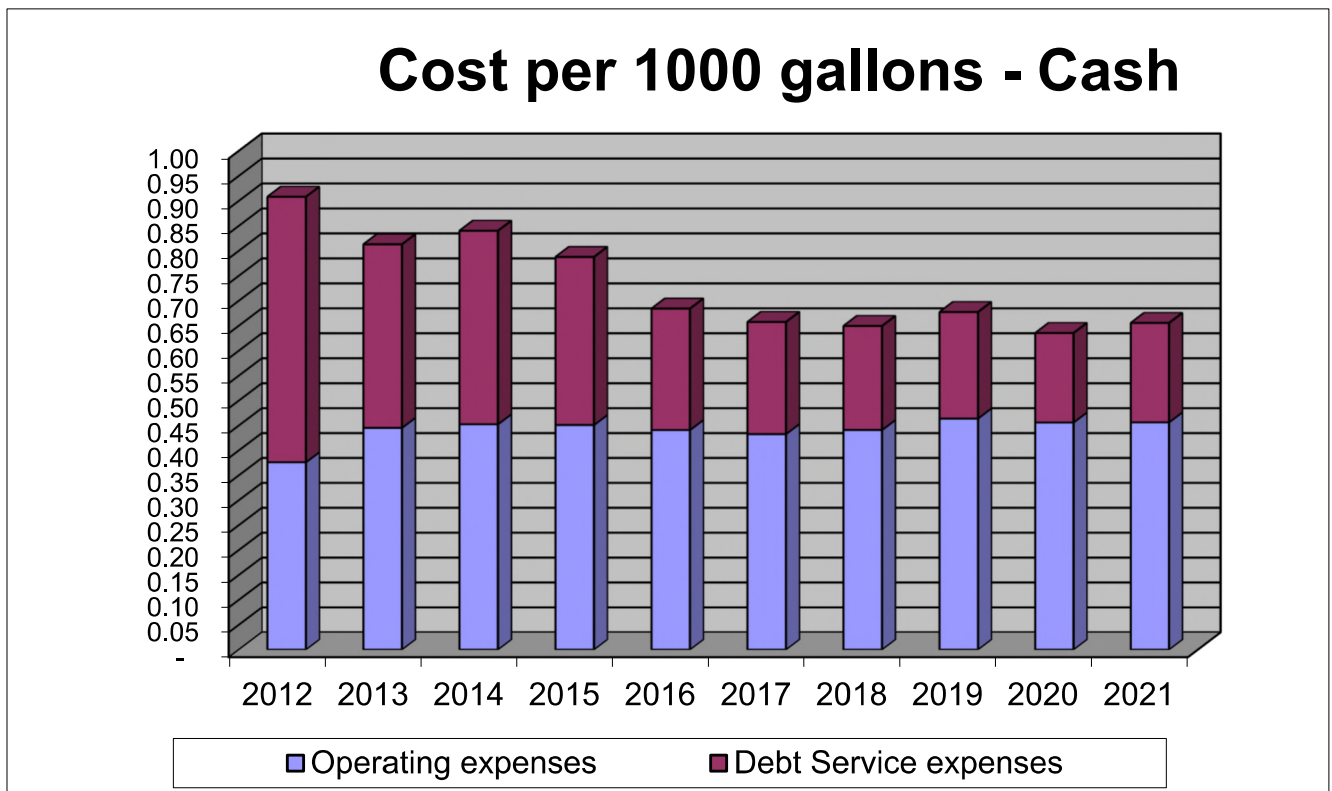
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## 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, 2021 and 2020.

### Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2021 and 2020 by \$12,132,193 and \$10,556,619 respectively, (net position). Of this amount, \$4,241,278 and \$3,216,788, at December 31, 2021 and 2020, 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 \$1,575,574 and \$1,088,429 for the years ended December 31, 2021 and 2020, respectively.
- The Authority's operating expenses decreased from 2020 to 2021 due to decreased employee costs and depreciation expense. Water sales increased by 8.0% even though there was a decrease in consumption, however, there was a rate increase from \$1.00 per thousand gallons to \$1.15 per thousand gallons of treated water to the contracting parties.
- The cost per 1000 gallons has decreased due to a decrease in debt service costs and employee 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 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 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 \$12,132,193 at the close of the most recent fiscal year.

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

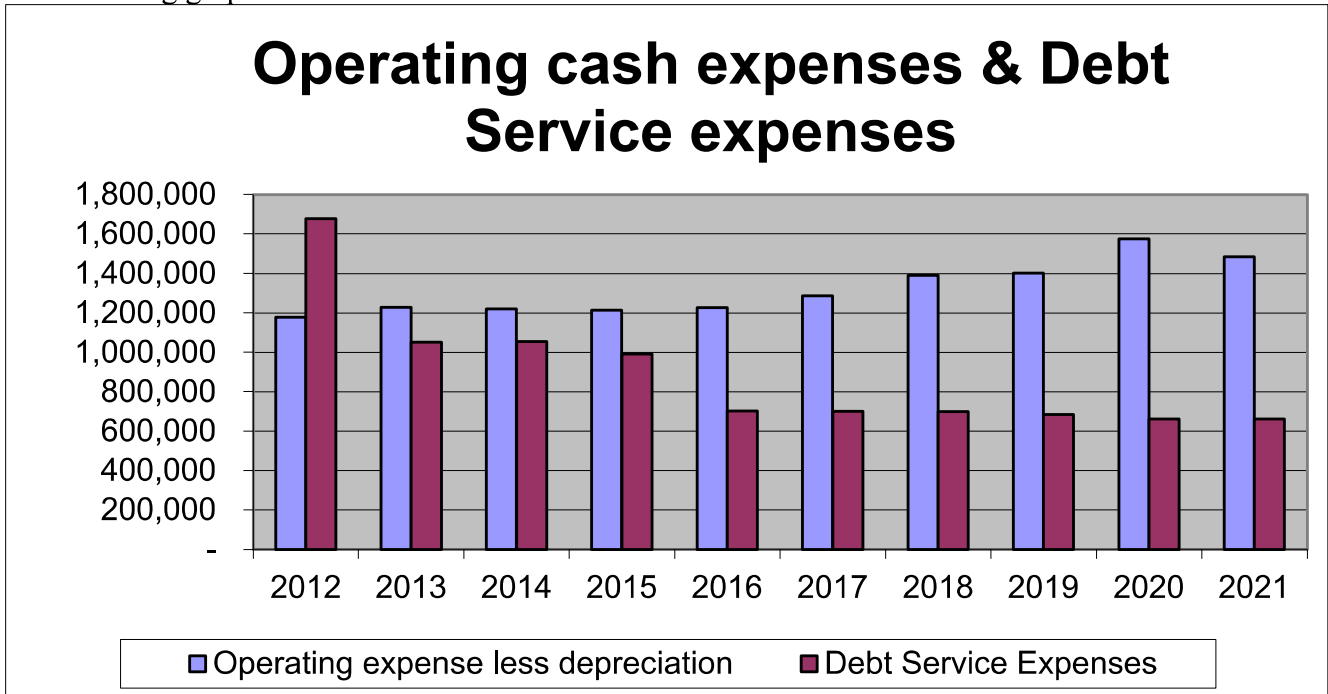
<b>Project 7 Water Authority Net Position</b>			
<b>Assets:</b>		<b>2021</b>	<b>2020</b>
Current	\$	4,475,524	3,437,818
Restricted		312,500	312,500
Capital		12,488,840	12,413,885
	<b>Total Assets</b>	<u>17,276,864</u>	<u>16,164,202</u>
<b>Liabilities:</b>			
Current		716,110	697,158
Long-term			
Debt		4,428,561	4,910,425
	<b>Total Liabilities</b>	<u>5,144,671</u>	<u>5,607,583</u>
<b>Net Position:</b>			
Net Investment in Capital Assets		7,578,415	6,943,258
Restricted		312,500	312,500
Unrestricted		4,241,278	3,300,861
	<b>Total Net Position</b>	<u>\$ 12,132,193</u>	<u>10,556,619</u>

The Authority's net position increased by \$1,575,574 and \$1,088,428, respectively, during the fiscal years ended December 31, 2021 and 2020.

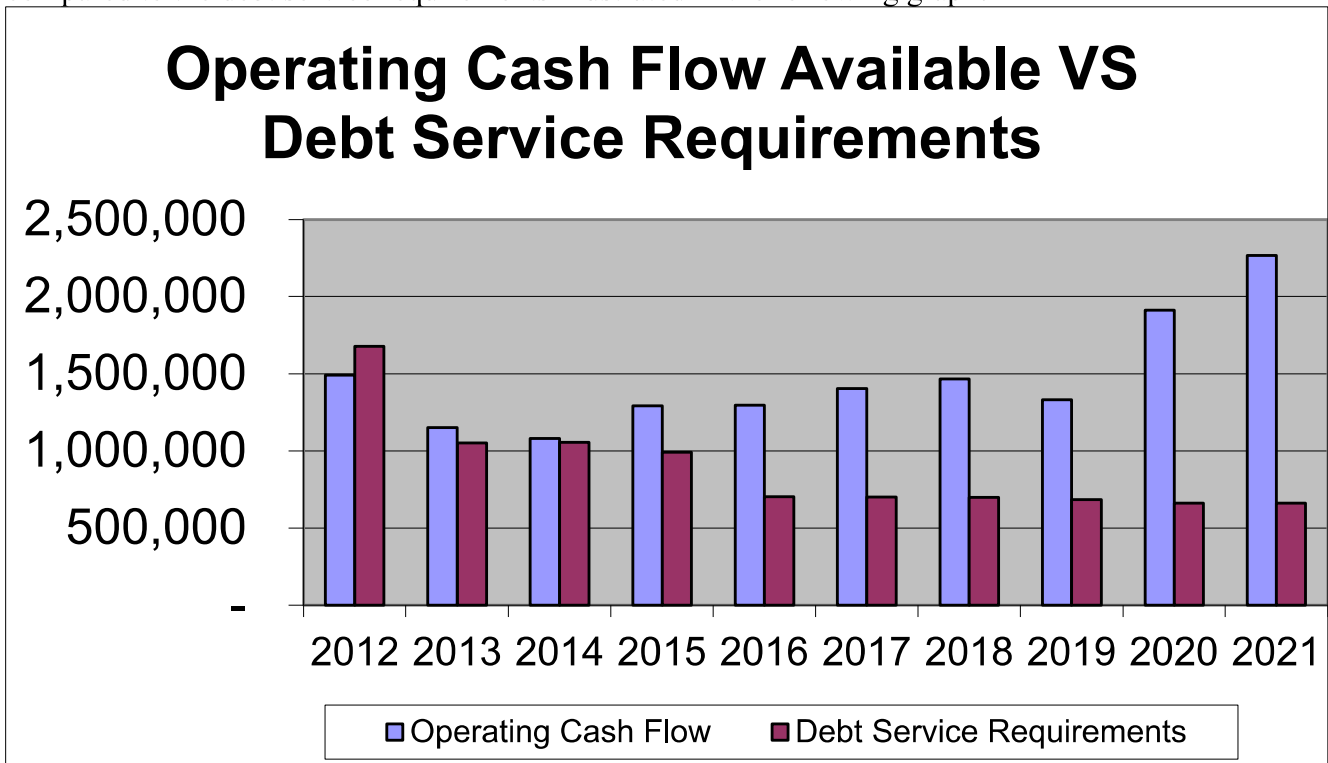
<b>Project 7 Water Authority Changes in Net Position</b>		
	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Operating	\$ 3,750,366	3,487,253
Non-Operating	1,388	11,008
<b>Total Revenues</b>	<u>3,751,754</u>	<u>3,498,261</u>
<b>Expenses:</b>		
<b>Operating Expenses:</b>		
Source of Supply	2,661	19,100
Water Treatment	1,432,716	1,507,964
Transmission and Distribution	219,222	381,673
Administrative and General	338,936	330,691
Non-Operating	182,645	170,405
<b>Total Expenses</b>	<u>2,176,180</u>	<u>2,409,833</u>
<b>Changes in Net Position</b>	1,575,574	1,088,428
<b>Net Position - Beginning of Year</b>	<u>10,556,619</u>	<u>9,468,191</u>
<b>Net Position - End of Year</b>	<u>\$ 12,132,193</u>	<u>10,556,619</u>

The end of year cash and investment balances increased due to decreased employee costs and the rate per thousand gallons charged to the member entities increased from 2020 to 2021.

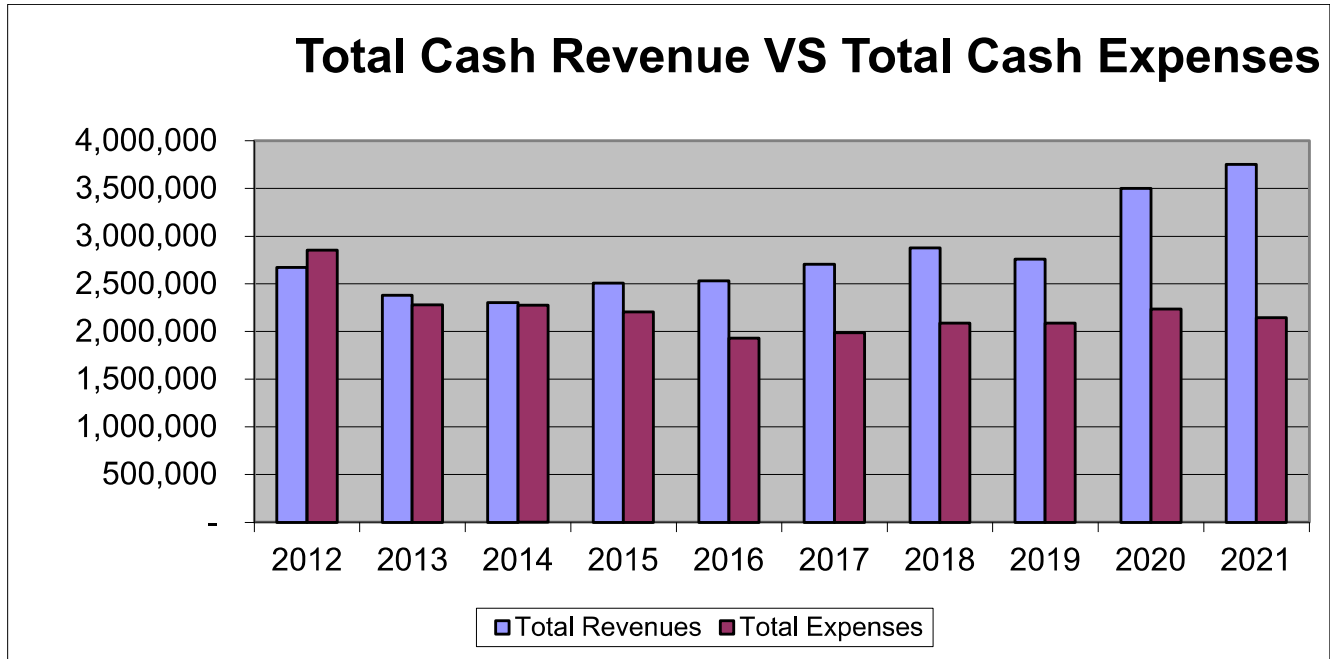
The Authority's operating cash expenses compared to the debt service expenses are illustrated in the following graph:



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, but not capital outlay, is illustrated by the following graph:



**Capital Asset and Debt Administration**

**Capital Assets.** The Authority's investment in capital assets as of December 31, 2021 and 2020 amounted to \$12,488,840 and \$12,413,885, 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.

**PROJECT 7 WATER AUTHORITY CAPITAL ASSETS**

*(Net of Depreciation)*

	<u>2021</u>	<u>2020</u>
Land and Right-Of-Ways	\$ 1,412,134	1,412,134
Storage Reservoir and Transmission Line	6,757	7,463
Buildings and Improvements	149,521	161,870
Water Treatment Plant	7,112,145	7,387,086
Equipment	262,385	276,361
Vehicles	16,000	12,743
Transmission, Storage and Distribution System	2,324,481	2,494,631
Construction in Progress	<u>1,205,417</u>	<u>661,597</u>
<b>Total Capital Assets</b>	<b>\$ <u>12,488,840</u></b>	<b><u>12,413,885</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 \$ 4,910,425 of loans with the Colorado Water Resources and Power Development Authority secured by the revenues of the Authority.

	<u>2021</u>	<u>2020</u>
2008 CWRPDA Loan	\$ 4,910,425	5,386,553
<b>LONG-TERM DEBT</b>	<b>\$ <u>4,910,425</u></b>	<b><u>5,386,553</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**

- In 2021 we signed a new Master Services agreement with Garver, USA to act as Owners Advisor for the Resiliency Program. This has carried us forward to 10% design of the Raw water delivery line, Water Treatment Plant, and Finished Water transmission line.
- We applied for and received (Mar 2022) a 50/50 grant from Bureau of Reclamation (USBOR) to demonstrate the best technology for the new water treatment plant. As part of the design, we will pilot (using small scale models) of two competing technologies to prove to CDPHE which technology can successfully treat Ridgway Reservoir water the most efficiently. This will be a large effort scheduled to start May 2022 and continue into the fall.
- This pilot study grant also gives us leverage for up to \$5M construction grants from BOR
- We have started to draw down the interim loan funds from Colorado Water Resources and Power Development Authority (CWRPDA) (first requisition April 2022)
- We are developing a short list of qualified contractors and design firms to design and build the Treatment Plant and Water Lines; bringing on a contractor/designer for collaborative construction in 2022.
- We have continued to upgrade monitoring stations on the pipeline to transition to an internet based SCADA system for getting information back from remote sites. The first new technology was installed at Grand Ave. to bring back signals from Chipeta Water District and the City of Montrose. The three sites in Delta are ready to be upgraded thanks to fiber installed by the City of Delta.
- We were selected to be on the eligibility list for WIFIA; a relatively new program from US Environmental Protection Agency that can work concurrently with the State funding options to give us better payment options after construction. We are eligible up to \$43M at slightly under 50/50 cost share.

**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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,239,476	3,218,480
Due from Related Parties	176,500	156,126
Prepaid Insurance	30,993	27,600
Inventory of Supplies	28,555	35,612
<b>TOTAL CURRENT ASSETS</b>	<u>4,475,524</u>	<u>3,437,818</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	1,412,134	1,412,134
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	829,168	787,598
Vehicles	102,386	102,386
Transmission, Storage and Distribution System	13,700,285	13,700,285
Construction in Progress	1,205,417	661,597
<b>UTILITY PLANT IN SERVICE</b>	<u>33,605,261</u>	<u>33,019,871</u>
Less Accumulated Depreciation	<u>(21,116,421)</u>	<u>(20,605,987)</u>
<b>UTILITY PLANT IN SERVICE - NET</b>	<u>12,488,840</u>	<u>12,413,884</u>
<b>TOTAL ASSETS</b>	<u>17,276,864</u>	<u>16,164,202</u>

The Accompanying Notes are an Integral Part of These Financial Statements

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	91,475	84,288
Accrued Payroll	10,253	8,880
Accrued Costs of Compensated Absences	59,919	52,329
Accrued Interest Payable	72,599	75,533
Current Portion of Long-Term Debt	481,864	476,128
<b>TOTAL CURRENT LIABILITIES</b>	<u>716,110</u>	<u>697,158</u>
<b>LONG-TERM DEBT - NET</b>	<u>4,428,561</u>	<u>4,910,425</u>
<b>TOTAL LIABILITIES</b>	<u>5,144,671</u>	<u>5,607,583</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,578,415	7,027,331
Restricted:		
For Operations and Maintenance Reserve	312,500	312,500
Unrestricted	4,241,278	3,216,788
<b>TOTAL NET POSITION</b>	<u>\$ 12,132,193</u>	<u>10,556,619</u>

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

For the years ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Water Sales - Related Parties	\$ 3,736,982	3,453,776
Miscellaneous	13,384	33,477
<b>TOTAL OPERATING REVENUES</b>	<u>3,750,366</u>	<u>3,487,253</u>
<b>OPERATING EXPENSES</b>		
Source of Supply	2,661	19,100
Water Treatment	1,432,716	1,507,964
Transmission and Distribution	219,222	381,673
Administrative and General	338,936	330,691
<b>TOTAL OPERATING EXPENSES</b>	<u>1,993,535</u>	<u>2,239,428</u>
<b>OPERATING INCOME</b>	<u>1,756,831</u>	<u>1,247,825</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	1,388	8,757
Interest Expense	(182,645)	(170,405)
Gain on sale of assets	-	2,251
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<u>(181,257)</u>	<u>(159,397)</u>
<b>CHANGE IN NET POSITION</b>	<u>1,575,574</u>	<u>1,088,428</u>
<b>NET POSITION - BEGINNING</b>	<u>10,556,619</u>	<u>9,468,191</u>
<b>NET POSITION - ENDING</b>	<u>\$ 12,132,193</u>	<u>10,556,619</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Water Sales	\$ 3,716,608	3,424,778
Payments to Suppliers	(851,069)	(845,021)
Payments to Employees	(612,216)	(633,577)
Other Receipts	13,384	33,477
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,266,707</u>	<u>1,979,657</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(585,391)	(1,929,542)
Proceeds from the sale of capital assets		602,542
Principal Paid on Long-Term Debt	(476,128)	(470,391)
Interest Paid on Long-Term Debt	(185,579)	(190,937)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,247,098)</u>	<u>(1,988,328)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	1,388	8,757
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>1,388</u>	<u>8,757</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,020,997	86
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>BEGINNING OF YEAR</b>	<u>3,530,979</u>	<u>3,530,893</u>
<b>END OF YEAR</b>	<u>4,551,976</u>	<u>3,530,979</u>
<b>DISPLAYED AS:</b>		
Cash and Cash Equivalents in Current Assets	4,239,476	3,218,480
Restricted Cash and Cash Equivalents:		
Operations and Maintenance Reserve Account	312,500	312,500
<b>RECONCILED TOTAL OF CASH</b>	<u>\$ 4,551,976</u>	<u>3,530,980</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Income from Operations	\$ 1,756,831	1,247,825
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	510,435	664,083
Changes in Assets and Liabilities:		
(Increase) Decrease in Due from Related Parties	(20,374)	(28,998)
(Increase) Decrease in Prepaid Insurance	(3,393)	(1,425)
(Increase) Decrease in Inventory	7,057	1,794
Increase (Decrease) in Accounts Payable	7,187	84,129
Increase (Decrease) in Accrued Payroll	1,373	3,539
Increase (Decrease) in Accrued Compensated Absences	7,590	8,710
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,266,706</u>	<u>1,979,657</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, 2021 and 2020**

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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 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.

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.

**PROJECT 7 WATER AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2021 and 2020

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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.

***PROJECT 7 WATER AUTHORITY***  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2021 and 2020

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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 2021 and 2020 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, 2021 and 2020 none of the Authority's bank balances of \$3,563,135 and \$2,568,947, respectively, were exposed to custodial credit risk as \$500,000 was insured, and \$3,063,135 and \$2,068,947, respectively, was collateralized by securities pledged by financial institutions.

**PROJECT 7 WATER AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2021 and 2020

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2 – DEPOSITS AND INVESTMENTS (continued)

Investments

At December 31, 2021 and 2020, the Authority had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	
		<u>2021</u>	<u>2020</u>
Colostrust Plus	N/A	\$ 999,805	999,324

*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, 2021 and 2020, the Authority's investment in Colostrust Plus, a 2a7-like investment pool, was rated AAAM by Standard & Poor's Global 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 2021 and 2020 were in Colostrust Plus.

**PROJECT 7 WATER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

**3 - CAPITAL ASSETS**

<b>2021</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets Not Being Depreciated:</b>				
Land and Rights-Of-Way	\$ 1,412,134			\$ 1,412,134
Construction in Progress	661,597	543,820		1,205,417
<b>Total Capital Assets Not Being Depreciated</b>	<u>2,073,731</u>	<u>543,820</u>	<u>-</u>	<u>2,617,551</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	787,598	41,571		829,169
Vehicles	102,386			102,386
Transmission, Storage and Distribution System	13,700,285			13,700,285
<b>Total Capital Assets Being Depreciated</b>	<u>30,946,140</u>	<u>41,571</u>	<u>-</u>	<u>30,987,711</u>
<b>Less Accumulated Depreciation For:</b>				
Storage Reservoir and Transmission Line	1,326,241	706		1,326,947
Buildings and Improvements	200,520	12,349		212,869
Water Treatment Plant	7,272,691	274,941		7,547,632
Equipment	511,237	55,547		566,784
Vehicles	89,643	(3,257)		86,386
Transmission, Storage and Distribution System	11,205,654	170,149		11,375,804
<b>Total Accumulated Depreciation</b>	<u>20,605,986</u>	<u>510,435</u>	<u>-</u>	<u>21,116,422</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 12,413,885</u>	<u>74,956</u>	<u>-</u>	<u>\$ 12,488,840</u>

**PROJECT 7 WATER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

**3 - CAPITAL ASSETS (continued)**

<b>2020</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets Not Being Depreciated:</b>				
Land and Rights-Of-Way	\$ 697,042	1,315,384	600,292	\$ 1,412,134
Construction in Progress	227,052	434,545		661,597
<b>Total Capital Assets Not Being Depreciated</b>	<b>924,094</b>	<b>1,749,929</b>	<b>600,292</b>	<b>2,073,731</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	607,985	179,613		787,598
Vehicles	102,386			102,386
Transmission, Storage and Distribution System	13,700,285			13,700,285
<b>Total Capital Assets Being Depreciated</b>	<b>30,766,527</b>	<b>179,613</b>	<b>-</b>	<b>30,946,140</b>
<b>Less Accumulated Depreciation For:</b>				
Storage Reservoir and Transmission Line	1,309,054	17,187		1,326,241
Buildings and Improvements	188,171	12,349		200,520
Water Treatment Plant	6,951,734	320,957		7,272,691
Equipment	483,599	27,638		511,237
Vehicles	82,015	7,628		89,643
Transmission, Storage and Distribution System	10,927,331	278,322		11,205,654
<b>Total Accumulated Depreciation</b>	<b>19,941,904</b>	<b>664,081</b>	<b>-</b>	<b>20,605,986</b>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 11,748,717</b>	<b>1,265,461</b>	<b>-</b>	<b>\$ 12,413,885</b>

Depreciation was charged to operations during the years ended December 31, 2021 and 2020 as follows:

	2021	2020
Source of Supply	\$ 706	17,186
Water Treatment	338,391	356,378
Transmission and Distribution	170,149	278,323
Administrative and General	1,189	12,196
	<b>\$ 510,435</b>	<b>664,083</b>

**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 developmental stage of planning and designing the additional water treatment plant. The total cost of construction is estimated to be approximately \$70,000,000.

**PROJECT 7 WATER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

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4 - SHORT-TERM DEBT

In August, 2021, the Authority obtained an interim loan from the Colorado Water Resources and Power Development Authority in the principal amount of \$7,000,000 for up to 24 months at an interest rate of 3% for constructing the Ridgway Water Treatment Plant. As of December 31, 2021, the Authority had not borrowed any amounts on the loan.

For the year ended December 31, 2020, the Authority had no short-term debt.

5 - LONG-TERM DEBT

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY LOANS

	<u>2021</u>	<u>2020</u>
\$10,176,512 - 2008 loan due in semi-annual installments of February 1st \$328,704 and August 1st \$333,004 in 2021 and decreasing to \$324,077 in 2030 including interest at 3.82% less the refunded bond credits described below Accrued interest payable is \$72,598 and \$75,533 at December 31, 2021 and 2020, respectively	\$ 4,910,425	5,386,553
Total principal amounts due	4,910,425	5,386,553
Less amounts due in one year	(481,864)	(476,128)
Long-term Debt - Net	<u>\$ 4,428,561</u>	<u>4,910,425</u>

During 2019, the Authority was notified by the Colorado Water Resources and Power Development Authority that they had refunded certain of their own bonds to generate savings for the loan to Project 7 of approximately \$432,456 through 2130 when the loan would be paid off. The Colorado Water Resources and Power Development Authority applies savings credits to loan interest first with any remaining credits applied to principal in the year the credits are realized reducing the total principal and interest payments due. The original principal amounts due and the covenants of the 2008 loan, remain unchanged. The credits are recorded as a reduction of interest expense in the financial statements.

**PROJECT 7 WATER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

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>2021:</b>					
2008 CWRPDA Loan	\$ <u>5,386,553</u>	<u>                    </u>	<u>476,128</u>	<u>4,910,425</u>	<u>481,864</u>
<b>2020:</b>					
2008 CWRPDA Loan	\$ <u>5,856,944</u>	<u>                    </u>	<u>470,391</u>	<u>5,386,553</u>	<u>476,128</u>

The annual requirements to amortize all debt outstanding as of December 31, 2021 is as follows:

Year	Principal	Interest	Anticipated Interest Credits	Estimated Total Payment
2022	\$ 481,864	222,812	(37,664)	667,012
2023	487,601	207,840	(34,621)	660,820
2024	499,074	199,964	(37,281)	661,757
2025	504,810	191,904	(35,238)	661,476
2026	527,756	167,936	(40,479)	655,213
2027-2030	<u>2,409,320</u>	<u>405,114</u>	<u>(157,675)</u>	<u>2,656,759</u>
	\$ <u>4,910,425</u>	<u>1,395,570</u>	<u>(342,958)</u>	<u>5,963,037</u>

For the years ended December 31, 2021 and 2020, the Authority had no capitalized interest and incurred \$182,645 and \$170,405 respectively of interest costs which was charged to interest expense.

**PROJECT 7 WATER AUTHORITY**  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2021 and 2020

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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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Revenues Available for Debt Service	\$ 3,498,261	3,498,261
Operating Expenses - Budget Basis	<u>1,483,100</u>	<u>1,575,345</u>
Net Revenues Available for Debt Service	<u>\$ 2,268,654</u>	<u>1,922,916</u>
Total Principle and Interest On Long-Term Debt		
Maturities For The Current Year	<u>\$ 661,707</u>	<u>661,328</u>
Coverage Ratio	343%	291%

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.

6 – COMMITMENTS

The Authority has entered into contracts for the engineering and design of an additional water treatment plant for \$1,360,438. At December 31, 2021, \$155,696 has been paid on the contract.

**PROJECT 7 WATER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2021 and 2020

7 – BUDGETARY ACCOUNTING

Originally adopted budgeted expenditures, amendments and final adopted budgeted expenditures for the years ended December 31, 2021 and 2020 are as follows:

	Original Budget	Amendment	Final Budget
2021	\$ 3,193,315		3,193,315
2020	5,657,736		5,657,736

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>2021</b>			
REVENUES:			
Operating Revenues	\$ 3,750,366		3,750,366
Interest Income	1,388		1,388
	<u>\$ 3,751,754</u>	<u>-</u>	<u>3,751,754</u>
EXPENDITURES:			
Operating Expenses	\$ 1,993,535	B) (510,435)	1,483,100
Debt Service:			-
Principal		A) 476,128	476,128
Interest	182,645	B) 2,934	185,579
Capital Improvements		C) 585,391	585,391
	<u>\$ 2,176,180</u>	<u>554,018</u>	<u>2,730,198</u>
<b>2020</b>			
REVENUES:			
Operating Revenues	\$ 3,487,253		3,487,253
Interest Income	8,757		8,757
Gain on sale of assets	2,251		2,251
	<u>\$ 3,498,261</u>	<u>-</u>	<u>3,498,261</u>
EXPENDITURES:			
Operating Expenses	\$ 2,239,428	B) (664,083)	1,575,345
Debt Service:			-
Principal		A) 470,391	470,391
Interest	170,405	B) 20,532	190,937
Capital Improvements		C) 1,929,542	1,929,542
	<u>\$ 2,409,833</u>	<u>1,756,382</u>	<u>4,166,215</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, 2021 and 2020

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8 – RELATED PARTIES

	Accounts Receivable		Water Purchase	
	2021	2020	2021	2020
City of Montrose	\$ 58,788	52,037	1,650,932	1,531,508
City of Delta	27,858	23,900	604,886	546,972
Tri-County Conservancy Distric	62,528	54,965	998,148	928,823
Menoken Water District	11,179	10,028	190,265	172,405
Chipeta Water District	11,994	9,266	194,642	170,340
Town of Olathe	4,153	5,930	98,109	103,688
TOTAL	\$ 176,500	156,126	\$ 3,736,982	3,453,736

**PROJECT 7 WATER AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2021 and 2020

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9 – 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>2021</u>	<u>2020</u>
Total Payroll	\$ 621,179	645,826
Base Salary	598,894	621,880
Contributions	85,043	88,307

10 – 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.

11 – 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.

12 – SUBSEQUENT EVENTS

Effective January 1, 2022 the Authority increased the amount charged to the contracting parties from \$1.15 to \$1.30 for 1,000 gallons of treated water.

In March, 2022, the Authority has been awarded a \$615,000 grant from the Bureau of Reclamation for the pilot study of the Resiliency Program for operational contingencies.

## SUPPLEMENTARY INFORMATION

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES WITH BUDGET COMPARISONS**  
For the year ended December 31, 2021 with comparative totals for 2020

	2021			2020
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>REVENUES</b>				
Water Sales	\$ 3,736,982	3,362,830	374,152	3,453,776
Miscellaneous	13,384	15,000	(1,616)	33,477
Interest Income	1,388	15,000	(13,612)	8,757
Gain on sale of assets			-	2,251
<b>TOTAL REVENUES</b>	<b>\$ 3,751,754</b>	<b>3,392,830</b>	<b>358,924</b>	<b>3,498,261</b>

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES WITH BUDGET COMPARISONS**  
For the year ended December 31, 2021 with comparative totals for 2020

	2021			2020
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>SOURCE OF SUPPLY</b>				
Electricity	\$ 497	500	3	456
Repairs and Maintenance		500	500	
Telemetry Circuits	1,458	1,500	42	1,458
Professional Services		1,000	1,000	
<b>TOTAL SOURCE OF SUPPLY</b>	<b>1,955</b>	<b>3,500</b>	<b>1,545</b>	<b>1,914</b>
<b>WATER TREATMENT</b>				
<b>PERSONNEL SERVICES</b>				
Salaries	479,436	511,400	31,964	505,877
Employee Retirement	65,212	71,000	5,788	68,903
Life Insurance	1,815	1,950	135	1,628
Group Health Insurance	186,319	240,000	53,681	205,643
Payroll Taxes	4,559	4,750	191	4,946
Workmen's Compensation	12,860	21,500	8,640	11,719
<b>TOTAL PERSONNEL SERVICES</b>	<b>750,201</b>	<b>850,600</b>	<b>100,399</b>	<b>798,716</b>
<b>OTHER OPERATING EXPENSES</b>				
Tools	1,044	500	(544)	430
Chemicals	236,463	225,000	(11,463)	248,717
Computer Expenses	105	1,000	895	158
Diesel Fuel and Lubricants	1,919	1,500	(419)	1,432
Education and Travel	1,945	2,400	455	915
Electricity	11,623	8,000	(3,623)	9,748
Outside Lab Analysis	19,339	16,000	(3,339)	17,203
Natural Gas	3,170	3,000	(170)	3,716
Professional Services		500	500	
Safety	331	300	(31)	22
Security	656	2,500	1,844	563
Repairs and Maintenance				
Buildings	13,557	8,500	(5,057)	24,751
Instrumentation	9,558	2,500	(7,058)	406
Plant	20,827	12,000	(8,827)	22,132
Yard	3,375	3,000	(375)	1,631
Sludge Disposal	349	1,500	1,151	52
Lab Supplies	13,132	13,500	368	15,377
Trash Service	1,756	1,800	44	1,392
Uniforms	1,291	2,400	1,109	1,190
Vehicle Expense	3,684	4,115	431	3,035
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>344,124</b>	<b>310,015</b>	<b>(34,109)</b>	<b>352,870</b>
<b>TOTAL WATER TREATMENT</b>	<b>\$ 1,094,325</b>	<b>1,160,615</b>	<b>66,290</b>	<b>1,151,586</b>

**PROJECT 7 WATER AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES WITH BUDGET COMPARISONS (continued)**  
For the year ended December 31, 2021 with comparative totals for 2020

	2021		FAVORABLE (UNFAVORABLE) VARIANCE	2020
	ACTUAL	BUDGET		ACTUAL
<b>TRANSMISSION AND DISTRIBUTION</b>				
Electricity	\$ 5,767	5,500	(267)	5,641
Professional Services	2,205	7,700	5,495	4,454
Repairs and Maintenance				
Lines	29,241	3,500	(25,741)	82,376
Meters		2,500	2,500	
Circuits (telephone)	11,860	11,500	(360)	10,879
<b>TOTAL TRANSMISSION AND DISTRIBUTION</b>	<b>\$ 49,073</b>	<b>30,700</b>	<b>(18,373)</b>	<b>103,350</b>
<b>ADMINISTRATIVE AND GENERAL PERSONNEL SERVICES</b>				
Salaries	141,743	145,000	3,257	139,949
Employee Retirement	19,831	21,500	1,669	19,405
Life Insurance	475	750	275	407
Group Health Insurance	61,661	67,500	5,839	58,429
Payroll Taxes	1,888	2,050	162	1,842
Workmen's Compensation	3,742	7,350	3,608	3,906
<b>TOTAL PERSONNEL SERVICES</b>	<b>229,340</b>	<b>244,150</b>	<b>14,810</b>	<b>223,938</b>
<b>OTHER OPERATING EXPENSES</b>				
Advertising and Legal Notices	336	500	164	243
Audit	7,000	7,500	500	6,750
Bank Service Charges		50	50	60
Communications	7,232	4,200	(3,032)	4,069
Computer Expense	1,160	800	(360)	20
Director's Expenses	5,090	4,800	(290)	4,984
Dues, Memberships and Subscriptions	1,141	1,000	(141)	1,063
Education and Travel		1,000	1,000	105
Insurance	37,931	41,100	3,169	39,937
Legal	21,733	1,000	(20,733)	193
Miscellaneous	2,505	1,600	(905)	7,410
Office Expense	3,586	5,000	1,414	5,492
Postage	459	600	141	330
Professional Services	12,550	15,000	2,450	18,150
Telephone	3,903	3,800	(103)	3,626
Vehicle Expense	3,449	3,000	(449)	1,740
Water	332	400	68	385
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>108,407</b>	<b>91,350</b>	<b>(17,057)</b>	<b>94,557</b>
<b>TOTAL ADMINISTRATIVE AND GENERAL</b>	<b>\$ 337,747</b>	<b>335,500</b>	<b>(2,247)</b>	<b>318,495</b>
<b>TOTAL OPERATING EXPENSES BUDGET BASIS</b>	<b>\$ 1,483,100</b>	<b>1,530,315</b>	<b>47,215</b>	<b>1,575,345</b>

**PROJECT 7 WATER AUTHORITY**

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES WITH BUDGET COMPARISONS (continued)

For the year ended December 31, 2021 with comparative totals for 2020

	2021			2020
	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE	ACTUAL
<b>DEBT SERVICE</b>				
Principal	\$ 476,128	440,000	(36,128)	470,391
Interest	185,579	223,000	37,421	190,937
<b>TOTAL DEBT SERVICE</b>	<u>661,707</u>	<u>663,000</u>	<u>1,293</u>	<u>661,328</u>
<b>CAPITAL OUTLAY</b>				
Construction	543,820	800,000	256,180	434,545
Land			-	1,315,384
Equipment	41,571	200,000	158,429	179,613
<b>TOTAL CAPITAL OUTLAY</b>	<u>585,391</u>	<u>1,000,000</u>	<u>414,609</u>	<u>1,929,542</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,730,198</u>	<u>3,193,315</u>	<u>463,117</u>	<u>4,166,215</u>