

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**Weld and Adams Counties, Colorado**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	1
Statement of Revenues, Expenses and Change in Net Position.....	2
Statement of Cash Flows .....	3
Notes to Financial Statements.....	4
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis).....	16
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, - Expenses and Change in Net Position .....	17



## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Weld Adams Water Development Authority (Authority) as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weld Adams Water Development Authority, as of December 31, 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 Authority's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
September 29, 2020

## **BASIC FINANCIAL STATEMENTS**

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - restricted	\$ 1,646,325
Cash and cash equivalents - unrestricted	556,558
Interest receivable	25,849
Due from other governments	154,337
Prepaid expenditures	212,384
Total current assets	2,595,453

**NONCURRENT ASSETS**

Note receivable	8,500,000
Capital assets not being depreciated	30,121,373
Capital assets, net of accumulated depreciation	111,337
Total capital assets, net	30,232,710

Total assets	41,328,163
--------------	------------

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	27,927
Accounts and retainage payable from restricted assets	614,484
Total current liabilities	642,411

Total liabilities	642,411
-------------------	---------

**NET POSITION**

Net investment in capital assets	30,232,710
Restricted	1,031,841
Unrestricted	9,421,201
Total net position	\$ 40,685,752

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGE IN NET POSITION**  
**Year Ended December 31, 2019**

<b>REVENUES</b>	
Water lease	\$ 114,775
Miscellaneous	10,686
Total revenues	<u>125,461</u>
 <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
Audit	4,500
Depreciation	18,779
District management and accounting	33,260
Engineering and consulting	5,356
Insurance	4,956
Legal	12,111
Miscellaneous	4,406
Repairs and maintenance	32,529
Support services	100,884
Utilities	9,510
Water storage lease	255,000
Total expenditures	<u>481,291</u>
 <b>LOSS FROM OPERATIONS</b>	 <u>(355,830)</u>
 <b>NONOPERATING REVENUES</b>	
Interest	357,987
Intergovernmental agreement revenues - South Beebe	1,225,000
Total nonoperating revenues	<u>1,582,987</u>
 <b>CHANGE IN NET POSITION</b>	 1,227,157
 <b>NET POSITION - BEGINNING OF YEAR</b>	 <u>39,458,595</u>
 <b>NET POSITION - END OF YEAR</b>	 <u>\$ 40,685,752</u>

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Water lease revenue received	\$ 27,813
Payments for general, administrative and operating expenses	(265,629)
Miscellaneous receipts	10,686
Net cash used in operating activities	(227,130)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Interest income	357,987
IGA revenues received - South Beebe	1,225,000
Net cash provided by noncapital financing activities	1,582,987

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(5,453,714)
Net cash used in capital and related financing activities	(5,453,714)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (4,097,857)

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 6,300,740

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 2,202,883

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

Loss from operations	\$ (355,830)
Adjustments to reconcile loss from operations to net cash flows used in operating activities:	
Depreciation expense	18,779
Effect of changes in operating assets and liabilities:	
Prepaid expenditures	244,142
Due from other governments	(126,524)
Accounts payable	(7,697)
Net cash used in operating activities	\$ (227,130)

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Basis of Accounting**

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

**Operating Revenues and Expenses**

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

**Budgets**

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

**Pooled Cash and Investments**

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

**Contributed Capital**

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

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

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

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

Buildings	40 years
Equipment	5-10 years

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying Statement of Net Position as follows:

Statement of Net Position:

Cash and investments - restricted	\$ 1,646,325
Cash and investments - unrestricted	<u>556,558</u>
Total cash and cash equivalents	<u><u>\$ 2,202,883</u></u>

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

Cash deposits	\$ 660,499
Investments	<u>1,542,384</u>
	<u><u>\$ 2,202,883</u></u>

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Restricted Cash**

Restricted cash includes amounts allocated for payment of certain construction contracts under an irrevocable trust agreement.

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2019, the Authority's cash deposits had a bank balance of \$757,498 and carrying balance of \$660,499.

**Investments**

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

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

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

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 1,542,384
Total Investments		<u>\$ 1,542,384</u>

**COLOTRUST**

During 2019, the Authority invested in COLOTRUST, which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. As of December 31, 2019, the Authority had \$1,542,384 invested in COLOTRUST PLUS+ in the name of the Authority.

**Investment Valuation**

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

**NOTE 4 - CAPITAL ASSETS**

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

	<b>Balance at 12/31/2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 12/31/2019</b>
Capital assets not being depreciated:				
Land/easements	\$ 3,346,129	\$ -	\$ -	\$ 3,346,129
Construction in process	21,166,684	5,608,560	-	26,775,244
Total capital assets not being depreciated	<u>24,512,813</u>	<u>5,608,560</u>	<u>-</u>	<u>30,121,373</u>
Capital assets being depreciated:				
Buildings	36,294	-	-	36,294
Equipment	29,494	68,725	-	98,219
Total capital assets being depreciated	<u>65,788</u>	<u>68,725</u>	<u>-</u>	<u>134,513</u>
Less accumulated depreciation	<u>4,397</u>	<u>18,779</u>	<u>-</u>	<u>23,176</u>
Capital assets, net	<u>\$ 24,574,204</u>	<u>\$ 5,658,506</u>	<u>\$ -</u>	<u>\$ 30,232,710</u>

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 5 – LONG TERM RECEIVABLE**

**Promissory Note**

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

The promissory note bears interest at the rate of three percent (3%) simple interest per annum. Accrued interest on the note is payable on the first anniversary of the date of the note and on each anniversary thereafter on the unpaid principal balance as of that date. The full principal sum remaining due and all accrued and unpaid interest is due and payable in full on the maturity date of November 24, 2045. The note is secured by a deed of trust that grants certain real estate in Weld County, Colorado owned by United Milliken to the public trustee of Weld County, and together with certain provisions as described in the deed of trust, provides for the power of sale of such property for the benefit of the Authority in the event of default under the note. No principal payments were received in 2019.

**NOTE 6 – NET POSITION**

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

Net investment in capital assets consists of capital assets that will be owned by the Authority, net of accumulated depreciation. As of December 31, 2019, the Authority had a net investment in capital assets in the amount of \$30,232,710.

Restricted net position includes amounts that are restricted for payment of certain construction contracts under an irrevocable trust agreement. The Authority had a restricted net position of \$1,031,841 as of December 31, 2019.

As of December 31, 2019, the Authority had an unrestricted net position of \$9,421,201.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

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

During 2019, the Authority incurred \$100,884 for construction support services which were paid to a vendor associated with United Milliken and 70 Ranch, which includes \$5,359 of accounts payable to the vendor as of December 31, 2019.

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 7 – RELATED PARTY TRANSACTIONS (CONTINUED)**

**Long Term Water Storage Lease Agreement**

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

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

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

**Water Lease Agreement**

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

**NOTE 8 – INTERGOVERNMENTAL AGREEMENTS**

**Funding and Construction Agreement**

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

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

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

**Operating and Maintenance Agreement**

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

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

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

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Assignment and Assumption of District Obligations and Transfer of Funds**

As discussed in Note 1, on September 6, 2017, United and South Beebe created WAWDA. Under the establishing contract, the Districts agreed to provide initial contributions of certain assets to the Authority and to provide future contributions as agreed upon based on project funding needs. For the year ended December 31, 2019, the Authority received \$1,225,000 from South Beebe in accordance with the establishing contract. In accordance with the first amendment to the establishing contract dated September 20, 2018, United agreed to transfer to the Authority certain ECCV Water Activity Enterprise Subordinate Water Revenue Exchange Bonds, Series 2004, dated May 6, 2004, in the approximate amount of \$5,000,000 within thirty days after the full defeasance of United's Revenue Refunding Bonds, Series 2012 (Series 2012 Bonds). In the alternative, United may make one or more transfers to the Authority in the aggregate amount of \$5,000,000 as funds become available prior to the defeasance of the Series 2012 Bonds. The Series 2012 Bonds were refunded 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 Series 2012 Bonds is now applicable to the new debt.

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

**Consolidated Infrastructure Agreement**

On November 28, 2018, the Authority, United, ECCV and ACWWA entered into a Consolidated Infrastructure Agreement (CIA). The Authority and United 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.

The Authority and United 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. The Authority or United will be reimbursed for its pro-rata share of such costs as outlined in the CIA.

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 9 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the Authority may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The Authority is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members.

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

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's management believes a significant portion of its operations qualifies for this exclusion.

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

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

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

**NOTE 11 - COMMITMENTS**

The Authority had unexpended construction related commitments of \$43,465 as of December 31, 2019.

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 12 – SUBSEQUENT EVENTS**

On June 23, 2020, the Authority, United and South Beebe approved a Second Amended and Restated Weld Adams Water Development Establishing Contract (Second Amended Contract) for the purpose of adding Platte River Metropolitan District (Platte River) as a party to the Second Amended Contract. Under the terms of the Second Amended Contract, United, South Beebe and Platte River (collectively, the Districts) each shall appoint a director and such appointee may be a director of each district, or may be an engineer, water attorney, manager, accountant or other consultant of each district. An additional two directors are appointed by joint resolution of the Districts. Each director appointed by joint resolution may be a director of any of the Districts or may be an engineer, water attorney, manager, accountant or other consultant of any of the Districts.

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

## **SUPPLEMENTAL INFORMATION**

**WELD ADAMS WATER DEVELOPMENT AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2019**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>			
Water lease	\$ -	\$ 114,775	114,775
Intergovernmental agreement revenues - South Beebe	6,900,000	1,225,000	(5,675,000)
Interest	330,000	357,987	27,987
Miscellaneous	1,000	10,686	9,686
<b>Total revenues</b>	<u>7,231,000</u>	<u>1,708,448</u>	<u>(5,522,552)</u>
<b>EXPENDITURES</b>			
<u>General</u>			
Audit	10,000	4,500	5,500
District management and accounting	25,000	33,260	(8,260)
Engineering and consulting	15,000	5,356	9,644
Insurance	7,500	4,956	2,544
Legal	150,000	12,111	137,889
Miscellaneous	5,000	4,406	594
Repairs and maintenance	50,000	32,529	17,471
Support services	175,000	100,884	74,116
Utilities	30,000	9,510	20,490
Water storage lease	255,000	255,000	-
<u>Capital outlay</u>			
Engineering and consulting	200,000	278,243	(78,243)
Equipment	50,000	68,725	(18,725)
Water storage	900,000	-	900,000
70 Ranch reservoir and pump station	4,000,000	5,330,317	(1,330,317)
Capital projects	10,366,000	-	10,366,000
<b>Total expenditures</b>	<u>16,238,500</u>	<u>6,139,797</u>	<u>10,098,703</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,007,500)	(4,431,349)	4,576,151
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>9,141,505</u>	<u>6,384,391</u>	<u>(2,757,114)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 134,005</u>	<u>\$ 1,953,042</u>	<u>\$ 1,819,037</u>
		Current assets	\$ 2,595,453
		Current liabilities	(642,411)
			<u>\$ 1,953,042</u>

**WELD ADAMS WATER DEVELOPMENT AUTHORITY  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
Year Ended December 31, 2019**

Revenues (budgetary basis)	\$ 1,708,448
Total revenues per Statement of Revenues, Expenses and Change in Fund Net Position	1,708,448
Expenditures (budgetary basis)	6,139,797
Depreciation	18,779
Capital outlay	(5,677,285)
Total expenses per Statement of Revenues, Expenses and Change in Fund Net Position	481,291
Change in net position	\$ 1,227,157