

UNITED WATER & SANITATION DISTRICT  
Elbert County, Colorado

FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinions**

We have audited the accompanying financial statements of each major fund of United Water and Sanitation District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District'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 respective financial position of each major fund of the District, as of December 31, 2023, and the respective changes in financial position and cash flows thereof 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 12 to the financial statements, the District restated beginning balances due to an understatement of accounts receivable and revenues in the prior year. The result was a restatement of the prior period net position for the District Enterprise Fund. Our opinion is not modified with respect to this matter.

### **Basis for Opinions**

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 District 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 opinions.

### **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 District'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 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 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 District'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 District'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 & 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules and

reconciliations are presented for purposes of additional analysis and are 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 schedules and reconciliations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*The Adams Group, LLC*

Greenwood Village, Colorado  
August 13, 2024

## BASIC FINANCIAL STATEMENTS

**UNITED WATER & SANITATION DISTRICT**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**DECEMBER 31, 2023**

	District Enterprise Fund	Bijou Enterprise Fund	Total
<u>Assets</u>			
<u>Current assets</u>			
Cash and investments - unrestricted	\$ 1,748,325	\$ 144,717	\$ 1,893,042
Cash and investments - restricted	8,542,910	1,072,006	9,614,916
Prepaid items	151,911	3,000	154,911
Accounts receivable, net of allowance	1,199,884	95,144	1,295,028
Other receivables	92	-	92
Interest receivable	7,781	-	7,781
Total current assets	<u>11,650,903</u>	<u>1,314,867</u>	<u>12,965,770</u>
<u>Noncurrent assets</u>			
Long-term receivable - Phase I	1,234,846	-	1,234,846
Capital assets not being depreciated	66,871,723	10,000,000	76,871,723
Capital assets, net of accumulated depreciation	60,947,694	-	60,947,694
Total noncurrent assets	<u>129,054,263</u>	<u>10,000,000</u>	<u>139,054,263</u>
Total assets	<u>140,705,166</u>	<u>11,314,867</u>	<u>152,020,033</u>
<u>Liabilities</u>			
<u>Current liabilities</u>			
Accounts and retainage payable	989,229	5,559	994,788
Due to other governments	180,199	-	180,199
Accrued interest payable - bonds and notes	73,439	85,013	158,452
Total current liabilities	<u>1,242,867</u>	<u>90,572</u>	<u>1,333,439</u>
<u>Noncurrent liabilities</u>			
Notes and loans payable			
Due within one year	1,552,968	570,000	2,122,968
Due in more than one year	20,926,472	9,423,394	30,349,866
Developer advances			
Due within one year	3,750,000	-	3,750,000
Due in more than one year	-	1,932,000	1,932,000
Accrued interest payable - developer advances	-	298,655	298,655
Total noncurrent assets	<u>26,229,440</u>	<u>12,224,049</u>	<u>38,453,489</u>
Total liabilities	<u>27,472,307</u>	<u>12,314,621</u>	<u>39,786,928</u>
<u>Net Position</u>			
Net investment in capital assets	101,629,905	7,004,606	108,634,511
Restricted	8,429,543	986,993	9,416,536
Unrestricted	3,173,411	(8,991,353)	(5,817,942)
Total Net Position	<u>\$ 113,232,859</u>	<u>\$ (999,754)</u>	<u>\$ 112,233,105</u>

UNITED WATER & SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION – PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2023

	District Enterprise Fund	Bijou Enterprise Fund	Total
<u>Water operations</u>			
<u>Operating revenues</u>			
Water sales	\$ -	\$ 439,569	\$ 439,569
Water certificate sales	1,681,014	-	1,681,014
Operations	2,747,799	-	2,747,799
Miscellaneous	149,598	-	149,598
Total operating revenues	<u>4,578,411</u>	<u>439,569</u>	<u>5,017,980</u>
<u>Direct expenses</u>			
Depreciation and amortization	1,802,232	-	1,802,232
District management and accounting	1,007,564	5,699	1,013,263
Engineering and consulting	722,903	-	722,903
Insurance and bonds	146,997	-	146,997
Legal	793,815	27,549	821,364
Licenses and fees	5,450	-	5,450
Miscellaneous	151,706	-	151,706
Repairs and maintenance	549,406	844	550,250
Support services	2,346,660	-	2,346,660
Systems operation and maintenance	43,324	-	43,324
Water assessment fees and well permits	23,860	-	23,860
Water certificate sales	680,426	-	680,426
Water lease payments	180,199	-	180,199
Utilities	145,651	-	145,651
Total direct expenses	<u>8,600,193</u>	<u>34,092</u>	<u>8,634,285</u>
Operating income (loss) from water operations	(4,021,782)	405,477	(3,616,305)
<u>General and administrative expenses</u>			
Audit	18,000	-	18,000
Directors' fees	4,629	-	4,629
Dues and subscriptions	7,738	-	7,738
Total general and administrative expenses	<u>30,367</u>	<u>-</u>	<u>30,367</u>
Operating income (loss)	(4,052,149)	405,477	(3,646,672)
<u>Nonoperating revenues (expenses)</u>			
IGA revenue	67,510,544	-	67,510,544
Interest income	1,539,613	23,698	1,563,311
Miscellaneous	577,644	-	577,644
Severance tax	108,272	-	108,272
Loss on disposal	(60,241)	-	(60,241)
Interest expense	(1,346,422)	(577,907)	(1,924,329)
Paying agent fees	(6,000)	(500)	(6,500)
Total nonoperating revenues	<u>68,323,410</u>	<u>(554,709)</u>	<u>67,768,701</u>
Changes in net position	64,271,261	(149,232)	64,122,029
Net position, beginning of year (as restated)	48,961,598	(850,522)	48,111,076
Net position, end of year	<u>\$ 113,232,859</u>	<u>\$ (999,754)</u>	<u>\$ 112,233,105</u>

**UNITED WATER & SANITATION DISTRICT**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2023**

	District Enterprise Fund	Bijou Enterprise Fund	Total
<u>Cash flows from operating activities</u>			
Sale of water rights	\$ 1,681,014	\$ -	\$ 1,681,014
Operation charges received	2,469,551	438,050	2,907,601
Miscellaneous receipts	149,598	-	149,598
Payment for general, administrative and operating expenses	<u>(6,989,577)</u>	<u>(31,533)</u>	<u>(7,021,110)</u>
Net cash provided (used) by operating activities	<u>(2,689,414)</u>	<u>406,517</u>	<u>(2,282,897)</u>
<u>Cash flows from noncapital financing activities</u>			
IGA revenue received	67,619,767	-	67,619,767
Severance tax	<u>108,272</u>	<u>-</u>	<u>108,272</u>
Net cash provided by noncapital financing activities	<u>67,728,039</u>	<u>-</u>	<u>67,728,039</u>
<u>Cash flows from capital and related financing activities</u>			
Proceeds from developer advances	3,750,000	-	3,750,000
ECCV payment - Phase I received	841,421	-	841,421
Payments made on water certificate agreements	(680,426)	-	(680,426)
Purchase of capital assets	(23,622,324)	-	(23,622,324)
Principal paid on developer advances	(44,846,065)	-	(44,846,065)
Principal paid on bonds, notes, and loans	(2,128,495)	(460,000)	(2,588,495)
Interest and other related costs paid on capital debt	<u>(787,745)</u>	<u>(402,268)</u>	<u>(1,190,013)</u>
Net cash used in capital and related financing activities	<u>(67,473,634)</u>	<u>(862,268)</u>	<u>(68,335,902)</u>
<u>Cash flows from investing activities</u>			
Interest received	<u>1,545,140</u>	<u>23,698</u>	<u>1,568,838</u>
Net cash provided by investing activities	<u>1,545,140</u>	<u>23,698</u>	<u>1,568,838</u>
Net increase (decrease) in cash and cash equivalents	(889,869)	(432,053)	(1,321,922)
Cash and investments, beginning of year	11,181,104	1,648,776	12,829,880
Cash and investments, end of year	<u>\$ 10,291,235</u>	<u>\$ 1,216,723</u>	<u>\$ 11,507,958</u>
Reconciliation of loss from operations to net cash used in operating activities:			
Operating income (loss):	\$ (4,052,149)	\$ 405,477	\$ (3,646,672)
Adjustments to reconcile income (loss) from operations to net cash flows provided by operating activities:			
Depreciation and amortization expense	1,802,232	-	1,802,232
(Increase) decrease in accounts receivable	(278,248)	(1,519)	(279,767)
(Increase) decrease in prepaid items	(151,911)	(3,000)	(154,911)
Increase (decrease) in accounts payable	(689,764)	5,559	(684,205)
Cost of water certificates sold	<u>680,426</u>	<u>-</u>	<u>680,426</u>
Net cash provided (used) by operating activities	<u>\$ (2,689,414)</u>	<u>\$ 406,517</u>	<u>\$ (2,282,897)</u>

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

United Water & Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 20, 2002, and is governed pursuant to provisions of the Colorado Special District Act.

The District was established to acquire, construct, finance and maintain public water, sewer and storm drainage improvements for the use and benefit of users of the District’s systems. The District provides for the construction, operation and maintenance of water, sewer, and storm drainage facilities. The District provides water to various special districts and municipalities throughout the State and serves as a wholesaler of water. The District has no residents and does not provide any services directly to individuals.

The District has created several separate enterprise activities to support the acquisition, construction, operation, and maintenance of the facilities, pursuant to the Water Activity Enterprise Statute to be an “enterprise” within the meaning of Article X, Section 20 of the Colorado Constitution (TABOR). The financial activities of the following enterprises are combined for reporting purposes as part of the financial statements of the District and are reported as a single enterprise under the District Enterprise Fund:

- United Water Acquisition Project - Water Activity Enterprise
- United Pipeline Acquisition Project - Water Activity Enterprise
- Arapahoe County Water and Wastewater Authority - Water Activity Enterprise (ACWWA)
- Milliken Reservoir - Water Activity Enterprise
- Serfer Pit - Water Activity Enterprise
- Highlands Reservoir - Water Activity Enterprise

On April 27, 2021, the Board adopted a resolution establishing the Bijou Agricultural Water Activity Enterprise for the purpose of acquiring and developing certain properties and facilities for the supply, diversion, storage, carriage, and delivery of water. Bijou Agricultural is operated pursuant to the Water Activity Enterprise Statute to be an “enterprise” within the meaning of Article X, Section 20 of the Colorado Constitution (TABOR). The financial activities of the Bijou Agricultural Enterprise are reported as a separate enterprise under the Bijou Enterprise Fund.

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

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity.

Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District is a special-purpose government engaged in business-type activities. The accounts are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. For these business-type activities, enterprise fund financial statements are presented. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, consistent with businesses in the private sector. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and delivering goods in connection with the funds' principal ongoing operations. The operating revenues of the District's enterprise funds consist primarily of water sales and charges for operations. Operating expenses include costs of water rights sold, operations, engineering and consulting, and administrative costs.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

All revenues and expenses not meeting this definition of operating revenues and expenses, including intergovernmental revenues and severance taxes, are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources for their specified purposes first, then unrestricted resources as needed.

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

Pooled cash and investments

The District follows the practice of pooling cash and investments of its enterprise funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Receivables and capital contributions

The District receives contributions of capital assets from various sources. Capital assets are recorded at the estimated acquisition cost when contributed. The District records an allowance for uncollectible receivables when balances or outstanding receivables have the potential to be uncollected. At December 31, 2023, the District has recorded an allowance for \$288,532 related to certain receivables pending from one vendor.

Other current assets

Other current assets consist primarily of payments to vendors applicable to future periods considered prepaid at yearend.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)

Capital assets

Capital assets, which include land and improvements, building and improvements, furniture and equipment, leasehold improvements, and infrastructure assets (e.g. pipelines, roads, wells, and similar items) with a cost or value exceeding \$5,000 are recorded at cost except for those assets that have been contributed, which are stated at estimated acquisition cost at the date of contribution or at the developer's cost. Capital assets for which the District receives a title, such as for a vehicle, or a deed, such as for property and water rights, the District generally capitalizes without acquisition cost consideration. Individual projects which exceed \$160,000 are capitalized.

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

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

Any construction in process that will be dedicated to another entity is not depreciated. Leasehold improvements are amortized over the life of the lease.

Any capital assets that will be owned and maintained by the District will be depreciated using the straight-line method over the following estimated economic useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Pipelines and water systems	50 years
Building improvements	40 years
Streets and roads	40 years
Equipment and vehicles	5 - 10 years

Long-term obligations

In the proprietary fund statements, long-term obligations are reported as liabilities when new debt is issued. Premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt issuance costs are recorded as a period expense in the year incurred.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

Net position

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

Net investment in capital assets reflects the portion of net position associated with capital assets, less outstanding capital-asset-related debt. Restricted net position consists of balances that have third party debt or contractual limitations on their use. Unrestricted net position represents unrestricted liquid assets.

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures level, including other financing uses and lapses at year end.

The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

For the year ended December 31, 2023, supplementary appropriations approved by the Board of Directors modified the appropriation from \$12,116,011 to \$81,779,000 for the District Enterprise Fund.

For the year ended December 31, 2023, supplementary appropriations approved by the Board of Directors modified the appropriation from \$866,769 to \$907,000 for the Bijou Enterprise Fund.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

For the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which provides guidance on the accounting and financial reporting for SBITAs for governments. The implementation of the new standard had no impact on the District’s net position as of December 31, 2023.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - unrestricted	\$	1,893,042
Cash and investments - restricted		9,614,916
Total cash and investments	\$	11,507,958
Cash deposits	\$	4,751,366
Investments		6,756,592
Total cash and investments	\$	11,507,958

Cash Deposits

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

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

At December 31, 2023, the District’s cash deposits had a bank balance and carrying balance of \$4,751,366.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado revised statutes limit investment maturities to three to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

The local government investment pools, which includes the Colorado Local Government Liquid Asset Trust (Colotrust), is rated AAAm by S&P Global. The Federated Government Obligations Fund is rated AAAm by S&P Global and AAA-mf by Moody's.

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>S&amp;P Rating</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 100 days	\$ 6,465,862	AAAm
Federated Government Obligations Fund	Weighted average under 100 days	290,730	AAAm
		<u>\$ 6,756,592</u>	

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

ColoTrust and Fair Value

The local government investment pool, Colorado Local Government Liquid Asset Trust (ColoTrust) (the Trust) is an investment trust established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – ColoTrust PRIME, ColoTrust PLUS+, and ColoTrust EDGE. ColoTrust PRIME and ColoTrust PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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 any security allowed under C.R.S. 24-75-601.

The District's investments are held in ColoTrust PLUS+ or ColoTrust PRIME. ColoTrust is rated AAA by Standard & Poor's. The District's investments are measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Designated custodian banks provide safekeeping and depository services to ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by ColoTrust.

At December 31, 2023, the District had \$6,465,862 invested in ColoTrust.

Federated Government Obligations Fund

As of December 31, 2023, the District had invested \$290,730 in the Federated Hermes Government Obligations Fund. The Fund invests primarily in short-term U.S. Treasury and government securities, and repurchase agreements collateralized by U.S. Treasury and government agency securities for a higher yield potential. The Fund complies with Rule 2a-7 definition of a government money market fund. The Fund is rated AAAM by Standard & Poor's and has a weighted average maturity of less than 60 days. The Fund is measured at amortized cost. Under this valuation method, no additional disclosures are required.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 4 – CAPITAL ASSETS

Capital asset activity for the District’s enterprise funds for the year ended December 31, 2023, was as follows:

<u>District Enterprise Fund</u>	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023
Capital assets, not being depreciated				
CIP				
Water acquisition projects	\$ 10,020,123	\$ 1,815,006	\$ 11,703,382	\$ 131,747
Milliken water project	537,351	-	537,351	-
Serfer Pit project	54,015	-	54,015	-
Highlands water project	8,166,645	-	8,166,645	-
Land	2,894,525	-	-	2,894,525
Easements	-	5,554,552	-	5,554,552
Water rights and water easements	32,174,826	3,750,000	1,000,000	34,924,826
Water resource credit certificates	4,237,818	-	680,425	3,557,393
Water storage	2,279,535	17,529,145	-	19,808,680
Total capital assets, not being depreciated	<u>60,364,838</u>	<u>28,648,703</u>	<u>22,141,818</u>	<u>66,871,723</u>
Capital assets, being depreciated				
Water acquisition projects	48,624,214	4,649,552	-	53,273,766
Streets and roads	8,455	-	-	8,455
Building improvements	166,727	-	-	166,727
Vehicles and equipment	1,187,741	385,325	-	1,573,066
Fort Morgan housing	-	191,056	-	191,056
Well pivot	34,000	-	-	34,000
Flumes	299,040	-	-	299,040
Brannan Pit pumps	378,549	-	-	378,549
Monitoring and vac systems	77,909	-	-	77,909
Pipelines	5,690,000	9,621,831	-	15,311,831
Water lines	4,908,889	-	-	4,908,889
Reservoir improvements	156,404	-	-	156,404
Water wells	1,290,556	1,866,634	-	3,157,190
Total capital assets, being depreciated	<u>62,822,484</u>	<u>16,714,398</u>	<u>-</u>	<u>79,536,882</u>
Less accumulated depreciation				
Water acquisition projects	(11,051,479)	(1,056,403)	-	(12,107,882)
Streets and roads	(3,399)	(211)	-	(3,610)
Building improvements	(74,545)	(4,168)	-	(78,713)
Vehicles and equipment	(521,734)	(166,818)	-	(688,552)
Fort Morgan housing	-	(796)	-	(796)
Well pivot	(34,000)	-	-	(34,000)
Flumes	(194,376)	(29,904)	-	(224,280)
Brannan Pit pumps	(246,057)	(37,855)	-	(283,912)
Monitoring and vac systems	(68,991)	(3,663)	-	(72,654)
Pipelines	(2,162,200)	(260,576)	-	(2,422,776)
Water lines	(1,876,927)	(144,379)	-	(2,021,306)
Reservoir improvements	(59,800)	(4,600)	-	(64,400)
Water wells	(493,448)	(92,859)	-	(586,307)
Total accumulated depreciation	<u>(16,786,956)</u>	<u>(1,802,232)</u>	<u>-</u>	<u>(18,589,188)</u>
Total capital assets, being depreciated, net	<u>46,035,528</u>	<u>14,912,166</u>	<u>-</u>	<u>60,947,694</u>
Total capital assets	<u>\$ 106,400,366</u>	<u>\$ 43,560,869</u>	<u>\$ 22,141,818</u>	<u>\$ 127,819,417</u>

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 4 – CAPITAL ASSETS (CONTINUED)

<u><i>Bijou Enterprise Fund</i></u>	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023
Capital assets, not being depreciated				
Water rights <sup>1</sup>	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Total capital assets, not being depreciated	<u>\$ 10,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>

NOTE 5 – LONG-TERM RECEIVABLES

Water Supply Agreement

The District entered into a Water Supply Agreement with Farmers Reservoir and Irrigation Company (FRICO) and East Cherry Creek Valley Water and Sanitation District (ECCV) acting through the East Cherry Creek Valley Water and Sanitation District Water Activity Enterprise, Inc. (ECCV Water Activity Enterprise) on December 18, 2003, for the purpose of developing an integrated water supply project in the Beebe Draw Alluvium. The agreement anticipates a reverse osmosis treatment plant to be constructed, owned, and operated by ECCV Water Activity Enterprise. During 2003, the District sold water and delivery rights to 3,000-acre feet of fully consumable water per year at a price of \$18,500,000 received in cash and \$26,500,000 in the form of Subordinate Water Revenue Bonds, Series 2003 from ECCV Water Activity Enterprise, which were exchanged with Subordinate Water Revenue Exchange Bonds, Series 2004 on May 6, 2004.

Additional projects contemplated by the agreement will divert water and return flows from the South Platte River and deliver it to ECCV Water Activity Enterprise’s future treatment plant and will give ECCV Water Activity Enterprise a right of first purchase of yield in excess of 5,500-acre feet from additional tributary water rights from the South Platte River that were acquired by the District (Phase 2 Water).

The District entered into an Amended and Restated Water Supply Agreement with FRICO and ECCV Water Activity Enterprise in May 2007 to develop an integrated water supply project, including Phase 1, Phase 2, and Phase 3 of the ECCV Water Project.

ECCV Water Activity Enterprise Subordinate Water Revenue Exchange Bonds, Series 2004 dated May 6, 2004, in the original amount of \$26,793,000 mature on November 15, 2023; with an interest rate of 3.00% to December 31, 2009, and 5.00% from January 1, 2010, and thereafter, payable annually on November 15. The bonds are subject to early redemption, at the option of ECCV and ECCV Water Activity Enterprise, on any date without redemption premium.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 5 – LONG-TERM RECEIVABLES (CONTINUED)

Water Supply Agreement (continued)

The bonds are also subject to mandatory redemption on any interest payment date, without redemption premium, to the extent of available revenue pledged to the payment of the bonds in excess of the amount of interest then due on the bonds.

These bonds are limited, subordinate lien obligations of ECCV Water Activity Enterprise payable solely from the portion of the net revenues comprising 40% of water tap fees collected by ECCV or ECCV Water Activity Enterprise (Net Revenues). Any outstanding interest not paid on each November 15 compounds annually on each interest payment date at the interest rate then borne by the bonds. The bonds constitute an irrevocable lien on the Net Revenues. ECCV and ECCV Water Activity Enterprise have covenanted that a minimum water tap fee of \$15,000 per single family equivalent will be maintained.

The actual amounts of principal and interest payments to be made in the future will depend on future water tap fee revenue of ECCV and ECCV Water Activity Enterprise and cannot be predicted with certainty. At December 31, 2023, the outstanding amount of these bonds was \$1,234,846 which is reflected as long-term receivable - Phase I on the Statement of Net Position. During the year ended December 31, 2023, the District received principal and interest payments of \$841,421 and \$103,529, respectively.

2007 Lease Purchase Agreement

The District, acting through its United Water Acquisition Project Water Activity Enterprise, entered into a Lease Purchase Agreement with ECCV Water Activity Enterprise, acting on behalf of ECCV, on July 27, 2007 (effective May 25, 2007) in the original amount of \$31,250,000, for the lease of Phase 2 Water from the District. During the term of this Agreement the District agrees, among other things, to construct certain facilities, to provide additional storage and to acquire sufficient water rights to produce not less than 2,960-acre feet of fully consumable water per year and not more than 3,221-acre feet of fully consumable water per year (Phase 2 Water) and to deliver such water to the ECCV Water Treatment Plant (as provided in the Water Supply Agreement). Principal and interest payments under the agreement are due annually on November 15 with an interest rate of 3.2%. The annual payment shall be an amount equal to the Allocated Tap Lease Revenue (defined as the portion of the Net Revenue that is equal to 38.57% of the Water Tap Fees collected by ECCV on and after November 1, 2004). The agreement terminates the earlier of November 15, 2022, or upon payment of all amounts due and the conveyance of all the Phase 2 Water to ECCV.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 5 – LONG-TERM RECEIVABLES (CONTINUED)

2007 Lease Purchase Agreement (continued)

This Agreement was amended by the Supplemental Lease Purchase Agreement entered into effective December 12, 2012, which extended the termination date from November 15, 2014 to November 15, 2017 and provided for an additional payment by ECCV to the District of \$400,000 each November 15 following the payment of operation, maintenance, and senior bond expenses.

At December 31, 2023, the outstanding amount under this agreement is \$0 as payment of principal in the amount of \$54,597 was received during 2023.

NOTE 6 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations of the District's enterprise funds for the year ended December 31, 2023:

<u>District Enterprise Fund</u>	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023	Due Within One Year
<b>Direct Placement Loans / Advances:</b>					
United District Water Providers	\$ 19,915,360	\$ -	\$ 19,915,360	\$ -	\$ -
Bromley District Water Providers Farmers Reservoir and Irrigation Company	1,532,742	-	1,532,742	-	-
Englewood Exchange Services	1,000,000	-	1,000,000	-	-
Red Tierra Equities, LLC.	351,763	-	351,763	-	-
CAW Equities, LLC.	2,400,000	-	2,400,000	-	-
70 Ranch Holdings, LLC.	947,267	16,350	963,617	-	-
Accrued interest on advances	-	3,750,000	-	3,750,000	3,750,000
	18,698,933	398,656	19,097,589	-	-
<b>Direct Borrowing:</b>					
Series 2017 Water Certificate Refunding and Improvement Revenue Note	7,943,886	-	1,471,518	6,472,368	870,500
Series 2020 Refunding and Improvement Revenue Note	16,664,049	-	656,977	16,007,072	682,468
Total long-term obligations	<u>\$ 69,454,000</u>	<u>\$ 4,165,006</u>	<u>\$ 47,389,566</u>	<u>\$ 26,229,440</u>	<u>\$ 5,302,968</u>
 <u>Bijou Enterprise Fund</u>					
<b>Direct Placement Loans / Advances:</b>					
Teague Loan	\$ 1,063,394	\$ -	\$ -	\$ 1,063,394	\$ -
Developer Advance - Teague	1,932,000	-	-	1,932,000	-
Accrued interest on advances	163,415	135,240	-	298,655	-
<b>Direct Borrowing:</b>					
Series 2021A Water Refunding Revenue Note	6,540,000	-	380,000	6,160,000	500,000
Series 2021B Water Refunding Revenue Note	2,850,000	-	80,000	2,770,000	70,000
Total long-term obligations	<u>\$ 12,548,809</u>	<u>\$ 135,240</u>	<u>\$ 460,000</u>	<u>\$ 12,224,049</u>	<u>\$ 570,000</u>

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

District Enterprise Fund

Advance and Reimbursement Agreements

United District Water Providers, LLC, Bromley District Water Providers, LLC, Englewood Exchange Services, Ltd., Red Tierra Equities, LLC, CAW Equities, LLC, 70 Ranch Holdings, LLC and Chambers Reservoir Equities, LLC are related entities and are collectively referred to as the Developers.

Advance and Reimbursement Agreements - United District Water Providers, LLC

The District, acting by and through the United Water Acquisition Project Water Activity Enterprise and United District Water Providers, LLC (UDWP) agreed to recognize an advance made by UDWP for the purchase of water rights. The Board is empowered to acquire water rights and construct and operate lines and facilities within and outside of the boundaries of the District. UDWP was the holder of a certain Water Rights Purchase and Sale Agreement (Water Rights Agreement) dated September 11, 2003, between Perkins Land & Livestock, LLC. and UDWP which governed the purchase of certain water rights. Concurrent with the execution of the Water Rights Agreement, UDWP assigned to the District a portion of its rights in the Water Rights Agreement.

The total consideration received by UDWP for said assignment was \$21,700,000 with \$1,200,000 paid to UDWP by the District concurrent with the closing of the Water Rights Agreement and the remaining \$20,500,000 evidenced through an advance and reimbursement agreement dated December 18, 2003, which was subsequently amended on February 14, 2006, to include an interest rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. During 2023, the advance was assigned from the District to the Weld Adams Water Development Authority via an assignment agreement. Outstanding advances and accrued interest at December 31, 2023 are \$0.

In addition, during 2004, UDWP advanced \$5,367,000 to the District, which is evidenced by an advance and reimbursement agreement effective May 24, 2004, with an interest rate of 6% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. During 2023, the advance was assigned from the District to the Weld Adams Water Development Authority via an assignment agreement. Outstanding advances and accrued interest at December 31, 2023 are \$0.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements - Bromley District Water Providers, LLC

The District and Bromley District Water Providers, LLC (BDWP) entered into an advance and reimbursement agreement on January 28, 2003 to recognize advances that may be made by BDWP to fund certain construction, maintenance and operating costs of the District. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. Reimbursement is to include interest at a rate of 7% per annum. During 2023, the advance was assigned from the District to the Weld Adams Water Development Authority via an assignment agreement. Outstanding advances and accrued interest at December 31, 2023 are \$0.

Advance and Reimbursement Agreement - FRICO

On December 18, 2003, the District and FRICO entered into a Stock Purchase and Use Agreement whereby the District was to acquire one share of capital stock of FRICO at a cost of \$1,000,000. On September 30, 2004, the District, acting through its United Water Acquisition Project Water Activity Enterprise, entered into an advance and reimbursement agreement with FRICO as payment for the FRICO share. The District shall reimburse FRICO for the advance, together with interest at a rate of 3% per annum.

The District shall make payment for the advance, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required by operations, capital improvements, and debt service costs of the District. In lieu of payment of the advance and accrued interest from available revenues, the District may make payment to FRICO by transferring to FRICO tax-exempt municipal bonds, the par amount of which bonds shall be equal to the advance and the bond interest rate shall not be less than 3% per annum. During 2023, the advance was terminated and at December 31, 2023, the outstanding advances and accrued interest are \$0.

Advance and Reimbursement Agreement - Englewood Exchange Services, Ltd. (Assigned to Robert A. Lembke on January 1, 2016, and further assigned by Robert A. Lembke to RAL Holdings, LLC on June 8, 2016)

The District and Englewood Exchange Services, Ltd. (Englewood Exchange) entered into an advance and reimbursement agreement on November 15, 2005 to recognize advances that may be made by Englewood Exchange to fund certain construction, maintenance, and operating costs of the District. The District shall reimburse Englewood Exchange for the advances, together with interest at the rate of 7% per

UNITED WATER & SANITATION DISTRICT  
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NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreement - Englewood Exchange Services, Ltd. (Assigned to Robert A. Lembke on January 1, 2016, and further assigned by Robert A. Lembke to RAL Holdings, LLC on June 8, 2016) (continued)

annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District.

On January 1, 2016, the District, Englewood Exchange, and Robert A. Lembke entered into the Assignment Re Advance and Reimbursement Agreement whereby Englewood Exchange assigned the rights arising out of the terms and conditions of the 2005 advance and reimbursement agreement (described above) to Robert A. Lembke. On June 8, 2016, the District, Robert A. Lembke and RAL Holdings, LLC, entered into the Assignment Re Advance and Reimbursement Agreement whereby Robert A. Lembke further assigned the rights arising out of the terms and conditions of the 2005 advance and reimbursement agreement (described above) which were assigned to him on January 1, 2016, to RAL Holdings, LLC. During 2023, the advance was assigned from the District to the Weld Adams Water Development Authority via an assignment agreement. Outstanding advances and accrued interest at December 31, 2023 are \$0.

Advance and Reimbursement Agreement - Red Tierra Equities, LLC

Red Tierra Equities, LLC (Red Tierra) agreed to the conveyance of 2,000 Series B shares of Colorado Augmentation Canal Company (CACC shares) to the District so that the District could further its water infrastructure development projects. The District and Red Tierra agreed to recognize the conveyance of the CACC shares as an advance of funds of \$2,400,000 to the District and entered into an advance and reimbursement agreement effective December 30, 2015.

The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Reimbursement is to include interest at the rate of 7% per annum. During 2023, the advance was assigned from the District to the Weld Adams Water Development Authority via an assignment agreement. Outstanding advances and accrued interest at December 31, 2023 are \$0.

Advance and Reimbursement Agreements - CAW Equities, LLC

On November 6, 2017, CAW Equities, LLC (CAW Equities) entered into an advance and reimbursement agreement to recognize advances that may be made by CAW Equities to fund operating and maintenance costs of the District.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements - CAW Equities, LLC (continued)

The District shall reimburse CAW Equities for the advances, together with interest compounded annually at the rate of 7%.

The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. During 2023, the advance was assigned from the District to the Weld Adams Water Development Authority via an assignment agreement. Outstanding advances and accrued interest at December 31, 2023 are \$0.

Advance and Reimbursement Agreements - 70 Ranch Holdings, LLC

In February 2023, 70 Ranch Holdings, LLC (70 Ranch), advanced \$3,750,000 to the District for purposes of water delivery from the City of Northglenn. At December 31, 2023 outstanding principal is \$3,750,000 and interest will begin to accrue when a formal agreement is signed.

Water Certificate Refunding and Improvement Revenue Note, Series 2017

On June 26, 2017, the District issued its \$13,174,000 Water Certificate Refunding and Improvement Revenue Note, Series 2017 (2017 Note). Principal and interest on the 2017 Note is payable semi-annually on June 1 and December 1 each year commencing on December 1, 2017. The 2017 Note will mature on June 1, 2027, and payable from pledged revenues including proceeds from the sale of water certificates held as collateral for the 2017 Note and any other legally available monies of the District as defined in the loan agreement. The interest rate on the 2017 Note is 4.02% per annum.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the 2017 Note:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 870,500	\$ 370,725	\$ 1,241,225
2025	965,500	334,786	1,300,286
2026	1,066,500	294,967	1,361,467
2027	3,569,868	131,354	3,701,222
Total	<u>\$ 6,472,368</u>	<u>\$ 1,131,832</u>	<u>\$ 7,604,200</u>

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Refunding and Improvement Revenue Note, Series 2020

On June 1, 2020, the District issued \$17,950,000, Series 2020 Refunding and Improvement Revenue Note. Principal on the 2020 Note is payable annually on June 15, beginning in 2021 and interest is payable semi-annually on June 15 and December 15, beginning December 15, 2020 with a maturity date of June 15, 2027. The interest rate on the 2020 Note is 3.88% per annum. At December 31, 2023, the District held \$1,795,000 in a debt service reserve account as stipulated in the official statement.

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

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

	Principal	Interest	Total
2024	\$ 682,468	\$ 607,834	\$ 1,290,302
2025	708,947	580,841	1,289,788
2026	736,454	552,801	1,289,255
2027	13,879,203	269,257	14,148,460
Total	\$ 16,007,072	\$ 2,010,733	\$ 18,017,805

Bijou Enterprise Fund

Advance and Reimbursement Agreement - Teague Enterprises, LLC.

On September 29, 2021, the District, acting by and through the Bijou Agricultural Enterprise Water Activity Enterprise and Teague Enterprises, LLC. (Teague) entered into an advance and reimbursement agreement to fund the purchase of 184-acre feet of tier 1 water rights in the amount of \$1,932,000.

The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Reimbursement is to include interest at the rate of 7% per annum. As of December 31, 2023, outstanding advances totaled \$1,932,000, in addition to accrued interest of \$298,655.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Teague Loan

On August 19, 2021, the District acting by and through its Bijou Agricultural Water Activity Enterprise entered into a loan with Teague Enterprises, LLC. for amount of \$10,000,000 for the purposes of financing the acquisition of water infrastructure and facilities. Principal on the loan is payable annually on December 20<sup>th</sup> beginning in 2021 to the extent that pledge revenues are available. Pledged revenues are moneys derived from: a) fees collected by the enterprise, including Tier 1 fee collections and all water augmentation fee collections; and b) all revenues derived by the enterprise from the sale, lease, or conveyance of augmentation credits. As of December 31, 2023, the outstanding loan balance was \$1,063,394.

Water Refunding Revenue Note, Series 2021A and Taxable Water Refunding Revenue Note, Series 2021B

On September 1, 2021, the District, acting by and through its Bijou Agricultural Water Activity Enterprise, issued a Water Infrastructure Revenue note, Series 2021A and 2021B (collectively, the Series 2021 Notes). Principal on the Series 2021 Notes are payable annually on December 1, beginning in 2021 and interest is payable semi-annually on June 1 and December 1, beginning December 1, 2021 with a maturity date of September 30, 2031. The Series 2021A Revenue Note was issued for purposes of: a) current refunding a portion of the Enterprise’s Water Activity Enterprise Water Infrastructure Revenue Note, Series 2021 A (Teague Loan); b) establishing a debt service reserve; and c) paying costs of issuance. At December 31, 2023, the District had \$1,025,000 held in a debt service reserve account.

The Series 2021A Note is payable from pledged revenues which consist of: a) all revenues from the sale, lease, or conveyance of augmentation credits derived from the Enterprise Water Rights; and b) all revenues from water usage charged by the Enterprise, including all fees collected by the Enterprise.

The following sets for the estimated debt service payment schedule for the principal and interest on the Series 2021A and 2021B Notes:

<u>2021A Notes</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 500,000	\$ 243,936	\$ 743,936
2025	600,000	224,136	824,136
2026	650,000	200,376	850,376
2027	700,000	174,636	874,636
2028	750,000	146,916	896,916
2029 - 2031	2,960,000	290,268	3,250,268
Total	<u>\$ 6,160,000</u>	<u>\$ 1,280,268</u>	<u>\$ 7,440,268</u>

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Water Refunding Revenue Note, Series 2021A and Taxable Water Refunding Revenue Note, Series 2021B (continued)

<u>2021B Notes</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 70,000	\$ 138,777	\$ 208,777
2025	80,000	135,270	215,270
2026	90,000	131,262	221,262
2027	100,000	126,753	226,753
2028	650,000	121,743	771,743
2029 - 2031	1,780,000	167,585	1,947,585
Total	<u>\$ 2,770,000</u>	<u>\$ 821,390</u>	<u>\$ 3,591,390</u>

Authorized Debt

On November 4, 2014, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$680,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Storm sewer and drainage	\$ 100,000,000
Regional water improvements	240,000,000
Debt refunding	340,000,000
	<u>\$ 680,000,000</u>

NOTE 7 – NET POSITION

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

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District had a net investment in capital assets in the aggregate amount of \$108,634,511 calculated as follows:

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 7 – NET POSITION (CONTINUED)

	District Enterprise Fund	Bijou Enterprise Fund
Net investment in capital assets:		
Capital assets, net	\$ 127,819,417	\$ 10,000,000
Capital related portion of debt	(26,189,512)	(2,995,394)
	\$ 101,629,905	\$ 7,004,606

As of December 31, 2023, the District Enterprise and Bijou Enterprise had restricted net position of \$8,429,543 and \$986,993, respectively. This balance consists of cash and investments that are restricted for the purposes of debt service and capital improvements.

As of December 31, 2023, the Bijou Enterprise had a deficit unrestricted net position of \$8,991,353. The deficit is a result of outstanding developer advances and other long-term obligations and the related restrictions associated with loan documents.

NOTE 8 – RELATED PARTIES

The members of the Board of Directors of the District are employees, owners, or associated with the Developers (see Note 6), as well as certain Developer related entities including 70 Ranch, LLC, 70 Ranch Holdings, LLC, Robert A. Lembke (individual) and RAL Holdings, LLC and may have conflicts of interest in dealing with the District.

NOTE 9 – INTERGOVERNMENTAL AGREEMENTS

On September 6, 2017, the District and South Beebe Draw created Weld Adams Water Development Authority (WAWDA), a water resource authority. WAWDA was created for the purpose of establishing a process for the financing, design, construction, acquisition, operation, maintenance and use of water facilities and services.

As outline in Note 6, during 2023 developer advances were assigned to WAWDA through assignment agreements.

During 2023, WAWDA provided \$64,449,657 of intergovernmental support to the District in the form of cash to facilitate the acquisition of capital assets and the acceptance of assignments of developer advance obligations.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 9 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Consolidated Infrastructure Agreement

On November 28, 2018, the District, WAWDA, ECCV and ACWWA entered into a Consolidated Infrastructure Agreement (CIA). United and WAWDA own or have contractual rights in certain real, equitable and personal property interests, a portion of which interests have or will be conveyed to ECCV and ACWWA.

The purpose of the CIA is to identify the rights and obligations of each party to the CIA related to the water diversion, delivery, and storage system (Infrastructure) as described in the CIA. Additional Infrastructure may be included in the CIA by written agreement. The CIA outlines the conditions, restrictions, reservations, and obligations for the purpose of furthering a plan for the use of the Infrastructure and its operation, maintenance, repair, and replacement.

United and WAWDA will administer, operate, and maintain all Infrastructure in accordance with the terms and conditions of the CIA unless upon written agreement the obligation for certain Infrastructure is assigned to another party. United or WAWDA will be reimbursed for its pro-rate share of such costs as outlined in the CIA.

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation coverage.

In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

On November 5, 2002, and on November 4, 2014, a majority of the District’s electors authorized the District to collect, retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, and such revenues are to be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

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

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

NOTE 12 – RESTATEMENT

During the year ending December 31, 2023, it was determined that a prior period adjustment was required as a result of the understatement of accounts receivable and revenue in prior years. As a result, and as shown below, the prior year net position for the District Enterprise Fund has been adjusted accordingly.

UNITED WATER & SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 12 – RESTATEMENT (CONTINUED)

	District Enterprise Fund
Ending net position, December 31, 2022	\$ 48,774,414
Prior period adjustment	187,184
Restated net position, December 31, 2022	\$ 48,961,598

NOTE 13 – COMMITMENTS

On November 9, 2023, the District entered into an amendment to the Amended and restated FRICO/EAU settlement memorandum agreement, dated December 4, 2018. East Cherry Creek Valley Water and Sanitation District, Arapahoe County Water and Wastewater Authority and the District are collectively known as EAU. EAU has committed to paying for and constructing a 24-inch pipeline capable of carrying at least 20 CFS from the Speer Canal to the Bowles Seep Canal and an associated check structure. Construction costs are currently estimated to be approximately \$3,100,000.

NOTE 14 – SUBSEQUENT EVENTS

Effective January 1, 2024, the District and South Beebe Draw Metropolitan District (SBDMD), together with other Districts and water development authorities, are part of a sophisticated, complex system of local Governments that cooperate from time to time on coordinated projects to maximize water resources and storm drainage infrastructure in the most efficient and economical manner. Based upon the integrated nature of the Public Improvements and Projects, the Districts agreed that it is most efficient and cost effective to collaborate in providing the functions, services and facilities related to such Public Improvements. The District will provide the project management, design, construction, administration, operations and management of the Public Improvements and Projects, including the establishment of reserves for future costs or for planned capital expenditures and for the payment of debt and other obligations. SBDMD will provide the financing and remit certain portions of its property tax revenue to the District.

## SUPPLEMENTARY INFORMATION

**UNITED WATER & SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET TO ACTUAL – BUDGETARY BASIS**  
**DISTRICT ENTERPRISE FUND**  
**YEAR ENDED DECEMBER 31, 2023**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Water certificates sales	\$ 1,600,000	\$ 1,600,000	\$ 1,681,014	\$ 81,014
Operation charges	1,600,000	1,600,000	2,747,799	1,147,799
ECCV payment - Phase I	1,947,629	1,947,629	841,421	(1,106,208)
ECCV payment - Phase II	-	-	54,597	54,597
Severance tax	-	-	108,272	108,272
Intergovernmental	1,200,000	1,200,000	67,455,947	66,255,947
Interest	10,000	10,000	1,539,613	1,529,613
Miscellaneous	255,080	255,080	727,242	472,162
Total revenues	6,612,709	6,612,709	75,155,905	68,543,196
<b>Expenditures</b>				
<b>Current</b>				
Audit	25,000	25,000	18,000	7,000
Directors' fees	6,500	6,500	4,629	1,871
District management and accounting	505,000	1,060,000	1,007,564	52,436
Dues and subscriptions	-	8,000	7,738	262
Engineering and consulting	160,000	610,000	722,903	(112,903)
Insurance and bonds	45,500	147,000	146,997	3
Legal	500,000	600,000	793,815	(193,815)
Licenses and fees	20,000	20,000	5,450	14,550
Miscellaneous	135,001	153,002	151,706	1,296
Repairs and maintenance	1,750,000	800,000	549,406	250,594
Small tools and equipment	-	40,000	-	40,000
Support services	850,000	105,000	2,346,660	(2,241,660)
System operations, repair and maintenance	700,000	2,660,000	43,324	2,616,676
Utilities	285,000	200,000	145,651	54,349
Water assessments and expenses	25,000	25,000	23,860	1,140
Water certificate sales	820,800	900,000	-	900,000
Water lease	275,000	125,000	180,199	(55,199)
Total current	6,102,801	7,484,502	6,147,902	1,336,600

UNITED WATER & SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL – BUDGETARY BASIS  
DISTRICT ENTERPRISE FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (continued)</u>				
<u>Capital outlay</u>				
Capital projects	-	1,895,000	191,056	1,703,944
Equipment	-	165,000	385,325	(220,325)
Water improvements / acquisition	-	24,000,000	24,330,580	(330,580)
Total capital outlay	-	26,060,000	24,906,961	1,153,039
<u>Debt service</u>				
Developer advance repayments - principal	-	25,500,000	26,163,482	(663,482)
Developer advance repayments - interest	-	18,600,000	19,097,589	(497,589)
Note principal	4,941,335	1,960,000	2,128,495	(168,495)
Note interest	1,036,875	1,040,000	938,440	101,560
Repay line of credit	-	1,100,000	-	1,100,000
Paying agent fees	10,000	10,000	6,000	4,000
Contingency	25,000	24,498	-	24,498
Total debt service	6,013,210	48,234,498	48,334,006	(99,508)
Total expenditures	12,116,011	81,779,000	79,388,869	2,390,131
Excess (deficiency) of expenditures over (under) revenues	(5,503,302)	(75,166,291)	(4,232,964)	70,933,327
<u>Other financing sources (uses)</u>				
Developer advances	-	-	3,750,000	3,750,000
Other financing sources	-	-	1,000,000	1,000,000
Total other financing sources (uses)	-	-	4,750,000	4,750,000
Net change in fund balance	<u>\$ (5,503,302)</u>	<u>\$ (75,166,291)</u>	517,036	<u>\$ 75,683,327</u>
Fund balance - beginning of the year (as restated)			10,025,360	
Fund balance - end of the year			<u>\$ 10,542,396</u>	

UNITED WATER & SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS – ACTUAL  
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
DISTRICT ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2023

Revenue and other financing sources (budgetary basis)	\$	79,905,905
Adjustments:		
Developer advances		(4,750,000)
ECCV Payment - Phase I		(841,421)
Revenues (GAAP)		74,314,484
Expenditures and other financing uses (budgetary basis)		79,388,869
Adjustments:		
Purchase of capital assets including water rights and storage		(24,906,961)
Note principal payments		(2,128,495)
Developer advance payments		(26,163,482)
Decrease in notes and developer advances interest payable		(19,088,263)
Cost of water certificates sold		680,426
Loss on disposal of assets		60,241
Current year developer advances - accrued interest		398,656
Depreciation		1,802,232
Expenses (GAAP)		10,043,223
Change in net position per statement of revenues, expenses and changes in net position	\$	64,271,261

UNITED WATER & SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL – BUDGETARY BASIS  
BIJOU ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2023

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Water sales and augmentation credit	\$ 413,000	\$ 413,000	\$ 439,569	\$ 26,569
Interest	1,500	1,500	23,698	22,198
Total revenues	<u>414,500</u>	<u>414,500</u>	<u>463,267</u>	<u>48,767</u>
<u>Expenditures</u>				
<u>Current</u>				
District management and accounting	-	6,000	5,699	301
Legal	-	28,000	27,549	451
Miscellaneous	-	5,000	-	5,000
Repairs and maintenance	-	2,000	844	1,156
Total current	<u>-</u>	<u>41,000</u>	<u>34,092</u>	<u>6,908</u>
<u>Expenditures</u>				
<u>Debt service</u>				
Note principal	460,000	460,000	460,000	-
Note interest	401,769	401,769	401,769	-
Paying agent fees	-	1,000	500	500
Contingency	5,000	3,231	-	3,231
Total debt service	<u>866,769</u>	<u>866,000</u>	<u>862,269</u>	<u>3,731</u>
Total expenditures	<u>866,769</u>	<u>907,000</u>	<u>896,361</u>	<u>10,639</u>
Excess (deficiency) of expenditures over (under) revenues	(452,269)	(492,500)	(433,094)	59,406
Net change in fund balance	<u>\$ (452,269)</u>	<u>\$ (492,500)</u>	(433,094)	<u>\$ 59,406</u>
Fund balance - beginning of the year			<u>1,742,403</u>	
Fund balance - end of the year			<u>\$ 1,309,309</u>	

UNITED WATER & SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS – ACTUAL  
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BIJOU ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2023

Revenue and other financing sources (budgetary basis)	\$	463,267
Adjustments:		
Expenditures and other financing uses (budgetary basis)		896,361
Adjustments:		
Note principal payments		(460,000)
Increase in bonds and notes interest payable		40,898
Current year developer advances - accrued interest		135,240
Expenses (GAAP)		<u>612,499</u>
Change in net position per statement of revenues, expenses and changes in net position	\$	<u>(149,232)</u>