

WELD ADAMS WATER DEVELOPMENT AUTHORITY
Weld and Adams Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2017

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Office of the State Auditor

October 1, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	I
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Revenues, Expenses and Change in Net Position.....	2
Statement of Cash Flows	3
Notes to Financial Statements.....	4
 SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis).....	15
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, - Expenses and Change in Net Position	16



Independent Auditor's Report

Board of Directors
Weld Adams Water Development
Authority
Weld and Adams Counties, Colorado

We have audited the accompanying financial statements of Weld Adams Water Development Authority (Authority) as of and for the year ended December 31, 2017 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weld Adams Water Development Authority, as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental 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. Such 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 25, 2018

BASIC FINANCIAL STATEMENTS

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 6,683,173
Interest receivable	25,849
Due from other governments	15,584
Prepaid expenditures	212,384
Total current assets	6,936,990

NONCURRENT ASSETS

Note receivable	8,500,000
Capital assets not being depreciated	19,787,402
Capital assets, net of accumulated depreciation	35,829
Total capital assets, net	19,823,231
Total assets	35,260,221

LIABILITIES

CURRENT LIABILITIES

Accounts payable	109,373
Due to other governments	76,612
Total current liabilities	185,985
Total liabilities	185,985

NET POSITION

Net investment in capital assets	19,823,231
Unrestricted	15,251,005
Total net position	\$ 35,074,236

These financial statements should be read only in connection with
the accompanying notes to financial statements.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
Year Ended December 31, 2017

REVENUES	
Water lease	\$ 15,584
Total revenues	15,584
 GENERAL AND ADMINISTRATIVE EXPENSES	
Consulting	6,200
Depreciation	465
District management and accounting	9,764
Legal	67,861
Miscellaneous	691
Surveying and mapping	1,700
Support services	18,509
Water storage lease	67,767
Total expenditures	172,957
 LOSS FROM OPERATIONS	 (157,373)
 NONOPERATING REVENUES	
Interest	91,371
Intergovernmental agreement revenues	6,925,828
Total nonoperating revenues	7,017,199
 CAPITAL CONTRIBUTIONS	
Capital assets and note receivable transferred from Platte River Water Development Authority	28,214,410
Total capital contributions	28,214,410
 CHANGE IN NET POSITION	 35,074,236
 NET POSITION - BEGINNING OF YEAR	 -
 NET POSITION - END OF YEAR	 \$ 35,074,236

These financial statements should be read only in connection with
the accompanying notes to financial statements.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for general, administrative and operating expenses	\$ (308,177)
Net cash used in operating activities	(308,177)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interest income	65,522
Net cash provided by noncapital financing activities	65,522

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Intergovernmental agreement revenues	6,925,828
Net cash provided by capital and related financing activities	6,925,828

NET INCREASE IN CASH AND CASH EQUIVALENTS 6,683,173

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR -

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 6,683,173

Reconciliation of loss from operations to net cash used in operating activities:

Loss from operations	\$ (157,373)
Adjustments to reconcile loss from operations to net cash flows used in operating activities:	
Depreciation expense	465
Effect of changes in operating assets and liabilities:	
Prepaid expenditures	(212,384)
Due from other governments	(15,584)
Accounts payable	76,699
Net cash used in operating activities	\$ (308,177)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

Weld Adams Water Development Authority (the Authority or WAWDA), a water resource authority, was established on September 6, 2017 and is governed pursuant to the provisions Colorado Revised Statutes, ¶29-1-204.2, *et seq.* The Authority was formed pursuant to an establishing contract by and between United Water & Sanitation District (United) and South Beebe Draw Metropolitan District (South Beebe), both quasi-municipal corporations and political subdivisions of the State of Colorado (State). The Authority was created for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services. As a water resource authority, the Authority is a political subdivision and public corporation of the State separate from the parties to the establishing contract.

Under the terms of the establishing contract, United and South Beebe (collectively, the Districts) each shall appoint a director and each appointee shall appoint one additional director. Such appointees may be directors of each district, or may be an engineer, water attorney, manager, accountant or other consultant of each district. One additional director is to be appointed by a majority vote of those directors of the board in attendance at the meeting where the appointment is made. Such director may be a director of the Districts or may be an engineer, water attorney, manager, accountant or other consultant of the Districts or an individual with expertise in the area of water resource development in Colorado.

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Pursuant to C.R.S., §29-1-204.2(20)(b)(IV), the Board is obligated to comply with the provisions of Parts 1, 5 and 6 of Article 1, Title 29.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

The Authority has no employees and all operations and administrative functions are contracted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the Authority's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The more significant accounting policies of the Authority are described as follows:

Basis of Accounting

The Authority's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and contributed assets are recorded as capital contributions when received.

Operating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Change in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's purpose of providing water facilities and services to its customers. Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Pooled Cash and Investments

For purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Contributed Capital

The Authority receives contributions of capital assets from various sources. Capital assets are recorded at the appraised value or the estimated fair value of the asset when contributed.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets reported by the Authority include land and easements, water rights, equipment and vehicles and construction in progress (e.g. pipelines, roads, wells and similar items). Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost except for those assets that have been contributed, which are recorded at estimated fair market value at the date of contribution.

The costs of water rights include acquisition and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for protection of those rights, are expensed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings	40 years
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NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 are classified in the accompanying Statement of Net Position as follows:

Statement of Net Position:

Cash and cash equivalents	<u>\$ 6,683,173</u>
Total cash and cash equivalents	<u>\$ 6,683,173</u>

Cash and investments as of December 31, 2017 consist of the following:

Cash deposits	\$ 533,048
Investments	<u>6,150,125</u>
	<u>\$ 6,683,173</u>

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the Authority's cash deposits had a bank and carrying balance of \$533,048.

Investments

The Authority has not adopted a formal investment policy, however, the Authority follows state statutes regarding investments.

Colorado revised statutes limit investment maturities to three to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- * Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

The Authority generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk and no foreign currency risk. Additionally, the Authority is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The local government investment pool, which includes the Colorado Local Government Liquid Asset Trust (COLOTRUST) is rated AAAM by S&P Global.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2017, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 6,150,125
Total Investments		<u>\$ 6,150,125</u>

COLOTRUST

During 2017, the Authority invested in COLOTRUST, which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. As of December 31, 2017, the Authority had \$6,150,125 invested in COLOTRUST PLUS+ in the name of the Authority.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The Authority's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The Authority held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of COLOTRUST to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Capital assets not being depreciated:				
Land/easements	\$ -	\$ 3,346,129	\$ -	\$ 3,346,129
Construction in process	-	16,441,273	-	16,441,273
Total capital assets not being depreciated	-	19,787,402	-	19,787,402
Capital assets being depreciated:				
Buildings	-	36,294	-	36,294
Total capital assets being depreciated	-	36,294	-	36,294
Less accumulated depreciation	-	465	-	465
Capital assets, net	<u>\$ -</u>	<u>\$ 19,823,231</u>	<u>\$ -</u>	<u>\$ 19,823,231</u>

Effective September 26, 2017, certain assets were transferred from Platte River Water Development Authority (see Note 8).

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 – LONG TERM RECEIVABLE

Promissory Note

On November 24, 2015, Platte River Water Development Authority (PRWDA) received \$8,500,000 from United and subsequently loaned the entire amount to United Milliken Reservoir Enterprise, L.L.C. (United Milliken), a related party (Note 7). Effective September 26, 2017, the note was transferred to the Authority (see Note 8).

The promissory note bears interest at the rate of three percent (3%) simple interest per annum. Accrued interest on the note is payable on the first anniversary of the date of the note and on each anniversary thereafter on the unpaid principal balance as of that date. The full principal sum remaining due and all accrued and unpaid interest is due and payable in full on the maturity date of November 24, 2045. The note is secured by a deed of trust that grants certain real estate in Weld County, Colorado owned by United Milliken to the public trustee of Weld County, and together with certain provisions as described in the deed of trust, provides for the power of sale of such property for the benefit of the Authority in the event of default under the note. No principal payments were received in 2017.

NOTE 6 – NET POSITION

The Authority has net position consisting of two components - net investment in capital assets and unrestricted assets.

Net investment in capital assets consists of capital assets that will be owned by the Authority, net of accumulated depreciation. As of December 31, 2017, the Authority had a net investment in capital assets in the amount of \$19,823,231.

As of December 31, 2017, the Authority had an unrestricted net position of \$15,251,005.

NOTE 7 – RELATED PARTY TRANSACTIONS

The members of the Board of Directors of the Authority are employees, owners or associated with United Milliken and 70 Ranch, L.L.C. (70 Ranch). The Authority has entered into agreements with United Milliken and 70 Ranch and the members of the Board may have conflicts of interest in dealing with the Authority.

During 2017, the Authority incurred \$18,509 for construction support services which were paid to a vendor associated with United Milliken and 70 Ranch, which includes \$5,321 of accounts payable to the vendor as of December 31, 2017.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 – RELATED PARTY TRANSACTIONS (CONTINUED)

Long Term Water Storage Lease Agreement

On November 24, 2015, PRWDA entered into a long-term water storage lease agreement (Milliken Water Lease) with United Milliken for the right to store up to a maximum of 2,500 acre feet of water in their reservoir located in Weld County (Milliken Reservoir). Effective September 26, 2017, the Milliken Water Lease was transferred to the Authority (see Note 8).

The Milliken Water Lease expires on October 31, 2115 and provides for a renewal option of two additional periods of 99 years each. Base rent is \$255,000 per lease year, adjusted based on the quantity of water actually stored. Payments are due annually on or before November 10 of each year.

In conjunction with the Milliken Water Lease, on November 24, 2015, PRWDA entered into an operating and maintenance agreement with United Milliken that set forth the term and conditions upon which the Milliken Reservoir was to be operated and maintained and describes the pro rata sharing of usage of the Milliken Reservoir. Effective September 26, 2017, the operating and maintenance agreement was transferred to the Authority (see Note 8). The Authority is responsible for the operation, maintenance, repair and replacement of the Milliken Reservoir. Each user of the Milliken Reservoir is responsible to reimburse the Authority for its pro rata share of such costs based on the terms and conditions set forth in the operating and maintenance agreement.

Water Lease Agreement

In February 2016, PRWDA and United, acting by and through the United 70 Ranch Water Activity Enterprise, entered into a water lease agreement (United Water Lease) for approximately 1,500 acre feet of water in the Milliken Reservoir. Effective September 26, 2017, the United Water Lease was transferred to the Authority (see Note 8). The United Water Lease expires on January 31, 2115 and provides for a renewal option for two additional periods of 30 years each. Base rent is determined based on the amount of acre feet delivered into and released from the Milliken Reservoir and will be mutually determined each year.

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

Funding and Construction Agreement

On July 28, 2015, PRWDA entered into a Funding and Construction Agreement with the 70 Ranch Water Activity Enterprises of United, South Beebe and Sand Hills for a reservoir located in Weld County (70 Ranch Reservoir). Effective September 26, 2017, the Funding and Construction Agreement was transferred to the Authority.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Under the terms of the Funding and Construction Agreement, the Authority was the owner of the 70 Ranch Reservoir and is responsible for the design, bid, construction and installation of the 70 Ranch Reservoir. 70 Ranch owns the real property on which the 70 Ranch Reservoir is being built and has provided a perpetual easement to the Authority for the 70 Ranch Reservoir. The Authority has the responsibility to allocate the capacity of the 70 Ranch Reservoir (estimated to be 5,500 acre-feet of storage) between all of the customers and service users.

Funding for the project is to be provided by the Districts. The maximum construction contribution amount to be provided by Sand Hills and South Beebe from tax revenues received is \$16,500,000. United is obligated to advance funds for construction in excess of Sand Hills and South Beebe contributions in an amount sufficient to fully fund the construction costs. The Authority may require other users of the 70 Ranch Reservoir to contribute to the construction costs and will reimburse the Districts according to their pro rata contributions to the construction costs.

Operating and Maintenance Agreement

On November 24, 2015, PRWDA and United entered into an agreement whereby United had the right to use, and was responsible for the operation, maintenance and repair of the 70 Ranch Reservoir (O&M Agreement). Effective September 26, 2017, the O&M Agreement was transferred to the Authority. The cost of operations, maintenance and repair is to be shared among all users based on their pro rata share of usage of the 70 Ranch Reservoir, as defined in the O&M Agreement.

The Authority retains the exclusive right to increase the size of the 70 Ranch Reservoir and related improvements at its sole expense and for its sole use. The Authority also has the right to construct, at its sole expense, one or more additional reservoirs, diversion structures, pipelines and other related improvements, and to grant easements, rights of way, leases or licenses in the area over which the 70 Ranch Reservoir is located. Such future improvements may be incorporated into the 70 Ranch Reservoir, and if incorporated, shall also be operated and maintained by United. Other users may use such improvements with written consent of the Authority. The Authority is required to ensure the continued diversion, storage and release of user's water according to terms defined in the O&M Agreement.

After the initial construction of the 70 Ranch Reservoir, United shall be responsible for constructing or installing any necessary improvements. Future construction may include construction of diversion, delivery, additional storage and release infrastructure. Except for improvements constructed for United's sole use, each user shall be responsible for its pro rata share of the cost of any such improvements.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Assignment and Assumption of District Obligations and Transfer of Funds

As discussed in Note 1, on September 6, 2017, United and South Beebe created WAWDA. Under the establishing contract, the Districts agreed to transfer certain assets to the Authority. For the year ended December 31, 2017, the Authority received \$6,525,828 from South Beebe in accordance with the establishing contract. In accordance with the first amendment to the establishing contract dated September 20, 2018, United agreed to transfer to the Authority certain ECCV Water Activity Enterprise Subordinate Water Revenue Exchange Bonds, Series 2004, dated May 6, 2004, in the approximate amount of \$5,000,000 within thirty days after the full defeasance of United's Revenue Refunding Bonds, Series 2012 (2012 Bonds). In the alternative, United may make one or more transfers to the Authority in the aggregate amount of \$5,000,000 as funds become available prior to the defeasance of the 2012 Bonds.

In addition, in order to allow for the continued execution and satisfaction of certain contract and other obligations of PRWDA that benefit the Districts, PRWDA and the Authority entered into an intergovernmental agreement effective September 26, 2017, under which various ownership, contractual and budgeted obligations of PRWDA were assigned and delegated to the Authority.

Some of the more significant assets, contracts and obligations assigned and contributed by PRWDA to the Authority include:

- 1) all real property and easements except for any and all real property, water rights and easements in connection with the Subsurface Irrigation Efficiency Project (SIEP),
- 2) promissory note and related deed of trust from United Milliken Reservoir Enterprise, L.L.C. in the principal amount of \$8,500,000,
- 3) any and all water rights owned or leased by PRWDA, except as noted in 1) above,
- 4) funding and construction agreements for 70 Ranch Reservoir,
- 5) initial cash payment of \$400,000,
- 6) water lease storage, filling and grading agreement and operating and maintenance agreements, and
- 7) all capital construction projects currently in process.

The assignments and delegations were made upon a determination of the establishing entities that the Authority was a more appropriate entity to hold and administer those assets and contracts. Total capital assets transferred from PRWDA totaled \$19,714,410 and the promissory note receivable in the amount of \$8,500,000 was transferred to WAWDA for a total transfer of \$28,214,410.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the Authority may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members.

The Authority pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The Authority's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

WELD ADAMS WATER DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Water lease	\$ -	\$ 15,584	\$ 15,584
Interest	51,200	91,371	40,171
Intergovernmental agreement revenues	6,926,000	6,925,828	(172)
Total revenues	<u>6,977,200</u>	<u>7,032,783</u>	<u>55,583</u>
EXPENDITURES			
<u>General</u>			
Consulting	-	6,200	(6,200)
District management and accounting	10,000	9,764	236
Insurance	5,000	-	5,000
Legal	10,000	67,861	(57,861)
Miscellaneous	10,000	691	9,309
Support services	-	18,509	(18,509)
Surveying and mapping	-	1,700	(1,700)
Water storage lease	255,000	67,767	187,233
<u>Capital outlay</u>			
Capital projects	6,677,200	-	6,677,200
Engineering	10,000	32,674	(22,674)
Total expenditures	<u>6,977,200</u>	<u>205,166</u>	<u>6,772,034</u>
NET CHANGE IN FUND BALANCE	-	6,827,617	6,827,617
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 6,827,617</u>	<u>\$ 6,827,617</u>
		Current assets	\$ 6,936,990
		Current liabilities	(185,985)
			<u>\$ 6,751,005</u>

**WELD ADAMS WATER DEVELOPMENT AUTHORITY
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2017**

Revenues (budgetary basis)	\$ 7,032,783
Total revenues per Statement of Revenues, Expenses and Change in Fund Net Position	7,032,783
Expenditures (budgetary basis)	205,166
Depreciation	465
Capital outlay	(32,674)
Total expenses per Statement of Revenues, Expenses and Change in Fund Net Position	172,957
Capital contributions	
Capital assets transferred from Platte River Water Development Authority	28,214,410
Total capital contributions	28,214,410
Change in net position	\$ 35,074,236