

WELD ADAMS WATER DEVELOPMENT AUTHORITY
Weld and Adams Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Revenues, Expenses, and Change in Net Position	5
Statement of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 18
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual - (Budgetary Basis)	19
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Change in Net Position	20



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the Weld Adams Water Development Authority (the Authority) as of and for the year ended December 31, 2023, 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 respective financial position of the Authority, 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.

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 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 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 Authority'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.

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 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 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 judgment, 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 opinions 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

Greenwood Village, Colorado
May 2, 2024

BASIC FINANCIAL STATEMENTS

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

Assets

Current assets

Cash and investments - unrestricted	\$	760,440
Cash and investments - restricted		12,328
Accounts receivable		180,199
Interest receivable		25,849
Prepaid items		234,626
Total current assets		1,213,442

Noncurrent assets

Note receivable		8,500,000
Capital assets not being depreciated		21,764,763
Capital assets, net of accumulated depreciation		8,863,593
Total noncurrent assets		39,128,356

Total assets		40,341,798
--------------	--	------------

Liabilities

Current liabilities

Accounts payable		31,568
Total current liabilities		31,568

Total liabilities		31,568
-------------------	--	--------

Net Position

Net investment in capital assets		30,628,356
Restricted		12,328
Unrestricted		9,669,546
Total Net Position	\$	40,310,230

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
FOR THE YEAR ENDED DECEMBER 31, 2023

Revenues

Operating revenues

Miscellaneous	\$ 7,203
Water pumping revenue	180,199
Total operating revenues	<u>187,402</u>

General and administrative expenses

Accounting and consulting	113,990
Audit	9,000
Depreciation	392,468
Director fees	2,045
District management	137,534
Insurance and bonds	28,656
Legal	277,161
Miscellaneous	33,846
Repairs and maintenance	42,980
Water storage	255,000
Total expenses	<u>1,292,680</u>

Loss from operations (1,105,278)

Nonoperating revenues (expenses)

Intergovernmental revenues	69,701,691
Interest revenue	255,641
Interest expense	(1,680,398)
Intergovernmental expenses	(2,832,850)
United operations support	(64,449,957)
Total nonoperating revenues, net	<u>994,127</u>

Change in net position (111,151)

Net position, beginning of year 40,421,381

Net position, end of year \$ 40,310,230

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Cash flows from operating activities</u>	
Miscellaneous cash receipts	\$ 78,179
Payments for general, administrative, and operating expenses	<u>(1,102,393)</u>
Net cash used in operating activities	<u>(1,024,214)</u>
 <u>Cash flows from noncapital financing activities</u>	
Interest income	<u>255,641</u>
Net cash provided by noncapital financing activities	<u>255,641</u>
 <u>Cash flows from capital and related financing activities</u>	
Intergovernmental cash receipts	69,701,691
Intergovernmental cash disbursements	(67,282,807)
Bond proceeds	48,247,341
Bond principal payments	(48,247,341)
Interest payments	<u>(1,680,398)</u>
Net cash provided by capital and related financing activities	<u>738,486</u>
 Net decrease in cash and cash equivalents	 (30,087)
 Cash and cash equivalents, beginning of year	 <u>790,493</u>
Cash and cash equivalents, end of year	<u>\$ 760,406</u>
 Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (1,105,278)
Adjustments to reconcile loss from operations to net cash flows used in operating activities:	
Depreciation expense	392,468
 Effect of changes in operating assets and liabilities:	
Prepaid items	(22,838)
Accounts receivable	(109,223)
Accounts payable	(175,791)
Accrued liabilities	<u>(3,552)</u>
Net cash used in operating activities	<u>\$ (1,024,214)</u>

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Weld Adams Water Development Authority (the Authority or WAWDA), was created under an establishing contract, as amended, between South Beebe Draw Metropolitan District, United Water & Sanitation District, and Platte River Metropolitan District pursuant to the provisions of Section 29-1-204.2, C.R.S. to cooperate or contract with one another to establish a water resource development authority. 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.

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.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and other financing uses 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.

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 net asset 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, 2023, no capital contributions were received by the Authority.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO 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)

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

Long-Term Obligations

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

Net Position

The financial statements utilize a net position presentation 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.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO 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 (continued)

Restricted net position – considered restricted if their use is contained to a particular purpose. Restrictions imposed by external organizations.

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.

Current Year GASB Pronouncement

For the year ended December 31, 2023, the Authority 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 Authority’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 statement of net position as follows:

Cash and investments - unrestricted	\$	760,440
Cash and investments - restricted		12,328
Total cash and cash equivalents	<u>\$</u>	<u>772,768</u>

Cash and investments as of December 31, 2023, consist of the following:

Deposits with financial institutions	\$	760,406
Investments		12,362
Total cash and investments	<u>\$</u>	<u>772,768</u>

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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.

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, 2023, the Authority's cash deposits had a bank balance and carrying balance of \$760,406.

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

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

- 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

As of December 31, 2022, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 12,362

COLOTRUST

The Authority invested in the Colorado Local Government Liquid Asset Trust (ColoTrust or the Trust), 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 offers shares in three portfolios, ColoTrust PRIME, ColoTrust Plus+, and ColoTrust EDGE. ColoTrust PRIME invests only in U.S. Treasury securities and government agencies and each share is equal in value to \$1. ColoTrust PLUS+ can invest in U.S. Treasury securities, government agencies, and in the highest-rated commercial paper and each share is equal to \$1. ColoTrust EDGE can invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper and is managed to approximate a \$10 transactional share price.

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 the Trust. The Authority's investments are measured under GASB Statement No. 72. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

	Balances December, 31 2022	Additions	Deletions	Balances December, 31 2023
Capital Assets, not being depreciated				
Land and easements	\$ 5,446,129	\$ -	\$ -	\$ 5,446,129
Land Improvements	16,318,634	-	-	16,318,634
Total capital assets, not being depreciated	<u>21,764,763</u>	<u>-</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>1,455,180</u>	<u>392,468</u>	<u>-</u>	<u>1,847,648</u>
Total capital assets, net	<u>\$ 31,020,824</u>	<u>\$ (392,468)</u>	<u>\$ -</u>	<u>\$ 30,628,356</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.

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 2023. See Note 11 for activity subsequent to December 31, 2023.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 – LONG-TERM OBLIGATIONS

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

	Balances			Balances	
	December, 31			December, 31	Due in
	2022	Additions	Deletions	2023	One Year
Refunding Revenue Bonds, Series 2023A	\$ -	\$ 10,988,028	\$ 10,988,028	\$ -	\$ -
Refunding Revenue Bonds, Series 2023B	-	37,259,313	37,259,313	-	-
Total long-term obligations	<u>\$ -</u>	<u>\$ 48,247,341</u>	<u>\$ 48,247,341</u>	<u>\$ -</u>	<u>\$ -</u>

Refunding Revenue Bonds, Series 2023A and Series 2023B

In prior years, United Water and Sanitation District entered into advance and reimbursement agreements with developers to fund certain construction, maintenance, and operating costs. In 2004, United Water and Sanitation District entered into an advance and reimbursement agreement with United District Water Providers. During the year ended December 31, 2023, the Authority accepted assignment of the developer advances held by United Water and Sanitation District and accepted assignment of the outstanding balance and associated accrued interest for all Direct Placement Loans and Advances of United Water and Sanitation District.

On March 31, 2023, the Authority issued Refunding Revenue Bonds, Series 2023A and Series 2023B in a principal amount not to exceed \$50,000,000. The Series 2023A and Series 2023B bonds were issued for the purpose of: (1) acquiring water assets for United Water and Sanitation District, an establishing party (Note 1); (2) refinancing various United Water and Sanitation District liabilities in the form of repaying Developer Advances; (3) pay a portion of the purchase price for the Beebe Pipeline Purchase Option; and (4) to pay United District Water Providers amount owed pursuant to the 2003 and 2004 agreements. During the year ended December 31, 2023, the Authority received bond proceeds in the aggregate amount of \$48,247,341. Upon issuance, the bond proceeds were subsequently transferred to United Water and Sanitation District and the other bond holders for purposes outlined above. Subsequent to the issuance of the Authority bonds, Platte River Metropolitan District issued Series 2023A and Series 2023B bonds which were issued for the purpose of refunding the Authority's 2023A and 2023B bonds. During 2023, the Authority received \$42,508,039 from Platte River Metropolitan District which was subsequently paid and is shown as a reduction of principal above. At December 31, 2023, the Authority's Series 2023A and Series 2023B bonds have been paid in full and balance of the bonds as of December 31, 2023 is \$0.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – RELATED PARTY TRANSACTIONS

The members of the Board of Directors of the Authority are employees, owners or associated with United Milliken and 70 Ranch, L.L.C. (70 Ranch). The Authority has entered into agreements with United Milliken and 70 Ranch and the members of the Board may have conflicts of interest in dealing with the Authority.

Long-Term Water Storage Agreement

On November 24, 2015, PRWDA entered into a long-term water storage 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 Agreement was transferred to the Authority effective September 26, 2017.

The Milliken Water Agreement 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 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 Agreement, 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. The Authority is responsible for the operation, maintenance, repair, and replacement of the Milliken Reservoir. Each user of the Milliken Reservoir is responsible to reimburse the Authority for its pro rata share of such costs based on the terms and conditions set forth in the operating and maintenance agreement.

Water Agreement

In February 2016, PRWDA and United Water and Sanitation District, acting by and through the United 70 Ranch Water Activity Enterprise, entered into a water agreement (United Water Agreement) for approximately 1,500-acre feet of water in the Milliken Reservoir. The United Water Agreement was transferred to the Authority effective September 26, 2017. The United Water Agreement expires on January 31, 2115 and provides for a renewal option for two additional periods of 30 years each. The storage is determined based on the amount of acre feet delivered into and released from the Milliken Reservoir and will be mutually determined each year.

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

The Authority is the owner of the 70 Ranch Reservoir. 70 Ranch owns the real property on which the 70 Ranch Reservoir was built on 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. 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.

Funding for the 70 Ranch Reservoir was 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

The cost of operations, maintenance and repair is to be shared among all users based on their pro rata share of usage of the 70 Ranch Reservoir, as defined in the O&M Agreement.

The Authority retains the exclusive right to increase the size of the 70 Ranch Reservoir and related improvements at its sole expense and for its sole use. The Authority also has the right to construct, at its sole expense, one or more additional reservoirs, diversion structures, pipelines, and other related improvements, and to grant easements, rights of way, leases, or licenses in the area over which the 70 Ranch Reservoir is located. Such future improvements may be incorporated into the 70 Ranch Reservoir, and if incorporated, shall also be operated, and maintained by United. Other users may use such improvements with written consent of the Authority. The Authority is required to ensure the continued diversion, storage, and release of user's water according to terms defined in the O&M Agreement.

United is responsible for constructing or installing any additional 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.

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).

WELD ADAMS WATER DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Consolidated Infrastructure Agreement (continued)

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 prorata share of such costs as outlined in the CIA.

See Note 6 for description of assignment agreements entered into during 2023 by the Authority and United Water and Sanitation District related to the issuance of the Refunding Revenues Bonds, Series 2023A and 2023B.

NOTE 9 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority may be exposed to various risks of loss related to torts, 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, 2023

NOTE 10 – 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 been 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.

NOTE 11 – SUBSEQUENT EVENT

On March 28, 2024, United Milliken Reservoir Enterprise conveyed 2,500 acre – feet of storage capacity in a portion of Milliken Reservoir to the Authority by way of a Special Warranty Deed. Pursuant to the Deed of Trust issued in connection with the Promissory Note (see Note 5), the conveyance of 2,500 acre – feet of storage was an “In-Lieu Storage Payment” that satisfied in full the outstanding note receivable in the amount of \$8,500,000 (see Note 5).

SUPPLEMENTARY INFORMATION

WELD ADAMS WATER DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Intergovernmental revenues	\$ 10,200,000	\$ 10,200,000	\$ 69,701,691	\$ 59,501,691
Interest	260,000	260,000	255,641	(4,359)
Water pumping revenue	-	-	180,199	180,199
Miscellaneous	5,000	5,000	7,203	2,203
Bond proceeds	-	-	48,247,341	48,247,341
Total revenues	<u>10,465,000</u>	<u>10,465,000</u>	<u>118,392,075</u>	<u>107,927,075</u>
<u>Expenditures</u>				
<u>General</u>				
Accounting and consulting	107,000	150,000	113,990	36,010
Audit	8,500	12,000	9,000	3,000
Director fees	2,500	2,500	2,045	455
District management	87,000	125,000	137,534	(12,534)
Dues and licenses	1,500	4,000	-	4,000
Engineering	25,000	30,000	-	30,000
Intergovernmental expense	-	-	2,832,850	(2,832,850)
Insurance and bonds	21,000	35,000	28,656	6,344
Legal	85,000	330,000	277,161	52,839
Miscellaneous	6,500	46,000	33,846	12,154
Repairs and maintenance	150,000	40,000	42,980	(2,980)
Support services	100,000	50,000	-	50,000
Surveying and mapping	5,000	5,000	-	5,000
United operations support	1,200,000	66,000,000	64,449,957	1,550,043
Utilities	2,500	2,500	-	2,500
Water lease	255,000	255,000	255,000	-
Capital outlay	47,700,000	100,000	-	100,000
Contingency	-	53,000	-	53,000
<u>Debt service:</u>				
Principal	-	49,500,000	48,247,341	1,252,659
Interest	-	2,400,000	1,680,398	719,602
Total expenditures	<u>49,756,500</u>	<u>119,140,000</u>	<u>118,110,758</u>	<u>1,029,242</u>
Change in net position, budgetary basis	<u>\$ (39,291,500)</u>	<u>\$ (108,675,000)</u>	<u>\$ 281,317</u>	<u>\$ 108,956,317</u>

See the accompanying Independent Auditors' Report.

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, 2023

Revenues (budgetary basis)	\$ 118,392,075
Bond proceeds	<u>(48,247,341)</u>
Total revenues per statement of revenues, expenses, and change in net position	<u>70,144,734</u>
Expenditures (budgetary basis)	118,110,758
Depreciation	392,468
Principal payments	<u>(48,247,341)</u>
Total expenses per statement of revenues, expenses, and change in net position	<u>70,255,885</u>
Change in net position	<u><u>\$ (111,151)</u></u>

See the accompanying Independent Auditors' Report.