

LA PLATA WEST WATER AUTHORITY  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

April 25, 2019

To the Board of Directors  
La Plata West Water Authority

### **Report on the Financial Statements**

We have audited the accompanying statements of net position of La Plata West Water Authority as of December 31, 2018 and 2017, the related statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the financial statements for the years then ended.

### ***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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 financial position of La Plata West Water Authority as of December 31, 2018 and 2017, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise La Plata West Water Authority's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

 Beckstead & Co., LLC

# LA PLATA WEST WATER AUTHORITY

## Management's Discussion and Analysis

Year Ended December 31, 2018

This management's discussion and analysis of the La Plata West Water Authority's financial statements provides an overview of the Authority's financial activities for the year ended December 31, 2018 compared to 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. It should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the Authority's overall financial performance.

### **Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic financial statements and supplementary information. The basic financial statements include the following:

Statement of Net Position

Statement of Revenues, Expenses and Changes in Net Position

Statement of Cash Flows

Notes to the Financial Statements

These statements report information about the Authority as a whole and include all its assets, liabilities, revenues, expenses and cash flow from various financial activities. Notes to the financial statements consist of information that is necessary to a user's understanding of the basic financial statements.

Following the basic financial statements is required supplemental information that consists of a schedule of expenses that compares budget to actual expenses incurred for the year ended December 31, 2018.

### **Business of the Authority**

The Authority is an independent political subdivision operating under the statutes governing water authorities of the State of Colorado that was formed under an Establishment Agreement dated November 30, 2007. It began operations in January 2008.

The Authority intends to continue a long history of work to develop a domestic water system in rural southwest La Plata County. The proposed water system may also serve the Southern Ute Indian Tribe and the Ute Mountain Ute Tribe.

### **Water Intake Structure**

In July, 2009, the Authority completed construction of a water intake structure at Lake Nighthorse which was funded by grants of \$1,100,000 from the State of Colorado, \$69,000 from the Southwestern Water Conservation District, \$3,000,000 from the Southern Ute Indian Tribe (SUIT) and \$1,500,000 from the Ute Mountain Ute Tribe (UMUT).

The Authority entered into an agreement with the Ute Tribes during 2013 that specifies ownership of the intake structure is to be proportional to the funding provided by the entities in prior years for the construction of the intake structure. As a result, the intake structure is owned 52.9% by the SUIT, 26.5% by the UMUT, and 20.6% by the Authority. The costs incurred by the Ute Tribes of \$4,341,802 for the construction had previously been recorded as a capital asset and contribution income by the Authority, and a prior period adjustment as of

December 31, 2013 had been recorded to remove this amount from capital assets and net position on the Authority's financial statements.

### Remaining Phases of the Water System

During 2013 and 2014, The Authority, the Ute Tribes and Lake Durango Water Authority (LDWA) entered into agreements whereby the Authority will supervise the construction of raw water pipelines between the intake structure and Lake Durango. The pipelines will provide access for the Authority and LDWA to water for domestic use with the portion of the pipelines being funded by the Ute Tribes providing for long-term capacity for Tribal use. The Ute Tribes and LDWA committed \$2,000,000 and \$2,800,000, respectively, toward this project. Construction of the pipelines began late fall of 2016 and was substantially completed in July 2018.

The Authority began in November 2018 Phase 1, the pipeline construction for the domestic water system for rural southwest La Plata County. The remaining phases will take place over the next several years. LPWWA has received funding from U.S.D.A. Rural Development. The estimated project completion is late 2019 to early 2020.

### Authority-Wide Financial Analysis

A comparison to the prior year is provided below. This section will discuss and analyze significant differences.

2017 and 2018 of the Statement of Net Position follows:					
ASSETS			2017		2018
<b>Current Assets</b>			\$920,890		\$1,548,212
<b>Non-Current</b>			\$5,742,024		\$5,219,362
		Total Assets	\$6,662,914		\$6,767,574
<b>LIABILITIES</b>					
<b>Current Liabilities</b>			\$1,116,161		\$990,369
<b>Non-Current Liabilities</b>			\$2,001,990		\$351,109
		Total Liabilities	\$3,118,151		\$1,341,478
<b>Net Investment in Capital Assets</b>			\$3,744,588		\$4,846,312
<b>Unrestricted</b>			(\$199,825)		\$579,784
		Total Net Position	\$3,544,763		\$5,426,096
		Total liabilities & net position	\$6,662,914		\$6,767,574

A condensed version of comparison for				
Statement of Revenues, Expenses & Changes in Net Position				
			2017	2018
<b>Raw Water Usage</b>			\$120,000	\$0
<b>Operating expenses</b>			\$17,441	\$15,548
<b>Operating Loss</b>			\$102,559	(\$15,548)
<b>Non-operating Revenues (Expenses)</b>				
	Grants & contribution income		\$1,533,720	\$509,237
	Other income-interest		\$125,875	\$47,525
		Non-operating revenues	\$1,659,595	\$556,762
<b>Capital Contributions</b>			\$0	\$1,340,119
		Change in Net Position	\$1,762,154	\$1,881,333
		Net Position at Beginning of Year	\$2,323,823	\$3,544,763
		Net Position at End of Year	\$3,544,763	\$5,426,096

### Capital Assets and Long-Term Debt

2016 marked the year LPWWA began supervising the construction of raw water pipelines between the intake structure and Lake Durango. The construction was met with some delays, including wildlife migration, Eagle nesting and rock blasting. LPWWA receive a \$500,000 grant to up-size an 8” pipeline segment to a 16” pipeline that will improve the capacity for our domestic project in the near term. This project was substantial complete July 17, 2019 with all the pipeline installed, road and an Intake Structure building completed, clearly after this audit’s ‘as of date’ of December 31, 2018.

Early in 2017 LPWWA submitted the Preliminary Engineering Report (PER) Pipeline for Phase 1, the Environmental Assessment (EA) and Cultural Study to USDA. A majority of the work we did in 2017 was to acquire easements from land owners, hire an attorney to develop required bond for our construction loan, find a bank or other institution to cover the construction loan and to develop a Right of Way map that corresponded to the easements. On March 30th 2017 we received our "Letter of Conditions" that we reviewed and accepted. We were to have concluded those conditions by August 30th but required an extension to Dec 30th, 2017 which was granted. The final acceptance for the LOC with Amendments to the March 30th, 2018 LOC was September 27, 2018. We broke ground with our new contractor for Phase 1 of the rural domestic water delivery system on November 5th, 2018. We restructured the basis of the construction project which now includes two separate contractors; one for the distribution pipeline and a second contract with a different contractor for the Water Storage Tank. This actual helped reduce the project costs, albeit the first bids were well over anticipated cost.

The final funding and budget from USDA include:

Applicant:	\$1,162,000
Loan #01:	\$2,754,000
Grant #02:	\$500,000
Grant #03:	<u>\$700,000</u>
	\$5,126,000

Our local bank; TBK Bank is financing our ‘Construction Loan’ as the interim funding source. The first monies to be expended are the Applicant Contributions, then the construction loan of \$2,754,000. Costs needed for the project above that amount will come out of the grant funds. Once the construction loan is spent, USDA pays off TBK Bank as per the loan specifications. In the year this takes place, the project is considered to be funded by Federal Funds, and will command a Single Audit.

### **Future Operations**

The Authority expects that it will take several years to construct all remaining phases of the domestic water system. Funding for operating expenses will come from the Base Rate Fee, water usage fee, small grants, and contributions. We look to the future for a water treatment plant. The Board of Directors is actively preparing and researching a possible ‘water dock station’ to help serve the community, if it is determined feasible and noncompetitive to selling taps, our main objective.

### **Financial Contact**

The Authority’s financial statements are designed to present users (citizens, customers, investors, and creditors) with a general overview of the District’s finances and to demonstrate the Authority’s accountability. If you have questions about the report or need additional financial, information, please contact Mardi Gebhardt, PO Box 631, Durango, CO 81302.



La Plata West Water Authority  
STATEMENTS OF NET POSITION

December 31,

	2018	2017
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	1,280,823	317,895
Receivables		
Lake Durango Water Authority	184,869	78,624
Other	657	5,581
Unbilled project costs	81,863	518,790
Total current assets	1,548,212	920,890
Non-Current		
Restricted cash - water tap deposits	186,682	228,974
Restricted cash - water tap subscriptions	-	1,205,403
Restricted cash - project funds held for others	168,506	562,759
Water tap subscriptions receivable	17,862	300
Water intake and distribution system	4,846,312	3,744,588
Total non-current assets	5,219,362	5,742,024
Total assets	\$ 6,767,574	\$ 6,662,914
<b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Current Liabilities		
Accounts payable	\$ 939,631	\$ 657,740
Retainage payable	21,098	160,797
Grant revenue received in advance	-	21,529
Accrued interest on note payable	29,640	33,345
Bonding company settlement due to others	-	182,750
Note payable	-	60,000
Total current liabilities	990,369	1,116,161
Non-current liabilities		
Cash held for others, project funds	168,631	562,936
Water tap deposits	182,478	225,978
Water tap subscriptions	-	1,213,076
Total non-current liabilities	351,109	2,001,990
Total liabilities	1,341,478	3,118,151
Net Position		
Net investment in capital assets	4,846,312	3,744,588
Unrestricted	579,784	(199,825)
Total net position	5,426,096	3,544,763
Total liabilities and net position	\$ 6,767,574	\$ 6,662,914

The accompanying notes are an integral part of these statements.

La Plata West Water Authority

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31,

	2018	2017
Operating Revenue		
Raw water pipeline usage	\$ -	\$ 120,000
Operating Expenses		
Professional fees	8,809	8,607
Insurance expense	4,078	4,376
Computer and internet expense	15	2,707
Other expenses	2,646	1,751
Operating expenses	15,548	17,441
Operating income (loss)	(15,548)	102,559
Non-operating Revenues (Expenses)		
Grants and contribution income	509,237	1,533,720
Forgiveness of interest owed	-	120,550
Interest income	4,531	1,346
Other income	42,994	3,979
Non-operating revenues	556,762	1,659,595
Change in net position before capital contributions	541,214	1,762,154
Capital Contributions	1,340,119	-
Change in net position	1,881,333	1,762,154
Net position at beginning of year	3,544,763	1,782,609
Net position at end of year	\$ 5,426,096	\$ 3,544,763

The accompanying notes are an integral part of these statements.

La Plata West Water Authority

STATEMENTS OF CASH FLOWS

For the year ended December 31,

	2018	2017
Cash Flows from Operating Activities		
Operating cash receipts	\$ -	\$ 120,000
Cash paid to suppliers	(16,110)	(14,670)
Net Cash Provided (Used) by Operating Activities	(16,110)	105,330
Cash Flows from Capital and Related Financing Activities		
Grants and contribution received	381,463	1,475,976
Project funds disbursed on behalf of others	(394,305)	(1,019,648)
Water tap deposits	(1,000)	(7,377)
Water tap subscriptions	114,405	47,720
Purchases of capital assets	(704,793)	(1,562,286)
Proceeds from bonding company	-	182,750
Principal repayment of debt	(60,000)	-
Interest paid	(3,705)	(3,705)
Other	494	3,979
Net Cash Provided (Used) by Capital and Related Financing Activities	(667,441)	(882,591)
Cash Flows from Investing Activities		
Interest income	4,531	1,346
Net Cash Provided (Used) by Investing Activities	4,531	1,346
Net Increase (Decrease) in Cash	(679,020)	(775,915)
Cash at beginning of year	2,315,031	3,090,946
Cash at end of year	\$ 1,636,011	\$ 2,315,031
Reconciliation to amounts reported on the Statement of Net Position:		
Cash and cash equivalents	\$ 1,280,823	\$ 317,895
Restricted cash - water tap deposits	186,682	228,974
Restricted cash - water tap subscriptions	-	1,205,403
Restricted cash - project funds held for others	168,506	562,759
	\$ 1,636,011	\$ 2,315,031
Reconciliation of Operating Income (Loss) to Net		
Cash Provided by Operating Activities		
Operating loss	\$ (15,548)	102,559
Change in accounts payable and prepaid expenses, net of capital activity	(562)	2,771
Net Cash Provided (Used) by Operating Activities	\$ (16,110)	\$ 105,330
Noncash Investing and Financing Activities:		
Accounts payable incurred for capital activities	939,571	657,118
Retainage payable incurred for capital activities	21,098	160,797
Water tap subscription liability transferred to capital contributions	1,213,076	-

The accompanying notes are an integral part of these statements.

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE A – DEFINITION OF REPORTING ENTITY**

The La Plata West Water Authority (the “Authority”) was formed under an Establishment Agreement dated November 30, 2007 by the Animas La Plata Conservancy District and the La Plata Water Conservancy District. The Authority is an independent political subdivision operating under the statutes governing water authorities of the State of Colorado and has its own governing board members, a majority of which are appointed by the contracting parties to the Establishment Agreement.

The mission of the Authority is to continue a long history of work to develop a domestic water system in rural southwest La Plata County. The proposed water system may also serve the Southern Ute Indian Tribe, the Ute Mountain Ute Tribe, and northern San Juan County in New Mexico. In July of 2009, the Authority completed construction of the raw water intake structure at Lake Nighthorse Reservoir and that is the first phase of construction of the system.

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

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. Based upon these criteria, no entities were found to be includable within the reporting unit of the Authority.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the Authority’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

**Proprietary Fund**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Authority's operations are accounted for as one enterprise fund.

**Basis of Accounting**

The Authority's records are maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. Expenditures for property, plant and equipment are shown as increases in assets.

**Budgets and Budgetary Accounting**

The Authority's Board follows these procedures in establishing the budget for the year:

1. In accordance with State statutes, prior to October 15, the Treasurer submits to the Board of Directors a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means to finance them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The state statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for budgetary purposes is at the fund level.
2. Public hearings are conducted to obtain public comment.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The Treasurer is required to present a monthly report to the Board of Directors explaining any variance from the approved budget.
5. State statutes require the adoption of a summary budget for proprietary funds.
6. Appropriations lapse at the end of each calendar year.
7. The Authority's Board may authorize supplemental appropriations during the year.

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Deposits and Investments

Colorado law authorizes the Authority to invest in obligations of the United States, State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House bill 1056 expanded the list of investments that are legal for local governments.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments purchased with a maturity of twelve months or less to be cash equivalents.

Capital Assets

Capital assets are valued at historical cost.

Depreciation of the water intake structure and pipelines will be charged to operating expenses over its useful life when it is placed in service using the straight line method. The Authority anticipates that it will be several years before the water system becomes operational.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Resources

It is the Authority's policy to use restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

**NOTE C – CASH AND INVESTMENTS**

Cash is stated at cost, which approximates fair value, and consists of cash in the Authority's checking accounts. The differences between the carrying amount and the bank balances are due to outstanding checks and deposits not yet processed by the bank.

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

**NOTE C – CASH AND INVESTMENTS – CONTINUED**

The balance in the accounts at December 31, 2018 and 2017 is as follows:

	<u>Carrying Amount</u>	<u>Insured Bank Balance</u>	<u>Collateralized Bank Balance</u>
<b>2018</b>			
Cash and equivalents	\$ 1,280,823	\$ 494,373	\$ 786,315
Restricted cash	355,188	1,000	354,188
<b>2017</b>			
Cash and equivalents	\$ 317,895	\$ 370,000	\$ 130,274
Restricted cash	1,997,136	130,000	1,867,636

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, the eligibility of which is determined by state regulators. Amounts deposited in excess of the federal insurance level must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

Pledged collateral must be held in joint custody of the bank and the PDPA in a safekeeping account held by a third party, usually the Federal Reserve Bank. The pledged collateral cannot be released unless approval is obtained by the banking commission.

Restricted cash held at December 31 includes \$186,682 (2018) and \$228,974 (2017) of water tap deposits collected from projected water system users. These amounts will be applied to the users' water tap charge when the system installs taps for those users or will be returned to the users if it is not deemed feasible to complete that portion of the system. Additionally, \$0 (2018) and \$1,205,403 (2017) of water tap subscriptions have been received at December 31. These amounts will be applied to the users' purchase of their water tap of the current proposed system. During 2018, the Authority received approval to proceed with the construction of the system. Accordingly, these deposits are no longer shown as restricted at December 31, 2018. \$168,506 (2018) and \$562,759 (2017) of restricted cash represents funds held for the Southern Ute Indian Tribe and the Ute Mountain Ute Tribe to fund their portion of the construction of the pipeline known as the 210 Pipeline. See Note H – Other Information for further details.

**Investments**

The Authority has adopted Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure (GASB 40) which took effect January 1, 2005. GASB 40 established and modified disclosure requirements related to investment risks including credit risk, custodial risk, interest rate risk and foreign currency risk.

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE C – CASH AND INVESTMENTS – CONTINUED**

Colorado state statutes authorize the Authority to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenues bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the Authority, in their name, or in custody of a third party on behalf of the local government.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The Authority's deposits are either covered by depository insurance or collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk. The Authority did not hold any investments at year end.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority places no limit on the amount the Authority may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At year end, the Authority did not hold any investments.



La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

**NOTE D – TAX SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Authority does not have the authority to levy taxes and currently its sources of revenue are from contributions, grants, and interest income. Because the Authority is not a “district” as defined in the amendment, it is not subject to the limitations of Article X, Section 20 of the State Constitution.

**NOTE E – CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

<b>2018</b>	Beginning Balance	Additions	Adjustments Deletions	Ending Balance
Water Intake Structure	\$1,068,767	\$ -	\$ -	\$1,068,767
Pipeline Construction in Progress	2,618,125	1,116,190	-	3,734,315
Access Road Design	57,696	-	-	57,696
	<u>\$3,744,588</u>	<u>\$1,116,190</u>	<u>\$ -</u>	<u>\$4,860,778</u>
<b>2017</b>	Beginning Balance	Additions	Adjustments Deletions	Ending Balance
Water Intake Structure	\$1,068,767	\$ -	\$ -	\$1,068,767
Pipeline Construction in Progress	868,180	1,749,945	-	2,618,125
Access Road Design	57,696	-	-	57,696
	<u>\$1,994,643</u>	<u>\$1,749,945</u>	<u>\$ -</u>	<u>\$3,744,588</u>

The 3.3 acres of land on which the water intake structure is located is owned by the United States of America. On October 21, 2008, the Authority entered into a license agreement with the United States of America by and through the Bureau of Reclamation that provides for use of this land for twenty-five years. The agreement may be renewed for consideration based on a reappraisal at the time by the United States of America. The cost of the agreement was \$42,411. This amount is included in the cost of the water intake structure.

In July of 2009, the raw water intake structure was completed but will not be placed into service until the water system becomes operational.

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE F – NOTE PAYABLE**

On February 9, 2010, the Authority received a funding commitment from Southwestern Water Conservancy District to assist with the Authority’s funding application to the U.S. Department of Agriculture – Rural Utilities Service (USDA-RUS). The non-recourse loan bears no interest. The note was paid in full during 2018. The balance was \$60,000 at each of the years ended December 31, 2016 and 2017. The balance is \$0 at the end of 2018.

**NOTE G – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees, or acts of God.

The Authority has elected to participate in the Colorado Special District Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official’s liability and machinery coverage to its members. Members of the Pool are required to make additional surplus contributions. 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. During the year ended December 31, 2018 the Pool made no distributions to the Authority.

Condensed financial statement data for the Colorado Special Districts Property and Liability Pool as of December 31, 2017 is as follows:

Assets	<u>\$56,602,888</u>
Liabilities	<u>\$30,815,521</u>
Surplus	<u>25,787,367</u>
	<u>\$56,602,888</u>
Revenues	\$20,713,694
Expenses	<u>18,721,378</u>
Net Income (Loss)	<u>\$ 1,992,316</u>

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE H – OTHER INFORMATION**

Ute Tribe Agreements:

The Authority has entered into agreements dated September 18, 2008, October 14, 2008, August 13, 2013, and September 9, 2014 with the Southern Ute Indian Tribe (SUIT) and the Ute Mountain Ute Tribe (UMUT). These agreements specify construction funding and ownership of the intake structure at Lake Nighthorse Reservoir. The ownership of the intake structure is proportional to the funding provided by the three entities. The intake structure is owned 52.9% by the SUIT, 26.5% by the UMUT, and 20.6% by the Authority. The carrying amount of the intake structure in the Authority's financial statements reflects the portion of the costs borne by the Authority. The Authority's costs were funded primarily through grant funding received from the Colorado Water Conservation Board. Construction of a pipeline segment known as the 210 Pipeline which will run from the intake structure to the intersection of County Road 210 commenced in 2016. The Authority will fund \$1,500,000 and the SUIT and the UMUT will each contribute \$1,000,000 of the costs of this pipeline. This segment will be owned by the Authority, the SUIT, and the UMUT in the same percentages as the intake structure.

Lake Durango Water Authority Agreement:

The Authority has entered into an agreement dated March 4, 2014 with the Lake Durango Water Authority (LDWA). The agreement indicates that grant funding will be obtained by LDWA to fund the Authority's portion of the costs related to the 210 Pipeline referenced in the Ute Tribe Agreements section above.

Pursuant to the agreement, LDWA will also provide funding for the construction of the pipeline segment known as the 125 Pipeline which will run from County Road 210 cross country to County Road 125. The 125 Pipeline will be owned by the Authority unless the SUIT and / or the UMUT elect to participate in the funding and ownership of construction of this pipeline.

The agreement also provides that LDWA will provide funding for the construction of the pipeline segment known as the Lake Durango Pipeline. This pipeline runs from County Road 125 to Lake Durango. This pipeline segment will be owned by LDWA.

As provided in the agreement, the Authority and LDWA will assign a portion of the capacity of the water transported through the lines that they own to the other party. LDWA will also allocate 23 Acre Feet of storage capacity in Lake Durango to the Authority.

La Plata West Water Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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**NOTE H – OTHER INFORMATION – CONTINUED**

Water Tap Deposits:

The Authority has obtained water tap commitments from property owners in the anticipated service area to demonstrate community commitment. A tap commitment deposit of \$500 per tap was required from each property owner. Deposits received are reflected as restricted cash and water tap commitment deposits on the accompanying Statement of Net Position. The tap commitment agreement with the property owners indicates that the deposits will be refunded if the system is determined not to be financially feasible or the location of a water tap is determined not to be in the service area. Interest earned on the deposits is available to fund the Authority's operating expenses.

Water Tap Subscriptions:

The Authority has obtained water tap subscriptions from property owners in the anticipated service area of the first phase. These funds are for the purpose of users purchasing their water tap in the system. During 2018, the Authority received funding approval to move forward with this phase of the project. The funds received through these subscriptions will be used for the Authority's required contribution to the system. As feasibility has been determined, these amounts are no longer shown as restricted cash at December 31, 2018. Previous to obtaining funding approval, these deposits were reflected as restricted in the financial statements.

SUPPLEMENTAL INFORMATION

La Plata West Water Authority

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

For the years ended December 31,

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures Reported on the GAAP Basis</u>	<u>Adjustments to Budgetary Basis</u>	<u>Expenditures on the Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>2018</b>						
Total expenditures	\$ 4,133,560	\$ 4,133,560	\$ 15,548	\$ 764,793	\$ 780,341	\$ 3,353,219
<b>2017</b>						
Total expenditures	\$ 7,693,662	\$ 7,693,662	\$ 17,441	\$ 1,562,286	\$ 1,579,727	\$ 6,113,935

Adjustments to budgetary basis are comprised of principal reductions on long-term debt and capital expenditures.