

UNITED WATER & SANITATION DISTRICT
Elbert County, Colorado

FINANCIAL STATEMENTS
December 31, 2019

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SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086

FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
United Water & Sanitation District
Elbert County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of United Water and Sanitation District (District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District'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 United Water and Sanitation District, as of December 31, 2019, 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 District's basic financial statements. 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 relate 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 30, 2020

BASIC FINANCIAL STATEMENTS

UNITED WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents - restricted	\$ 10,688,350
Cash and cash equivalents - unrestricted	2,828,076
Prepaid expenditures	1,237
Accounts receivable	251,624
Interest receivable	78,682
Total current assets	13,847,969

CAPITAL ASSETS

Capital assets not being depreciated	52,097,584
Capital assets being depreciated, net of accumulated depreciation	46,666,698
Total capital assets	98,764,282

OTHER ASSETS

Long-term receivable - Phase II	9,001,095
Long-term receivable - Phase I	7,061,063
Total other assets	16,062,158

TOTAL ASSETS

\$ 128,674,409

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts and retainage payable	\$ 1,054,738
Accrued interest payable - bonds and note	140,728
Total current liabilities	1,195,466

LONG-TERM LIABILITIES

Deferred revenue - Phase II	9,001,095
Notes payable	
Due within one year	780,255
Due in more than one year	10,826,765
Bonds payable	
Due within one year	3,440,000
Due in more than one year	3,144,000
Developer advances, due in more than one year	
United District Water Providers	12,375,000
Bromley District Water Providers	1,321,765
Farmers Reservoir and Irrigation Company	1,000,000
Englewood Exchange Services	202,700
Red Tierra Equities, L.L.C.	2,400,000
CAW Equities, LLC	1,000,131
Accrued interest payable - developer advances	18,079,899
Total long-term liabilities	63,571,610

NET POSITION

Net investment in capital assets	79,020,509
Unrestricted	(15,113,176)
Total net position	63,907,333

TOTAL LIABILITIES AND NET POSITION

\$ 128,674,409

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

UNITED WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2019

WATER OPERATIONS

Revenues	
Water sales	\$ 3,000,000
Option payment	1,813,282
Water certificates sales	1,922,359
Operations	1,120,381
Miscellaneous	162,427
Total revenues	<u>8,018,449</u>
Direct expenses	
Appraisals	4,800
Cost of water rights sold	2,659,470
Depreciation and amortization	1,382,231
District management and accounting	178,875
Engineering and consulting	408,762
Insurance and bonds	43,039
Legal	1,412,495
Licenses and fees	251,567
Miscellaneous	47,400
On-site maintenance	154,230
FRICO payment - water shares	1,530,000
Repairs and maintenance	177,467
Support services	668,091
Systems operation and maintenance	673,451
Water assessment fees and well permits	77,818
Water lease	114,775
Utilities	483,833
Total direct expenses	<u>10,268,304</u>
Loss from water operations	<u>(2,249,855)</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Audit	13,750
Directors' fees	5,400
District management and accounting	49,218
Dues and subscriptions	25,913
Insurance and bonds	1,353
Legal	17,058
Miscellaneous	6,153
Support services	110,297
Total general and administrative expenses	<u>229,142</u>

LOSS FROM OPERATIONS

(2,478,997)

NONOPERATING REVENUES (EXPENSES)

Gain on sale of assets	28,500
IGA revenue	3,135,646
Interest income	1,102,072
Interest expense - developer advances	(1,105,329)
Interest expense - bonds and note	(1,018,141)
Paying agent fees	(36,100)
Total nonoperating revenues (expenses)	<u>2,106,648</u>

CHANGE IN NET POSITION

(372,349)

NET POSITION - BEGINNING OF YEAR

64,279,682

NET POSITION - END OF YEAR

\$ 63,907,333

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

UNITED WATER & SANITATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Sale of water rights	\$ 6,735,641
Operations charges received	1,004,270
Miscellaneous receipts	162,427
Payment for general, administrative and operating expenses	<u>(6,464,041)</u>
Net cash provided by operating activities	<u>1,438,297</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

IGA revenue received	<u>3,135,646</u>
Net cash provided by noncapital and related financing activities	<u>3,135,646</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from developer advances	430,000
Proceeds from sale of capital assets	28,500
ECCV payment - Phase I received	1,742,015
Purchase of water rights/water storage	(895,889)
Purchase of capital assets	(4,909,060)
Principal paid on developer advances	(488,021)
Principal paid on capital debt	(5,843,504)
Interest and other related costs paid on capital debt	<u>(1,131,252)</u>
Net cash required by capital and related financing activities	<u>(11,067,211)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>1,127,666</u>
Net cash provided by investing activities	<u>1,127,666</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (5,365,602)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 18,882,028

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 13,516,426

Reconciliation of loss from operations to net cash provided by operating activities

Loss from operations	\$ (2,478,997)
Adjustments to income from operations to net cash flows provided by operating activities:	
Depreciation and amortization expense	1,382,231
Increase in accounts receivable	(116,111)
Decrease in prepaid expenses	42,639
Decrease in accounts payable	(50,935)
Cost of water rights sold	<u>2,659,470</u>
Net cash provided by operating activities	<u>\$ 1,438,297</u>

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

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - DEFINITION OF REPORTING ENTITY

United Water & Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 20, 2002 and is governed pursuant to provisions of the Colorado Special District Act.

The District was established to acquire, construct, finance and maintain public water, sewer and storm drainage improvements for the use and benefit of users of the District's systems. The District provides for the construction, operation and maintenance of water, sewer and storm drainage facilities. The District provides water to various special districts and municipalities throughout the State and serves as a wholesaler of water. The District has no residents and does not provide any services directly to individuals.

The District has created several separate enterprise activities to support the acquisition, construction, operation and maintenance of the facilities, pursuant to the Water Activity Enterprise Statute to be an "enterprise" within the meaning of Article X, Section 20 of the Colorado Constitution (TABOR). The financial activities of the enterprises are combined for reporting purposes as part of the financial statements of the District and are reported as a single-purpose government with one enterprise fund.

United Water Acquisition Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the United Water Acquisition Project, consisting of certain water pipelines and facilities to facilitate the acquisition, diversion, storage, carriage, delivery, treatment, transmission, distribution and provision of water to properties not served by other water facilities.

United Pipeline Acquisition Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the United Water Pipeline Acquisition Project, consisting of certain water pipelines and facilities to facilitate the acquisition, diversion, storage, carriage, delivery, treatment, transmission, distribution, and provision of water to properties not served by other water facilities.

South Adams Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the South Adams Project.

Lupton Lakes Water Storage Project - Water Activity Enterprise was established for the purpose of conducting the business represented by all of the District's water facilities and properties for the development of certain facilities for the storage of water in Weld County, Colorado, including all present or future improvements, extensions, enlargements, betterments, replacements or additions to the Lupton Lakes System.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

Arapahoe County Water and Wastewater Authority (ACWWA) – Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for the delivery of water to the areas determined by the Authority.

Milliken Reservoir – Water Activity Enterprise (formerly known as Gilcrest) was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for delivery of water to the Milliken service area.

Serfer Pit – Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for delivery of water to the properties not served by other water facilities.

Highlands Reservoir – Water Activity Enterprise was established for the purpose of financing the acquisition of water rights and the acquisition, construction and installation of the facilities necessary for delivery of water to the properties not served by other water facilities.

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

The District 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.

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

The accounting policies of the District 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 District'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.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District'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 property and equipment are shown as increases in assets, and redemption of bonds and loans is recorded as a reduction in liabilities. Contributed assets are recorded as capital contributions when received.

Operating Revenues and Expenses

The District 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 goods or services in connection with the District's purpose of providing water services to other entities. Operating revenues consist of charges to other entities for goods or services provided. 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 District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District'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.

For the year ended December 31, 2019, supplementary appropriations approved by the Board of Directors modified the appropriation from \$5,580,920 to \$13,118,740 in the United Water Acquisition Project - Water Activity Enterprise Fund.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of its enterprise funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Contributed Capital

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

Capital Assets

Capital assets, which include land and improvements, building and improvements, vehicles, furniture and equipment, leasehold improvements and infrastructure assets (e.g. pipelines, roads, wells and similar items) with a cost or value exceeding \$5,000 are recorded at cost except for those assets that have been contributed, which are stated at estimated fair value at the date of contribution or at the developer's cost.

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. Any construction in process that will be dedicated to another entity is not depreciated. Leasehold improvements are amortized over the life of the lease. Any capital assets that will be owned and maintained by the District will be depreciated using the straight-line method over the following estimated economic useful lives:

Pipelines and water systems	50 years
Leasehold improvements	40 years
Streets and roads	40 years
Equipment and vehicles	5-10 years

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issue Costs and Original Issue Discount

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recorded as a period expense in the year incurred.

Reclassifications

For comparability purposes, certain 2018 amounts have been reclassified where appropriate to conform with the 2019 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents - restricted	\$ 10,688,350
Cash and cash equivalents - unrestricted	2,828,076
Total cash and cash equivalents	\$ 13,516,426

Cash and investments as of December 31, 2019 consist of the following:

Cash deposits	\$ 1,675,121
Investments	11,841,305
	\$ 13,516,426

Cash 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 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.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At December 31, 2019, the District's cash deposits had a bank balance of \$1,740,381 and a carrying balance of \$1,675,121.

Investments

The District has not adopted a formal investment policy; however, the District 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 and 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 local government investment pools, which includes the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust), are both rated AAAM by S&P Global. The Federated Government Obligations Fund is rated AAAM by S&P Global and AAA-mf by Moody's. The Federal Farm Credit Banks Consolidated Systemwide Bonds is rated AA+/A-1+ by S&P Global and Aaa/P-1 by Moody's.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2019 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
CSAFE	Weighted average under 60 days	\$ 3,263,994
Colotrust	Weighted average under 60 days	8,060,005
Federated Government Obligations Fund	Weighted average under 60 days	266,573
Federal Farm Credit Banks Consolidated Systemwide Bonds	Less than one year	250,733
		<u>\$ 11,841,305</u>

CSAFE

During 2019, the District invested in CSAFE, which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE.

COLOTRUST

During 2019, the District 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.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Federated Government Obligations Funds

During 2019, the District invested in Federated Government Obligations Fund (Government Fund), which invests primarily in short-term U.S. Treasury and governmental securities. The Government Fund is similar to a money market fund, with the goal to preserve the value of the investments at \$1.00 per share.

Cash and investments are reflected on the December 31, 2019 statement of net position as follows:

Cash and cash equivalents - unrestricted	\$ 2,828,076
Cash and cash equivalents - restricted	
Bond and note reserves and bond debt service	4,973,084
Capital additions and improvements	5,715,266
Total cash and cash equivalents - restricted	10,688,350
Total cash and investments	\$ 13,516,426

Cash and investments are restricted for the following purposes:

Bonds and Note Reserve Funds

Cash and investments in the amount of \$1,609,112 at December 31, 2019 are restricted for the reserve funds on the District's outstanding bond and note obligations.

Bonds and Debt Service Funds

Cash and investments in the amount of \$3,363,972 at December 31, 2019 are restricted for payment of debt service on the District's outstanding bond and note obligations.

Capital Projects and Improvements

Cash and investments in the amount of \$5,715,266 at December 31, 2019 are restricted for the payment of various capital additions and improvement costs.

Investment Valuation

Certain investments that 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; and Level 3 inputs are significant unobservable inputs.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The District'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 District held investments in CSAFE and Colotrust at yearend for which the investment valuations were determined as follows.

CSAFE's primary goal is to maintain \$1.00 per share NAV. Many funds utilize the amortized cost method but CSAFE does not take this approach. CSAFE prices its portfolio on a weekly basis using a third-party pricing entity to determine if the pool's NAV deviates materially from \$1.00 per share. CSAFE has in place a NAV monitoring policy to take action if a material variation exists.

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.

The Federal Government Obligation Fund's primary goal is to provide current income consistent with stability of principal and liquidity. The fund is carried at NAV per share.

The Federal Farm Credit Banks Consolidated Systemwide Bonds are valued using Level 1 inputs.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 - CAPITAL ASSETS AND WATER RIGHTS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance December 31, 2018	Additions	Retirements/ Adjustments	Transfers	Balance December 31, 2019
Capital assets, not being depreciated					
CIP					
Water acquisition projects	\$ 3,853,613	\$ 3,432,616	\$ -	\$ (1,636,019)	\$ 5,650,210
Milliken water project	168,952	68,790	-	-	237,742
Serfer Pit project	54,015	-	-	-	54,015
Highlands water project	336,377	300,612	-	-	636,989
Land	2,894,525	-	-	-	2,894,525
Water rights	34,909,258	895,889	(1,841,912)	(367,650)	33,595,585
Water resource credit certificates	7,293,736	383,152	(817,558)	367,650	7,226,980
Water storage	165,519	-	-	1,636,019	1,801,538
Total Capital assets not being depreciated	<u>49,675,995</u>	<u>5,081,059</u>	<u>(2,659,470)</u>	<u>-</u>	<u>52,097,584</u>
Capital assets, being depreciated					
Water acquisition projects	45,315,271	-	-	-	45,315,271
Streets and roads	8,455	-	-	-	8,455
Leasehold improvements	166,727	-	-	-	166,727
Vehicles and equipment	516,958	277,513	(41,748)	-	752,723
Well pivot	34,000	-	-	-	34,000
Flumes	299,040	-	-	-	299,040
Brannan Pit pumps	378,549	-	-	-	378,549
Monitoring and vac systems	77,909	-	-	-	77,909
Pipelines	5,690,000	-	-	-	5,690,000
Water lines	4,908,889	-	-	-	4,908,889
Reservoir improvements	156,404	-	-	-	156,404
Water wells	1,290,556	-	-	-	1,290,556
Total historical cost	<u>58,842,758</u>	<u>277,513</u>	<u>(41,748)</u>	<u>-</u>	<u>59,078,523</u>
Less accumulated depreciation for:					
Water acquisition projects	(6,587,483)	(855,194)	-	-	(7,442,677)
Streets and roads	(2,555)	(211)	-	-	(2,766)
Leasehold improvements	(57,873)	(4,168)	-	-	(62,041)
Vehicles and equipment	(221,600)	(55,623)	41,748	-	(235,475)
Well pivot	(28,240)	(3,400)	-	-	(31,640)
Flumes	(74,760)	(29,904)	-	-	(104,664)
Brannan Pit pumps	(94,637)	(37,855)	-	-	(132,492)
Monitoring and vac systems	(47,002)	(7,791)	-	-	(54,793)
Pipeline	(1,707,000)	(113,800)	-	-	(1,820,800)
Water lines	(1,299,411)	(144,379)	-	-	(1,443,790)
Reservoir improvements	(41,400)	(4,600)	-	-	(46,000)
Water wells	(909,381)	(125,306)	-	-	(1,034,687)
Total accumulated depreciation	<u>(11,071,342)</u>	<u>(1,382,231)</u>	<u>41,748</u>	<u>-</u>	<u>(12,411,825)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>47,771,416</u>	<u>(1,104,718)</u>	<u>-</u>	<u>-</u>	<u>46,666,698</u>
Total capital assets, net	<u>\$ 97,447,411</u>	<u>\$ 3,976,341</u>	<u>\$ (2,659,470)</u>	<u>\$ -</u>	<u>\$ 98,764,282</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 - LONG-TERM RECEIVABLE

Water Supply Agreement

The District entered into a Water Supply Agreement with Farmers Reservoir and Irrigation Company (FRICO) and East Cherry Creek Valley Water and Sanitation District (ECCV) acting through the East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (ECCV Water Activity Enterprise) on December 18, 2003, for the purpose of developing an integrated water supply project in the Beebe Draw Alluvium. The agreement anticipates a reverse osmosis treatment plant to be constructed, owned and operated by ECCV Water Activity Enterprise. During 2003, the District sold water and delivery rights to 3,000 acre feet of fully consumable water per year at a price of \$18,500,000 received in cash and \$26,500,000 in the form of Subordinate Water Revenue Bonds, Series 2003 from ECCV Water Activity Enterprise, which were exchanged with Subordinate Water Revenue Exchange Bonds, Series 2004 on May 6, 2004.

Additional projects contemplated by the agreement will divert water and return flows from the South Platte River and deliver it to ECCV Water Activity Enterprise's future treatment plant and will give ECCV Water Activity Enterprise a right of first purchase of yield in excess of 5,500 acre feet from additional tributary water rights from the South Platte River that were acquired by the District (Phase 2 Water).

The District entered into an Amended and Restated Water Supply Agreement with FRICO and ECCV Water Activity Enterprise in May 2007 to develop an integrated water supply project, including the Phase 1, Phase 2 and Phase 3 of the ECCV Water Project.

ECCV Water Activity Enterprise Subordinate Water Revenue Exchange Bonds, Series 2004 dated May 6, 2004 in the original amount of \$26,793,000 mature on November 15, 2023; with an interest rate of 3.00% to December 31, 2009 and 5.00% from January 1, 2010 and thereafter, payable annually on November 15. The bonds are subject to early redemption, at the option of ECCV and ECCV Water Activity Enterprise, on any date without redemption premium. The bonds are also subject to mandatory redemption on any interest payment date, without redemption premium, to the extent of available revenue pledged to the payment of the bonds in excess of the amount of interest then due on the bonds. These bonds are limited, subordinate lien obligations of ECCV Water Activity Enterprise payable solely from the portion of the net revenues comprising 40% of water tap fees collected by ECCV or ECCV Water Activity Enterprise (Net Revenues). Any outstanding interest not paid on each November 15 compounds annually on each interest payment date at the interest rate then borne by the bonds. The bonds constitute an irrevocable lien on the Net Revenues. ECCV and ECCV Water Activity Enterprise have covenanted that a minimum water tap fee of \$15,000 per single family equivalent will be maintained.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 - LONG-TERM RECEIVABLE (CONTINUED)

The actual amounts of principal and interest payments to be made in the future will depend on future water tap fee revenue of ECCV and ECCV Water Activity Enterprise and cannot be predicted with certainty. At December 31, 2019, the outstanding amount of these bonds was \$7,061,063 which is reflected as Long-term receivable - Phase I on the Statement of Net Position. During the year ended December 31, 2019, the District received principal and interest payments of \$1,742,015 and \$442,566, respectively.

2007 Lease Purchase Agreement

The District, acting through its United Water Acquisition Project Water Activity Enterprise, entered into a Lease Purchase Agreement with ECCV Water Activity Enterprise, acting on behalf of ECCV, on July 27, 2007 (effective May 25, 2007) in the original amount of \$31,250,000, for the lease of Phase 2 Water from the District. During the term of this Agreement the District agrees, among other things, to construct certain facilities, to provide additional storage and to acquire sufficient water rights to produce not less than 2,960 acre feet of fully consumable water per year and not more than 3,221 acre feet of fully consumable water per year (Phase 2 Water) and to deliver such water to the ECCV Water Treatment Plant (as provided in the Water Supply Agreement). Principal and interest payments under the agreement are due annually on November 15 with an interest rate of 3.2%. The annual payment shall be an amount equal to the Allocated Tap Lease Revenue (defined as the portion of the Net Revenue that is equal to 38.57% of the Water Tap Fees collected by ECCV on and after November 1, 2004). The agreement terminates the earlier of November 15, 2022 or upon payment of all amounts due and the conveyance of all the Phase 2 Water to ECCV. This Agreement was amended by the Supplemental Lease Purchase Agreement entered into effective December 12, 2012 which extended the termination date from November 15, 2014 to November 15, 2017 and provided for an additional payment by ECCV to the District of \$400,000 each November 15 following the payment of operation, maintenance and senior bond expenses. At December 31, 2019, the outstanding amount under this agreement was \$9,001,095 which is reflected as Long-term receivable - Phase II and Deferred revenue – Phase II on the Statement of Net Position. During the year ended December 31, 2019, the District received principal and interest payments of \$3,135,646 and \$388,375, respectively.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations of the District for the year ended December 31, 2019.

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Direct Placement Loans/Advances:					
United District Water Providers					
Advance and Reimbursement Agreements	\$ 12,375,000	\$ -	\$ -	\$ 12,375,000	\$ -
Bromley District Water Providers					
Advance and Reimbursement Agreement	1,321,765	-	-	1,321,765	-
Farmers Reservoir and Irrigation Company					
Advance and Reimbursement Agreement	1,000,000	-	-	1,000,000	-
Englewood Exchange Services					
Advance and Reimbursement Agreement	202,700	-	-	202,700	-
Red Tierra Equities, L.L.C.					
Advance and Reimbursement Agreement	2,400,000	-	-	2,400,000	-
CAW Equities, LLC					
Advance and Reimbursement Agreements	675,000	813,152	488,021	1,000,131	-
Accrued interest on advances	16,975,824	1,105,329	1,254	18,079,899	-
Direct Borrowing:					
Series 2017 Water Certificate Refunding and Improvement Revenue Note	12,310,524	-	703,504	11,607,020	780,255
Revenue Bonds:					
Series 2006 Revenue Bonds-Lupton Lakes	7,775,000	-	3,180,000	4,595,000	3,440,000
Series 2012 Revenue Refunding Bonds- ECCV	3,949,000	-	1,960,000	1,989,000	-
	<u>\$ 58,984,813</u>	<u>\$ 1,918,481</u>	<u>\$ 6,332,779</u>	<u>\$ 54,570,515</u>	<u>\$ 4,220,255</u>

Advance and Reimbursement Agreements

United District Water Providers, LLC, Bromley District Water Providers, LLC, Englewood Exchange Services, Ltd., Red Tierra Equities, LLC and CAW Equities, LLC are related entities and are collectively referred to as the Developers.

Advance and Reimbursement Agreements - United District Water Providers, LLC

The District, acting by and through the United Water Acquisition Project Water Activity Enterprise, and United District Water Providers, LLC (UDWP) agreed to recognize an advance made by UDWP for the purchase of water rights. The Board is empowered to acquire water rights and construct and operate lines and facilities within and outside of the boundaries of the

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

District. UDWP was the holder of a certain Water Rights Purchase and Sale Agreement (Water Rights Agreement) dated September 11, 2003, between Perkins Land & Livestock, LLC and UDWP which governed the purchase of certain water rights. Concurrent with the execution of the Water Rights Agreement, UDWP assigned to the District a portion of its rights in the Water Rights Agreement. The total consideration received by UDWP for said assignment was \$21,700,000 with \$1,200,000 paid to UDWP by the District concurrent with the closing of the Water Rights Agreement and the remaining \$20,500,000 evidenced through an advance and reimbursement agreement dated December 18, 2003, which was subsequently amended on February 14, 2006, to include an interest rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2019 the outstanding advances under the 2003 agreement were \$7,008,000, in addition to \$10,300,795 of accrued interest.

In addition, during 2004, UDWP advanced \$5,367,000 to the District, which is evidenced by an advance and reimbursement agreement effective May 24, 2004, with an interest rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2019 the outstanding advances under the 2004 agreement were \$5,367,000, in addition to \$5,025,277 of accrued interest.

Advance and Reimbursement Agreements - Bromley District Water Providers, LLC

The District and Bromley District Water Providers, LLC (BDWP) entered into an advance and reimbursement agreement on January 28, 2003 to recognize advances that may be made by BDWP to fund certain construction, maintenance and operating costs of the District. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. Reimbursement is to include interest at a rate of 7% per annum. At December 31, 2019, outstanding advances under the 2003 agreement totaled \$1,321,765, in addition to accrued interest of \$1,233,452.

Advance and Reimbursement Agreement - FRICO

On December 18, 2003, the District and FRICO entered into a Stock Purchase and Use Agreement whereby the District was to acquire one share of capital stock of FRICO at a cost of \$1,000,000. On September 30, 2004, the District, acting through its United Water Acquisition Project Water Activity Enterprise, entered into an advance and reimbursement agreement with FRICO as payment for the FRICO share. The District shall reimburse FRICO for the advance,

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

together with interest at the rate of 3% per annum. The District shall make payment for the advance, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs of the District. In lieu of payment of the advance and accrued interest from available revenues, the District may make payment to FRICO by transferring to FRICO tax-exempt municipal bonds, the par amount of which bonds shall be equal to the advance and the bond interest rate shall not be less than 3% per annum. At December 31, 2019, the outstanding advance under the 2004 agreement was \$1,000,000, in addition to \$457,562 of accrued interest.

Advance and Reimbursement Agreement - Englewood Exchange Services, Ltd. (Assigned to Robert A. Lembke on January 1, 2016, and further assigned by Robert A. Lembke to RAL Holdings, LLC on June 8, 2016)

The District and Englewood Exchange Services, Ltd. (Englewood Exchange) entered into an advance and reimbursement agreement on November 15, 2005 to recognize advances that may be made by Englewood Exchange to fund certain construction, maintenance and operating costs of the District. The District shall reimburse Englewood Exchange for the advances, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. As of December 31, 2019, outstanding advances totaled \$202,700, in addition to accrued interest of \$292,602.

On January 1, 2016, the District, Englewood Exchange and Robert A. Lembke entered into the Assignment Re Advance and Reimbursement Agreement whereby Englewood Exchange assigned the rights arising out of the terms and conditions of the 2005 advance and reimbursement agreement (described above) to Robert A. Lembke. On June 8, 2016, the District, Robert A. Lembke and RAL Holdings, LLC, entered into the Assignment Re Advance and Reimbursement Agreement whereby Robert A. Lembke further assigned the rights arising out of the terms and conditions of the 2005 advance and reimbursement agreement (described above) which were assigned to him on January 1, 2016, to RAL Holdings, LLC.

Advance and Reimbursement Agreement - Red Tierra Equities, LLC

Red Tierra Equities, LLC (Red Tierra) agreed to the conveyance of 2,000 Series B shares of Colorado Augmentation Canal Company (CACC shares) to the District so that the District could further its water infrastructure development projects. The District and Red Tierra agreed to recognize the conveyance of the CACC shares as an advance of funds of \$2,400,000 to the District and entered into an advance and reimbursement agreement effective December 30, 2015. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Reimbursement is to include interest at the rate of 7% per annum. As of December 31, 2019, outstanding advances totaled \$2,400,000, in addition to accrued interest of \$672,460.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements - CAW Equities, LLC

On November 6, 2017, CAW Equities, LLC (CAW Equities) entered into an advance and reimbursement agreement to recognize advances that may be made by CAW Equities to fund operating and maintenance costs of the District. The District shall reimburse CAW Equities for the advances, together with interest compounded annually at the rate of 7%. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. As of December 31, 2019, outstanding advances totaled \$675,000, in addition to accrued interest of \$97,751.

On May 16, 2019, CAW Equities entered into an advance and reimbursement agreement with the District to allow the District to satisfy the terms of a Water Resource Credit Agreement (WRCA) between the District and the Town of Lochbuie. To facilitate the District's performance of the WRCA, CAW provided to the District a cash advance of \$430,000 and twenty shares of the thirty-nine Fulton Ditch Irrigation Company (Fulton shares) required by the Town. The 20 Fulton shares provided by CAW to the District were deemed to have a current fair value of \$383,152 and represent 51.3% of the required Fulton shares under the WRCA. Under the terms of the WRCA, in exchange for the Fulton shares provided by CAW and an additional 19 shares provided by the District, for a total of 39 Fulton shares, the District received from the Town of Lochbuie 219 water resource credit certificates (water certificates) which are to be used solely for development in Lochbuie Station. The District has a contract with CW-Lochbuie, LLC, the developer of Lochbuie Station, wherein CW Lochbuie, LLC is required to purchase the water certificates. The first 40 water certificates were sold in 2019, with the remainder scheduled to be sold over a period of years at an escalating price per water certificate. The cash advance made by CAW provided for a fixed rate of 7% per annum. The cash advance was fully repaid, with interest of \$1,254, on June 3, 2019, from the sale of water certificates. As to the advance represented by the Fulton shares conveyed by CAW to the District, no interest rate was established; rather, the District agreed to pay to CAW an amount equal to 51.3% of the revenue received from the District's sale of all water certificates sold after the satisfaction of the cash advance. During 2019 the District remitted \$58,021 to CAW for its share of the remaining revenues from the sale of the 40 water certificates in 2019. The percentage for reimbursement will be adjusted in the event that CAW provides additional Fulton shares to satisfy the District's obligations under the WRCA. As the remaining 179 water certificates are sold, CAW will receive 51.3% of the amount realized by the District. As of December 31, 2019, outstanding advances totaled \$325,131. As of September 30, 2020, the developer of Lochbuie Station had failed to purchase the water certificates required to be purchased on May 30, 2020. No payment has been made to CAW as a result of the failure of the developer to timely purchase the water certificates. The District is seeking compliance with the purchase contract.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Water Certificate Refunding and Improvement Revenue Note, Series 2017

On June 26, 2017, the District issued its \$13,174,000 Water Certificate Refunding and Improvement Revenue Note, Series 2017 (2017 Note). Principal and interest on the 2017 Note is payable semi-annually on June 1 and December 1 each year commencing on December 1, 2017. The 2017 Note will mature on June 1, 2027, and payable from pledged revenues including proceeds from the sale of water certificates held as collateral for the 2017 Note and any other legally available monies of the District as defined in the loan agreement. The interest rate on the 2017 Note is 4.02% per annum. The 2017 Note was issued for the purpose of providing funds to (i) refund the 2010 Note, (ii) purchase water certificates for the planning, design and construction of various projects, (iii) purchase water resource credit certificates to be used to provide water to residents of the Town of Lochbuie and (iv) paying the costs of issuing the note.

Significant events of default under the 2017 Note include (i) failure to pay principal and interest when due, (ii) failure to apply pledged revenues as required (iii) failure to meet financial or custodial agreement covenants, (iv) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the 2017 Note agreement, (v) qualified audit opinion with respect to the District's status as an on-going concern and (vi) judgements against the District or proceedings to dissolve the District or consolidate the District where the District would cease to exist.

Immediately upon the occurrence of an event of default all amounts constituting collateral will be applied to (i) the unpaid principal of the 2017 Note, (ii) interest accrued and unpaid thereon, and (iii) all other amounts owing or payable to the lender.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the 2017 Note:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 780,255	\$ 415,419	\$ 1,195,674
2021	623,000	429,035	1,052,035
2022	700,000	403,227	1,103,227
2023	782,500	374,263	1,156,763
2024	870,500	341,932	1,212,432
2025-2027	7,850,765	689,125	8,539,890
	<u>\$ 11,607,020</u>	<u>\$ 2,653,001</u>	<u>\$ 14,260,021</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds, Series 2006 – LUPTON LAKES

On September 27, 2006, the District, acting through its Lupton Lakes Water Storage Project Water Activity Enterprise, issued \$20,400,000 in revenue bonds, Series 2006 (2006 Bonds) for the purpose of financing the purchase of water, funding a debt service reserve for the 2006 Bonds, capitalizing a portion of the interest to accrue on the 2006 Bonds and paying the costs of issuing the 2006 Bonds. The 2006 Bonds are term bonds and mature on March 1, 2021. Interest is payable March 1 and September 1 at an interest rate of 6% per annum beginning March 1, 2007. The 2006 Bonds are subject to mandatory sinking fund redemption as determined by the trustee prior to the maturity date of the 2006 Bonds, upon payment of the principal amount so redeemed together with accrued interest. The 2006 Bonds are subject to extraordinary mandatory redemption as determined by the trustee on any interest payment date, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without premium, but only from and to the extent of amounts on deposit in the bond fund constituting “excess pledged revenue” and the reserve fund have been fully funded and the mandatory sinking fund requirements applicable to the 2006 Bonds have been satisfied and amounts released from the reserve fund or amounts received by Lupton Lakes Water Storage Project Water Activity Enterprise under the pledge and security agreement or from FRICO revenue sub-account under the escrow agreement.

The 2006 Bonds constitute special, limited revenue obligations of Lupton Lakes Water Storage Project Water Activity Enterprise payable solely from and secured by an irrevocable pledge of and first lien on the trust estate created by the indenture, including pledged revenue comprised primarily of a portion of the amounts, if any, paid by the South Adams County Water District and South Adams Water and Sanitation District (SAWSD), acting by and through its water and sewer enterprise, to maintain and exercise its options to purchase certain shares of stock in the municipal division of FRICO, pursuant to an amended stock purchase agreement entered into among FRICO, SAWSD and certain other entities. It is expected that SAWSD will maintain and exercise these option rights primarily from and to the extent of amounts payable by various owners of land within its boundaries who have entered into participation agreements with SAWSD. However, SAWSD is not obligated directly or indirectly to pay the 2006 Bonds and is under no obligation to maintain or exercise its option rights under the stock purchase agreement, except as provided in the participation agreements. The pledged revenue also includes amounts loaned to Lupton Lakes Water Storage Project Water Activity Enterprise by FRICO. To the extent that pledged revenue, capitalized interest and amounts on deposit in the reserve fund are not sufficient to meet the debt service requirements on the 2006 Bonds, the 2006 Bonds will be payable by FRICO pursuant to the amended and restated pledge and security agreement to be entered into by and among Lupton Lakes Water Storage Project Water Activity Enterprise, the District acting by and through its South Adams Project Enterprise, FRICO, and the trustee, which obligation is secured by a portion of the shares that are not acquired by SAWSD.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2006 Bonds have a required debt service reserve equal to 10% of the outstanding balance of the bonds. The required reserve as of December 31, 2019 was \$459,500. As of December 31, 2019 the balance of the debt service reserve account was \$466,921.

In 2020, SAWSD exercised its option to purchase the remaining shares of stock in the municipal division of FRICO and the 2006 Bonds were paid in full.

Revenue Refunding Bonds, Series 2012

On December 19, 2012, the District, acting through its United Water Acquisition Project Water Activity Enterprise, issued \$10,780,000 in Revenue Refunding Bonds, Series 2012 (2012 Bonds) to refund the District's Revenue Refunding and Improvement Bonds, Series 2004A. The 2012 Bonds were payable from pledged revenues which are amounts received from the ECCV Water Activity Enterprise Subordinate Water Exchange Bonds (see Note 5). Interest was payable annually on December 1 at a rate of 6% per annum. To the extent that interest was not paid when due, such interest would compound annually on each interest payment date, at the rate then borne by the 2012 Bonds. The 2012 Bonds were subject to mandatory redemption on any interest payment date to the extent funds were available.

These bonds had a required debt service reserve of \$623,422. As of December 31, 2019, the balance of the debt service reserve account was \$624,885. As discussed in Note 14 below, the 2012 Bonds were redeemed in June 2020 with the issuance of a refunding and improvement revenue note.

Authorized Debt

On November 4, 2014, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$680,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Storm sewer and drainage	\$ 100,000,000
Regional water improvements	240,000,000
Debt refunding	340,000,000
	<u>\$ 680,000,000</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 - NET POSITION

The District has net position consisting of two components – net investment in capital assets and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2019 the District had a net investment in capital assets in the amount of \$85,635,366 calculated as follows:

Net investment in capital assets:	
Capital assets, net	\$ 98,764,282
Capital related to portion of debt	<u>(19,743,773)</u>
	<u><u>\$ 79,020,509</u></u>

As of December 31, 2019, the District had a deficit unrestricted net position of \$15,113,176. This deficit amount is primarily the result of expenditures being in excess of the revenues available. This deficit is expected to be eliminated by anticipated decreases in direct expenses from water sales and intergovernmental expenditures.

NOTE 8 - RELATED PARTIES

The members of the Board of Directors of the District are employees, owners or associated with the Developers and may have conflicts of interest in dealing with the District (see Note 6).

NOTE 9 – INTERFUND TRANSFERS

During 2019, the Debt Service and Improvements Fund and the made transfers for operating, administrative and capital expenses. In addition, the South Adams Project - Water Activity Enterprise made transfers to Lupton Lakes Water Storage Project - Water Activity Enterprise for debt-related expenses and both of these funds made transfers to the United Water Acquisition Project - Water Activity Enterprise for repayment of prior year administrative expenditures.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 – INTERFUND TRANSFERS (CONTINUED)

The following table sets forth the fund transfers for the year ended December 31, 2019:

<u>Fund / Enterprise</u>	<u>Transfer In (Out)</u>	<u>Amount</u>
General Operations	Transfer in	\$ 227,616
Debt Service and Improvements	Transfer out	(4,573,802)
United Water Acquisition Project	Transfer in	4,573,802
United Water Acquisition Project	Transfer out	(1,932,677)
ACWWA	Transfer in	794,876
Milliken Reservoir Project	Transfer in	160,512
Serfer Pit Project	Transfer in	12,486
Highlands Reservoir Project	Transfer in	315,118
South Adams Project	Transfer out	(2,772,781)
Lupton Lakes Project	Transfer in	3,194,850
		<u>\$ -</u>

NOTE 10 – INTERGOVERNMENTAL AGREEMENTS

In 2009, the District entered into an agreement with ACWWA and ECCV to provide ACWWA and ECCV an integrated system for the diversion, accretion, collection, storage, transmission and treatment of each of the parties water rights.

United Water & Sanitation District, Sand Hills Metropolitan District (Sand Hills), South Beebe Draw Metropolitan District (South Beebe Draw) and Platte River Water Development Authority (Platte River Water) entered into a Funding and Construction Agreement for 70 Ranch Reservoir on July 28, 2015. The agreement provides for funding and construction of the 70 Ranch Reservoir by the three districts. Platte River Water received the construction funding and was obligated to effectuate the construction of the reservoir.

On September 6, 2017, the District and South Beebe Draw created Weld Adams Water Development Authority (WAWDA), a water resource authority. WAWDA was created for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services. Effective September 26, 2017, the Funding and Construction Agreement was transferred to Weld Adams Water Development Authority (see below).

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Under the establishing contract for WAWDA, the District and South Beebe Draw agreed to transfer certain assets to WAWDA in acknowledgement for certain assets, contracts and budgeted projects assigned to WAWDA from Platte River Water. The District agreed to transfer to WAWDA 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 the District's 2012 Bonds. In the alternative, the District may make one or more transfers to WAWDA in the aggregate amount of \$5,000,000 as funds become available prior to the defeasance of the 2012 Bonds. The 2012 Bonds were redeemed in 2019 through the issuance of new debt. Therefore, the provision for the alternative transfer in the approximate amount of \$5,000,000 as funds become available prior to the defeasance of the 2012 Bonds is now applicable to the new debt. Future contributions by the District and South Beebe Draw will be agreed upon from time to time by all parties based on project funding needs.

The combined maximum construction contribution amount from Sand Hills and South Beebe Draw is, in aggregate, \$16,500,000. United Water & Sanitation District is obligated to advance funds for construction in excess of the Sand Hills and South Beebe Draw amounts in an amount sufficient to fully fund the construction costs. No contributions were made to WAWDA during the year ended December 31, 2019 pursuant to the funding agreement.

In addition, effective September 26, 2017, Platte River Water and WAWDA entered into an intergovernmental agreement under which various ownership, contractual and budgeted obligations of Platte River Water were assigned and delegated to WAWDA.

Consolidated Infrastructure Agreement

On November 28, 2018, the District, WAWDA, ECCV and ACWWA entered into a Consolidated Infrastructure Agreement (CIA). United and WAWDA own or have contractual rights in certain real, equitable and personal property interests, a portion of which interests have or will be conveyed to ECCV and ACWWA.

The purpose of the CIA is to identify the rights and obligations of each party to the CIA related to the water diversion, delivery and storage system (Infrastructure) as described in the CIA. Additional Infrastructure may be included in the CIA by written agreement. The CIA outlines the conditions, restrictions, reservations and obligations for the purpose of furthering a plan for the use of the Infrastructure and its operation, maintenance, repair and replacement.

United and WAWDA will administer, operate and maintain all Infrastructure in accordance with the terms and conditions of the CIA unless upon written agreement the obligation for certain Infrastructure is assigned to another party. United or WAWDA will be reimbursed for its pro-rata share of such costs as outlined in the CIA.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 11 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District 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 District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation 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.

NOTE 12 - 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 which 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 District's management believes its operations qualify 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.

On November 5, 2002, and on November 4, 2014, a majority of the District's electors authorized the District to collect, retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, and such revenues are to be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

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.

UNITED WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

The District'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.

NOTE 13 - WATER COURT CASES

Under Colorado law, any change of water rights is adjudicated through a specialized District Water Court. During 2019, the District was an applicant in a water right case which was filed in 2016 for new reservoir storage rights, which is currently before the Colorado Supreme Court. The District was also a co-plaintiff in a water right abandonment case and a co-applicant in a water right application both filed in 2019. These cases are not traditional civil actions, in that no damages or any other civil judgments may be entered by the District Water Court. Therefore, these court actions cannot result in any monetary judgment or other civil judgment other than the adjudication of the change of water rights requested.

Finally, in addition to being an applicant in the case discussed above, the District has filed statements of opposition in various applications filed by other parties seeking changes of use in other contexts. These cases are of the same nature as the District's applications, but from the inverse side. At issue in those cases are the terms and conditions that will be imposed on the changes of water rights sought by other parties.

In Colorado, participation in water court applications is considered to be standard business proceedings. As the District continues to develop its water supply system, it is likely that it will continue to be both an applicant and an objector in future proceedings.

NOTE 14 – SUBSEQUENT EVENT

Refunding and Improvement Revenue Note, Series 2020 - On June 1, 2020, the District issued its \$17,950,000 Refunding and Improvement Revenue Note, Series 2020 (2020 Note). Principal on the 2020 Note is payable annually on June 15, beginning in 2021 and interest is payable semi-annually on June 15 and December 15, beginning December 15, 2020 with a maturity date of June 15, 2027. The interest rate on the 2020 Note is 3.88% per annum. The 2020 Note was issued for the purpose of providing funds to (i) refund the 2012 Bonds (ii) fund capital projects (iii) establish a debt service reserve and (iv) pay the costs of issuance of the 2020 Note.

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

SUPPLEMENTAL INFORMATION

The following Schedules as listed in the table of contents for the General Operations, Debt Service and Capital Improvements, United Water Acquisition Project - Water Activity Enterprise, South Adams Project - Water Activity Enterprise, Lupton Lakes Water Storage Project - Water Activity Enterprise, ACWWA - Water Activity Enterprise, Milliken Reservoir Project - Water Activity Enterprise, Serfer Pit Project - Water Activity Enterprise and Highlands Reservoir Project - Water Activity Enterprise are presented to demonstrate compliance with a resolution of the Board of Directors of the United Water & Sanitation District adopting and establishing water activity enterprises pursuant to Article 45.1, Title 37, Colorado Revised Statutes, 1973, as amended. For basic financial statement presentation purposes the District is reported as a single enterprise fund. For budgetary purposes the District separately budgets for specific components of this enterprise fund.

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
GENERAL OPERATIONS
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Interest	\$ 100	\$ -	\$ (100)
Miscellaneous	2,500	1,526	(974)
Total revenues	<u>2,600</u>	<u>1,526</u>	<u>(1,074)</u>
EXPENDITURES			
<u>Current</u>			
Audit	10,000	13,750	(3,750)
Directors' fees	7,000	5,400	1,600
District management and accounting	58,000	49,218	8,782
Dues and subscriptions	10,000	25,913	(15,913)
Insurance and bonds	3,500	1,353	2,147
Legal	30,000	17,058	12,942
Licenses and fees	1,500	1,238	262
Miscellaneous	5,000	4,915	85
Support services	120,000	110,297	9,703
Total expenditures	<u>245,000</u>	<u>229,142</u>	<u>15,858</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(242,400)</u>	<u>(227,616)</u>	<u>14,784</u>
OTHER FINANCING SOURCES			
Transfer in	242,400	227,616	(14,784)
Total other financing sources	<u>242,400</u>	<u>227,616</u>	<u>(14,784)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds available is computed as follows:			
Current assets		\$ 64,431	
Current liabilities		<u>(64,431)</u>	
		<u>\$ -</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
DEBT SERVICE AND IMPROVEMENTS
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Water resource certificate sales	\$ 1,375,000	\$ 1,378,004	\$ 3,004
Interest	100,000	162,500	62,500
Miscellaneous	1,000	-	(1,000)
Total revenues	<u>1,476,000</u>	<u>1,540,504</u>	<u>64,504</u>
EXPENDITURES			
<u>Current</u>			
Audit	10,000	-	10,000
District management	30,000	-	30,000
Legal	30,000	-	30,000
Miscellaneous	25,000	-	25,000
Support services	30,000	-	30,000
<u>Capital outlay</u>			
Capital projects	10,500,000	-	10,500,000
<u>Debt service</u>			
Note principal	492,500	703,504	(211,004)
Note interest	501,214	485,858	15,356
Paying agent fees	20,000	17,976	2,024
Total expenditures	<u>11,638,714</u>	<u>1,207,338</u>	<u>10,431,376</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>(10,162,714)</u>	<u>333,166</u>	<u>10,495,880</u>
OTHER FINANCING USES			
Transfers out	<u>(145,000)</u>	<u>(4,573,802)</u>	<u>(4,428,802)</u>
Total other financing uses	<u>(145,000)</u>	<u>(4,573,802)</u>	<u>(4,428,802)</u>
NET CHANGE IN FUND BALANCE	(10,307,714)	(4,240,636)	6,067,078
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>10,519,835</u>	<u>8,414,107</u>	<u>(2,105,728)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 212,121</u>	<u>\$ 4,173,471</u>	<u>\$ 3,961,350</u>
Funds available is computed as follows:			
Current assets		<u>\$ 4,173,471</u>	
		<u>\$ 4,173,471</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
UNITED WATER ACQUISITION PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Operation charges	\$ 500,000	\$ 775,000	\$ 775,673	\$ 673
ECCV payment - phase 1	1,300,000	1,700,000	1,742,015	42,015
ECCV payment - phase 2	2,500,000	3,100,000	3,135,646	35,646
Water resource certificate sales	-	545,000	544,355	(645)
Interest	425,000	840,000	839,394	(606)
Miscellaneous	70,000	160,000	160,901	901
Total revenues	<u>4,795,000</u>	<u>7,120,000</u>	<u>7,197,984</u>	<u>77,984</u>
EXPENDITURES				
<u>Current</u>				
Appraisals	25,000	5,000	4,800	200
Audit	10,000	10,000	-	10,000
District management and accounting	75,000	90,000	89,004	96
Dues and subscriptions	4,000	6,500	6,600	(100)
Engineering and consulting	100,000	335,000	331,221	3,779
IGA - WCWA	15,000	-	-	-
Insurance and bonds	16,000	35,000	32,279	2,721
Legal	180,000	795,000	791,351	3,649
Licenses and fees	25,000	255,000	251,567	3,433
Miscellaneous	20,000	20,000	10,452	9,548
SCADA monitoring	75,000	55,000	54,683	317
Small tools and equipment	7,500	7,500	-	7,500
Support services	350,000	450,000	447,443	2,557
Surveying and mapping	-	30,000	28,678	1,322
System operations, repair and maintenance	450,000	610,000	605,347	4,653
TH Ranch settlement payment	7,500	7,500	-	7,500
Utilities	170,000	450,000	449,157	843
Water assessments and expenses	100,000	78,000	77,818	182
Water engineer	45,000	115,000	114,630	370
Water lease	40,000	115,000	114,775	225
<u>Capital outlay</u>				
Capital projects	-	3,336,000	3,335,867	133
Water resource certificates	-	383,000	383,152	(152)
Easements	75,000	235,000	233,993	1,007
Engineering and consulting	250,000	78,000	77,841	159
Engineering and consulting - water court	30,000	76,000	76,078	(78)
Equipment	150,000	275,000	277,513	(2,513)
Legal - water court	300,000	590,000	585,818	4,182
Licenses and fees	5,000	-	-	-
Surveying and mapping	85,000	20,000	18,908	1,092
Water rights	20,000	20,000	-	20,000
<u>Debt service</u>				
Developer advance repayments - principal	-	500,000	488,021	11,979
Developer advance repayments - interest	-	1,500	1,254	246
Bond principal	1,500,000	1,960,000	1,960,000	-
Bond interest	242,520	236,940	236,940	-
Paying agent fees	2,500	7,800	7,773	27
Total expenditures	<u>4,375,020</u>	<u>11,188,740</u>	<u>11,092,963</u>	<u>95,777</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>419,980</u>	<u>(4,068,740)</u>	<u>(3,894,979)</u>	<u>173,761</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	-	813,000	813,152	152
Transfer in	-	4,575,000	4,573,802	(1,198)
Transfer out	(1,205,900)	(1,930,000)	(1,932,677)	(2,677)
Total other financing sources (uses)	<u>(1,205,900)</u>	<u>3,458,000</u>	<u>3,454,277</u>	<u>(3,723)</u>
NET CHANGE IN FUND BALANCE	(785,920)	(610,740)	(440,702)	170,038
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,610,185</u>	<u>3,925,628</u>	<u>3,925,628</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 2,824,265</u>	<u>\$ 3,314,888</u>	<u>\$ 3,484,926</u>	<u>\$ 170,038</u>
Funds available is computed as follows:				
Current assets			\$ 4,292,876	
Current liabilities			(807,950)	
Funds available			<u>\$ 3,484,926</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
SOUTH ADAMS PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Water sales	\$ 3,000,000	\$ 3,000,000	\$ -
Option payment	1,800,000	1,813,282	13,282
Interest	15,000	31,935	16,935
Total revenues	<u>4,815,000</u>	<u>4,845,217</u>	<u>30,217</u>
EXPENDITURES			
<u>Debt service</u>			
FRICO payment - water shares	1,500,000	1,530,000	(30,000)
Paying agent fees	3,000	4,633	(1,633)
Total expenditures	<u>1,503,000</u>	<u>1,534,633</u>	<u>(31,633)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,312,000</u>	<u>3,310,584</u>	<u>(1,416)</u>
OTHER FINANCING USES			
Transfer out	(3,300,000)	(2,772,781)	527,219
Total other financing uses	<u>(3,300,000)</u>	<u>(2,772,781)</u>	<u>527,219</u>
NET CHANGE IN FUND BALANCE	12,000	537,803	525,803
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>1,620,084</u>	<u>1,632,215</u>	<u>12,131</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,632,084</u>	<u>\$ 2,170,018</u>	<u>\$ 537,934</u>
Funds available is computed as follows:			
Current assets		\$ 2,170,018	
Current liabilities		-	
		<u>\$ 2,170,018</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
LUPTON LAKES WATER STORAGE PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Interest	\$ 18,000	\$ 19,875	\$ 1,875
Total revenues	<u>18,000</u>	<u>19,875</u>	<u>1,875</u>
EXPENDITURES			
<u>Debt service</u>			
Bond principal	3,180,000	3,180,000	-
Bond interest	436,500	371,100	65,400
Paying agent fees	5,600	5,718	(118)
Total expenditures	<u>3,622,100</u>	<u>3,556,818</u>	<u>65,282</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(3,604,100)</u>	<u>(3,536,943)</u>	<u>67,157</u>
OTHER FINANCING SOURCES			
Transfer in	3,300,000	3,194,850	(105,150)
Total other financing sources	<u>3,300,000</u>	<u>3,194,850</u>	<u>(105,150)</u>
NET CHANGE IN FUND BALANCE	(304,100)	(342,093)	(37,993)
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>748,776</u>	<u>809,019</u>	<u>60,243</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 444,676</u>	<u>\$ 466,926</u>	<u>\$ 22,250</u>
Funds available is computed as follows:			
Current assets		\$ 466,926	
Current liabilities		<u>-</u>	
		<u>466,926</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
ACWWA - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Operations charges	\$ 350,000	\$ 344,708	\$ (5,292)
Interest	5,000	48,368	43,368
Miscellaneous	10,000	-	(10,000)
Total revenues	<u>365,000</u>	<u>393,076</u>	<u>28,076</u>
EXPENDITURES			
<u>Current</u>			
Advertising	30,000	-	30,000
Appraisals	10,000	-	10,000
Audit	6,000	-	6,000
District management and accounting	85,000	72,061	12,939
Dues and subscriptions	10,000	1,275	8,725
Engineering and consulting	75,000	76,507	(1,507)
Engineering - water engineer	40,000	39,600	400
Insurance and bonds	35,000	10,760	24,240
Legal	700,000	611,862	88,138
Miscellaneous	30,000	363	29,637
Repairs and maintenance	125,000	103,233	21,767
SCADA monitoring	25,000	13,421	11,579
Support services	275,000	204,326	70,674
Utilities	30,000	34,676	(4,676)
Water assessments	50,000	-	50,000
<u>Capital outlay</u>			
Engineering and consulting - water court	25,000	-	25,000
Legal - water court	50,000	-	50,000
Surveying and mapping	10,000	-	10,000
Water easements	10,000	-	10,000
Water improvements/acquisition	250,000	-	250,000
Total expenditures	<u>1,871,000</u>	<u>1,168,084</u>	<u>702,916</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(1,506,000)</u>	<u>(775,008)</u>	<u>730,992</u>
OTHER FINANCING SOURCES			
Sale of capital assets	-	28,500	28,500
Transfer in	500,000	794,876	294,876
Total other financing sources	<u>500,000</u>	<u>823,376</u>	<u>323,376</u>
NET CHANGE IN FUND BALANCE	<u>(1,006,000)</u>	<u>48,368</u>	<u>1,054,368</u>
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>1,112,468</u>	<u>2,449,522</u>	<u>1,337,054</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 106,468</u>	<u>\$ 2,497,890</u>	<u>\$ 2,391,422</u>
Funds available is computed as follows:			
Current assets		\$ 2,656,745	
Current liabilities		(158,855)	
		<u>\$ 2,497,890</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
MILLIKEN RESERVOIR PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	Budget Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original and Final		(Negative)
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
<u>Current</u>			
District management and accounting	8,000	6,772	1,228
Engineering and consulting	2,000	1,034	966
Legal	7,000	7,781	(781)
Miscellaneous	2,500	32	2,468
Repairs and maintenance	15,000	67,097	(52,097)
Support services	5,000	9,006	(4,006)
<u>Capital outlay</u>			
Capital projects	150,000	2,773	147,227
Engineering and consulting	-	66,017	(66,017)
Total expenditures	189,500	160,512	28,988
EXCESS OF EXPENDITURES OVER REVENUES	(189,500)	(160,512)	28,988
OTHER FINANCING SOURCES			
Transfer in	189,500	160,512	(28,988)
Total other financing sources	189,500	160,512	(28,988)
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-
FUNDS AVAILABLE - END OF YEAR	\$ -	\$ -	\$ -
Funds available is computed as follows:			
Current assets		\$ 4,236	
Current liabilities		(4,236)	
		\$ -	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
SERFER PIT PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
<u>Current</u>			
Audit	2,000	-	2,000
District management and accounting	6,500	5,519	981
Legal	5,500	744	4,756
Miscellaneous	1,500	-	1,500
Repairs and maintenance	60,000	451	59,549
Support services	7,500	5,772	1,728
<u>Capital outlay</u>			
Serfer Pit project	10,000	-	10,000
Total expenditures	<u>93,000</u>	<u>12,486</u>	<u>80,514</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(93,000)</u>	<u>(12,486)</u>	<u>80,514</u>
OTHER FINANCING SOURCES			
Transfer in	93,000	12,486	(80,514)
Total other financing sources	<u>93,000</u>	<u>12,486</u>	<u>(80,514)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds available is computed as follows:			
Current assets		\$ -	
Current liabilities		-	
		<u>\$ -</u>	

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
COMPARED TO BUDGET - BUDGETARY BASIS
HIGHLANDS RESERVOIR PROJECT - WATER ACTIVITY ENTERPRISE
Year Ended December 31, 2019

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
<u>Current</u>			
Audit	2,000	-	2,000
District management and accounting	6,500	5,519	981
Legal	5,500	757	4,743
Miscellaneous	5,000	-	5,000
Repairs and maintenance	3,500	6,686	(3,186)
Support services	3,500	1,544	1,956
<u>Capital outlay</u>			-
Engineering	100,000	289,117	(189,117)
Capital projects	200,000	11,495	188,505
Total expenditures	<u>326,000</u>	<u>315,118</u>	<u>10,882</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(326,000)</u>	<u>(315,118)</u>	<u>10,882</u>
OTHER FINANCING SOURCES			
Transfer in	326,000	315,118	(10,882)
Total other financing sources	<u>326,000</u>	<u>315,118</u>	<u>(10,882)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUNDS AVAILABLE - BEGINNING OF YEAR	-	-	-
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Funds available is computed as follows:

Current assets	\$ 19,266
Current liabilities	<u>(19,266)</u>
	<u>\$ -</u>

UNITED WATER & SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS - ACTUAL TO STATEMENT OF NET POSITION
Year Ended December 31, 2019

	General Operations	Debt Service and Improvements	United Water Acquisition Project	South Adams Project	Lupton Lakes Water Storage Project	ACWWA	Milliken Reservoir Project	Serfer Pit Project	Highlands Reservoir Project	Totals
Revenue and other financing sources (budgetary basis)	\$ 229,142	\$ 1,540,504	\$ 12,584,938	\$ 4,845,217	\$ 3,214,725	\$ 1,216,452	\$ 160,512	\$ 12,486	\$ 315,118	\$ 24,119,094
Adjustments:										
Proceeds from disposition of assets	-	-	-	-	-	(28,500)	-	-	-	(28,500)
Developer advances	-	-	(813,152)	-	-	-	-	-	-	(813,152)
ECCV Payment - Phase 1	-	-	(1,742,015)	-	-	-	-	-	-	(1,742,015)
Gain on sale of assets	-	-	-	-	-	28,500	-	-	-	28,500
Transfers in	(227,616)	-	(4,573,802)	-	(3,194,850)	(794,876)	(160,512)	(12,486)	(315,118)	(9,279,260)
Revenues (GAAP)	<u>1,526</u>	<u>1,540,504</u>	<u>5,455,969</u>	<u>4,845,217</u>	<u>19,875</u>	<u>421,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,284,667</u>
Expenditures and other financing uses (budgetary basis)	229,142	5,781,140	13,025,640	4,307,414	3,556,818	1,168,084	160,512	12,486	315,118	\$ 28,556,354
Adjustments:										
Purchase of capital assets including water rights and storage	-	-	(4,989,170)	-	-	-	(68,790)	-	(300,612)	(5,358,572)
Bond principal payments	-	-	(1,960,000)	-	(3,180,000)	-	-	-	-	(5,140,000)
Note principal payments	-	(703,504)	-	-	-	-	-	-	-	(703,504)
Developer advance payments	-	-	(488,021)	-	-	-	-	-	-	(488,021)
Developer interest payments	-	-	(1,254)	-	-	-	-	-	-	(1,254)
Decrease in bond and note interest payable	-	(2,357)	(9,800)	-	(63,600)	-	-	-	-	(75,757)
Cost of water sold	-	817,558	-	1,841,912	-	-	-	-	-	2,659,470
Current year developer advances interest accrued	-	-	1,105,329	-	-	-	-	-	-	1,105,329
Depreciation	-	-	1,005,641	-	-	368,022	8,568	-	-	1,382,231
Transfers (out)	-	(4,573,802)	(1,932,677)	(2,772,781)	-	-	-	-	-	(9,279,260)
Expenses (GAAP)	<u>229,142</u>	<u>1,319,035</u>	<u>5,755,688</u>	<u>3,376,545</u>	<u>313,218</u>	<u>1,536,106</u>	<u>100,290</u>	<u>12,486</u>	<u>14,506</u>	<u>12,657,016</u>
Change in net position per statement of revenues, expenses and change in net position	<u>\$ (227,616)</u>	<u>\$ 221,469</u>	<u>\$ (299,719)</u>	<u>\$ 1,468,672</u>	<u>\$ (293,343)</u>	<u>\$ (1,114,530)</u>	<u>\$ (100,290)</u>	<u>\$ (12,486)</u>	<u>\$ (14,506)</u>	<u>\$ (372,349)</u>

UNITED WATER & SANITATION DISTRICT
BALANCE SHEET SCHEDULE
GOVERNMENTAL FUNDS
December 31, 2019

	General Operations	Debt Service and Improvements Fund	United Water Acquisition Project	South Adams Project	Lupton Lakes Water Storage Project	ACWWA	Milliken Reservoir Project	Serfer Pit Project	Highlands Reservoir Project	Total Governmental Funds
ASSETS										
Cash and cash equivalents - restricted	\$ -	\$ 4,173,471	\$ 1,380,045	\$ 2,170,018	\$ 466,926	\$ 2,497,890	\$ -	\$ -	\$ -	\$ 10,688,350
Cash and cash equivalents - unrestricted	63,194	-	2,698,211	-	-	43,169	4,236	-	19,266	2,828,076
Prepaid expenditures	1,237	-	-	-	-	-	-	-	-	1,237
Accounts receivable	-	-	135,938	-	-	115,686	-	-	-	251,624
Interest receivable	-	-	78,682	-	-	-	-	-	-	78,682
Total assets	\$ 64,431	\$ 4,173,471	\$ 4,292,876	\$ 2,170,018	\$ 466,926	\$ 2,656,745	\$ 4,236	\$ -	\$ 19,266	\$ 13,847,969
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts and retainage payable	\$ 64,431	\$ -	\$ 807,950	\$ -	\$ -	\$ 158,855	\$ 4,236	\$ -	\$ 19,266	\$ 1,054,738
Total liabilities	64,431	-	807,950	-	-	158,855	4,236	-	19,266	1,054,738
FUND BALANCES										
Nonspendable										
Prepaid expenditures	1,237	-	-	-	-	-	-	-	-	1,237
Restricted										
Debt service	-	3,656,166	1,380,045	2,170,018	466,926	-	-	-	-	7,673,155
Capital improvements	-	517,305	-	-	-	2,497,890	-	-	-	3,015,195
Assigned										
Capital improvements	-	-	2,104,881	-	-	-	-	-	-	2,104,881
Unassigned	(1,237)	-	-	-	-	-	-	-	-	(1,237)
Total fund balances	-	4,173,471	3,484,926	2,170,018	466,926	2,497,890	-	-	-	12,793,231
TOTAL LIABILITIES AND FUND BALANCES	\$ 64,431	\$ 4,173,471	\$ 4,292,876	\$ 2,170,018	\$ 466,926	\$ 2,656,745	\$ 4,236	\$ -	\$ 19,266	

Amounts reported for governmental activities in the statement of net position are difference because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	98,764,282
Long-term receivables used in governmental activities are not financial resources and, therefore, are not reported in the funds	7,061,063
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Long-term obligations	(54,570,515)
Accrued interest on long-term obligations	(140,728)
Net position of business-type activities	\$ 63,907,333