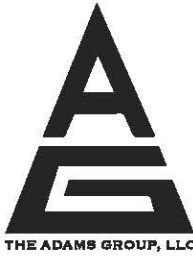


WELD ADAMS WATER DEVELOPMENT AUTHORITY
Weld and Adams Counties, Colorado

BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Weld Adams Water Development Authority (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the Weld Adams Water Development Authority, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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 Authority's ability to continue as going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. 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 GAAS 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 GAAS, 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 Authority'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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

Management has omitted the Management’s Discussion and 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.

Supplementary 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 budgetary comparison schedule 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

Denver, Colorado
April 25, 2022

BASIC FINANCIAL STATEMENTS

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

Assets

Current assets

Cash and cash equivalents - unrestricted	\$	241,236
Cash and cash equivalents - restricted		22,726
Interest receivable		25,849
Prepaid items		239,019
Total current assets		528,830

Noncurrent assets

Note receivable		8,500,000
Capital assets not being depreciated		21,764,763
Capital assets, net of accumulated depreciation		9,651,483
Total noncurrent assets		39,916,246

Total assets		40,445,076
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Liabilities

Current liabilities

Retainage payable		109,201
Total current liabilities		109,201

Total liabilities		109,201
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Net Position

Net investment in capital assets		31,307,045
Restricted		22,726
Unrestricted		9,006,104
Total Net Position	\$	40,335,875

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2021

Revenues

Operating revenues

Miscellaneous	\$ 2,747
Total operating revenues	2,747

General and administrative expenses

Audit	12,400
Depreciation	395,421
District management and accounting	10,310
Engineering and consulting	24,865
Insurance and bonds	12,312
Legal	125,764
Miscellaneous	2,611
Repairs and maintenance	11,693
Support services	55,941
Water storage lease	248,014
Total expenses	899,331

Loss from operations (896,584)

Nonoperating revenues

Intergovernmental revenues	965,000
Interest	255,302
Total nonoperating revenues	1,220,302

Change in net position 323,718

Net position, beginning of year 40,012,157

Net position, end of year \$ 40,335,875

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

<u>Cash flows from operating activities</u>	
Miscellaneous cash receipts	\$ 2,747
Payments for general, administrative, and operating expenses	<u>(647,761)</u>
Net cash used in operating activities	<u>(645,014)</u>
 <u>Cash flows from noncapital financing activities</u>	
Interest income	<u>255,302</u>
Net cash provided by noncapital financing activities	<u>255,302</u>
 <u>Cash flows from capital and related financing activities</u>	
Intergovernmental cash receipts	965,000
Purchase of capital assets	<u>(2,100,000)</u>
Net cash used in capital and related financing activities	<u>(1,135,000)</u>
 Net decrease in cash and cash equivalents	 (1,524,712)
 Cash and cash equivalents, beginning of year	 <u>1,788,674</u>
Cash and cash equivalents, end of year	<u>\$ 263,962</u>
 Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (896,584)
Adjustments to reconcile loss from operations to net cash flows used in operating activities:	
Depreciation expense	395,421
 Effect of changes in operating assets and liabilities:	
Prepaid items	(26,635)
Accounts payable	<u>(117,216)</u>
Net cash used in operating activities	<u>\$ (645,014)</u>

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

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 the definition of operating revenues and expenses, including contributed revenue and intergovernmental revenue, are reported as non-operating revenues and expenses.

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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash Deposits and Investments

The Authority considers cash deposits and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. Investments are reported at fair value.

Contributed Capital

The Authority receives contributions of capital assets from various sources. Capital assets are recorded at the acquisition value or estimated acquisition value of the asset when contributed. During the year ended December 31, 2021, no capital contributions were received by the Authority.

Capital Assets

Capital assets reported by the Authority include land and easements, water rights, land improvements (e.g. pipelines, roads, wells, and similar items), buildings, equipment and vehicles, and reservoir improvements. 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 depreciated. 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:

Reservoir improvements	15 - 30 years
Buildings	30 - 40 years
Equipment	5 - 15 years

Net Position

The financial statements utilize a net position presentation categorized as net investment in capital assets, restricted net position, and unrestricted.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net investment in capital assets – reflects the portion of net position associated with capital assets, less outstanding capital asset related debt. At December 31, 2021, the net investment in capital asset balance was \$31,307,045.

Restricted net position – considered restricted if their use is contained to a particular purpose. Restrictions imposed by external organizations. At December 31, 2021, the restricted net position balance was \$22,726.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources for their specified purposes first, then unrestricted resources as needed.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying statement of net position as follows:

Cash and cash equivalents - unrestricted	\$ 241,236
Cash and cash equivalents - restricted	22,726
Total cash and cash equivalents	<u>\$ 263,962</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 253,517
Investments	10,445
Total cash and investments	<u>\$ 263,962</u>

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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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.

Restricted Cash and Investments

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

At December 31, 2021, the Authority's cash deposits had a bank balance of \$276,702 and a carrying balance of \$253,517.

Investments

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

The Authority generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate 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.

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. 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, 2021

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	<u>\$ 10,445</u>

COLOTRUST

During 2021, the Authority invested in the Colorado Local Government Liquid Asset Trust (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.

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.

However, the Authority's investments are not measured at fair value and therefore are not categorized within the fair value hierarchy. These investments include 2a70like external investment pools. The Authority is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Balances December, 31 2020	Additions	Deletions	Balances December, 31 2021
Capital Assets, not being depreciated				
Land and easements	\$ 3,346,129	\$ 2,100,000	\$ -	\$ 5,446,129
Land Improvements	16,318,634	-	-	16,318,634
Total capital assets, not being depreciated	<u>19,664,763</u>	<u>2,100,000</u>	<u>-</u>	<u>21,764,763</u>
Capital Assets, being depreciated				
Reservoir improvements	8,200,000	-	-	8,200,000
Buildings	2,413,022	-	-	2,413,022
Equipment	98,219	-	-	98,219
Total capital assets, being depreciated	<u>10,711,241</u>	<u>-</u>	<u>-</u>	<u>10,711,241</u>
Less accumulated depreciation	<u>664,337</u>	<u>395,421</u>	<u>-</u>	<u>1,059,758</u>
Total capital assets, net	<u>\$ 29,711,667</u>	<u>\$ 1,704,579</u>	<u>\$ -</u>	<u>\$ 31,416,246</u>

NOTE 5 – LONG-TERM RECEIVABLE

Promissory Note

On November 24, 2015, Platte River Water Development Authority (PRWDA) received \$8,500,000 from United Water and Sanitation District and subsequently loaned the entire amount to United Milliken Reservoir Enterprise, L.L.C. (United Milliken), a related party (see Note 6). The note was transferred to the Authority effective September 26, 2017 (see Note 7).

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – LONG-TERM RECEIVABLE (CONTINUED)

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 2021.

NOTE 6 – 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 2021, the Authority incurred \$55,941 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 7).

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

In conjunction with the Milliken Water Lease, on November 24, 2015, PRWDA entered into an operating and maintenance agreement with United Milliken that set forth the term and conditions upon which the Milliken Reservoir was to be operated and maintained and describes the pro rata sharing of usage of the Milliken Reservoir. The operating and maintenance agreement was transferred to the Authority effective September 26, 2017 (see Note 7). 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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 – RELATED PARTY TRANSACTIONS (CONTINUED)

Water Lease Agreement

In February 2016, PRWDA and United Water and Sanitation, 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 7). 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 7 – 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 Water and Sanitation, 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.

Operating and Maintenance Agreement

On November 24, 2015, PRWDA and United Water and Sanitation 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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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 Water and Sanitation 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, 2021, the Authority received \$965,000 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.

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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Consolidated Infrastructure Agreement

On November 28, 2018, the Authority, United Water and Sanitation, 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 prorate share of such costs as outlined in the CIA.

NOTE 8 – 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, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

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 formula.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 – TAX, SPENDING, AND DEBT LIMITATIONS

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights or “TABOR”). In general, TABOR restricts the ability of the state and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR applies to the state and most local governments, but does not apply to “enterprises,” defined as government owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined. TABOR also does not apply to local governments or other entities which are not within the definition of a “district” in TABOR.

Pursuant to existing case law, it has determined that entities such as the Authority are not “districts” within the meaning of TABOR and therefore TABOR is inapplicable to the Authority. At the Member District Elections, each Member District’s approved election questions authorize such Member District to retain excess revenues which may otherwise be required by TABOR to be refunded to taxpayers. In addition, as required by TABOR, each Member District’s obligations under the Establishment Agreement were approved by the voters of the applicable Member District at the applicable Member District Election.

TABOR is complex and subject to interpretation. Many of the provisions will require judicial interpretation. TABOR also could have an impact on the amount of Intergovernmental Revenue’s the Member Districts transfer to the Authority.

SUPPLEMENTARY INFORMATION

WELD ADAMS WATER DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUNDS AVAILABLE – BUDGET AND ACTUAL – BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Intergovernmental revenues	\$ 1,500,000	\$ 965,000	\$ (535,000)
Interest	300,000	255,302	(44,698)
Miscellaneous	5,000	2,747	(2,253)
Total revenues	<u>1,805,000</u>	<u>1,223,049</u>	<u>(581,951)</u>
<u>Expenditures</u>			
<u>General</u>			
Audit	4,600	12,400	(7,800)
District management and accounting	35,000	10,310	24,690
Engineering and consulting	30,000	24,865	5,135
Insurance and bonds	2,000	12,312	(10,312)
Legal	25,000	125,764	(100,764)
Miscellaneous	5,000	2,611	2,389
Repairs and maintenance	300,000	11,693	288,307
Support services	150,000	55,941	94,059
Utilities	20,000	-	20,000
Water storage lease	255,000	248,014	6,986
<u>Capital outlay</u>			
Engineering and consulting	200,000	-	200,000
Equipment	250,000	-	250,000
70 Ranch reservoir and pump station	1,200,000	2,100,000	(900,000)
Capital projects	500,000	-	500,000
Total expenditures	<u>2,976,600</u>	<u>2,603,910</u>	<u>372,690</u>
Net change in fund balances	<u>\$ (1,171,600)</u>	(1,380,861)	<u>\$ (209,261)</u>
Fund balances - beginning		<u>1,800,490</u>	
Fund balances - ending		<u>\$ 419,629</u>	

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenues (budgetary basis)	\$ 1,223,049
Total revenues per statement of revenues, expenses, and change in net position	1,223,049
Expenditures (budgetary basis)	2,603,910
Depreciation	395,421
Capital outlay	(2,100,000)
Total expenses per statement of revenues, expenses, and change in net position	899,331
Change in net position	\$ 323,718

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