

**HEADWATER AUTHORITY OF THE SOUTH
PLATTE**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Years Ended December 31, 2021 and 2020

HEADWATER AUTHORITY OF THE SOUTH PLATTE
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DECEMBER 31, 2021 AND 2020

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Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Headwater Authority of the South Platte

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Headwater Authority of the South Platte, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Headwater Authority of the South Platte, as of December 31, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Headwater Authority of the South Platte and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Headwater Authority of the South Platte's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Headwater Authority of the South Platte's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Headwater Authority of the South Platte's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
March 10, 2022

HEADWATER AUTHORITY OF THE SOUTH PLATTE
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2021

As management of the Head Water Authority of the South Platte (the Authority) we offer readers of the Authority’s annual financial report this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The Authority’s total assets of \$1,967,493 exceeded its liabilities at the close of the most recent fiscal year by \$1,954,532 (*net position*). Of this amount, \$1,733,969 represents unrestricted net position, which may be used to meet the Authority’s ongoing obligations.
- The Authority’s total net position increased during the year by \$915,381.
- Capital assets of \$220,563 consisted of water rights, construction in progress, and a water gauge device.
- Operating revenues increased by \$935,704 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements consist of the following components: (1) Statement of Net Position, (2) Statement of Revenue, Expenses and Changes in Net Position, (3) Statement of Cash Flows, and (4) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Statement of Net Position - This statement reports all financial and capital resources (assets) and obligations (liabilities) and deferred inflows and outflows. The difference between assets and liabilities and deferred inflows and outflows is net position. The statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

Statement of Revenue, Expenses and Changes in Net Position - All revenue and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the Authority’s rates, fees and other charges are adequate to recover expenses.

Statement of Cash Flows – This statement reports all cash receipts and payments summarized by net changes in cash from operating, non-capital financing, capital and related financing, and investing activities.

OVERALL FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. For the year ended December 31, 2021, the Authority's assets exceeded liabilities by \$1,954,532 resulting in a positive net position. The following reflects key financial information in a condensed format:

Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,746,930	\$ 854,585
Capital assets, net	<u>220,563</u>	<u>227,024</u>
Total assets	<u>1,967,493</u>	<u>1,081,609</u>
Liabilities:		
Other liabilities	<u>12,961</u>	<u>42,458</u>
Total liabilities	<u>12,961</u>	<u>42,458</u>
Net position:		
Investment in capital assets	220,563	227,024
Unrestricted	<u>1,733,969</u>	<u>812,127</u>
Total net position	<u>\$ 1,954,532</u>	<u>\$ 1,039,151</u>

Unrestricted net position of the Authority at the end of the year was \$1,733,969, an increase of \$921,842 from the prior year.

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 1,126,593	\$ 190,889
Operating expenses	<u>(211,623)</u>	<u>(277,343)</u>
Operating income (loss)	914,970	(86,454)
Non-operating revenue and expenses, net	<u>411</u>	<u>5,353</u>
Change in net position	915,381	(81,101)
Net position, beginning	<u>1,039,151</u>	<u>1,120,252</u>
Net position, ending	<u>\$ 1,954,532</u>	<u>\$ 1,039,151</u>

BUDGETARY HIGHLIGHTS

The Authority's budget is prepared in accordance with state law. An analysis of budget results in the following observations:

- Water augmentation revenue came in \$947,593 more than anticipated in 2021.
- Operating expenses were \$90,738 less than anticipated in 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of December 31, 2021 and 2020 was \$220,563 and \$227,024, respectively. In 2021 the Authority had one project, the Current Creek Two storage facility, represented by the \$25,673 Construction in Progress balance at year-end. One project, the Deer Creek water gauge device, is carried with the \$11,496 balance in the Equipment category.

Long-Term Debt

The Authority has no long-term debt at December 31, 2021.

ECONOMIC FACTORS AND OUTLOOK

Budgetary Highlights – The increase in revenue over budget is primarily due to two new customers during the year. These customers required significant augmentation for pond evaporation. New customers are difficult to forecast both in the number of customers and in the amount of augmentation water required.

Economic and Environmental Factors – The overall positive economic situation in the state has contributed to growth in the Authority's service area, both commercial and residential. We expect this to continue, which should create additional customers for augmentation water. The Authority is continuing work this year on creating storage vessels, which will allow us to better use the resources available in our augmentation plan 12CW50.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, creditors and other financial users with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, please contact the Authority's operations manager, John Matteson, at 719-466-3908 or John.Matteson@HaspWater.com.

BASIC FINANCIAL STATEMENTS

HEADWATER AUTHORITY OF THE SOUTH PLATTE
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,715,134	\$ 753,953
Receivables	31,796	100,632
Total current assets	1,746,930	854,585
Noncurrent assets:		
Capital assets:		
Water rights	184,160	184,160
Construction in progress	25,673	31,675
Equipment	11,496	11,496
Less: accumulated depreciation	(766)	(307)
Net capital assets	220,563	227,024
Total assets	1,967,493	1,081,609
LIABILITIES		
Current liabilities:		
Accounts payable	12,961	42,458
Total current liabilities	12,961	42,458
NET POSITION		
Investment in capital assets	220,563	227,024
Unrestricted	1,733,969	812,127
Total net position	\$ 1,954,532	\$ 1,039,151

The accompanying notes are an integral part of these financial statements.

HEADWATER AUTHORITY OF THE SOUTH PLATTE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water augmentation	\$ 1,126,593	\$ 190,889
Total operating revenues	<u>1,126,593</u>	<u>190,889</u>
Operating expenses:		
Management	44,856	39,870
Legal	76,596	121,068
Engineering services	64,058	89,288
Other services and charges	25,653	26,810
Depreciation	<u>460</u>	<u>307</u>
Total operating expenses	<u>211,623</u>	<u>277,343</u>
Operating income (loss)	<u>914,970</u>	<u>(86,454)</u>
Nonoperating revenues (expenses):		
Interest income	<u>411</u>	<u>5,353</u>
Change in net position	915,381	(81,101)
Net position - beginning	<u>1,039,151</u>	<u>1,120,252</u>
Net position - ending	<u>\$ 1,954,532</u>	<u>\$ 1,039,151</u>

The accompanying notes are an integral part of these financial statements.

**HEADWATER AUTHORITY OF THE SOUTH PLATTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from water service contracts	\$ 1,195,428	\$ 147,550
Cash payments to vendors	(234,658)	(248,831)
Net cash used by operating activities	960,770	(101,281)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	33,464
Net cash provided (used) by capital and related financing activities	-	33,464
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	411	5,353
Net cash provided by investing activities	411	5,353
Increase (decrease) in cash and cash equivalents	961,181	(62,464)
Cash and cash equivalents, beginning of year	753,953	816,417
Cash and cash equivalents, end of year	\$ 1,715,134	\$ 753,953
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ 914,970	\$ (86,454)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	460	307
Write off prior year construction in progress	6,002	
Change in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	68,835	(43,339)
Increase (decrease) in liabilities:		
Accounts payable	(29,497)	28,205
Total adjustments	45,800	(14,827)
Net Cash Used by Operating Activities	\$ 960,770	\$ (101,281)
Schedule of non-cash investing, capital and financing activities:		
None	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to local governments and promulgated by the Governmental Accounting Standards Board (GASB). A summary of the significant accounting policies used in the preparation of these financial statements follows.

A. REPORTING ENTITY

Headwater Authority of the South Platte (the Authority) is a statutory water authority created by agreement between the Upper South Platte Water Conservancy District (USPWCD) and the Center of Colorado Water Conservancy District (CCWCD) pursuant to Section 29-1-204.2, C.R.S. on March 21, 2007. The Authority operates a water rights enterprise through which it will make augmentation water available for sale to customers throughout the Districts' service areas. The Authority manages three Blanket Augmentation Plans (02CW389, 12CW50, and 03CW19).

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The Authority has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION—FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the non-fiduciary activities of the Authority.

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Authority accounts for all of its activities in a single proprietary – enterprise fund for its activities which are similar to those found in the private sector, where the determination of changes in net position is necessary or useful to sound financial administration. The business type activities of the Authority are all related to providing augmentation water.

**HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. ASSETS, LIABILITIES, AND NET POSITION

Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an economic useful life equal to or greater than one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of equipment is the Authority's only depreciable property. Depreciation is computed using straight-line method over the estimated useful lives as follows:

Equipment	25 years
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When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

The Authority's non-depreciable capital assets consist of water rights. The cost of water rights includes acquisition, legal and engineering costs related to the development and augmentation of these rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of these rights, are expensed.

HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net position flow assumption

The Authority may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

E. REVENUES AND EXPENSES

Operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the fund are water and other contract services. Operating expenses include all expenses incurred to provide contract services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

In accordance with the State Budget Law, 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 with notification. The appropriation can only be modified upon completion of notification and publication requirements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk-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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

As of December 31, 2021 and 2020, the carrying amounts of the Authority’s deposits were \$51,955 and \$49,185, respectively and the bank balances were \$52,647 and \$63,038, respectively. All of the bank balances were covered by FDIC insurance.

Investments

The Authority is authorized by Colorado Statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado, or of any city, county or school district therein.
- Notes or bonds issued to the “National Housing Act”.
- Repurchase agreements.
- Local government investment pools.

**HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Credit Risk. State law limits investments to those described above. The Authority does not have an investment policy that would further limit its investment choices. As of December 31, 2021 all of the Authority's investments were rated AAAM by Standard & Poor's.

Interest Rate Risk. State law limits investments with a maximum maturity date of no more than five years from the date of purchase. The Authority does not have an investment policy that would further limit its investment choices.

At December 31, 2021 the Authority's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust	Less than 60 days	\$ <u>1,663,179</u>

ColoTrust is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal function of ColoTrust. Substantially all securities owned by COLO ColoTrust TRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, The Authority does not categorize investments and ColoTrust because they are not evidenced by securities that exist in physical or book entry form.

Reconciliation of total deposits and investments to the Statement of Net Position at December 31, 2021:

	<u>Unrestricted</u>
Deposits	\$ 51,955
Investments	<u>1,663,179</u>
Total	<u>\$ 1,715,134</u>

HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Water rights	\$ 184,160	\$ -	\$ -	\$ 184,160
Construction in progress	<u>31,675</u>	<u>-</u>	<u>(6,002)</u>	<u>25,673</u>
Total capital assets, not being depreciated	<u>215,835</u>	<u>-</u>	<u>(6,002)</u>	<u>209,833</u>
Capital assets, being depreciated:				
Equipment	<u>11,496</u>	<u>-</u>	<u>-</u>	<u>11,496</u>
Total capital assets, being depreciated	11,496	-	-	11,496
Less accumulated depreciation	<u>(307)</u>	<u>(460)</u>	<u>-</u>	<u>(766)</u>
Total capital assets, being depreciated, net	<u>11,189</u>	<u>(460)</u>	<u>-</u>	<u>10,730</u>
Total capital assets, net	<u>\$ 227,024</u>	<u>\$ (460)</u>	<u>\$ -</u>	<u>\$ 220,563</u>

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Water rights	\$ 184,160	\$ -	\$ -	\$ 184,160
Construction in progress	<u>73,982</u>	<u>42,400</u>	<u>(84,707)</u>	<u>31,675</u>
Total capital assets, not being depreciated	<u>258,142</u>	<u>42,400</u>	<u>(84,707)</u>	<u>215,835</u>
Capital assets, being depreciated:				
Equipment	<u>-</u>	<u>84,707</u>	<u>(73,211)</u>	<u>11,496</u>
Total capital assets, being depreciated	-	84,707	(73,211)	11,496
Less accumulated depreciation	<u>-</u>	<u>(307)</u>	<u>-</u>	<u>(307)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>84,400</u>	<u>(73,211)</u>	<u>11,189</u>
Total capital assets, net	<u>\$ 258,142</u>	<u>\$ 126,800</u>	<u>\$ (157,918)</u>	<u>\$ 227,024</u>

**HEADWATER AUTHORITY OF THE SOUTH PLATTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The Authority carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

Intergovernmental agreement with Center of Colorado Water Conservancy District and Upper South Platte Water Conservancy District

On August 6, 2015, the Authority entered into a reimbursement agreement with Center of Colorado Water Conservancy District (CCWCD) and Upper South Platte Water Conservancy District (USPWCD). Under the agreement, the Authority is able to develop water resources and facilities. The duties of the Authority include the operation of augmentation plans pursued and obtained by CCWCD and USPWCD. To properly operate such augmentation plans utilizing CCWCD's and USPWCD's facilities, the Authority must use CCWCD's and USPWCD's employees or agents. Such use results in expenses incurred by CCWCD and USPWCD. The agreement provides that the Authority will compensate CCWCD and USPWCD for reasonable expenses for such efforts.

Intergovernmental agreement with the Indian Mountain Metropolitan District

On March 26, 2021, the Authority amended and restated the intergovernmental agreement for lease and purchase of augmentation water and for the operation of the Indian Mountain Water Service Program. The new agreement provides for an additional sale of augmentation water from the Authority to the Indian Mountain Metropolitan District (IMMD) and provides the structure by which the IMMD may reallocate previously purchased in-house use only augmentation water to other landowners.

NOTE 7 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10.0% of the annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment. The Authority is of the opinion that it qualifies to this exclusion.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

SUPPLEMENTAL INFORMATION

HEADWATER AUTHORITY OF THE SOUTH PLATTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Beginning fund balance	\$ 812,127	\$ 873,710	\$ (61,583)
Water augmentation	1,126,593	179,000	947,593
Interest income	411	8,000	(7,589)
TOTAL REVENUES	<u>1,939,131</u>	<u>1,060,710</u>	<u>878,421</u>
EXPENDITURES			
Management	44,856	36,000	(8,856)
Legal	76,596	105,000	28,404
Engineering services	58,057	90,000	31,943
Other services and charges	25,653	19,900	(5,753)
Capital outlay	-	45,000	45,000
TOTAL EXPENDITURES	<u>205,162</u>	<u>295,900</u>	<u>90,738</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,733,969	<u><u>\$ 764,810</u></u>	<u><u>\$ 969,159</u></u>
Less:			
Depreciation	(460)		
Beginning fund balance	(812,127)		
Write off of prior year construction in progress	<u>(6,001)</u>		
CHANGE IN NET POSITION	<u><u>\$ 915,381</u></u>		
Ending fund balance is calculated as follows:			
Current assets	\$ 1,746,930		
Current liabilities	<u>(12,961)</u>		
	<u><u>\$ 1,733,969</u></u>		

See the accompanying independent auditors' report.