

**Upper Eagle Regional Water Authority
Vail, Colorado**

**Financial Statements
December 31, 2020 and 2019**

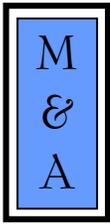


**UPPER EAGLE REGIONAL
WATER AUTHORITY**

**Upper Eagle Regional Water Authority
Financial Statements
December 31, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Upper Eagle Regional Water Authority

We have audited the accompanying financial statements of the Upper Eagle Regional Water Authority (the "Authority"), as of and for the year ended December 31, 2020, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements. The prior year comparative information has been derived from the Upper Eagle Regional Water Authority's 2019 financial statements and, in our report dated August 27, 2020, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Upper Eagle Regional Water Authority as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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Other Matters

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

The budgetary comparison and debt service schedules in Section E are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison and debt service schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The statistical data in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



**UPPER EAGLE REGIONAL
WATER AUTHORITY**

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020**

The discussion and analysis is designed to provide an analysis of the Upper Eagle Regional Water Authority's (the Authority) financial condition and operating results and to inform the reader on the Authority's financial issues and activities.

The Management's Discussion and Analysis (the MD&A) should be read in conjunction with the Authority's financial statements.

Financial Highlights

In 2020, total net position increased by \$1,996,913 from \$61,308,156 in 2019 to \$63,305,069 in 2020. Depreciation expense of \$5,202,025 netted with debt payments of \$1,144,077 and capitalized expenditures of \$7,379,478 are the main reasons for the increase in net position along with the donated EPRC stock. Overall for the year, current and other assets increased by \$31,433,765. A bond issue in 2020 provided cash for the multi-year capital program. Proceeds being held at December 31, 2020, for future capital project spending were \$22,448,842. Capital assets increased by \$2,177,453, which represents total capital additions and contributions, net of changes in accumulated depreciation and disposals. Total liabilities increased \$32,043,182 during 2020, primarily as a result of the bond issuances.

In 2020, total revenues decreased by \$2,159,256 relative to 2019, and total expenses increased by \$556,237 when compared to 2019. The Authority's 2020 financial activity generated a net increase of \$26,559,735 in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), \$5,202,025 of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The net result after GAAP adjustments was an increase in net position of \$1,996,913 for 2020, compared to an increase in net position of \$4,712,406 in 2019.

In 2019, total revenues increased by \$4,975,932 relative to 2018, and total expenses increased by \$709,110 when compared to 2018. The Authority's 2019 financial activity generated a net decrease of \$128,175 in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), \$5,154,524 of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The net result after GAAP adjustments was an increase in net position of \$4,712,406 for 2019, compared to an increase in net position of \$445,584 in 2018.

Overview of the Financial Statements

The financial statements of the Authority are presented as a special purpose government engaged only in business type activities - providing water utility services.

The *Statements of Net Position* present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020
(continued)**

Overview of the Financial Statements (continued)

The *Statements of Revenues, Expenses and Changes in Net Position* present information that reflects how the Authority's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statements of Cash Flows* report the Authority's cash flows from operating, capital and related financing, and investing activities.

These financial statements distinguish functions of the Authority that will be principally supported by service charges. The functions of the Authority include effective and economical operation of water systems within the jurisdictional boundaries of the Authority. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

NET POSITION

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|
| Assets: | | | |
| Current and other assets | \$ 46,635,412 | \$ 15,201,647 | \$ 15,990,790 |
| Capital assets, net | 79,548,908 | 77,371,455 | 73,638,863 |
| Total Assets | <u>126,184,320</u> | <u>92,573,102</u> | <u>89,629,653</u> |
| Deferred Outflows of Resources: | | | |
| Deferred charge on refunding | 442,751 | 13,874 | 27,747 |
| Total Deferred Outflows of Resources | <u>442,751</u> | <u>13,874</u> | <u>27,747</u> |
| Liabilities: | | | |
| Long-term liabilities | 59,439,496 | 28,792,491 | 29,958,748 |
| Other liabilities | 3,882,506 | 2,486,329 | 3,102,902 |
| Total Liabilities | <u>63,322,002</u> | <u>31,278,820</u> | <u>33,061,650</u> |
| Net Position: | | | |
| Net investment in capital assets | 44,249,694 | 49,649,611 | 44,880,172 |
| Restricted: | | | |
| Debt | 7,367,144 | 4,090,993 | 3,855,181 |
| Unrestricted | 11,688,231 | 7,567,552 | 7,860,397 |
| Total Net Position | <u>\$ 63,305,069</u> | <u>\$ 61,308,156</u> | <u>\$ 56,595,750</u> |

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities. The general decline in net position is a result of expensing annual asset depreciation in accordance with GAAP reporting.

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020
(continued)**

Overview of the Financial Statements (continued)

The largest portion of the Authority's net position reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

REVIEW OF REVENUES

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|----------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Service fees | \$ 13,273,780 | \$ 11,300,594 | \$ 11,660,639 |
| Non-operating revenues: | | | |
| Investment income | 43,024 | 218,910 | 228,589 |
| Interest credit - Build America Bonds | 253,044 | 294,369 | 293,272 |
| Settlement proceeds | - | 5,006,894 | - |
| Other | 34,868 | 50,460 | 57,260 |
| Capital contributions: | | | |
| Plant investment fees | 668,439 | 2,300,552 | 1,216,759 |
| Water storage fees | 45,184 | 192,392 | - |
| EPRC stock - water rights | 3,453,871 | - | 498,685 |
| Contributed assets | - | 567,295 | 1,000,330 |
| Total Revenues | <u>\$ 17,772,210</u> | <u>\$ 19,931,466</u> | <u>\$ 14,955,534</u> |

In 2020, service revenues continued to increase year over year. During 2020, the Authority received shares of Eagle Park Reservoir Company from Eagle County. During 2019, the Authority received settlement proceeds related to ongoing litigation from past years. During 2018, the Authority received contributed access to water rights in the form of Eagle Park Reservoir Stock.

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020
(continued)**

REVIEW OF EXPENSES

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------------------|---------------------------------|---------------------------------|
| Expenses: | | | |
| Operating Expenses: | | | |
| Water treatment | \$ 4,630,148 | \$ 4,419,084 | \$ 4,135,545 |
| Water distribution | 5,431,869 | 5,708,499 | 4,819,271 |
| Other operating | 856,278 | 995,751 | 1,279,958 |
| General and administrative | 3,817,675 | 2,607,922 | 2,726,790 |
| Non-operating expenses: | | | |
| Interest expense | 1,037,704 | 1,486,235 | 1,545,717 |
| Other | 1,623 | 1,569 | 2,669 |
| Total Expenses | <u>15,775,297</u> | <u>15,219,060</u> | <u>14,509,950</u> |
| Change in Net Position | 1,996,913 | 4,712,406 | 445,584 |
| Net Position - Beginning of Year | <u>61,308,156</u> | <u>56,595,750</u> | <u>56,150,165</u> |
| Net Position - End of Year | <u><u>\$ 63,305,069</u></u> | <u><u>\$ 61,308,156</u></u> | <u><u>\$ 56,595,750</u></u> |

In 2020, total expenses increased year over year. The increase is related to general and administrative costs increasing in 2020.

In 2019, total expenses increased year over year. The increase is related to the Authority part of the expense of a water distribution project in Beaver Creek at Village Hall parking structure, which totaled 795,981 in 2019.

In 2018, total expenses decreased year over year. The decrease is related to general and administrative cost decreasing.

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, as of December 31, 2020 and 2019, were \$79,548,908 and \$77,371,455, respectively. This investment in capital assets includes land and land improvements, water rights and storage, treatment plants, distribution systems, telemetry, water wells, and construction in process.

Most of the water and storage rights currently used by the Authority were provided by the member government entities at no cost to the Authority. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the Authority's Statement of Net Position at historic cost, totaling \$1,709,148. This cost represents mostly legal expenditures to establish the Authority's ability to use these rights to provide water directly to the customers of each of its members and a small acquisition of new rights. Also, in accordance with GASB, the investment in Eagle Park Reservoir Company Stock, which provides a valuable source of raw water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost. Management of the Authority believes the actual value of these water and storage rights used by the Authority to be much greater than historical cost at December 31, 2020. See the Schedule of Water and Storage Rights in the Statistical Section (page F5-8) for additional information. Analysis of changes in capital assets in 2020 is as follows:

| | <u>1/1/20 Beginning Balance</u> | <u>Additions</u> | <u>Reclasses and Retirements</u> | <u>12/31/20 Ending Balance</u> |
|---|---|-------------------------|--|--|
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | 780,962 | - | - | 780,962 |
| Water/storage rights | 1,709,148 | - | - | 1,709,148 |
| Construction in progress | 8,497,210 | 7,797,557 | (3,780,193) | 12,514,574 |
| Total capital assets, not being depreciated | <u>10,987,320</u> | <u>7,797,557</u> | <u>(3,780,193)</u> | <u>15,004,684</u> |
| Capital assets, being depreciated: | | | | |
| Treatment plants | 41,234,573 | 756,699 | - | 41,991,272 |
| Distribution system | 90,911,165 | 2,605,415 | - | 93,516,580 |
| Water wells | 15,267,165 | - | - | 15,267,165 |
| Total capital assets being depreciated | <u>147,412,903</u> | <u>3,362,114</u> | <u>-</u> | <u>150,775,017</u> |
| Less accumulated depreciation for: | | | | |
| Treatment plants | (23,698,474) | (1,585,753) | - | (25,284,227) |
| Distribution system | (50,431,884) | (3,013,113) | - | (53,444,997) |
| Water wells | (6,898,410) | (603,159) | - | (7,501,569) |
| Total accumulated depreciation | <u>(81,028,768)</u> | <u>(5,202,025)</u> | <u>-</u> | <u>(86,230,793)</u> |
| Total capital assets, being depreciated, net | <u>66,384,135</u> | <u>(1,839,911)</u> | <u>-</u> | <u>64,544,224</u> |
| Total capital assets, net | <u><u>77,371,455</u></u> | <u><u>5,957,646</u></u> | <u><u>(3,780,193)</u></u> | <u><u>79,548,908</u></u> |

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

In 2020, total net capital assets were \$79,548,908, an increase of \$2,177,453 from the 2019 amount of \$77,371,455. Net capital asset additions of \$7,379,478 were offset by changes in accumulated depreciation of \$5,202,025 for a net increase in capital assets of \$2,177,453.

In 2019, total net capital assets were \$77,371,455, an increase of \$3,732,592 from the 2018 amount of \$73,638,863. Net capital asset additions of \$8,887,116 were offset by changes in accumulated depreciation of \$5,154,524 for a net increase in capital assets of \$3,732,592.

Additional information on the Authority's capital assets can be found in Note III.F to the financial statements.

Long-term Debt

At the end of 2020, the Authority had revenue bonds of \$58,476,802 and an assessment payable to Eagle Park Reservoir Company of \$962,694.

At the end of 2019, the Authority had revenue bonds of \$27,735,720 and an assessment payable to Eagle Park Reservoir Company of \$1,056,771.

BUDGET VARIANCES AND FUTURE CONSIDERATIONS

Budget Variances

In 2020, revenues were above budget expectations by \$23,330,408. The positive variance is mainly due to the Authority under budgeting for bond proceeds, which were issued during 2020. The expenditure budget was \$32,959,183, including \$12,715,249 of capital additions. Actual expenditures were \$1,335,929 more than budget. The negative is mainly due to the payment on the refunded 2013 bond issuances.

2021 Budget Considerations

The Authority will continue to promote wise use of water and support a comprehensive water conservation program. Additionally, the Authority will explore opportunities to develop or acquire new water resources.

The approved expenditure budget for 2021 is \$36,500,000 including \$25,563,644 of capital additions.

The 2021 water use rates continue to include base fees and a five-tier usage structure. Each tier allows 10,000 gallons of water use per SFE. The tier pricing progressively increases above previous tier to further promote wise use of water.

The 2021 monthly water rates are \$20.77 service base rate per SFE, plus \$7.73 debt service base rate per SFE, plus \$3.96 capital replacement program base rate per SFE and tiered usage rates of \$4.35 per 1,000 gallons for tier one, \$6.52 per 1,000 gallons for tier two, \$9.77 per 1,000 gallons for tier three, \$14.68 per 1,000 gallons for tier four and \$22.02 per 1,000 gallons for tier five (32,000 gallons and over).

**Upper Eagle Regional Water Authority
Management's Discussion and Analysis
December 31, 2020
(continued)**

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Linn Brooks, General Manager, Eagle River Water and Sanitation District, 846 Forest Road, Vail, Colorado 81657.

BASIC FINANCIAL STATEMENTS



**UPPER EAGLE REGIONAL
WATER AUTHORITY**

Upper Eagle Regional Water Authority
Statements of Net Position
December 31, 2020 and 2019

| | 2020 | 2019 |
|--|--------------------|-------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents - Unrestricted | 4,799,066 | 2,688,310 |
| Cash and cash equivalents - Restricted | 30,736,415 | 4,090,993 |
| Receivables, net of allowance for uncollectibles: | | |
| Accounts | 1,835,786 | 2,967,323 |
| Interest - Build America Bonds | 279,155 | 26,110 |
| Current portion of notes receivable | 7,771 | 7,369 |
| Prepaid expenses | 127,070 | 900 |
| Total Current Assets | 37,785,263 | 9,781,005 |
| Non-current Assets: | | |
| Other Assets: | | |
| Patronage dividend receivable | 384,040 | 400,633 |
| Notes receivable - Due in more than one year | 67,636 | 75,407 |
| Investment in Eagle Park Reservoir Company | 8,398,473 | 4,944,602 |
| Total Other Assets | 8,850,149 | 5,420,642 |
| Capital Assets: | | |
| Land and improvements | 780,962 | 780,962 |
| Water/storage rights | 1,709,148 | 1,709,148 |
| Construction in progress | 12,514,574 | 8,497,210 |
| Treatment plants | 41,991,272 | 41,234,573 |
| Distribution system | 93,516,580 | 90,911,165 |
| Water wells | 15,267,165 | 15,267,165 |
| Less: Accumulated depreciation | (86,230,793) | (81,028,768) |
| Total Capital Assets | 79,548,908 | 77,371,455 |
| Total Non-current Assets | 88,399,057 | 82,792,097 |
| Total Assets | 126,184,320 | 92,573,102 |
| Deferred Outflows of Resources: | | |
| Deferred charge on refunding | 442,751 | 13,874 |
| Total Deferred Outflows of Resources | 442,751 | 13,874 |
| Total Assets and Deferred Outflows of Resources | 126,627,071 | 92,586,976 |

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

Upper Eagle Regional Water Authority
Statements of Net Position
December 31, 2020 and 2019
(Continued)

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable - Other | 987,898 | 898,738 |
| Accounts payable - ERWSD | 2,654,848 | 1,378,874 |
| Interest payable | 212,930 | 133,421 |
| Loans and bonds payable - Due within one year | 334,204 | 1,144,077 |
| Deposits | 7,124 | 7,244 |
| Total Current Liabilities | 4,197,004 | 3,562,354 |
| Non-current Liabilities: | | |
| Other payables | 19,706 | 68,052 |
| Loans and bonds payable - Due in more than one year | 59,105,292 | 27,648,414 |
| Total Non-current Liabilities | 59,124,998 | 27,716,466 |
| Total Liabilities | 63,322,002 | 31,278,820 |
| Net Position: | | |
| Net investment in capital assets | 44,249,694 | 49,649,611 |
| Restricted for: | | |
| Debt | 7,367,144 | 4,090,993 |
| Unrestricted | 11,688,231 | 7,567,552 |
| Total Net Position | 63,305,069 | 61,308,156 |

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

Upper Eagle Regional Water Authority
Statements of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| Operating Revenues: | | |
| Service fees | 13,273,780 | 11,300,594 |
| Total Operating Revenues | <u>13,273,780</u> | <u>11,300,594</u> |
| Operating Expenses: | | |
| Water treatment | 4,630,148 | 4,419,084 |
| Water distribution | 5,431,869 | 5,708,499 |
| Other operating | 856,278 | 995,751 |
| General and administrative | 3,817,675 | 2,607,922 |
| Total Operating Expenses | <u>14,735,970</u> | <u>13,731,256</u> |
| Operating Income (Loss) | <u>(1,462,190)</u> | <u>(2,430,662)</u> |
| Non-operating Revenues (Expenses): | | |
| Investment income | 43,024 | 218,910 |
| Interest credit - Build America Bonds | 253,044 | 294,369 |
| Other non-operating revenues | 34,868 | 50,460 |
| Settlement proceeds | - | 5,006,894 |
| Interest expense | (1,037,704) | (1,486,235) |
| Paying agent fees | (1,623) | (1,569) |
| Total Non-operating Revenues (Expenses) | <u>(708,391)</u> | <u>4,082,829</u> |
| Income (Loss) Before Capital Contributions | <u>(2,170,581)</u> | <u>1,652,167</u> |
| Capital Contributions: | | |
| Plant investment fees | 668,439 | 2,300,552 |
| Water storage fees, net of refunds | 45,184 | 192,392 |
| EPRC stock | 3,453,871 | - |
| Contributed assets | - | 567,295 |
| Total Capital Contributions | <u>4,167,494</u> | <u>3,060,239</u> |
| Change in Net Position | 1,996,913 | 4,712,406 |
| Net Position - Beginning of Year | <u>61,308,156</u> | <u>56,595,750</u> |
| Net Position - End of Year | <u><u>63,305,069</u></u> | <u><u>61,308,156</u></u> |

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

Upper Eagle Regional Water Authority
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-------------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers and others | 14,405,315 | 10,970,459 |
| Cash payments for goods and services | <u>(8,344,689)</u> | <u>(8,924,525)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>6,060,626</u> | <u>2,045,934</u> |
| Cash Flows From Non-capital Financing Activities: | | |
| Patronage dividend received | 45,905 | 7,286 |
| Other cash receipts and settlement proceeds | <u>452,207</u> | <u>5,030,147</u> |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>498,112</u> | <u>5,037,433</u> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Proceeds from bond issuance, including premium | 46,512,550 | 2,300,552 |
| Cash received from system development fees | 668,439 | 192,392 |
| Cash received from water storage fees | 45,184 | - |
| Interest subsidy payment received - Build America Bonds | - | 294,369 |
| Cash (paid) received for return of capital asset deposit | (120) | (3,501) |
| Cash paid for principal on debt | (1,144,077) | (1,139,215) |
| Cash paid for interest and paying agent fees on debt | (1,460,162) | (1,505,927) |
| Cash paid to refunded bond escrow agent to retire bond principal | (15,096,652) | - |
| Cash paid for capital acquisitions | <u>(7,378,115)</u> | <u>(8,454,029)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>22,147,047</u> | <u>(8,315,359)</u> |
| Cash Flows From Investing Activities: | | |
| Interest income received | 38,513 | 214,018 |
| Interest received on notes receivable | 4,511 | 4,892 |
| Principal received on notes receivable | <u>7,369</u> | <u>6,988</u> |
| Net Cash Provided (Used) by Investing Activities | <u>50,393</u> | <u>225,898</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 28,756,178 | (1,006,094) |
| Cash and Cash Equivalents - Beginning of Year | <u>6,779,303</u> | <u>7,785,397</u> |
| Cash and Cash Equivalents - End of Year | <u><u>35,535,481</u></u> | <u><u>6,779,303</u></u> |
| Represented by Balance Sheet Captions: | | |
| Cash and cash equivalents - Unrestricted | 4,799,066 | 2,688,310 |
| Cash and cash equivalents - Restricted | <u>30,736,415</u> | <u>4,090,993</u> |
| Cash and Cash Equivalents - End of Year | <u><u>35,535,481</u></u> | <u><u>6,779,303</u></u> |

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

Upper Eagle Regional Water Authority
Statement of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Continued)

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | <u>(1,462,190)</u> | <u>(2,430,662)</u> |
| Adjustments: | | |
| Depreciation | 5,202,025 | 5,154,524 |
| (Increase) decrease in accounts receivable | 1,131,536 | (330,135) |
| (Increase) decrease in prepaid expenses | (126,170) | 126,121 |
| Increase (decrease) in accounts payable - Other | 87,797 | 133,173 |
| Increase (decrease) in accounts payable - ERWSD | 1,275,974 | (664,034) |
| Increase (decrease) in other liabilities | <u>(48,346)</u> | <u>56,947</u> |
| Total Adjustments | <u>7,522,816</u> | <u>4,476,596</u> |
| Net Cash Provided (Used) by Operating Activities | <u>6,060,626</u> | <u>2,045,934</u> |
| Non-cash Investing, Capital, and Financing Activities: | | |
| Contribution of capital assets and EPRC stock | <u>3,453,871</u> | <u>567,295</u> |

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

NOTES TO THE FINANCIAL STATEMENTS



**UPPER EAGLE REGIONAL
WATER AUTHORITY**

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020

I. Summary of Significant Accounting Policies

Upper Eagle Regional Water Authority (the “Authority”) was formed September 18, 1984 pursuant to an establishing contract by the following entities located in Eagle County, Colorado (the “members”):

- Arrowhead Metropolitan District
- Town of Avon
- Beaver Creek Metropolitan District
- Berry Creek Metropolitan District
- Eagle-Vail Metropolitan District
- Edwards Metropolitan District

The Authority, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The Authority was established to make the best practical use of the members’ joint resources to supply water and to further develop water resources and facilities in a portion of Eagle County, Colorado. The Authority also provides water service to the Traer Creek (the Village at Avon), Cordillera and Bachelor Gulch developments (the “contracting parties”) through contracts with members.

The Authority may not be terminated while bonds, notes, or other obligations are outstanding, unless provision for full payment of such obligation has been made. At December 31, 2020, the Authority had debt with maturities through 2050.

The Authority has a service contract with the members. Under the terms of the agreement, the Authority provides residents of the members water service; the Authority bills these residents at rates which are expected to cover its costs of providing water services and other functions. Such costs specifically include debt service requirements, depreciation, replacements, operations, and maintenance. As part of the agreement, the members have leased all of their rights, associated easements, and improvements to the Authority at no cost. As return consideration, the Authority has agreed to maintain the associated improvements and to administer and protect the members’ plan for augmentation and water decrees at no cost to the members.

Effective July 1, 2015, the members approved an Amended and Restated Master Service Contract (the “Master Service Contract”). In addition to the provisions described above, the Master Service Contract stipulated that:

- The members convey their individual water systems to the Authority.
- All member customers become customers of the Authority.
- Tap fees and water surcharges, in addition to Authority fees, can be imposed by members and contracting parties on customers within their respective jurisdictional boundaries and will remain revenue of that individual member or contracting party. Tap fees are collected by Arrowhead Metropolitan District, the Town of Avon, Traer Creek, Cordillera, and Bachelor Gulch. Water surcharges are collected by the Town of Avon, Traer Creek and Cordillera.
- Maintenance of the existing individual water systems becomes the responsibility of the Authority.
- Extensions of existing lines and construction of system additions may be approved by the Authority and the cost of extensions or construction may be passed on to developers. Once constructed and accepted by the Authority, extensions and additions will become part of the Authority’s water system.
- The members retain ownership of water rights and an interest in assets, including rights to capacity in the system to the extent necessary to ensure service to their service areas and to retain individual enterprise status.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

The Authority has no employees; all operations and administrative functions are contracted with Eagle River Water and Sanitation District (the "District"), as subsequently explained.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the Authority are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Authority, and (b) organizations for which the Authority is financially accountable. The Authority is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Authority. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Authority. Organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the Authority is not financially accountable for any other entity nor is the Authority a component unit of any other government.

B. Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Authority uses a proprietary fund-type, an enterprise fund, to account for its activity, providing water services to residents within the Authority's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts and Accounting Policies

1. Cash, Cash Equivalents and Investments

For purposes of the Statements of Cash Flows, the Authority considers cash on hand, demand deposits, U.S. government obligations and other highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments are stated at fair value or net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Authority's investment policy is detailed at note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. An allowance for doubtful accounts in the amount of \$0 and \$0 had been established at December 31, 2020 and 2019, respectively, to estimate uncollectible accounts.

3. Capital Assets

Capital assets, which include water/storage rights, land and improvements, construction in progress, treatment plants, distribution systems, and water wells, are reported in the financial statements. The Authority defines capital assets as assets with an initial cost of \$5,000 or more. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

3. Capital Assets (continued)

The cost of water and storage rights includes acquisition cost, legal 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 the protection of those rights, are expensed. See the Schedule of Water and Storage Rights in the Statistical Section (pages F5-F7) for additional information.

Each of the participating members leased or subleased sufficient water rights to the Authority at no cost to the Authority to meet their projected needs upon full build-out within their current boundaries.

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.

Capital outlay for projects is capitalized as projects are constructed.

Treatment plants, distribution systems, and water wells are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------|--------------|
| Treatment plants | 5 - 40 |
| Distribution systems | 5 - 40 |
| Water wells | 5 - 40 |

In the event of the dissolution of the Authority, all of the assets of the Authority shall immediately vest in the participating members, subject to any outstanding liens, mortgages, or other pledges of such assets. The interest in the assets of the Authority conveyed to each member shall be that proportion which the average annual amount of treated water sold within the boundaries of each member, bears to the average annual total amount of all treated water sold by the Authority.

4. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

5. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in Statement of Net Position. Bond premiums and discounts are deferred and amortized over the respective life of the respective debt using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

The deferred cost on bond refunding is being amortized over the lesser of the life of the new bond or the remaining life of the refunded bonds using the straight-line method which approximates the effective interest method. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

6. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category at December 31, 2020.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

8. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the Authority's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget is adopted on a non-GAAP basis and is reconciled to GAAP in Section E of this report. Expenditures may not legally exceed appropriations and all appropriations lapse at year-end.

As required by Colorado statutes, the Authority followed the required timetable noted below in preparing, approving, and enacting its budget for 2020:

1. The Authority submitted, on or before October 15, 2019, a recommended budget that detailed the necessary revenues to meet the Authority's operating requirements.
2. On or prior to December 31, 2019, after a required publication of "Notice of Budget" and a public hearing, the Authority adopted the proposed budget and a resolution that legally appropriated expenditures for the upcoming year.
3. After adoption of the budget resolution, the Authority may make the following changes: a) it may approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) it may approve emergency appropriations; and c) it may reduce appropriations for which originally estimated revenues are insufficient.

At December 31, 2020 the Authority expenditures exceeded budget by \$1,335,929, which may be a violation of Colorado state statute.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from state and local governments, are excluded from the provisions of TABOR. The Authority's management believes its operations qualify for this exclusion.

The Authority believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

The Authority's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amounts of the Authority's cash and cash equivalents were \$35,535,481 and \$6,779,303 as of December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, the Authority had the following cash and investments with the following maturities:

| December 31, 2020 | | | | |
|--------------------------|--|-----------------------------|-------------------------------|------------------------------|
| | Standard & Poors Rating | Carrying Amounts | Maturities | |
| | | | Less than one year | One to five years |
| <i>Deposits:</i> | | | | |
| Checking | Not rated | 789,662 | 789,662 | - |
| Money market | Not rated | 4,713 | 4,713 | - |
| <i>Investment pools</i> | | | | |
| Total | AAAm | 34,741,106 | 34,741,106 | - |
| | | 35,535,481 | 35,535,481 | - |
| December 31, 2019 | | | | |
| | Standard & Poors Rating | Carrying Amounts | Maturities | |
| | | | Less than one year | One to five years |
| <i>Deposits:</i> | | | | |
| Checking | Not rated | (442,120) | (442,120) | - |
| Money market | Not rated | 4,038 | 4,038 | - |
| <i>Investment pools</i> | | | | |
| Total | AAAm | 7,217,385 | 7,217,385 | - |
| | | 6,779,303 | 6,779,303 | - |

The investment pool represents investments in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price, and is measured at net asset value. The Authority has no regulatory oversight for the pool.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the Authority coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than two years from the purchase date.

Credit Risk. The Authority's investment policy implements the prudent investor rule as a guideline for investment decisions.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Colorado statutes specify instruments in which local governments may invest, including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Concentration of Credit Risk. According to the Authority's investment policy, it is permitted to invest up to the following maximum limits:

| Investment Type | Maximum Percentage |
|---|---------------------------|
| U.S. Treasury obligations | 100% |
| Qualified certificates of deposit | 50% |
| Qualified local government investment pools | 100% |
| Federal instrumentality securities | 50% |
| Repurchase agreements collateralized by U.S. Treasury obligations | 100% |
| Bankers acceptances and commercial paper - combined total | 30% |

Fair

Value of Investments The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Unrealized gains / losses were \$0, which reflects the change in fair market value of investments. At December 31, 2020, the Authority had the following recurring measurements:

| Investments Measured at Net Asset Value | 12/31/20 | 12/31/19 |
|--|-----------------|-----------------|
| Colostrust | 34,741,106 | 7,217,385 |

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

B. Summary of Cash and Investments

The Authority's cash and cash equivalents are disclosed in the following financial statement captions:

| | <u>12/31/20</u> | <u>12/31/19</u> |
|--|-------------------|------------------|
| Cash and cash equivalents - Unrestricted | 4,799,066 | 2,688,310 |
| Cash and cash equivalents - Restricted | 30,736,415 | 4,090,993 |
| Total | <u>35,535,481</u> | <u>6,779,303</u> |

The Authority's cash has been restricted for the following purposes:

| | <u>12/31/20</u> | <u>12/31/19</u> |
|---------------------------------------|-------------------|------------------|
| Debt covenant and operations reserves | 6,767,144 | 3,490,993 |
| Rate stabilization funds | 600,000 | 600,000 |
| Capitalized interest funds | 920,429 | - |
| Unspent bond proceeds | 22,448,842 | - |
| Total | <u>30,736,415</u> | <u>4,090,993</u> |

C. Notes Receivable

The following is an analysis of changes in notes receivable for the past two fiscal years:

| | <u>1/1/19</u> | | | <u>12/31/19</u> | | | <u>12/31/20</u> |
|-----------------------|------------------|------------------|-------------------|-----------------|------------------|-------------------|-----------------|
| | Beginning | | | Ending | | | Ending |
| | Balance | Additions | Reductions | Balance | Additions | Reductions | Balance |
| Traer Creek | 89,765 | - | (6,989) | 82,776 | - | (7,369) | 75,407 |
| | <u>89,765</u> | <u>-</u> | <u>(6,989)</u> | <u>82,776</u> | <u>-</u> | <u>(7,369)</u> | <u>75,407</u> |
| Less: Current portion | (6,988) | | | (7,369) | | | (7,771) |
| Long-term portion | <u>82,777</u> | | | <u>75,407</u> | | | <u>67,636</u> |

1. Traer Creek Metropolitan District ("Traer Creek")

On November 4, 2002, the Authority entered into a service agreement with Traer Creek for augmentation water. This agreement requires Traer Creek to pay an amount equal to the cost of 300 shares of Eagle Park Reservoir Company (the "Reservoir Company") stock for use in connection with the augmentation water. The Authority is to remain the record titleholder of the 300 shares of the Reservoir Company stock and will retain all shareholder rights. Pursuant to this agreement, the purchase price of the Reservoir Company stock was \$163,070. Annual combined principal and interest payments of \$11,880 are due to the Authority on September 15th through 2028. The loan bears interest at 5.45% per annum.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

D. Patronage Dividend Receivable

The Authority has a dividend receivable from Holy Cross Electric Association (“Holy Cross”) which represents allocated refundable operating profits. These amounts are held by Holy Cross as working capital until the financial condition of Holy Cross permits a refund. Refunds are normally received annually approximately ten years in arrears. During the years ended December 31, 2020 and 2019, the Authority received refunds of \$45,905 and \$7,285, respectively, from Holy Cross. The balances due to the Authority at December 31, 2020 and 2019, were \$384,040 and \$400,633, respectively.

E. Investment in Eagle Park Reservoir Company

The Eagle Park Reservoir Company (the “Reservoir Company”), a Colorado nonprofit corporation was formed May 8, 1998 to acquire water diversion, storage facilities and water rights to operate its water storage facilities located in Eagle County, Colorado, and to direct releases of water from the reservoir on behalf of its stockholders. An investment in the Reservoir Company allows the owner to augment its existing water rights.

In 1998, the Authority acquired 3830 Class A Shares (approximately 19%) and 125 Class B shares of the stock in the Reservoir Company for \$2,216,574 and the contribution/pledge of certain water rights. The \$2,216,574 was financed through an assessment obligation payable to the Reservoir Company, which is explained in Note III.H.1, and is recorded as an investment in Eagle Park Reservoir Company, along with \$143,420 of legal costs related to the issuance of the assessment payable. Since 1998, the Authority has acquired additional shares of the Reservoir Company through various transactions. As of December 31, 2010, the Authority held 5390 Class A Shares (approximately 21%), 125 Class B Series 1 and 131.5 Class B Series 2 shares of the stock in the Reservoir Company at a cost of 4,445,917.

During 2011 through 2017, the Authority’s investment in the Reservoir Company was unchanged.

In March 2018 Eagle County and Eagle River Water and Sanitation Districted transferred 125.6024 and 16.8789 Class A, Series 2 shares to the Authority, respectively, valued at \$498,685.

During 2019, the Authority’s investment in the Reservoir company was unchanged.

During 2020, the Board of Commissioners of Eagle County transferred 874.3976 Class A, Series 2 shares to the Authority, valued at \$3,453,871. As of December 31, 2020, the Authority held 6,406.8789 Class A Shares (approximately 21.4%), 125 Class B Series 1 and 131.5 Class B Series 2 shares of the stock in the Reservoir Company at a cost of \$8,398,473. See the Schedule of Water and Storage Rights in the Statistical Section (pages F5-F7) for additional information.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

F. Capital Assets

Capital asset activity for the past two fiscal years was as follows:

| | <u>1/1/19</u> <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reclasses</u> <u>and</u> <u>Retirements</u> | <u>12/31/19</u> <u>Ending</u> <u>Balance</u> | <u>Additions</u> | <u>Reclasses</u> <u>and</u> <u>Retirements</u> | <u>12/31/20</u> <u>Ending</u> <u>Balance</u> |
|---|---|--------------------|--|--|--------------------|--|--|
| Capital assets, not being depreciated: | | | | | | | |
| Land and land improvements | 780,962 | - | - | 780,962 | - | - | 780,962 |
| Water/storage rights | 1,709,148 | - | - | 1,709,148 | - | - | 1,709,148 |
| Construction in progress | 4,138,871 | 8,224,256 | (3,865,917) | 8,497,210 | 7,797,557 | (3,780,193) | 12,514,574 |
| Total capital assets, not being depreciated | 6,628,981 | 8,224,256 | (3,865,917) | 10,987,320 | 7,797,557 | (3,780,193) | 15,004,684 |
| Capital assets, being depreciated: | | | | | | | |
| Treatment plants | 38,365,515 | 2,869,058 | - | 41,234,573 | 756,699 | - | 41,991,272 |
| Distribution system | 89,327,194 | 1,583,971 | - | 90,911,165 | 2,605,415 | - | 93,516,580 |
| Water wells | 15,191,417 | 75,748 | - | 15,267,165 | - | - | 15,267,165 |
| Total capital assets being depreciated | 142,884,126 | 4,528,777 | - | 147,412,903 | 3,362,114 | - | 150,775,017 |
| Less accumulated depreciation for: | | | | | | | |
| Treatment plants | (22,145,038) | (1,553,436) | - | (23,698,474) | (1,585,753) | - | (25,284,227) |
| Distribution system | (47,434,712) | (2,997,172) | - | (50,431,884) | (3,013,113) | - | (53,444,997) |
| Water wells | (6,294,494) | (603,916) | - | (6,898,410) | (603,159) | - | (7,501,569) |
| Total accumulated depreciation | (75,874,244) | (5,154,524) | - | (81,028,768) | (5,202,025) | - | (86,230,793) |
| Total capital assets, being depreciated, net | 67,009,882 | (625,747) | - | 66,384,135 | (1,839,911) | - | 64,544,224 |
| Total capital assets, net | 73,638,863 | 7,598,509 | (3,865,917) | 77,371,455 | 5,957,646 | (3,780,193) | 79,548,908 |

Depreciation expense for the years ended 2019 and 2020 was charged to the following departments:

| | <u>2020</u> | <u>2019</u> |
|--------------------|------------------|------------------|
| Water treatment | 2,188,912 | 2,157,352 |
| Water distribution | 3,013,113 | 2,997,172 |
| Total | 5,202,025 | 5,154,524 |

Fully depreciated assets totaled \$18,434,558 and \$18,849,649 for the years ended 2019 and 2020, respectively.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

G. Long-Term Debt

The Authority had the following long-term debt outstanding during the past two fiscal years:

1. 1998 Assessment Obligation Note

As previously explained in Note III.F, the Authority financed its 1998 investment in the Reservoir Company through the execution of an assessment obligation note in the amount of \$2,216,574. This note bears interest at 5.45% annually. Debt service payments of \$151,671 are due annually on September 16th through 2028.

The obligation is secured by the Authority's ownership of common stock of the Reservoir Company and certain water rights owned by participating members and leased to the Authority. The agreement contains release provisions for the collateral based on the timely payment of scheduled obligations. The assessment payable is subject to annual appropriation.

The Authority is maintaining a reserve equal to the next fiscal year's principal and interest payments for this obligation.

2. Tax-Exempt Water Revenue Bonds, Series 2010

The Authority issued \$8,695,000 of tax-exempt water revenue bonds in February 2010, the proceeds of which were used to retire the 2000 CWRPDA loan, finance deposits to Reserve Fund (which is subsequently explained), and pay the costs of issuance. The interest rates on the bonds range from 2.50% to 4.00%. Interest is payable on June 1st and December 1st, through 2020. The principal is payable on December 1st and matures in various increments through 2020.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after the payment of operation and maintenance expenses of the system. In connection with the issuance of these bonds, the Authority has adopted a resolution imposing a new Water Debt Service Rate which is collected monthly from each single family equivalent ("SFE") in the system.

The bond documents include a Rate Maintenance Covenant, which requires the Authority to establish service rates at a level sufficient to cover operating, maintenance, system improvement, insurance, and other expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

These bonds and the Taxable Water Revenue Bonds, Series 2010 (collectively referred to as the "2010 Bonds"), are secured by a common Reserve Fund equal to the least of 1) 10% of the aggregate principal amount of outstanding 2010 Bonds and any Reserve Fund Bonds (as defined in the bond documents), 2) the maximum annual principal and interest on outstanding 2010 Bonds and any Reserve Fund Bonds, or 3) 125% of average principal and interest on the bonds and any Reserve Fund Bonds. The Authority has purchased an insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

2. Tax-Exempt Water Revenue Bonds, Series 2010 (continued)

In conjunction with the issuance of the 2010 Bonds, the Authority is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increases in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

In accordance with bond indentures, the Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

These bonds were fully repaid during 2020.

3. Taxable Water Revenue Bonds, Series 2010

The Authority issued \$14,650,000 of taxable water revenue bonds in February 2010, the proceeds of which were used to finance improvements to the water system, finance deposits to Reserve Fund (which is subsequently explained), and pay the costs of issuance. The interest rates on the bonds range from 5.36% to 6.52%. Interest is payable on June 1st and December 1st, through 2039. This bond issue consists of term bonds due on December 1, 2025, December 1, 2030, and December 1, 2039; these bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

These bonds are Qualified Build America Bonds, which indicates the bonds are not tax-exempt. Under the Build America Program, the Authority may apply for interest cost subsidies from the federal government. Such subsidies will be used by the Authority to pay debt service on these bonds. During the fiscal year ended December 31, 2020, the Authority recognized revenue of \$253,044 related to this subsidy.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after the payment of operation and maintenance expenses of the system. In connection with the issuance of these bonds, the Authority has adopted a resolution imposing a new Water Debt Service Rate which is collected monthly from each single family equivalent ("SFE") in the system.

The bond documents include a Rate Maintenance Covenant, which requires the Authority to establish service rates at a level sufficient to cover operating, maintenance, system improvement, insurance, and other expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

3. Taxable Water Revenue Bonds, Series 2010 (continued)

As previously discussed, these bonds and the Tax-Exempt Water Revenue Bonds, Series 2010 (collectively referred to as the "2010 Bonds"), are secured by a common Reserve Fund equal to the least of 1) 10% of the aggregate principal amount of outstanding 2010 Bonds and any Reserve Fund Bonds (as defined in the bond documents), 2) the maximum annual principal and interest on outstanding 2010 Bonds and any Reserve Fund Bonds, or 3) 125% of average principal and interest on the bonds and any Reserve Fund Bonds. The Authority has purchased an insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

In conjunction with the issuance of the 2010 Bonds, the Authority is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increases in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

In accordance with bond indentures, the Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

These bonds are subject to redemption prior to maturity at the option of the Authority at par plus accrued interest without a redemption premium.

During 2020, the Water Revenue Bonds, Series 2010, were refunded with the issuance of the Series 2020 Water Revenue Refunding and Improvement Bonds.

4. Tax-Exempt Water Revenue Bonds, Series 2013A

The Authority issued \$11,905,000 of tax-exempt water revenue bonds in April 2013, with annual interest rates ranging from 2.5% to 4.25%. Interest is payable June 1 and December 1, through 2042. The principal is payable on December 1 and matures in various increments through 2042. The proceeds of these bonds were used to finance improvements to the water system. This bond issue consists of term bonds due on December 1, 2023, December 1, 2028, December 1, 2033, December 1, 2036 and December 1, 2042; these bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after payment of operation and maintenance expenses of the system.

The bond documents include a Rate Maintenance Covenant, which requires the Authority to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

4. Tax-Exempt Water Revenue Bonds, Series 2013A (continued)

A bond insurance policy, which guarantees the scheduled payment of principal and interest of the bonds was issued by Assured Guaranty Mutual Corporation concurrently with the issuance of these bonds.

The Authority is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

In accordance with bond indentures, the Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

The bonds maturing on or before December 1, 2023, are not subject to redemption prior to maturity. The bonds maturing on and after December 1, 2024, are subject to redemption prior to maturity at the option of the Authority at par plus accrued interest without a redemption premium.

5. Tax-Exempt Water Revenue Refunding Bonds, Series 2013C

The Authority issued \$940,000 of tax-exempt water revenue bonds in April 2013, with annual interest rates ranging from 2.0% to 2.25%. Interest is payable June 1 and December 1, through 2022. The principal is payable on December 1 and matures in various increments through 2022. The proceeds were used to refund the outstanding Authority's 2002 Water Refunding and Improvement Revenue Bonds, purchase municipal bond insurance, and pay the costs of issuance.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after payment of operation and maintenance expenses of the system.

The bond documents include a Rate Maintenance Covenant, which requires the Authority to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

A bond insurance policy, which guarantees the scheduled payment of principal and interest of the bonds was issued by Assured Guaranty Mutual Corporation concurrently with the issuance of these bonds.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

5. Tax-Exempt Water Revenue Refunding Bonds, Series 2013C (continued)

The Authority is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

In accordance with bond indentures, the Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

The bond is not subject to redemption prior to the maturity date.

6. Tax Exempt Water Revenue Improvement Bonds, Series 2020

The Authority issued \$27,125,000 of tax-exempt water revenue bonds in October 2020, with annual interest rates ranging from 2.0% to 2.25%. Interest is payable June 1 and December 1, through 2050. The principal is payable on December 1 and matures in various increments through 2050. The bonds included an issuance premium of \$4,132,135. The proceeds of these bonds were used to finance improvements to the water system. This bond issue consists of term bonds due on December 1, 2040, December 1, 2045, and December 1, 2050; these bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net revenues derived from the Authority's water system. Net revenues are defined as revenues after deducting Operation and Maintenance Expenses.

The bond documents include a Rate Maintenance Covenant, which requires the Authority to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

The Authority is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

Pursuant to bond documents, the Authority has also created a Reserve Fund maintained in accordance with the 2020 Bond Resolution.

The bonds maturing on or before December 1, 2030, are not subject to redemption prior to maturity. The bonds maturing on and after December 1, 2031 are subject to redemption prior to maturity at the option of the Authority at par plus accrued interest without a redemption premium.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

7. Tax Exempt Water Revenue Refunding Bonds, Series 2020

The Authority issued \$12,790,000 of tax-exempt water revenue bonds in October 2020, with annual interest rates ranging from 2.0% to 2.25%. Interest is payable June 1 and December 1, through 2039. The principal is payable on December 1 and matures in various increments through 2050. The bonds included an issuance premium of \$2,465,414. The proceeds of these bonds were used to refund all of the Authority's remaining Taxable Water Revenue Bonds, Series 2010B. The Net Present Value of savings was \$2,632,895.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net revenues derived from the Authority's water system. Net revenues are defined as revenues after deducting Operation and Maintenance Expenses.

The bond documents include a Rate Maintenance Covenant, which requires the Authority to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

The Authority is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

Pursuant to bond documents, the Authority has also created a Reserve Fund maintained in accordance with the 2020 Bond Resolution.

The bonds maturing on or before December 1, 2030, are not subject to redemption prior to maturity. The bonds maturing on and after December 1, 2031 are subject to redemption prior to maturity at the option of the Authority at par plus accrued interest without a redemption premium.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-term Liability Activity Schedules

Long-term liability activity for 2019 was as follows:

| | 1/1/19 | | | 12/31/19 | Due |
|--|-------------------|------------------|--------------------|-------------------|------------------|
| | Beginning | Additions | Reductions | Ending | Within |
| | Balance | | | Balance | One Year |
| 1998 assessment obligation note | 1,145,986 | - | (89,215) | 1,056,771 | 94,077 |
| 2010 tax-exempt revenue bonds | 1,900,000 | - | (950,000) | 950,000 | 950,000 |
| 2010 taxable revenue bonds | 14,650,000 | - | - | 14,650,000 | - |
| 2013 tax-exempt revenue bonds | 11,905,000 | - | - | 11,905,000 | - |
| 2013 tax-exempt refunding revenue bonds | 410,000 | - | (100,000) | 310,000 | 100,000 |
| Unamortized bond premiums | 65,850 | - | (31,962) | 33,888 | - |
| Unamortized bond discounts | (118,088) | - | 4,920 | (113,168) | - |
| Total | 29,958,748 | - | (1,166,257) | 28,792,491 | 1,144,077 |

Long-term liability activity for 2020 was as follows:

| | 1/1/20 | | | 12/31/20 | Due |
|--|-------------------|-------------------|---------------------|-------------------|-----------------|
| | Beginning | Additions | Reductions | Ending | Within |
| | Balance | | | Balance | One Year |
| 1998 assessment obligation note | 1,056,771 | - | (94,077) | 962,694 | 99,204 |
| 2010 tax-exempt revenue bonds | 950,000 | - | (950,000) | - | - |
| 2010 taxable revenue bonds | 14,650,000 | - | (14,650,000) | - | - |
| 2013 tax-exempt revenue bonds | 11,905,000 | - | - | 11,905,000 | 130,000 |
| 2013 tax-exempt refunding revenue bonds | 310,000 | - | (100,000) | 210,000 | 105,000 |
| 2020 tax-exempt revenue bonds | - | 27,125,000 | - | 27,125,000 | - |
| 2020 tax-exempt refunding revenue bonds | - | 12,790,000 | - | 12,790,000 | - |
| Unamortized bond premiums | 33,888 | 6,521,162 | - | 6,555,050 | - |
| Unamortized bond discounts | (113,168) | - | 4,920 | (108,248) | - |
| Total | 28,792,491 | 46,436,162 | (15,789,157) | 59,439,496 | 334,204 |

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on All Funds (continued)

I. Debt Service Schedules

Aggregate debt service requirements at December 31, 2020, were as follows for the Authority:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|-------------------|-------------------|-------------------|
| 2021 | 334,204 | 2,281,848 | 2,616,052 |
| 2022 | 359,611 | 2,127,066 | 2,486,677 |
| 2023 | 425,312 | 2,115,253 | 2,540,565 |
| 2024 | 546,324 | 2,097,616 | 2,643,940 |
| 2025 | 1,242,664 | 2,072,701 | 3,315,365 |
| 2026 - 2030 | 6,849,580 | 9,421,919 | 16,271,499 |
| 2031 - 2035 | 7,970,000 | 7,830,498 | 15,800,498 |
| 2036 - 2040 | 9,625,000 | 6,176,825 | 15,801,825 |
| 2041 - 2045 | 11,565,000 | 4,239,200 | 15,804,200 |
| 2046 - 2050 | 14,075,000 | 1,733,200 | 15,808,200 |
| Total | <u>52,992,695</u> | <u>40,096,126</u> | <u>93,088,821</u> |

The Authority is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12.

IV. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined together with other special districts in the State to form the Colorado Special Districts Property and Liability Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for member special districts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Authority 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.

The Authority carries commercial insurance coverage for other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Intergovernmental Agreements

1. Interconnect

The Authority and Eagle River Water and Sanitation District (the "District") entered into an intergovernmental agreement ("IGA") in 1994 to construct an interconnect between their two water systems to enable the transfer of water between the parties for the purposes of achieving operational flexibility.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Other Information (continued)

B. Intergovernmental Agreements (continued)

1. Interconnect (continued)

In accordance with the IGA, the deliveries between the two systems are to be measured daily (net distribution of water) with the net amount owed by either party to the other to be recorded by the owing party at a rate equal to 75 percent of the then current water rate charges by the owing party.

The intent of the parties is to provide long-term service to each other through the availability of peak use season and emergency supplemental water supply. The agreement provides for a payment calculation year of May 1 to April 30. If at the end of the payment year there is a net distribution of water to one of the parties that party shall make payment to the other party. It should be noted that historically towards the end of each payment year (April 30) the system is run to create a zero balance outstanding, such that no payment is due to or from either party. For the payment years ended April 30, 2020 and 2019, the balance outstanding was \$0.

The value of water distributed by the District to the Authority through the interconnect was \$19,706 and \$68,052 during the year ended December 31, 2020 and 2019, respectively. As the system is brought to a zero balance by the end of each payment year (April 30), the District has chosen to forgo immediate payment and carry this receivable forward. The District reserves the right to request payment from the Authority at any time in the future.

2. Management and Operations Agreement

Through an agreement, the District provides administration, operations, accounting and maintenance services to the Authority. The District bills customers for the water service provided and collects and remits the monies to the Authority. Additionally, the District provides capital program management services, which are eventually capitalized by the Authority as part of the cost basis of the completed facility. Costs incurred during 2020 under the terms of this agreement amounted to \$5,701,662 and \$4,618,339 for operating and billing expenses, and \$493,775 and \$534,341 for capitalized management services, totaling \$6,195,437 and \$5,152,680 during the years ended December 31, 2020 and 2019, respectively. Outstanding management fees due to the District as of December 31, 2020 and 2019 totaled \$2,654,848 and \$1,378,874, respectively. Additionally, there was \$0 and \$0 related to management fees due to the Authority as a result of the annual cost study adjustment as December 31, 2020 and 2019, respectively. There were other outstanding payables, for operation services, due to the District as of December 31, 2020 and 2019 totaling \$1,146,136 and \$287,874, respectively. As of December 31, 2020 there was \$1,835,786 due from the District, for water service billed, included in the \$1,597,850 accounts receivable balance.

3. Ground Lease

On April 30, 1985, the Authority entered into a lease agreement with the Town of Avon for the land upon which the water treatment facility is located. The term of the lease is for 99 years. Minimal consideration for the lease was paid in advance. In addition, the Town of Avon has reserved the right to use the airspace above the water treatment facility for construction of municipal facilities.

Upper Eagle Regional Water Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Other Information (continued)

C. Commitments and Contingencies

1. Federal and State Grants and Financial Sources

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

2. Construction Commitments

The Authority had the following significant contract commitments at December 31, 2020:

| <u>Project</u> | <u>Vendor</u> | <u>Contract Commitment</u> | <u>Completed</u> | <u>Remaining</u> |
|---------------------------------------|------------------------|--------------------------------|------------------|------------------|
| ADWF Administration Expansion | Eidos Architects | 353,316 | (237,071) | 116,245 |
| RTU Phase One | JR Filanc Construction | 2,274,240 | (2,010,572) | 263,668 |
| Cordillera West Wells Improvements | SGM, Inc. | 79,806 | (13,547) | 66,259 |

SUPPLEMENTARY INFORMATION



**UPPER EAGLE REGIONAL
WATER AUTHORITY**

Upper Eagle Regional Water Authority
Schedule of Revenues, Expenditures, and Changes in Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended 2019)

| | 2020 | | | Final Budget Variance Positive (Negative) | 2019 |
|--|----------------------------|-------------------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Revenues: | | | | | |
| Water service fees | 11,250,000 | 11,250,000 | 13,273,780 | 2,023,780 | 11,357,541 |
| Investment income | 160,511 | 160,511 | 43,024 | (117,487) | 218,910 |
| Plant investment fees | 800,000 | 800,000 | 668,439 | (131,561) | 2,300,552 |
| Water storage fees | - | - | 45,184 | 45,184 | 192,392 |
| Proceeds from issuance of bonds | 25,000,000 | 25,000,000 | 46,512,550 | 21,512,550 | - |
| Principal collections of notes receivable | 7,369 | 7,369 | 7,369 | - | 6,988 |
| Interest credit - Build America Bonds | 276,559 | 276,559 | 253,044 | (23,515) | 294,369 |
| Settlement proceeds | - | - | - | - | 5,006,894 |
| Other | 30,000 | 30,000 | 51,457 | 21,457 | 30,539 |
| Total Revenues | 37,524,439 | 37,524,439 | 60,854,847 | 23,330,408 | 19,408,185 |
| Expenditures: | | | | | |
| Water Treatment: | | | | | |
| Management contract | 1,362,353 | 1,523,951 | 1,523,951 | - | 1,362,353 |
| Utilities | 581,000 | 581,000 | 578,058 | 2,942 | 538,777 |
| Chemicals and supplies | 331,500 | 331,500 | 339,226 | (7,726) | 360,602 |
| Subtotal - Water Treatment | 2,274,853 | 2,436,451 | 2,441,235 | (4,784) | 2,261,732 |
| Water Distribution: | | | | | |
| Management contract | 1,313,576 | 1,457,297 | 1,457,297 | - | 1,313,576 |
| Utilities | 310,000 | 310,000 | 337,704 | (27,704) | 329,171 |
| Repairs and maintenance | 275,000 | 275,000 | 623,754 | (348,754) | 1,068,580 |
| Subtotal - Water Distribution | 1,898,576 | 2,042,297 | 2,418,755 | (376,458) | 2,711,327 |
| Other Operating: | | | | | |
| Utilities | 14,000 | 14,000 | 8,884 | 5,116 | 9,552 |
| Repairs and maintenance | 1,230,791 | 1,230,791 | 585,473 | 645,318 | 751,157 |
| Outside services | 358,300 | 358,300 | 310,266 | 48,034 | 235,042 |
| Subtotal - Other Operating | 1,603,091 | 1,603,091 | 904,623 | 698,468 | 995,751 |
| General and Administrative: | | | | | |
| Insurance | 125,000 | 125,000 | 121,608 | 3,392 | 118,692 |
| Legal - General | 80,000 | 80,000 | 41,685 | 38,315 | 71,537 |
| Legal - Water rights | 350,000 | 350,000 | 309,828 | 40,172 | 281,385 |
| Engineering | 36,000 | 36,000 | 31,513 | 4,487 | 50,532 |
| Consulting | - | - | 10,500 | (10,500) | 26,903 |
| Management and accounting | 1,742,071 | 2,836,752 | 2,739,598 | 97,154 | 1,977,277 |
| Conservation awareness | 15,000 | 15,000 | 6,739 | 8,261 | 8,300 |
| Directors' fees and expenses | 10,600 | 10,600 | 9,732 | 868 | 9,165 |
| Watershed projects | 50,000 | 50,000 | 50,000 | - | 50,000 |
| Other | 286,000 | 286,000 | 496,069 | (210,069) | 13,751 |
| Subtotal - General and Administrative | 2,694,671 | 3,789,352 | 3,817,272 | (27,920) | 2,607,542 |

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

Upper Eagle Regional Water Authority
Schedule of Revenues, Expenditures, and Changes in Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended 2019)
(Continued)

| | 2020 | | | Final Budget Variance Positive (Negative) | 2019 |
|--|--------------------|-------------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual | | Actual |
| Expenditures (continued): | | | | | |
| Debt Service: | | | | | |
| Principal payments | 1,144,077 | 8,915,077 | 1,144,077 | 7,771,000 | 1,139,215 |
| Interest payments | 1,454,666 | 1,454,666 | 1,091,397 | 363,269 | 1,499,402 |
| Paying agent fees | 3,000 | 3,000 | 1,623 | 1,377 | 1,569 |
| Payment to refunded bond escrow agent | - | - | 15,096,652 | (15,096,652) | - |
| Subtotal - Debt Service | <u>2,601,743</u> | <u>10,372,743</u> | <u>17,333,749</u> | <u>(6,961,006)</u> | <u>2,640,186</u> |
| Other: | | | | | |
| Capital outlay | 14,115,249 | 12,715,249 | 7,379,478 | 5,335,771 | 8,319,822 |
| Subtotal - Other | <u>14,115,249</u> | <u>12,715,249</u> | <u>7,379,478</u> | <u>5,335,771</u> | <u>8,319,822</u> |
| Total Expenditures | <u>25,188,183</u> | <u>32,959,183</u> | <u>34,295,112</u> | <u>(1,335,929)</u> | <u>19,536,360</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 12,336,256 | 4,565,256 | 26,559,735 | 21,994,479 | (128,175) |
| Funds Available - Beginning of Year | <u>5,603,744</u> | <u>5,603,744</u> | <u>7,362,728</u> | <u>1,758,984</u> | <u>7,490,903</u> |
| Funds Available - End of Year | <u>17,940,000</u> | <u>10,169,000</u> | <u>33,922,463</u> | <u>23,753,463</u> | <u>7,362,728</u> |
| Funds available at year-end is computed as follows: | | | | | |
| Current assets | | | 37,785,263 | | 9,781,005 |
| Current liabilities | | | (4,197,004) | | (3,562,354) |
| Current portion of long-term obligations | | | 334,204 | | 1,144,077 |
| | | | <u>33,922,463</u> | | <u>7,362,728</u> |
| Reconciliation to GAAP Basis: | | | | | |
| Excess (deficiency) of revenues over expenditures | | | 26,559,735 | | (128,175) |
| Contributed assets from developers | | | - | | 567,295 |
| Contributed EPRC stock | | | 3,453,871 | | - |
| Proceeds from bond issue | | | (46,512,550) | | - |
| Payment to refunded bond escrow agent | | | 15,096,652 | | - |
| Change in patronage dividends receivable | | | (16,995) | | 19,540 |
| Collection of notes receivable - Principal | | | (7,369) | | (6,988) |
| Depreciation | | | (5,202,025) | | (5,154,524) |
| Amortization of bond premiums, discounts, and deferred refunding costs | | | 53,694 | | 13,169 |
| Debt principal payments | | | 1,144,077 | | 1,139,215 |
| Capitalized assets | | | 7,379,478 | | 8,319,822 |
| Change in other long-term payables (interconnect) | | | 48,345 | | (56,948) |
| Change in Net Position - GAAP Basis | | | <u>1,996,913</u> | | <u>4,712,406</u> |

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

**Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2020**

**1998 Assessment Obligation Note
Payable to Eagle Park Reservoir Company
Original Principal - \$2,216,574
Interest Rate - 5.45%**

| <u>Year Ending December 31,</u> | <u>Principal Due September 16</u> | <u>Interest Due September 16</u> | <u>Total</u> |
|-------------------------------------|---------------------------------------|--------------------------------------|------------------|
| 2021 | 99,204 | 52,467 | 151,671 |
| 2022 | 104,611 | 47,060 | 151,671 |
| 2023 | 110,312 | 41,359 | 151,671 |
| 2024 | 116,324 | 35,347 | 151,671 |
| 2025 | 122,664 | 29,007 | 151,671 |
| 2026 | 129,349 | 22,322 | 151,671 |
| 2027 | 136,399 | 15,272 | 151,671 |
| 2028 | 143,831 | 7,840 | 151,671 |
| | <u>962,694</u> | <u>250,674</u> | <u>1,213,368</u> |

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2020

2013A Tax-Exempt Water Revenue Bonds
Revenue Bonds
Original Principal - \$11,905,000
Interest Rate - 2.50% to 4.25%

| Year Ending December 31, | Principal Due December 1 | Interest Due June 1 and December 1 | Total |
|-------------------------------------|-------------------------------------|---|--------------|
| 2021 | 130,000 | 462,094 | 592,094 |
| 2022 | 150,000 | 458,844 | 608,844 |
| 2023 | 165,000 | 455,094 | 620,094 |
| 2024 | 180,000 | 450,969 | 630,969 |
| 2025 | 195,000 | 444,894 | 639,894 |
| 2026 | 210,000 | 438,312 | 648,312 |
| 2027 | 230,000 | 431,225 | 661,225 |
| 2028 | 250,000 | 423,462 | 673,462 |
| 2029 | 275,000 | 415,025 | 690,025 |
| 2030 | 305,000 | 404,712 | 709,712 |
| 2031 | 325,000 | 393,275 | 718,275 |
| 2032 | 360,000 | 381,087 | 741,087 |
| 2033 | 390,000 | 367,587 | 757,587 |
| 2034 | 410,000 | 352,962 | 762,962 |
| 2035 | 445,000 | 335,537 | 780,537 |
| 2036 | 490,000 | 316,625 | 806,625 |
| 2037 | 540,000 | 295,800 | 835,800 |
| 2038 | 585,000 | 274,200 | 859,200 |
| 2039 | 630,000 | 250,800 | 880,800 |
| 2040 | 1,805,000 | 225,600 | 2,030,600 |
| 2041 | 1,880,000 | 153,400 | 2,033,400 |
| 2042 | 1,955,000 | 78,200 | 2,033,200 |
| | 11,905,000 | 7,809,704 | 19,714,704 |

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2020

2013C Tax-Exempt Water Revenue Refunding Bonds
Revenue Bonds

Original Principal - \$940,000

Interest Rate - 2.00% to 2.25%

| Year Ending December 31, | Principal Due December 1 | Interest Due June 1 and December 1 | Total |
|-------------------------------------|-------------------------------------|---|--------------|
| 2021 | 105,000 | 4,594 | 109,594 |
| 2022 | 105,000 | 2,362 | 107,362 |
| | 210,000 | 6,956 | 216,956 |

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2020

2020 Tax-Exempt Water Revenue Improvement Bonds
Revenue Bonds

Original Principal - \$27,125,000

Interest Rate - 2.00% - 2.25%

| Year Ending December 31, | Interest Due | | Total |
|-------------------------------------|-------------------------------------|----------------------------------|-------------------|
| | Principal Due December 1 | June 1 and December 1 | |
| 2021 | - | 1,194,729 | 1,194,729 |
| 2022 | - | 1,097,200 | 1,097,200 |
| 2023 | 150,000 | 1,097,200 | 1,247,200 |
| 2024 | 250,000 | 1,089,700 | 1,339,700 |
| 2025 | 310,000 | 1,077,200 | 1,387,200 |
| 2026 | 310,000 | 1,061,700 | 1,371,700 |
| 2027 | 320,000 | 1,046,200 | 1,366,200 |
| 2028 | 320,000 | 1,030,200 | 1,350,200 |
| 2029 | 325,000 | 1,014,200 | 1,339,200 |
| 2030 | 325,000 | 997,950 | 1,322,950 |
| 2031 | 330,000 | 981,700 | 1,311,700 |
| 2032 | 320,000 | 968,500 | 1,288,500 |
| 2033 | 315,000 | 955,700 | 1,270,700 |
| 2034 | 325,000 | 943,100 | 1,268,100 |
| 2035 | 320,000 | 930,100 | 1,250,100 |
| 2036 | 310,000 | 917,300 | 1,227,300 |
| 2037 | 290,000 | 904,900 | 1,194,900 |
| 2038 | 280,000 | 896,200 | 1,176,200 |
| 2039 | 270,000 | 887,800 | 1,157,800 |
| 2040 | 250,000 | 879,700 | 1,129,700 |
| 2041 | 255,000 | 872,200 | 1,127,200 |
| 2042 | 265,000 | 862,000 | 1,127,000 |
| 2043 | 2,310,000 | 851,400 | 3,161,400 |
| 2044 | 2,400,000 | 759,000 | 3,159,000 |
| 2045 | 2,500,000 | 663,000 | 3,163,000 |
| 2046 | 2,600,000 | 563,000 | 3,163,000 |
| 2047 | 2,700,000 | 459,000 | 3,159,000 |
| 2048 | 2,810,000 | 351,000 | 3,161,000 |
| 2049 | 2,925,000 | 238,600 | 3,163,600 |
| 2050 | 3,040,000 | 121,600 | 3,161,600 |
| | <u>27,125,000</u> | <u>25,712,079</u> | <u>52,837,079</u> |

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2020

2020 Tax-Exempt Water Revenue Refunding Bonds
Revenue Bonds
Original Principal - \$12,790,000
Interest Rate - 2.00% - 2.25%

| Year Ending December 31, | Principal Due December 1 | Interest Due June 1 and December 1 | Total |
|-------------------------------------|-------------------------------------|---|-------------------|
| 2021 | - | 567,964 | 567,964 |
| 2022 | - | 521,600 | 521,600 |
| 2023 | - | 521,600 | 521,600 |
| 2024 | - | 521,600 | 521,600 |
| 2025 | 615,000 | 521,600 | 1,136,600 |
| 2026 | 650,000 | 490,850 | 1,140,850 |
| 2027 | 680,000 | 458,350 | 1,138,350 |
| 2028 | 715,000 | 424,350 | 1,139,350 |
| 2029 | 745,000 | 388,600 | 1,133,600 |
| 2030 | 780,000 | 351,350 | 1,131,350 |
| 2031 | 820,000 | 312,350 | 1,132,350 |
| 2032 | 850,000 | 279,550 | 1,129,550 |
| 2033 | 885,000 | 245,550 | 1,130,550 |
| 2034 | 920,000 | 210,150 | 1,130,150 |
| 2035 | 955,000 | 173,350 | 1,128,350 |
| 2036 | 990,000 | 135,150 | 1,125,150 |
| 2037 | 1,035,000 | 95,550 | 1,130,550 |
| 2038 | 1,060,000 | 64,500 | 1,124,500 |
| 2039 | 1,090,000 | 32,700 | 1,122,700 |
| | <u>12,790,000</u> | <u>6,316,714</u> | <u>19,106,714</u> |

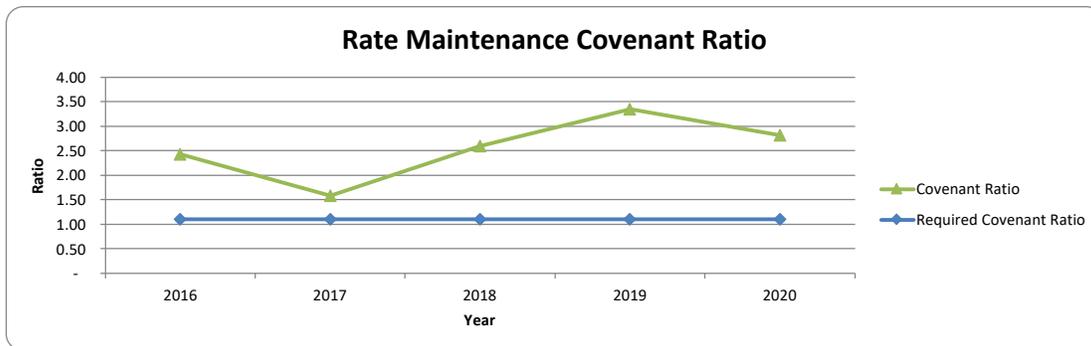
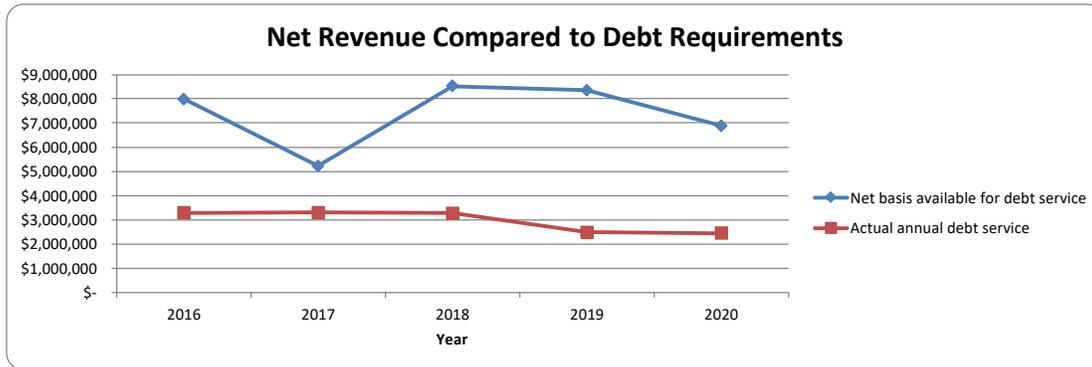
The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION



**UPPER EAGLE REGIONAL
WATER AUTHORITY**

**Upper Eagle Regional Water Authority
Rate Maintenance Covenant
Five Year Comparison
December 31, 2020
(Unaudited)**



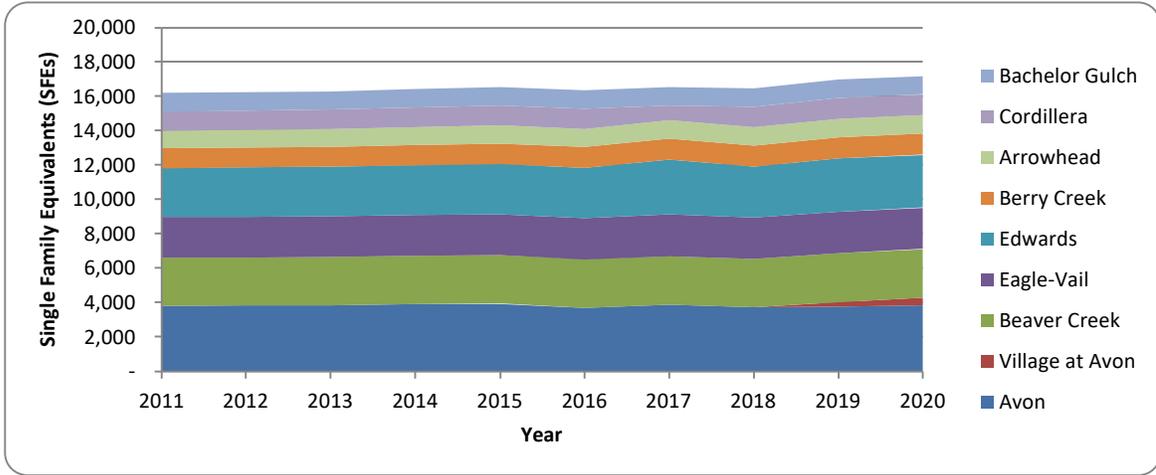
Per the bond covenants, the Authority is to assess a fee to cover operations and maintenance and 110% of debt service.

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating revenue | 11,290,298 | 11,539,107 | 11,660,639 | 11,300,594 | 13,273,780 |
| Plus: | | | | | |
| Plant investment fees and water storage fees | 2,165,819 | 1,050,991 | 1,216,759 | 2,492,944 | 713,623 |
| Investment income | 95,809 | 136,508 | 228,589 | 218,910 | 43,024 |
| Interest credit - Build America Bonds | 291,862 | 292,175 | 293,272 | 294,369 | 253,044 |
| Other non-operating revenues | 42,509 | 62,114 | 57,260 | 50,460 | 34,868 |
| Rate stabilization funds | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
| Total revenues available for debt service | 14,486,297 | 13,680,895 | 14,056,519 | 14,957,277 | 14,918,339 |
| Expenses | 13,663,068 | 15,725,554 | 12,961,564 | 13,731,256 | 14,735,970 |
| Less: | | | | | |
| Interest expense | (1,631,664) | (1,741,855) | (1,545,717) | (1,486,235) | (1,037,704) |
| Depreciation | (4,965,517) | (4,779,293) | (4,908,262) | (5,154,524) | (5,202,025) |
| Major capital additions | (557,065) | (748,778) | (980,415) | (479,483) | (460,184) |
| Total expenses available for debt service | 6,508,822 | 8,455,628 | 5,527,170 | 6,611,014 | 8,036,057 |
| Net basis available for debt service | 7,977,475 | 5,225,267 | 8,529,349 | 8,346,263 | 6,882,282 |
| Actual annual debt service | 3,290,462 | 3,304,947 | 3,289,672 | 2,491,902 | 2,451,902 |
| Covenant Ratio | 2.42 | 1.58 | 2.59 | 3.35 | 2.81 |
| Required Covenant Ratio | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 |

Rate Maintenance Covenant: The Authority's Series 2003, 2007, 2010 A&B and 2013 A&C bonds include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 110% of each Fiscal Year's Bond Requirements of the Bonds, (iii) an amount equal to current costs of improvements to the System, excluding major capital additions, made in the ordinary course of business, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Net Revenues or any securities payable therefrom, and (v) 100% of any account relating to the Net Revenues or any securities payable therefrom, and Policy Costs then due and owing. The 2003 and 2007 series bonds were repaid in 2018, the series 2010 bonds were refunded in 2020, and the series 2020 bonds debt service payments begin in 2021.

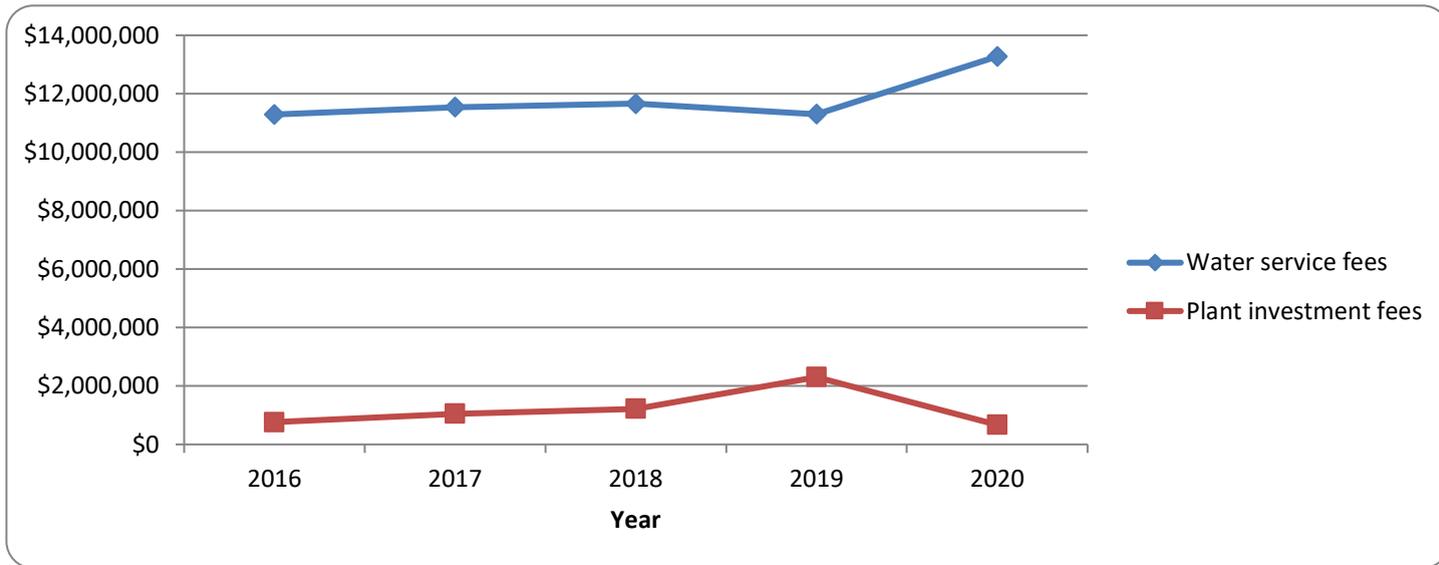
The above Rate Maintenance Covenant is tested annually. It is the Authority's policy to use unrestricted cash (\$4,799,066 at December 31, 2020) to meet the Rate Maintenance Covenant if necessary.

**Upper Eagle Regional Water Authority
Single Family Equivalents (SFEs) in Service
Ten Year Comparison
December 31, 2020
(Unaudited)**



| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Avon | 3,799 | 3,814 | 3,831 | 3,897 | 3,924 | 3,687 | 3,847 | 3,696 | 3,750 | 3,803 |
| Village at Avon | - | - | - | - | - | - | - | - | 268 | 464 |
| Beaver Creek | 2,790 | 2,801 | 2,801 | 2,807 | 2,823 | 2,825 | 2,829 | 2,827 | 2,831 | 2,834 |
| Eagle-Vail | 2,374 | 2,374 | 2,376 | 2,381 | 2,390 | 2,389 | 2,433 | 2,406 | 2,410 | 2,411 |
| Edwards | 2,859 | 2,870 | 2,874 | 2,892 | 2,912 | 2,934 | 3,202 | 2,958 | 3,104 | 3,077 |
| Berry Creek | 1,164 | 1,167 | 1,177 | 1,186 | 1,192 | 1,206 | 1,220 | 1,230 | 1,237 | 1,235 |
| Arrowhead | 1,020 | 1,025 | 1,029 | 1,038 | 1,048 | 1,059 | 1,063 | 1,067 | 1,078 | 1,080 |
| Cordillera | 1,111 | 1,116 | 1,127 | 1,143 | 1,154 | 1,183 | 877 | 1,197 | 1,204 | 1,211 |
| Bachelor Gulch | 1,061 | 1,061 | 1,067 | 1,065 | 1,072 | 1,068 | 1,076 | 1,071 | 1,075 | 1,076 |
| Total SFEs | <u>16,178</u> | <u>16,227</u> | <u>16,282</u> | <u>16,408</u> | <u>16,515</u> | <u>16,351</u> | <u>16,547</u> | <u>16,452</u> | <u>16,957</u> | <u>17,191</u> |
| Percent increase | <u>0.11%</u> | <u>0.30%</u> | <u>0.34%</u> | <u>0.77%</u> | <u>0.65%</u> | <u>-0.99%</u> | <u>1.20%</u> | <u>-0.57%</u> | <u>3.07%</u> | <u>1.38%</u> |

**Upper Eagle Regional Water Authority
Water Statistics
Five Year Comparison
December 31, 2020
(Unaudited)**



| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|----------------|------------------|------------------|------------------|----------------|
| Water service fees | 11,290,298 | 11,539,107 | 11,660,639 | 11,300,594 | 13,273,780 |
| Average single family equivalent (SFE) | 16,618 | 16,638 | 16,717 | 16,956 | 17,191 |
| Average service fee per SFE | <u>679</u> | <u>694</u> | <u>698</u> | <u>666</u> | <u>772</u> |
| Plant investment fees | <u>760,056</u> | <u>1,050,991</u> | <u>1,216,759</u> | <u>2,300,552</u> | <u>668,439</u> |
| Gallons sold (in thousands) | 1,250,256 | 1,297,193 | 1,361,256 | 1,185,821 | 1,359,775 |
| Average single family equivalent (SFE) | 16,618 | 16,638 | 16,717 | 16,956 | 17,191 |
| Factor (days per year) | <u>365</u> | <u>365</u> | <u>365</u> | <u>365</u> | <u>365</u> |
| Average gallons sold per day per SFE | <u>206</u> | <u>214</u> | <u>223</u> | <u>192</u> | <u>217</u> |

Upper Eagle Regional Water Authority
Top 10 Customers
December 31, 2020
(Unaudited)

| Customer Type | Service Area | 1,000 Gallons | Sales Dollar Amount | % of Total Sales Dollars |
|------------------------------------|---------------------|-------------------------|-----------------------------|---------------------------------|
| Apartment complex | Edwards | 27,257 | \$187,997 | 1.4% |
| Apartment complex | Avon | 20,530 | 155,148 | 1.2% |
| Hotel / Resort | Beaver Creek | 18,629 | 120,406 | 0.9% |
| Hotel / Resort / Offices | Avon | 15,335 | 111,265 | 0.8% |
| Condominiums / HOA | Avon | 12,628 | 107,656 | 0.8% |
| Mobile Home Park | Avon | 12,833 | 102,161 | 0.8% |
| Hotel / Resort | Beaver Creek | 10,438 | 100,293 | 0.8% |
| Ski resort/hotels/offices | Avon | 11,914 | 93,954 | 0.7% |
| Hotel / Offices | Avon | 9,383 | 82,483 | 0.6% |
| Condominiums / HOA | Avon | 7,615 | 77,921 | 0.6% |
| Total - Top 10 Customers | | <u>146,562</u> | <u>1,139,284</u> | <u>8.6%</u> |
| Total - All Other Customers | | <u>1,213,213</u> | <u>12,134,496</u> | <u>91.4%</u> |
| Total Service Fees | | <u><u>1,359,775</u></u> | <u><u>\$ 13,273,780</u></u> | <u><u>100.0%</u></u> |

**Upper Eagle Regional Water Authority
Schedule of Water & Storage Rights
December 31, 2020
(Unaudited)**

Most of the in basin consumptive use water rights and the Beaver Creek direct flow water rights used by the Authority were provided by the member government entities through lease at no cost to the Authority; the Homestake Reservoir water was obtained through negotiation at no cost; and the Black Lakes, Green Mountain Reservoir and Wolford Mountain Reservoir water are obtained by lease and did not involve a purchase. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the Authority's Statement of Net Position at historic cost, totaling \$1,539,404. This cost represents mostly legal expenditures to establish the Authority's ability to use these rights to provide water directly to the customers of each of its members and a small acquisition of new rights. Also in accordance with GASB, the investment in Eagle Park Reservoir Company Stock, which provides a valuable source of water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost of \$4,944,602. Management of the Authority believes the actual value of these water and storage rights used by the Authority to be greater than historical cost at December 31, 2020.

The appraisal value as of January 10, 2020 (the latest available information), performed by Porzak Browning & Bushong LLP (Special Water Rights Counsel for the Authority) is recited here solely for informational purposes.

| Water Right | Quantity (a.f.) | Price per a.f. | Historical Cost | Appraisal Value |
|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| Eagle Park Reservoir Water | 553.24813 | \$39,500 | \$4,944,602 | \$21,853,301 |
| Homestake Reservoir | 256.5 | 39,500 | 0 | 10,131,750 |
| Black Lakes Lease | 300 | 100 | 0 | 30,000 |
| Green Mtn. Res. contract | 548 | 1,500 | 0 | 822,000 |
| Wolford Mtn. Res. contract | 710.8 | 3,805 | 0 | 2,704,594 |
| In-basin consumptive use | 2,040.004 | 9,500 | 1,539,404 | 19,380,038 |
| Beaver Creek (summer) | 215 | 9,500 | 0 | 2,042,500 |
| Beaver Creek (winter) | 17 | 39,500 | 0 | 671,500 |
| Conditional storage | 241 | 100 | 0 | 22,400 |
| TOTAL | | | \$6,484,006 | \$57,658,083 |

Water Rights Owned

Eagle Park Reservoir Water

The Authority owns or has a perpetual contractual right to the water rights in connection with Eagle Park Reservoir (553.24813 a.f.). Refer to footnote III.F. for additional terms. The value of Eagle Park Reservoir is based on the Authority's dedication replacement cost of \$39,500 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Homestake Reservoir

The Authority owns or has a perpetual contractual right to the water rights in connection with Homestake Reservoir (256.5 a.f.). The value of Homestake Reservoir storage is based on the Authority's dedication replacement cost of \$39,500 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Upper Eagle Regional Water Authority
Schedule of Water & Storage Rights
December 31, 2020
(Unaudited)
(continued)

Blue Lakes Lease

The Authority has a lease with the Eagle River Water & Sanitation District to use 425 a.f. of water that is released for instream flow purposes from Black Lakes. While the Authority cannot command when the water is released, it does have an approved augmentation plan for 300a.f. of this water. Thus, a nominal value (\$100 per acre-foot) is given to this water for that 300 a.f..

Green Mountain Reservoir

The Authority owns water related contracts in connection with Green Mountain Reservoir (548 a.f.).

Contract 9-07-60-W0413: This contract was executed on July 17, 1989, for 220 acre-feet per year. The annual lease payment is \$10 per acre-foot, which can be adjusted to cover operation and maintenance costs if such costs exceed \$10 per acre-foot. This lease is for a term of 40 years (expires July 16, 2029), with an option to renew for an additional 40 years. By virtue of an assignment from Kensington Partners, Squaw Creek Metropolitan District, and Cordillera Metropolitan District of 255 acre-feet of water annually from Kensington Partner's Green Mountain Reservoir Contract No. 4-07-60-W1015, the Bureau is amending the Authority's Contract 9-07-60-W0413 to include this assigned amount, resulting in a total of 475 acre-feet under this contract. All of the terms of the Authority's Contract 9-07-60W0413 will apply to the entire 475 acre-feet of water per year.

Contract 9-07-60-W0401: This contract was executed by Kensington Partners on January 11, 1989, for 25 acre-feet per year, and it was amended on October 25, 1989, to include an additional 48 acre-feet per year, for a total of 73 acre-feet of water per year. The annual lease payment is \$10 per acre-foot, which can be adjusted to cover operation and maintenance costs if such costs exceed \$10 per acre-foot. This lease is for a term of 40 years (expires January 10, 2020), with an option to renew for an additional 40 years. Kensington Partners assigned this contract to Squaw Creek Metropolitan District and Cordillera Metropolitan District, and they assigned it to the Authority on March 25, 2004. The Bureau approved the assignment to the Authority effective October 4, 2010.

Green Mountain Reservoir contract water value is based on the fact that Green Mountain Reservoir is a finite pool, that there are no new contracts being let by the U.S. Bureau of Reclamation for this pool, but also reflecting its lower value compared with Wolford Mountain Reservoir contract water due to less reliability and transfer issues with the Bureau. The term of the Green Mountain Reservoir contract is also less than the term of the Wolford Mountain Reservoir contract.

Wolford Mountain Reservoir

The Authority owns water related contracts in connection with Wolford Mountain Reservoir (710.8 a.f.).

Contract CW08011: This contract was executed on February 10, 2009, for 500 acre-feet per year. The base price was \$260.25 per acre-foot for the first year, and annual contract payments are \$260.25 per acre-foot, but they can be increase each year up to the amount of increase in the Consumer Price Index plus New Growth Index. It is for an initial term of 75 years (expiring February 9, 2084), with a right of first refusal at the end of the initial term on the same terms at which the River District is offering similar supplies to other municipal water providers.

Upper Eagle Regional Water Authority
Schedule of Water & Storage Rights
December 31, 2020
(Unaudited)
(continued)

Wolford Mountain Reservoir (continued)

Contract CW02020: This contract was executed by the Squaw Creek Metropolitan District on December 13, 2002, and it was assigned from Squaw Creek Metropolitan District to the Authority on June 4, 2004. It is for 200 acre-feet per year, and the initial cost was \$105.00 per acre-foot, with an annual lease payment is \$105.00 per acre-foot, which can be increased each year up to the increase in the Boulder-Denver Metro Area Consumer Price Index. It is for an initial term of 40 years (expiring December 12, 2042), with a right to renew for an additional 35 years.

Contract CW03005: This contract was executed by Traer Creek Metropolitan District on February 3, 2003, and it was assigned from Traer Creek Metropolitan District to the Authority on April 16, 2003. It is for 10.8 acre-feet per year, with an initial cost of \$750.00 per acre-foot. The annual lease payment is \$20.00 per acre-foot, which can be adjusted every five (5) years based on the cumulative in the Boulder-Denver Metro Area Consumer Price Index. It is for an initial term of 40 years (expires February 2, 2043), with a right to renew for an additional 35 years.

Wolford Mountain Reservoir contract water value is based on a ten (10) year cost at \$380.50 per acre-foot per year, or a total of \$3,805 per acre-foot. A ten year lease cost is an approximation of the purchase value of this water.

In-Basin Consumptive Use

The Authority owns or has a perpetual contractual right to in-basin consumptive use water rights (650.35 a.f.). In-basin consumptive use credits are valued at the Authority's dedication replacement cost of \$9,500 per acre-foot of irrigation season water. This replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Water Rights Leased

In-Basin Consumptive Use

The Authority has leased in-basin consumptive use water rights (1,389.654 a.f.) from its members and Traer Creek Metropolitan District. This does not include the 302.8 af leased to the Authority and committed to the fill of Eagle Park Reservoir. The essential terms of the leases are that the members lease these water rights at no cost to the Authority for so long as the Authority exists and provides water service to these members. In-basin consumptive use credits are valued at the Authority's dedication replacement cost of \$9,500 per acre-foot of irrigation season water. This replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Beaver Creek

The Authority has leased water rights (232 a.f.) from Beaver Creek. The essential terms of the lease is that the members lease these water rights at no cost to the Authority for so long as the Authority exists and provides water service to these members. The Beaver Creek direct flow summer rights are valued at the Authority's dedication replacement cost of \$9,500 per acre foot of irrigation season water, and the Beaver Creek direct flow winter rights are valued at the Authority's dedication replacement cost of \$39,500 per acre foot of non-irrigation season water. These replacement costs are established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

**Upper Eagle Regional Water Authority
Schedule of Water & Storage Rights
December 31, 2020
(Unaudited)
(continued)**

Conditional Storage

Conditional in-basin storage was given a nominal value (\$100 per acre-foot) due to the high cost of developing these storage rights.