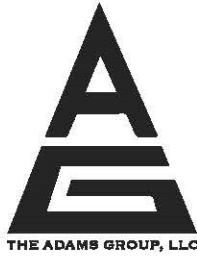


UNITED WATER & SANITATION DISTRICT
Elbert County, Colorado

FINANCIAL STATEMENTS
December 31, 2020

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT.....	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	3
Statement of Revenues, Expenses and Change in Net Position.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget to Actual Budgetary Basis (Combined).....	29
Reconciliation of Budgetary Basis Actual to Statement of Revenues, Expenses and Change in Net Position.....	31



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Water and Sanitation District (the District) as of and for the year ended December 31, 2020, 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 opinions 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 opinions.

Opinions

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, 2020, and the changes in financial position and its cash flows for the year 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 & Analysis that 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 supplementary 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

February 8, 2022
Denver, Colorado

BASIC FINANCIAL STATEMENTS

UNITED WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$	4,723,448
Cash and cash equivalents - restricted		21,141,535
Prepaid items		79,440
Accounts receivable		171,922
Interest receivable		48,631
Total current assets		26,164,976

CAPITAL ASSETS

Capital assets, not being depreciated		51,450,322
Capital assets, being depreciated, net		48,565,239
Total capital assets		100,015,561

OTHER ASSETS

Long-term receivable - Phase I		4,585,063
Long-term receivable - Phase II		4,824,419
Total other assets		9,409,482
TOTAL ASSETS	\$	135,590,019

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts and retainage payable	\$	1,725,825
Accrued interest payable - bonds and notes		64,514
Total current liabilities		1,790,339

LONG-TERM LIABILITIES

Unearned revenue - Phase II		4,824,419
Notes payable		
Due within one year		1,276,513
Due in more than one year		27,268,879
Developer advances, due in more than on year		18,189,596
Accrued interest payable - developer advances		19,226,584
Total long-term liabilities		70,785,991
TOTAL LIABILITIES		72,576,330

NET POSITION

Net investment in capital assets		79,602,977
Restricted		6,535,102
Unrestricted		(23,124,390)
Total net position		63,013,689
TOTAL LIABILITIES AND NET POSITION	\$	135,590,019

UNITED WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended December 31, 2020

WATER OPERATIONS

Revenues	
Water sales	\$ 6,945,831
Option payment	1,784,000
Water certificates sales	2,027,446
Operations	1,324,916
Miscellaneous	159,614
Total revenues	<u>12,241,807</u>
Direct expenses	
Appraisals	7,500
Cost of water rights sold	2,671,713
Depreciation and amortization	1,464,706
District management and accounting	166,949
Engineering and consulting	702,545
Insurance and bonds	67,260
Legal	1,294,828
Licenses and fees	60,793
Miscellaneous	95,397
On-site maintenance	79,200
FRICO payment - water shares	6,680,423
Repairs and maintenance	254,348
Support services	714,852
Systems operation and maintenance	647,037
Water assessment fees and well permits	89,811
Utilities	312,534
Total direct expenses	<u>15,309,896</u>
Loss from water operations	<u>(3,068,089)</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Audit	13,750
Directors' fees	3,900
District management and accounting	64,724
Dues and subscriptions	555
Insurance and bonds	6,247
Legal	4,427
Miscellaneous	7,693
Support services	33,562
Total general and administrative expenses	<u>134,858</u>

LOSS FROM OPERATIONS (3,202,947)

NONOPERATING REVENUES (EXPENSES)

IGA revenue	4,176,676
Interest income	686,059
Settlement expense	(390,000)
Interest expense - developer advances	(1,146,685)
Interest expense - bonds and notes	(865,660)
Cost of issuance	(134,500)
Paying agent fees	(16,587)
Total nonoperating revenues (expenses)	<u>2,309,303</u>

CHANGE IN NET POSITION (893,644)

NET POSITION - BEGINNING OF YEAR 63,907,333
NET POSITION - END OF YEAR \$ 63,013,689

UNITED WATER & SANITATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Sale of water rights	\$ 10,757,277
Operations charges received	1,404,617
Miscellaneous receipts	44,839
Payment for general, administrative and operating expenses	<u>(11,386,537)</u>
Net cash provided by operating activities	<u>820,196</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

IGA revenue received	4,176,676
Settlement agreement	<u>(390,000)</u>
Net cash provided by noncapital financing activities	<u>3,786,676</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from developer advances	390,000
Proceeds from bonds and notes	17,950,000
ECCV payment - Phase I received	2,476,000
Purchase of capital assets	(4,601,836)
Principal paid on developer advances	(500,000)
Principal paid on capital debt	(7,595,628)
Interest and other related costs paid on capital debt	<u>(1,092,961)</u>
Net cash provided by capital and related financing activities	<u>7,025,575</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>716,110</u>
Net cash provided by investing activities	<u>716,110</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 12,348,557

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 13,516,426

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 25,864,983

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

Loss on operations	\$ (3,202,947)
Adjustments to income from operations to net cash flows provided by operating activities:	
Depreciation and amortization expense	1,464,706
(Increase) decrease in accounts receivable	79,701
(Increase) decrease in prepaid items	(78,202)
Increase (decrease) in accounts payable	(114,775)
Cost of water rights sold	<u>2,671,713</u>
Net cash provided by operating activities	<u>\$ 820,196</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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. See additional information related to the 2020 amended budget in Note 2.

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 THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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 THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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.

As outlined in Note 1, the District's original budget for 2020 had several water activity enterprise funds. During 2020, the District amended the budget and consolidated all water activity enterprise activities into a single general operation fund. As a result, the District's budget schedule presents a combined presentation of all activities of the District as of December 31, 2020.

For the year ended December 31, 2020, supplementary appropriations approved by the Board of Directors modified the appropriation from \$20,185,647 to \$29,000,000.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 THE FINANCIAL STATEMENTS
 Year Ended December 31, 2020

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.

Restricted Funds

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first, followed by unrestricted.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents - unrestricted	\$ 4,723,448
Cash and cash equivalents - restricted	21,141,535
Total cash and cash equivalents	\$ 25,864,983

Cash deposits	\$ 16,153,188
Investments	9,711,795
Total	\$ 25,864,983

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 THE FINANCIAL STATEMENTS
 Year Ended December 31, 2020

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

At December 31, 2020, the District’s cash deposits had a bank balance of \$16,424,258 and a carrying balance of \$16,153,188.

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 Local Government Liquid Asset Trust (Colotrust), is rated AAAm by S&P Global. The Federated Government Obligations Fund is rated AAAm by S&P Global and AAA-mf by Moody’s.

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Value</u>	<u>S&P Rating</u>
ColoTrust	\$ 9,245,615	AAAm
Federated Government Obligations Fund	466,180	AAAm
	<u>\$ 9,711,795</u>	

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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.

Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$9,245,615 invested in COLOTRUST. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Federated Government Obligations Fund

As of December 31, 2020, the District had invested \$466,180 in the Federated Hermes Government Obligations Fund. The Fund invests primarily in short-term U.S. Treasury and government securities, and repurchase agreements collateralized by U.S. Treasury and government agency securities for a higher yield potential. The Fund complies with Rule 2a-7 definition of a government money market fund. The Fund is rated AAAM by Standard & Poor’s and has a weighted average maturity of less than 60 days. The Fund is measured at amortized cost. Under this valuation method, no additional disclosures are required.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Restricted Cash and Investments

Cash and investments are reflected as restricted on the statement of net position as follows:

Cash and cash equivalents - restricted	
Bond, note reserves and bond debt service	\$ 6,598,954
Capital additions and improvements	14,542,581
Total cash and cash equivalents - restricted	<u>\$ 21,141,535</u>

Cash and investments are restricted for the following purposes:

- Cash and investments in the amount of \$1,795,000 at December 31, 2020, are restricted for reserve funds on the District's outstanding bond and note obligations.
- Cash and investments in the amount of \$4,803,954 at December 31, 2020, are restricted for payment of debt service on the District's outstanding bond and note obligations.
- Cash and investments in the amount of \$14,542,581 at December 31, 2020, are restricted for the payment of various capital additions and improvement costs.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 4 – CAPITAL ASSETS AND WATER RIGHTS

Analysis of changes in capital assets for the year ended December 31, 2020 follows:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Capital assets, not being depreciated				
CIP				
Water acquisition projects	\$ 5,650,210	\$ 4,832,051	\$ (3,308,943)	\$ 7,173,318
Milliken water project	237,742	299,609	-	537,351
Serfer Pit project	54,015	-	-	54,015
Highlands water project	636,989	201,734	-	838,723
Land	2,894,525	-	-	2,894,525
Water rights'	33,595,585	-	(1,719,118)	31,876,467
Water resource credit certificates	7,226,980	-	(952,595)	6,274,385
Water storage	1,801,538	-	-	1,801,538
Total capital assets, not being depreciated	<u>52,097,584</u>	<u>5,333,394</u>	<u>(5,980,656)</u>	<u>51,450,322</u>
Capital assets, being depreciated				
Water acquisition projects	45,315,271	3,308,943	-	48,624,214
Streets and roads	8,455	-	-	8,455
Leasehold improvements	166,727	-	-	166,727
Vehicles and equipment	752,723	54,304	-	807,027
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 capital assets, being depreciated	<u>59,078,523</u>	<u>3,363,247</u>	<u>-</u>	<u>62,441,770</u>
Less accumulated depreciation				
Water acquisition projects	(7,442,677)	(921,373)	-	(8,364,050)
Streets and roads	(2,766)	(211)	-	(2,977)
Leasehold improvements	(62,041)	(4,168)	-	(66,209)
Vehicles and equipment	(235,475)	(73,878)	-	(309,353)
Well pivot	(31,640)	(2,360)	-	(34,000)
Flumes	(104,664)	(29,904)	-	(134,568)
Brannan Pit pumps	(132,492)	(37,855)	-	(170,347)
Monitoring and vac systems	(54,793)	(6,872)	-	(61,665)
Pipelines	(1,820,800)	(113,800)	-	(1,934,600)
Water lines	(1,443,790)	(144,379)	-	(1,588,169)
Reservoir improvements	(46,000)	(4,600)	-	(50,600)
Water wells	(1,034,687)	(125,306)	-	(1,159,993)
Total accumulated depreciation	<u>(12,411,825)</u>	<u>(1,464,706)</u>	<u>-</u>	<u>(13,876,531)</u>
Total capital assets, being depreciated, net	<u>46,666,698</u>	<u>1,898,541</u>	<u>-</u>	<u>48,565,239</u>
Total capital assets	<u>\$ 98,764,282</u>	<u>\$ 7,231,935</u>	<u>\$ (5,980,656)</u>	<u>\$ 100,015,561</u>

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 5 – LONG-TERM RECEIVABLES

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 THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 5 – LONG-TERM RECEIVABLES (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, 2020, the outstanding amount of these bonds was \$4,585,063 which is reflected as long-term receivable - Phase I on the Statement of Net Position. During the year ended December 31, 2020, the District received principal and interest payments of \$2,476,000 and \$352,834, 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, 2020, the outstanding amount under this agreement was \$4,824,419 which is reflected as long-term receivable - Phase II and unearned revenue – Phase II on the Statement of Net Position. During the year ended December 31, 2020, the District received principal and interest payments of \$4,176,676 and \$288,035, respectively.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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, 2020:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020	Due Within One Year
Direct Placement Loans / Advances:					
United District Water Providers	\$ 12,375,000	\$ -	\$ 500,000	\$ 11,875,000	\$ -
Bromley District Water Providers	1,321,765	-	-	1,321,765	-
Farmers Reservoir and Irrigation Company	1,000,000	-	-	1,000,000	-
Englewood Exchange Services	202,700	-	-	202,700	-
Red Tierra Equities, LLC.	2,400,000	-	-	2,400,000	-
CAW Equities, LLC.	1,000,131	-	-	1,000,131	-
Chambers	-	390,000	-	390,000	-
Accrued interest on advances	18,079,899	1,146,685	-	19,226,584	-
Direct Borrowing:					
Series 2017 Water Certificate Refunding and Improvement Revenue Note	11,607,020	-	1,011,628	10,595,392	623,000
Series 2020 Refunding and Improvement Revenue Note	-	17,950,000	-	17,950,000	653,513
Revenue Bonds:					
Series 2006 Revenue Bonds - Lupton Lakes	4,595,000	-	4,595,000	-	-
Series 2012 Revenue Refunding Bonds - ECCV	1,989,000	-	1,989,000	-	-
Total long-term obligations	<u>\$ 54,570,515</u>	<u>\$ 19,486,685</u>	<u>\$ 8,095,628</u>	<u>\$ 65,961,572</u>	<u>\$ 1,276,513</u>

Advance and Reimbursement Agreements

United District Water Providers, LLC, Bromley District Water Providers, LLC, Englewood Exchange Services, Ltd., Red Tierra Equities, LLC, CAW Equities, LLC and Chambers 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 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.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2020, the outstanding advances under the 2003 agreement were \$6,508,000, in addition to \$10,722,426 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, 2020, the outstanding advances under the 2004 agreement were \$5,367,000, in addition to \$5,348,179 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, 2020, outstanding advances under the 2003 agreement totaled \$1,321,765, in addition to accrued interest of \$1,326,229.

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, together with interest at a rate of 3% per annum.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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 by 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, 2020, the outstanding advance under the 2004 agreement was \$1,000,000, in addition to \$487,644 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, 2020, outstanding advances totaled \$202,700, in addition to accrued interest of \$306,830.

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.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2020, outstanding advances totaled \$2,400,000, in addition to accrued interest of \$840,921.

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, 2020, outstanding advances totaled \$675,000, in addition to accrued interest of \$167,952.

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.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2020, outstanding advances totaled \$325,131.

Advance and Reimbursement Agreements – Chambers Reservoir Equities, L.L.C.

On January 13, 2020, Chambers Reservoir Equities, L.L.C. (Chambers), entered into an advance and reimbursement agreement in connection with the Settlement Agreement, in which the District agreed to Pay Arapahoe County Waste Water Authority (ACWWA) \$390,000 as an adjustment of financial contributions from ACWWA in connection with the construction of Chambers Reservoir. The District shall reimburse Chambers for the principal amount of the Advance, together with interest at a rate of 7% per annum, compounding annually. The District shall make payments 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 and expenses of the District. As of December 31, 2020, the outstanding advance totaled \$390,000, in addition to accrued interest of \$26,042.

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.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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>
2021	\$ 623,000	\$ 457,827	\$ 1,080,827
2022	700,000	432,019	1,132,019
2023	782,500	403,055	1,185,555
2024	870,500	370,725	1,241,225
2025	965,500	334,786	1,300,286
2026 - 2027	<u>6,653,892</u>	<u>426,321</u>	<u>7,080,213</u>
Total	<u>\$ 10,595,392</u>	<u>\$ 2,424,733</u>	<u>\$ 13,020,125</u>

Series 2020, Refunding and Improvement Revenue Note

On June 1, 2020, the District issued \$17,950,000, Series 2020 Refunding and Improvement Revenue 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 Series 2020 Revenue notes were issued for purposes of (a) refunding the Series 2004A Revenue Refunding and Improvement Bonds currently outstanding in the principal amount of \$1,989,000; (b) funding capital projects for the System; (c) establishing a debt service reserve; and (d) pay the issuance costs of the 2020 Note.

The Series 2020 Note is payable from pledged revenues which consist of (a) amounts received from ECCV by the District pursuant to the Tap Fee Agreement; (b) amounts received by the District as owner of a portion of Subordinate Bonds; and (c) any other legally available moneys of the District.

Significant events of default under the 2020 Note include (i) failure to pay when due any principal of and/or interest on the loan; (ii) failure to collect the Pledged Revenue or to apply the Pledged Revenue or deposit the Pledge Revenue as required by the agreement or the custodial agreement; (iii) failure to meet financial or custodial agreement covenants; (iv) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the 2020 Note agreement; (v) qualified audit opinion with respect to the District’s status as going concern; (vi) judgements against the District or proceedings to dissolve the District or consolidate the District where the District would cease to exist.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Immediately upon the occurrence of an event of default all amounts constituting collateral will be applied to (i) the unpaid principal of the 2020 Note; (ii) interest accrued and unpaid thereon; and (iii) all other amounts owed or payable to the lender.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the 2020 Note:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 653,513	\$ 683,782	\$ 1,337,295
2022	632,438	658,835	1,291,273
2023	656,977	633,820	1,290,797
2024	682,468	607,834	1,290,302
2025	708,947	580,841	1,289,788
2026 - 2027	14,615,657	822,058	15,437,715
Total	<u>\$ 17,950,000</u>	<u>\$ 3,987,170</u>	<u>\$ 21,937,170</u>

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. As of December 31, 2021, the Series 2006 Revenue Bonds have been paid in full and have an outstanding principal balance of \$0. All accrued interest has been paid as of December 31, 2020.

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. During 2020, the Series 2021 Bonds were refunded by way of the Series 2020 Revenue and Improvement Notes. As of December 31, 2020, the outstanding balance of the Series 2012 bonds is \$0 and all interest accrued on the bonds has been paid.

UNITED WATER & SANITATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended December 31, 2020

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2020, 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	<u>340,000,000</u>
	<u>\$ 680,000,000</u>

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, 2020, the District had a net investment in capital assets in the amount of \$79,602,977 calculated as follows:

Net investment in capital assets:	
Capital assets, net	\$ 100,015,561
Capital related portion of debt	<u>(20,412,584)</u>
	<u>\$ 79,602,977</u>

As of December 31, 2020, the District had restricted net position of \$6,535,102. This balance consists of cash and investments that are restricted for purposes of debt service and capital improvements.

As of December 31, 2020, the District had a deficit unrestricted net position of \$23,124,390. This deficit amount is primarily the result of expenditures being in excess of the revenues available and assets that are restricted for purposes of debt service and capital improvements as previously outlined. This deficit is expected to be eliminated by anticipated decreases in direct expenses from water sales and intergovernmental expenditures.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

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 – 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).

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
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 9 – INTERGOVERNMENTAL AGREEMENTS

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, 2020, 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-rate share of such costs as outlined in the CIA.

NOTE 10 – 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

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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 11 – 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.

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 12 – WATER COURT CASES

Under Colorado law, any change of water rights is adjudicated through a specialized District Water Court. During 2020, 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.

UNITED WATER & SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2020

NOTE 12 – WATER COURT CASES (CONTINUED)

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 13 – SUBSEQUENT EVENTS

On August 19, 2021, the District, acting by and through its Bijou Agricultural Water Activity Enterprise, issued a Water Infrastructure Revenue Note Series 2021A in the aggregate principal amount of \$10,000,000, for the purpose of financing the acquisition of certain real property. The notes are pledged by fees collected by the Enterprise and revenues derived by the Enterprise from the sale, lease, or conveyance of augmentation credits.

On September 1, 2021, the District issued \$7,250,000 Water Refunding Revenue Note, Series 2021A and \$3,000,000 Taxable Water Refunding Revenue Note, Series 2021B. The notes were issued for the purpose of: (a) current refunding a portion of the Water Activity Enterprise Water Infrastructure Revenue Note, Series 2021A; (b) further current refunding a portion of the Infrastructure Note or repayment of the series 2021B Note; (c) establishing a debt service reserve; and (d) paying costs of issuance. Principal on the 2021 Revenue Note is payable annually on December 1, beginning in 2021 and interest is payable semi-annually on June 1 and December 1, beginning December 1, 2021 with a maturity date of September 30, 2031. The Series 2021A Note has a fixed interest rate of 3.96% per annum, and the Series 2021B Note bears interest at the Taxable Rate, with a default rate of 4.00%.

SUPPLEMENTARY INFORMATION

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL – BUDGETARY BASIS
Year Ended December 31, 2020

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Water sales	\$ 3,000,000	\$ 3,000,000	\$ 6,945,831	\$ 3,945,831
Option payment	1,850,000	1,850,000	1,784,000	(66,000)
Water certificates sales	1,400,000	1,400,000	2,027,446	627,446
Operation charges	1,100,000	1,100,000	1,324,916	224,916
ECCV payment - Phase I	1,450,000	1,450,000	2,476,000	1,026,000
ECCV payment - Phase II	2,800,000	2,800,000	4,176,676	1,376,676
Interest	953,000	953,000	686,059	(266,941)
Miscellaneous	62,000	62,000	159,614	97,614
Total revenues	<u>12,615,000</u>	<u>12,615,000</u>	<u>19,580,542</u>	<u>6,965,542</u>
EXPENDITURES				
Current				
Appraisals	-	-	7,500	(7,500)
Audit	13,750	13,750	13,750	-
Directors' fees	5,000	5,000	3,900	1,100
District management and accounting	254,500	254,500	231,673	22,827
Dues and subscriptions	27,500	27,500	555	26,945
Engineering and consulting	375,000	375,000	652,001	(277,001)
Engineering - water court	75,000	75,000	50,544	24,456
Engineering - water engineer	55,000	55,000	-	55,000
Insurance and bonds	66,000	66,000	73,507	(7,507)
Legal	1,198,500	1,198,500	1,299,255	(100,755)
Licenses and fees	27,000	27,000	60,793	(33,793)
Miscellaneous	35,000	35,000	103,090	(68,090)
Repairs and maintenance	403,500	403,500	254,348	149,152
SCADA monitoring	80,000	80,000	138,094	(58,094)
Small tools and equipment	7,500	7,500	-	7,500
Support services	821,000	821,000	748,414	72,586
System operations, repair and maintenance	750,000	750,000	508,943	241,057
Utilities	490,000	490,000	312,534	177,466
Water assessments and expenses	200,000	200,000	89,811	110,189
Water engineer	75,000	75,000	79,200	(4,200)
Water lease	40,000	40,000	-	40,000
Total current	<u>4,999,250</u>	<u>4,999,250</u>	<u>4,627,912</u>	<u>371,338</u>

UNITED WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL – BUDGETARY BASIS
(CONTINUED)
Year Ended December 31, 2020

EXPENDITURES (CONTINUED)

Capital outlay				
Capital projects	5,500,000	5,500,000	5,333,394	166,606
Easements	100,000	100,000	-	100,000
Engineering and consulting	225,000	225,000	-	225,000
Engineering and consulting - water court	125,000	125,000	-	125,000
Equipment	250,000	250,000	54,304	195,696
Legal - water court	525,000	525,000	-	525,000
Licenses and fees	10,000	10,000	-	10,000
Surveying and mapping	95,000	95,000	-	95,000
Water rights	100,000	100,000	-	100,000
Total capital outlay	<u>6,930,000</u>	<u>6,930,000</u>	<u>5,387,698</u>	<u>1,542,302</u>
Debt service				
Developer advance repayments - principal	-	-	500,000	(500,000)
FRICO payment - water shares	1,550,000	1,550,000	6,680,423	(5,130,423)
Bond principal	5,190,000	5,190,000	6,584,000	(1,394,000)
Bond interest	460,700	460,700	214,758	245,942
Note principal	551,500	551,500	1,011,628	(460,128)
Note interest	469,597	469,597	727,116	(257,519)
Settlement agreement	-	-	390,000	(390,000)
Cost of issuance	-	-	134,500	(134,500)
Paying agent fees	34,600	34,600	16,587	18,013
Contingency	-	8,814,353	-	8,814,353
Total debt service	<u>8,256,397</u>	<u>17,070,750</u>	<u>16,259,012</u>	<u>811,738</u>
Total expenditures	<u>20,185,647</u>	<u>29,000,000</u>	<u>26,274,622</u>	<u>2,725,378</u>
EXCESS OF EXPENDITURES OVER REVENUES	(7,570,647)	(16,385,000)	(6,694,080)	9,690,920
OTHER FINANCING SOURCES (USES)				
Developer advances	-	-	390,000	390,000
Bond proceeds	-	-	17,950,000	17,950,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>18,340,000</u>	<u>18,340,000</u>
NET CHANGE IN FUND BALANCE	(7,570,647)	(16,385,000)	11,645,920	28,030,920
FUND BALANCE - BEGINNING OF YEAR	<u>11,504,965</u>	<u>12,793,231</u>	<u>12,793,231</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,934,318</u>	<u>\$ (3,591,769)</u>	<u>\$ 24,439,151</u>	<u>\$ 28,030,920</u>

UNITED WATER & SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS – ACTUAL
TO STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended December 31, 2020

Revenue and other financing sources (budgetary basis)	
Adjustments:	\$ 37,920,542
Developer advances	(390,000)
Bond proceeds	(17,950,000)
ECCV Payment - Phase I	(2,476,000)
Revenues (GAAP)	<u>17,104,542</u>
 Expenditures and other financing uses (budgetary basis)	 26,274,622
Adjustments:	26,274,622
Purchase of capital assets including water rights and storage	(5,387,698)
Bond principal payments	(6,584,000)
Note principal payments	(1,011,628)
Developer advance payments	(500,000)
Developer interest payments	-
Decrease in bonds and notes interest payable	(76,214)
Cost of water sold	2,671,713
Current year developer advances - accrued interest	1,146,685
Depreciation	1,464,706
Expenses (GAAP)	<u>17,998,186</u>
 Change in net position per statement of revenues, expenses and changes in net position	 <u><u>\$ (893,644)</u></u>