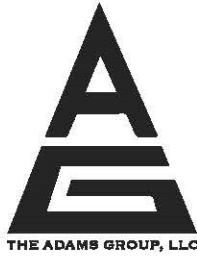


WELD ADAMS WATER DEVELOPMENT AUTHORITY
Weld and Adams Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Weld Adams Water Development Authority (the Authority) as of and for the year ended December 31, 2020 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 respective financial position of the Weld Adams Water Development Authority, as of December 31, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 11 to the financial statements, the Authority determined there to be restatements of prior period balances due to errors noted related to capital assets and accounts receivables in the prior year. These changes resulted in a restatement of prior period net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

October 5, 2021
Denver, Colorado

BASIC FINANCIAL STATEMENTS

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and Investment - unrestricted	\$ 649,653
Cash and Investments - restricted	1,139,021
Interest receivable	25,849
Prepaid expenditures	212,384
Total current assets	2,026,907

NONCURRENT ASSETS

Note receivable	8,500,000
Capital assets not being depreciated	19,664,763
Capital assets, net of accumulated depreciation	10,046,904
Total capital assets, net	29,711,667
Total assets	40,238,574

LIABILITIES

CURRENT LIABILITIES

Accounts payable	8,736
Accounts and retainage payable from restricted assets	217,681
Total current liabilities	226,417
Total liabilities	226,417

NET POSITION

Net investment in capital assets	29,493,986
Restricted	1,139,021
Unrestricted	9,379,150
Total net position	\$ 40,012,157

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, 2020

REVENUES

Total revenues	\$ -
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GENERAL AND ADMINISTRATIVE EXPENSES

Audit	4,500
Depreciation	395,422
Director Fees	2,200
Authority management and accounting	32,420
Engineering and consulting	42,190
Insurance	12,111
Legal	13,305
Miscellaneous	21,033
Repairs and maintenance	313,333
Support services	50,168
Subscriptions and publications	858
Scada	32,020
Surveying and Mapping	4,278
Utilities	44
Water storage lease	255,000
Total expenditures	1,178,882

LOSS FROM OPERATIONS	(1,178,882)
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NONOPERATING REVENUES

Interest	265,801
Intergovernmental agreement revenues - South Beebe	600,000
Total nonoperating revenues	865,801

CHANGE IN NET POSITION	(313,081)
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NET POSITION - BEGINNING OF YEAR - RESTATED	40,325,238
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NET POSITION - END OF YEAR	\$ 40,012,157
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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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for general, administrative and operating expenses	\$ (802,651)
Net cash used in operating activities	<u>(802,651)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interest income	265,801
Collections from Other Governments	39,562
IGA revenues received - South Beebe	<u>600,000</u>
Net cash provided by noncapital financing activities	<u>905,363</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(516,921)</u>
Net cash used in capital and related financing activities	<u>(516,921)</u>

NET DECREASE IN CASH AND INVESTMENTS (414,209)

CASH AND INVESTMENTS - BEGINNING OF YEAR 2,202,883

CASH AND INVESTMENTS - END OF YEAR \$ 1,788,674

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

Loss from operations	\$ (1,178,882)
Adjustments to reconcile loss from operations to net cash flows used in operating activities:	
Depreciation expense	395,422
Effect of changes in operating assets and liabilities:	
Accounts payable	<u>(19,191)</u>
Net cash used in operating activities	<u><u>\$ (802,651)</u></u>

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, 2020

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, 2020

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 acquisition value or the estimated acquisition value of the asset when contributed.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 acquisition value except for those assets that have been contributed, which are recorded at estimated acquisition 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	30-40 years
Equipment	5-15 years

Restricted Funds

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the Authority 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 Statement of Net Position as follows:

Statement of Net Position:

Cash and investments - restricted	\$ 1,139,021
Cash and investments - unrestricted	649,653
Total cash and cash equivalents	\$ 1,788,674

Cash and investments as of December 31, 2020 consist of the following:

Cash deposits	\$ 410,488
Investments	1,378,186
	\$ 1,788,674

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

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, 2020

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, 2020, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 1,378,186
		<u>\$ 1,378,186</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, 2020, the Authority had \$1,378,186 invested in COLOTRUST PLUS+ in the name of the Authority.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investment Valuation

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

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 GASB 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. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 - CAPITAL ASSETS (RESTATED)

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

	Balance at 12/31/2019	Additions	Deletions	Balance at 12/31/2020
Capital assets not being depreciated:				
Land/easements	\$ 3,346,129	\$ -	\$ -	\$ 3,346,129
Land Improvement Reservoir	16,275,790	42,844	-	16,318,634
Total capital assets not being depreciated	<u>19,621,919</u>	<u>42,844</u>	<u>-</u>	<u>19,664,763</u>
Capital assets being depreciated:				
Reservoir	8,200,000			8,200,000
Buildings	2,335,748	77,274	-	2,413,022
Equipment	98,219	-	-	98,219
Total capital assets being depreciated	<u>10,633,967</u>	<u>77,274</u>	<u>-</u>	<u>10,711,241</u>
Total capital assets	30,255,886	120,118	-	30,376,004
Less accumulated depreciation	<u>268,915</u>	<u>395,422</u>	<u>-</u>	<u>664,337</u>
Capital assets, net	<u>\$ 29,986,971</u>	<u>\$ (275,304)</u>	<u>\$ -</u>	<u>\$ 29,711,667</u>

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 2020.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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, 2020, the Authority had a net investment in capital assets in the amount of \$29,493,986.

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 \$1,139,021 as of December 31, 2020.

As of December 31, 2020, the Authority had an unrestricted net position of \$9,379,150.

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 2020, the Authority incurred \$50,168 for construction support services which were paid to a vendor associated with United Milliken and 70 Ranch.

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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 – RELATED PARTY TRANSACTIONS (CONTINUED)

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.

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 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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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.

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, 2020, the Authority received \$600,000 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 East Cherry Creek Valley Water and Sanitation District (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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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 Arapahoe County Water and Wastewater Authority (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.

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Authority has elected to participate in the Colorado Special Districts Property and Liability Pool (the “Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Authority pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the Authority may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 for

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 will require judicial interpretation.

NOTE 11 – Restatement

During the Year Ended December 31, 2020 it was determined that capital assets were placed into service in previous years. As a result of the capital assets being placed into service it was determined that \$245,739 of depreciation should have been recognized in years prior to 2020. Also, during the year ended December 31, 2020, it was determined that the Authority did not collect \$114,775 of water lease revenue which was previously reported. Therefore, the Authority's beginning net position was restated as follows:

Net position as originally reported December 31, 2019	\$40,685,752
Adjustment to reflect receivable not collected by other governmental agency	(114,775)
Adjustment to reflect Depreciation of Capital Assets	<u>(245,739)</u>
Net position as restated December 31, 2019	<u><u>\$40,325,238</u></u>

SUPPLEMENTAL INFORMATION

WELD ADAMS WATER DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2020

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Intergovernmental agreement revenues - South Beebe	\$ 7,000,000	\$ 600,000	\$ (6,400,000)
Interest	305,000	265,801	(39,199)
Miscellaneous	5,000	-	(5,000)
Water lease	35,000	-	(35,000)
Total revenues	<u>7,345,000</u>	<u>865,801</u>	<u>(6,479,199)</u>
EXPENDITURES			
<u>General</u>			
Audit	4,600	4,500	100
Director Fees	-	2,200	(2,200)
Authority management and accounting	40,000	32,420	7,580
Engineering and consulting	25,000	42,190	(17,190)
Insurance	15,000	12,111	2,889
Legal	25,000	13,305	11,695
Miscellaneous	10,000	21,891	(11,891)
Repairs and maintenance	200,000	313,333	(113,333)
Support services	200,000	50,168	149,832
Utilities	10,000	44	9,956
Scada	-	32,020	(32,020)
Surveying and Mapping	-	4,278	(4,278)
Water storage lease	255,000	255,000	-
<u>Capital outlay</u>			
Engineering and consulting	200,000	-	200,000
Equipment	150,000	-	150,000
Water storage	-	-	-
70 Ranch reservoir and pump station	1,500,000	120,118	1,379,882
Capital projects	5,000,000	-	5,000,000
Total expenditures	<u>7,634,600</u>	<u>903,578</u>	<u>6,731,022</u>
NET CHANGE IN NET POSITION	(289,600)	(37,777)	251,823
NET POSITION - BEGINNING OF YEAR	<u>307,391</u>	<u>1,838,267</u>	<u>1,530,876</u>
NET POSITION - END OF YEAR	<u>\$ 17,791</u>	<u>\$ 1,800,490</u>	<u>\$ 1,782,699</u>
		Current assets	\$ 2,026,907
		Current liabilities	(226,417)
			<u>\$ 1,800,490</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, 2020**

Revenues (budgetary basis)	\$	<u>865,801</u>
Total revenues and nonoperating revenues		
Change in Net Position		<u>865,801</u>
Expenditures (budgetary basis)		903,578
Depreciation		395,422
Capital outlay		<u>(120,118)</u>
Total expenses per Statement of Revenues, Expenses and		
Change in Fund Net Position		<u>1,178,882</u>
Change in net position	\$	<u><u>(313,081)</u></u>