

*In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the 2024 Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2024 Bonds (the "Tax Code"), and interest on the 2024 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, except as such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations. Under laws of the State of Colorado (the "State") in effect on the date of delivery of the 2024 Bonds (defined below), the 2024 Bonds and the income therefrom are exempt from taxation, except inheritance, estate and transfer taxes. See "TAX MATTERS."*

**\$21,865,000**  
**UPPER EAGLE REGIONAL WATER AUTHORITY**  
**EAGLE COUNTY, COLORADO**  
**WATER REVENUE BONDS**  
**SERIES 2024**

**Dated: Date of Delivery**

**Due: December 1, as shown herein**

The Authority's Water Revenue Bonds, Series 2024 (the "2024 Bonds"), are issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The 2024 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the 2024 Bonds. Purchases of the 2024 Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2024 Bonds. See "THE 2024 BONDS--Book-Entry Only System." The 2024 Bonds bear interest at the rates set forth below, payable to the registered owner of the 2024 Bonds (initially Cede & Co.) on June 1, 2024, and semiannually thereafter on June 1 and December 1 of each year, to and including the maturity dates shown herein, unless the 2024 Bonds are redeemed earlier. The principal of the 2024 Bonds will be payable upon presentation and surrender at the principal corporate trust office of U.S. Bank Trust Company, National Association, or its successor as the Paying Agent for the 2024 Bonds. See "THE 2024 BONDS."

**The maturity schedule for the 2024 Bonds appears on the inside cover page of this Official Statement.**

Certain of the 2024 Bonds are subject to optional redemption prior to their respective maturity dates and are also subject to mandatory sinking fund redemption as described in "THE 2024 BONDS--Redemption Provisions."

The scheduled payment of principal of and interest on the 2024 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2024 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "BOND INSURANCE."



Proceeds of the 2024 Bonds will be used to: (i) acquire, construct and install water improvements, facilities and properties, including without limitation, water rights and rights to water and all necessary or appropriate equipment; (ii) pay capitalized interest on the 2024 Bonds; (iii) purchase a municipal bond insurance policy and a reserve fund surety bond; and (iv) pay the costs of issuing the 2024 Bonds. See "INTRODUCTION--Purpose" and "SOURCES AND USES OF FUNDS."

The 2024 Bonds constitute special, limited obligations of the Authority. The principal of and interest on the 2024 Bonds is payable solely from and secured by an irrevocable pledge on the Net Revenues (defined herein) derived by the Authority from the operation of its water system. The 2024 Bonds constitute an irrevocable pledge of the Net Revenues on a parity with certain outstanding obligations of the Authority. The 2024 Bonds are also secured by the Bond Fund and the Reserve Fund as described herein. See "SECURITY FOR THE BONDS" and "REVENUES AVAILABLE FOR DEBT SERVICE." **The 2024 Bonds do not constitute a general obligation of the Authority. Owners of the 2024 Bonds may not look to any other funds or accounts other than those specifically pledged by the Authority to the payment of the 2024 Bonds.**

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."**

The 2024 Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality of the 2024 Bonds by Butler Snow LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Butler Snow LLP also has acted as special counsel to the Authority in connection with the Official Statement. Certain legal matters will be passed upon for the Authority by its general counsel, Collins Cole Flynn Winn & Ulmer, PLLC, Lakewood, Colorado. It is expected that the 2024 Bonds will be available for delivery through the facilities of DTC on or about January 30, 2024.

**PIPER | SANDLER**

**Official Statement Dated January 18, 2024**

**MATURITY SCHEDULE**  
(CUSIP© 6-digit issuer number: 915770)

**\$21,865,000**  
**UPPER EAGLE REGIONAL WATER AUTHORITY**  
**EAGLE COUNTY, COLORADO**  
**WATER REVENUE BONDS**  
**SERIES 2024**

Year (December 1)	Principal Amount	Interest Rate	Yield	CUSIP© Issue No.	Year (December 1)	Principal Amount	Interest Rate	Yield	CUSIP© Issue No.
2025	\$360,000	5.00%	3.18%	HW4	2033	\$530,000	5.00%	2.85%	JE2
2026	380,000	5.00	3.00	HX2	2034	560,000	5.00	2.90 <sup>†</sup>	JF9
2027	395,000	5.00	2.85	HY0	2035	585,000	5.00	3.01 <sup>†</sup>	JG7
2028	415,000	5.00	2.78	HZ7	2036	615,000	5.00	3.12 <sup>†</sup>	JH5
2029	435,000	5.00	2.71	JA0	2037	645,000	5.00	3.28 <sup>†</sup>	JJ1
2030	460,000	5.00	2.74	JB8	2038	680,000	5.00	3.41 <sup>†</sup>	JK8
2031	480,000	5.00	2.76	JC6	2039	710,000	5.00	3.51 <sup>†</sup>	JL6
2032	505,000	5.00	2.80	JD4					

\$1,535,000 5.00% Term Bond due December 1, 2041. Priced to Yield: 3.59%.<sup>†</sup> CUSIP© Issue No. JN2.

\$4,465,000 4.00% Term Bond due December 1, 2046. Priced to Yield: 4.16%. CUSIP© Issue No. JT9.

\$3,165,000 5.00% Term Bond due December 1, 2049. Priced to Yield: 4.00%.<sup>†</sup> CUSIP© Issue No. JW2.

\$4,945,000 4.25% Term Bond due December 1, 2053. Priced to Yield: 4.35%. CUSIP© Issue No. KA8.

<sup>†</sup> Priced to the first par call date of December 1, 2033. See “THE 2024 BONDS--Redemption Provisions.”

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 2024 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2024 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority. The Authority maintains an internet website that contains information about the Authority; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2024 Bonds.

The information set forth in this Official Statement has been obtained from the Authority and from the sources referenced throughout this Official Statement, which the Authority believes to be reliable. No representation is made by the Authority, however, as to the accuracy or completeness of information provided from sources other than the Authority. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2024 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the 2024 Bonds and may not be reproduced or used in whole or in part for any other purpose.

The 2024 Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The 2024 Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE 2024 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2024 BONDS, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Build America Mutual Assurance Company (“BAM”) makes no representation regarding the 2024 Bonds or the advisability of investing in the 2024 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix F - Specimen Municipal Bond Insurance Policy.”

## **UPPER EAGLE REGIONAL WATER AUTHORITY**

### **Board of Directors**

George Gregory, Chairman  
Kim Bell Williams, Secretary  
Geoff Dreyer, Treasurer  
Kevin Hillgren, Assistant Secretary/Treasurer  
Mike Trueblood, Assistant Secretary/Treasurer  
Tamara Underwood, Assistant Secretary/Treasurer

### **Authority Administrative Officials**

Siri Roman, General Manager  
David Norris, Director of Business Administration

### **AUTHORITY GENERAL COUNSEL**

Collins Cole Flynn Winn & Ulmer, PLLC  
Lakewood, Colorado

### **REGISTRAR, PAYING AGENT AND ESCROW AGENT**

U.S. Bank Trust Company, National Association  
Denver, Colorado

### **BOND AND SPECIAL COUNSEL**

Butler Snow LLP  
Denver, Colorado

### **UNDERWRITER**

Piper Sandler & Co.  
Denver, Colorado

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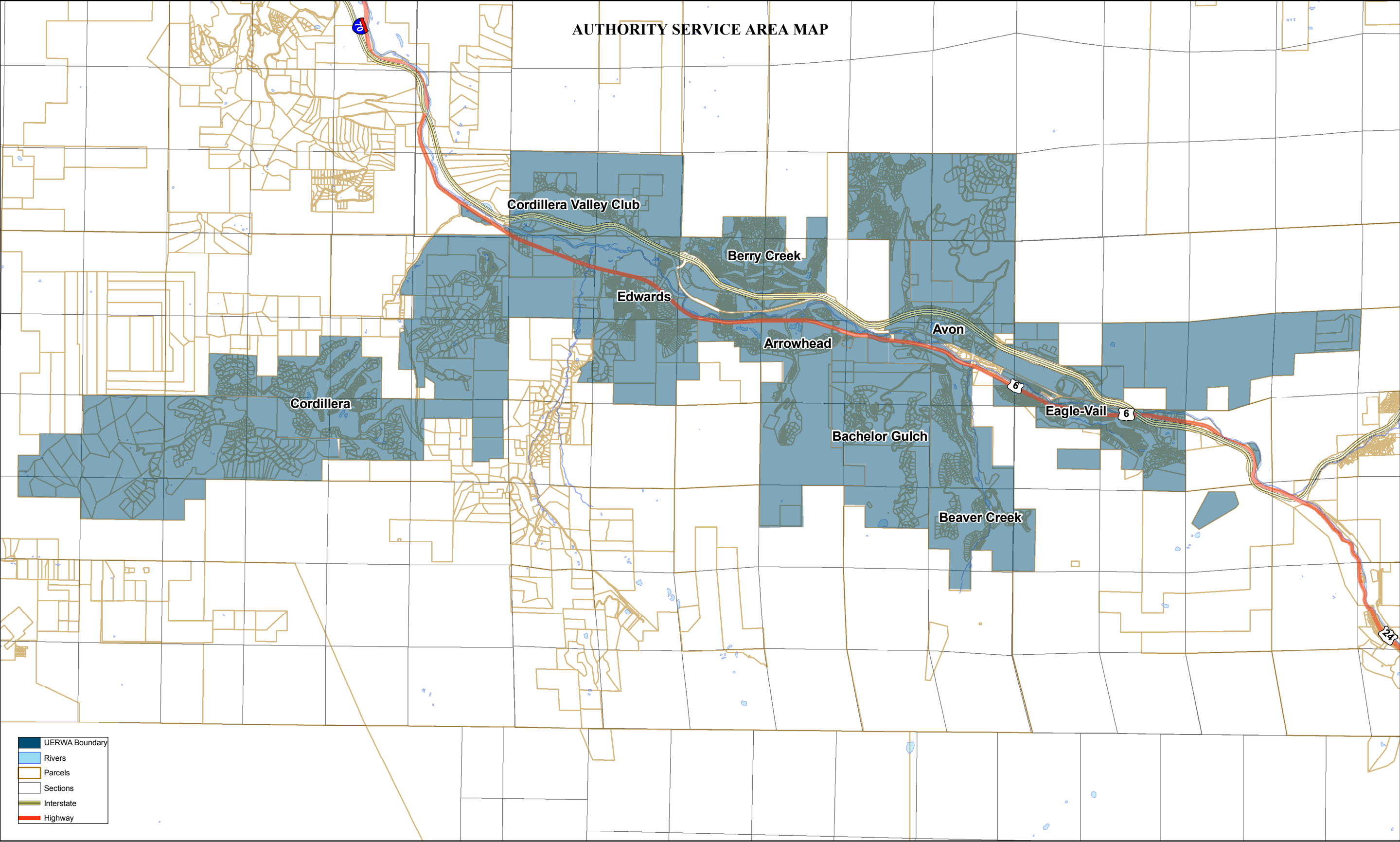
NOTE: Tables marked with an (\*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended. See APPENDIX D - Form of Continuing Disclosure Certificate.

The information to be updated may be reported in any format chosen by the Authority; it is not required that the format reflected in this Official Statement be used in future years. Further, the Budget to Actual Comparison table referred to below is to be updated using current year budget information found in the audited financial statements; no separate budget documents required to be filed.

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Upper Eagle Regional Water Authority  
Water Service Boundary



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## OFFICIAL STATEMENT

**\$21,865,000**  
**UPPER EAGLE REGIONAL WATER AUTHORITY**  
**EAGLE COUNTY, COLORADO**  
**WATER REVENUE BONDS**  
**SERIES 2024**

### INTRODUCTION

#### General

This Official Statement, including the cover page and appendices, is furnished by the Upper Eagle Regional Water Authority (the “Authority”), a political subdivision and public corporation of the State of Colorado (the “State”), to provide information about the Authority and its \$21,865,000 Upper Eagle Regional Water Authority Water Revenue Bonds, Series 2024 (the “2024 Bonds”). The 2024 Bonds will be issued pursuant to a bond resolution (the “2024 Bond Resolution”) adopted by the Authority’s Board of Directors (the “Board”) on October 26, 2023.

*The offering of the 2024 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2024 Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and appendices, is unauthorized. Unless otherwise provided, capitalized terms used herein are defined in Appendix B hereto.*

#### The Issuer

The Authority is a water authority organized pursuant to Sections 18(2)(a) and 2(b) of Article XIV of the Colorado Constitution, and Section 29-1-204.2 of the Colorado Revised Statutes (“C.R.S.”), as amended (the “Water Authority Act”). The Authority was formed in 1984 by the following entities located in Eagle County, Colorado (each a “Member District”): Arrowhead Metropolitan District (“Arrowhead”), the Town of Avon (“Avon”), Beaver Creek Metropolitan District (“Beaver Creek”), Berry Creek Metropolitan District (“Berry Creek”), Eagle-Vail Metropolitan District (“Eagle-Vail”), and Edwards Metropolitan District (“Edwards”). The Authority was formed to make the best practicable use of the Member Districts’ joint resources, to supply water to the Member Districts, their inhabitants and others, and to further develop water resources, systems and facilities. The Authority also provides water service to other entities through contracts with Member Districts. The area served by the Authority encompasses approximately 32 square miles. See “THE AUTHORITY.”

The Authority is currently operating pursuant to the Authority Agreement Amending and Restating the Agreement Establishing the Upper Eagle Regional Water Authority and the Master Service Contract dated as of May 27, 2015, between the Authority and each of the Member Districts (the “Authority Contract”). The Authority’s original establishing agreement was executed as of September 18, 1984, and amended on April 1, 1985 (the “EA”). The Member Districts executing the Authority Contract (the “Contracting Parties”) previously entered into an

amended and restated master service contract dated as of January 1, 1998 (the “MSC”). The Authority Contract has replaced the EA and the MSC.

The Authority contracts with the Eagle River Water and Sanitation District (“Eagle River”) for all of its operations and administrative functions pursuant to an Operations Agreement dated as of January 1, 2020 (the “Operations Agreement”). The current Operations Agreement supersedes all prior operations agreements between the parties.

### **The 2024 Bonds; Prior Redemption**

The 2024 Bonds are issued solely as fully registered bonds in the denomination of \$5,000, or any integral multiple thereof. The 2024 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), the securities depository for the 2024 Bonds. See “THE 2024 BONDS--Book-Entry Only System.” The 2024 Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the 2024 Bonds is described in “THE 2024 BONDS--Payment Provisions.

The 2024 Bonds are subject to redemption prior to maturity at the option of the Authority and also are subject to mandatory sinking fund redemption as described in “THE 2024 BONDS--Redemption Provisions.”

### **Authority for Issuance**

The 2024 Bonds are issued in full conformity with the constitution and laws of the State, particularly Section 29-1-204.2, C.R.S., Title 31, Article 35, Part 4, C.R.S., and the Supplemental Public Securities Act (Title 11, Article 57, Part 2, C.R.S.), and pursuant to the 2024 Bond Resolution.

### **Purpose**

The 2024 Bond proceeds will be used to: (i) acquire, construct and install water improvements, facilities and properties, including without limitation, water rights and rights to water and all necessary or appropriate equipment; (ii) pay capitalized interest on the 2024 Bonds; (iii) purchase a municipal bond insurance policy and a reserve fund insurance policy; and (iv) pay the costs of issuing the 2024 Bonds. See “SOURCES AND USES OF FUNDS.”

### **Security**

General; Net Revenues. The 2024 Bonds constitute special, limited obligations of the Authority. Debt service on the 2024 Bonds is payable solely from Net Revenues derived from the Authority’s water system (the “System”), as more particularly defined below. **The 2024 Bonds do not constitute a general obligation of the Authority. Owners of the 2024 Bonds may not look to any other funds or accounts other than those specifically pledged by the Authority to the payment of the 2024 Bonds. The 2024 Bonds do not constitute an obligation of the Member Districts, Eagle County (the “County”) or the State.**

“Net Revenues” is defined in the 2024 Bond Resolution to mean the Authority’s Revenues after deducting Operation and Maintenance Expenses as defined in the 2024 Bond Resolution.

The 2024 Bond Resolution defines “Revenues” as the Revenues derived by the Authority from the operation of, or attributable to the ownership of, the System, or any part thereof, including all revenue attributable to the System received by the Authority pursuant to the Service Contract or any lease or other contractual arrangement with respect to the use of the System or the service thereof, or from the proceeds of any business interruption insurance relating to the System or from the sale of the System or any portion thereof as permitted in the Resolution. “Revenues” also includes all interest, profits, or other income derived from investment of funds or moneys held pursuant to the Resolution. “Revenues” does not include any moneys collected by the Authority acting as agent for the Districts pursuant to the Service Contract, including but not limited to, tap fees and water surcharges imposed by the individual Districts.

The 2024 Bond Resolution defines “Operation and Maintenance Expenses” to mean all expenses incurred in the operation and maintenance of the Authority’s Water System, including the Participating Members’ formerly individually owned Water Systems and normally recurring expenses incurred by the Authority in the conduct of its activities which are properly Authority costs under generally accepted accounting principles as applied to governmental units. Such term does not include depreciation or replacement expenses or reserves therefore, debt service, or principal of or interest on any other borrowing of the Authority.

Water Debt Service Rates. In connection with the issuance of the 2024 Bonds, the Board expects to adopt a resolution imposing a new rate (the “2024 Water Debt Service Rate”) which is expected to be collected monthly (beginning in January 1, 2025) from each single family equivalent (“SFE”) in the System. The amount of the 2024 Water Debt Service Rate will be adjusted annually by the Board in an amount sufficient to pay debt service on the 2024 Bonds and the rate maintenance coverage factor, subject to adjustments as described in “REVENUES AVAILABLE FOR DEBT SERVICE--Customer Rates and Charges - Water Debt Service Rates.”

The Board previously adopted resolutions imposing separate debt service water rates with respect to: (i) the Water Revenue Refunding and Improvement Bonds, Series 2020; and (ii) the Water Revenue Bonds, Series 2013A (the “2013A Bonds”); these are referred to as the “2020 Water Debt Service Rate” and the “2013 Water Debt Service Rate,” respectively.

Any revenues received by the Authority from the 2020 Water Debt Service Rate, the 2013 Water Debt Service Rate or the 2024 Water Debt Service Rate constitute Revenues under the terms of the 2024 Bond Resolution. However, under the terms of the resolution approving each rate, the Board reserves the right to adjust or eliminate the rates at any time by subsequent resolution.

Lien Priority; Additional Bonds. Upon issuance, the 2024 Bonds will constitute an irrevocable lien upon the Net Revenues (but not necessarily an exclusive lien) on a parity with the following outstanding obligations:

### Existing Parity Bonds

<u>Bond Issue</u>	<u>Amount Outstanding</u>
Water Revenue Bonds, Series 2013A	\$11,625,000
Water Revenue Refunding and Improvement Bonds, Series 2020	<u>39,915,000</u>
Total	<u>\$51,540,000</u>

After complying with the conditions set forth in the 2024 Bond Resolution, the Authority may issue additional obligations that are payable from the Net Revenues and which have a lien thereon that is on a parity with the lien of the 2024 Bonds (the “Additional Bonds” or the “Parity Lien Bonds”). See “SECURITY FOR THE BONDS--Additional Bonds.”

The Authority currently anticipates issuing additional Parity Lien Bonds within the next five years to fund approximately \$67 million in capital improvements related to construction of the Bolts Lake Reservoir; however, the timing and amount of such additional Parity Lien Bonds has not yet been determined.

Defined Terms Associated with the Bonds. The 2013A Bonds and the 2020 Bonds are referred to collectively in this Official Statement as the “Existing Parity Bonds.” The Existing Parity Bonds, the 2024 Bonds and any future Parity Lien Bonds are referred to collectively herein as the “Bonds.” The bond resolution pursuant to which the 2020 Bonds were issued is referred to herein as the “2020 Bond Resolution.” The bond resolution pursuant to which the 2013A Bonds were issued is referred to as the “2013 Bond Resolution.” The 2020 Bond Resolution, the 2013 Bond Resolutions and the 2024 Bond Resolution are referred to collectively as the “Bond Resolutions.”

Reserve Fund. The Bonds also are secured by a common Reserve Fund created for the purpose of securing the Bonds. See “SECURITY FOR THE BONDS--Reserve Fund.” Any Additional Bonds are also expected, but not required, to be secured by the Reserve Fund. At the time of the issuance of the Existing Parity Bonds, the Reserve Fund was funded by means of surety bonds. The Authority expects to fund any additional amounts required for the Reserve Fund on the date of issuance of the 2024 Bonds by obtaining a Qualified Surety Bond from the Insurer for the Bonds (defined below). See “SOURCES AND USES OF FUNDS.”

Rate Stabilization Fund. The Existing Parity Bonds and the 2024 Bonds also are secured by a Rate Stabilization Fund which was previously created and funded by the Authority in the amount of \$600,000. The current balance of this fund is \$600,000. No 2024 Bond proceeds will be used to increase the Rate Stabilization Fund. The Rate Stabilization Fund secures all of the Bonds, as well as any future Parity Lien Bonds. See “SECURITY FOR THE BONDS--Rate Stabilization Fund.”

### **Municipal Bond Insurance Policy and Reserve Policy**

General. Concurrently with the issuance of the 2024 Bonds, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the 2024 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included in this Official Statement as Appendix F - Specimen Municipal Bond Insurance Policy. BAM is also expected to issue a Municipal Bond Debt Service Reserve Insurance Policy (the “Reserve Policy”), which will be deposited into the related subaccount of the Reserve Fund in satisfaction of the applicable

Reserve Fund Requirement (defined herein). See Appendix B - Certain Definitions and Document Summaries--Provisions Related to the Reserve Policy. The Reserve Policy is a Qualified Surety Bond as provided in the 2024 Bond Resolution.

Issuance of the Policy gives the Insurer certain rights with respect to the 2024 Bonds. For instance, the Insurer will be deemed the sole Owner of the 2024 Bonds for purposes of all waivers, institution of any action, and the direction of all remedies pursuant to the 2024 Bond Resolution. In addition, each 2024 Bond owner appoints the Insurer as its attorney-in-fact for purposes of directing all matters relating to insolvency proceedings. The rights of the Insurer are discussed in Appendix B - Certain Definitions and Document Summaries, particularly in the section entitled "Provisions Related to the Insurer."

Disclaimer. The information contained under the caption "BOND INSURANCE" herein has been furnished by BAM for use in this Official Statement. Such information has not been independently confirmed or verified by the Authority. No representation is made as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. Reference is made to Appendix F - Specimen Municipal Bond Insurance Policy, which is an integral part of this Official Statement, for a specimen of the Policy, which was also provided by BAM for inclusion in this Official Statement. *No assurance can be given by the Authority that BAM will be able to meet its obligations under the Policy or the Reserve Policy.*

## **Professionals**

Butler Snow LLP, Denver, Colorado, has acted as Bond Counsel in connection with the execution and delivery of the 2024 Bonds. Butler Snow LLP also has acted as special counsel to the Authority in connection with this Official Statement. The fees of Butler Snow LLP will be paid only from 2024 Bond proceeds at closing. Certain legal matters will be passed upon for the Authority by its General Counsel, Collins Cole Flynn Winn & Ulmer, PLLC, Lakewood, Colorado. The Authority's financial statements for the year ended December 31, 2022, attached hereto as Appendix A, have been audited by McMahan and Associates, L.L.C., certified public accountants, Avon, Colorado, to the extent and for the period indicated in their report thereon. U.S. Bank Trust Company, National Association, Denver, Colorado, will act as the Paying Agent and Registrar for the 2024 Bonds. Piper Sandler & Co., Denver, Colorado will act as the underwriter for the 2024 Bonds (the "Underwriter"). See "UNDERWRITING." See "INDEPENDENT AUDITORS."

## **Tax Status**

In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the 2024 Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Tax Code, and interest on the 2024 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, except as such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations. Under laws of the State in effect on the date of delivery of the 2024 Bonds, the 2024 Bonds and

the income therefrom are exempt from taxation, except inheritance, estate and transfer taxes. See “TAX MATTERS.”

### **Continuing Disclosure Undertaking**

The Authority will execute a continuing disclosure certificate (the “Disclosure Certificate”) at the time of the closing for the Certificates. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Certificates and the Authority covenants in the 2024 Bond Resolution to comply with its terms. The Disclosure Certificate will provide that so long as the Certificates remain outstanding, the Authority will provide the following information to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system: (i) annually, its audited financial statements; (ii) annually, certain financial information and operating data; and (iii) notice of the occurrence of certain listed events; all as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix D.

### **Forward-Looking Statements**

This Official Statement, particularly certain information contained under the headings “CERTAIN RISK FACTORS,” “SECURITY FOR THE BONDS--Debt Service Coverage” and “AUTHORITY FINANCIAL INFORMATION--Budget Summary and Comparison,” contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Net Revenues to pay debt service on the 2024 Bonds.

### **Additional Information**

This introduction is only a brief summary of the provisions of the 2024 Bonds, the 2024 Bond Resolution and the Project; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the 2024 Bonds, the 2024 Bond Resolution and the Authority are included in this Official Statement. All references herein to the 2024 Bonds, the 2024 Bond Resolution and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Additional information and copies of the documents referred to herein are available from the Authority and the Underwriter at the following addresses:



Upper Eagle Regional Water Authority  
c/o Eagle River Water and Sanitation District  
846 Forest Road  
Vail, Colorado 81657  
Telephone: (970) 476-7480  
Attn: Chief Financial Officer

Piper Sandler & Co.  
1144 15th Street, Suite 2050  
Denver, CO 80202  
Telephone: (303) 405-0845  
Attn: Public Finance

## **CERTAIN RISK FACTORS**

The purchase of the 2024 Bonds involves special risks and the 2024 Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the 2024 Bonds and could affect the market price of the 2024 Bonds to an extent that cannot be determined at this time. *The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2024 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.*

### **Limited Obligations**

General. The 2024 Bonds do not constitute a general obligation of the Authority, and the Authority cannot levy any general ad valorem tax to pay the 2024 Bonds. Owners of the 2024 Bonds may not look to any other funds or accounts other than those specifically pledged by the Authority to the payment of the 2024 Bonds. See “SECURITY FOR THE BONDS.”

The ability of the Authority to meet its payment obligations under the 2024 Bond Resolution will depend upon the ability of the System to generate sufficient Revenues to meet such obligations, the System’s operating expenses, debt service on other debt or obligations, extraordinary costs or expenses that may occur and other costs and expenses. Accordingly, investors should be aware that future revenues and expenses of the Authority will be subject to conditions that may differ materially from current conditions to an extent that cannot be determined at this time.

No Mortgage Secures the 2020 Bonds. The payment of the 2024 Bonds is not secured by an encumbrance, mortgage or other pledge of property of the Authority, except for the Net Revenues and other moneys pledged for the payment of the 2024 Bonds. No property of the Authority, subject to such exception, shall be liable to be forfeited or taken in payment of the 2024 Bonds. See “SECURITY FOR THE BONDS--Limited Obligations.”

### **Insufficient Revenues**

The 2024 Bonds are payable solely from Net Pledged Revenues, and payment of the 2024 Bonds is dependent upon the generation of sufficient Net Pledged Revenues from the System. The Board expects to adopt a resolution imposing the 2024 Water Debt Service Rate starting in January 2025 in order to provide a reliable revenue source dedicated to the payment of debt service on the 2024 Bonds. The 2020 Water Debt Service Rate and the 2013 Water Debt Service Rate have already been approved by the Board. See “REVENUES AVAILABLE FOR DEBT SERVICE--Customer Rates and Charges.” The Authority is not required to impose similar fees with respect to any Additional Parity Bonds. Further, the debt service rates may be terminated by the Board at any time and investors should not rely upon those rates over the life of the 2024 Bonds.

Regardless of the existence of the debt service water rates, if the System were to become inoperable due to damage, destruction, or environmental restriction or for any other reason; if the Authority should lack raw water or lack treatable water due to contamination, lack of adequate water rights to serve customers, drought or any other reason; if cool or wet summer

weather results in lower water usage; if the Authority has inadequate storage or transmission facilities; if the Authority is unable to increase rates and charges for any reason; or if the Authority incurs unanticipated expenses or reduced revenues due to increased water purchase cost, power rate increases or for any other reason, the Authority may be unable to generate adequate revenues from the System to pay debt service on the 2024 Bonds. See “SECURITY FOR THE BONDS,” “REVENUES AVAILABLE FOR DEBT SERVICE” and “THE SYSTEM.”

In addition to the factors described above, the generation of Net Revenues is dependent upon additional factors outside the Authority’s control, such as the economy, weather and climate, reductions in snowpack due to drought, climate change or other factors, continued growth in the area of the System (or lack thereof), the accessibility of the area to owners of second homes by air or other modes of transportation, and changes in law.

COVID-19. The Authority did not experience significant decreases in revenues derived from rates and charges as a result of COVID-19. However, it is impossible to predict whether current economic conditions will continue or worsen or to predict how future conditions will affect the operation of the System or the Authority’s finances in general. Poor national and regional economic conditions may also increase the rate of nonpayment of fees and charges by the Authority’s customers in the future.

## **Drought**

Periodically, the State experiences severe drought conditions. The Authority’s water supply depends in large part upon the accumulation of high country snowpack in the Eagle River watershed. Low or insufficient snowpack results in lower than average mountain stream flows in summer, which may impact the available water supplies to meet the water needs of the Authority’s customers, when compounded by hotter and drier drought conditions. The region experienced severe to extreme drought conditions in 2018, 2020, and 2021.

The Authority has implemented a Drought Plan and a Water Efficiency Plan (formerly referred to as the Water Conservation Plan), which defined and further described in “THE SYSTEM--Water Conservation and Drought Plans.” Pursuant to the Drought Plan, the Authority generally implements certain “normal” water use regulations (based on the number of gallons used per SFE as well as irrigation regulations) and has in place “emergency” water use regulations for when more severe drought conditions occur. The Authority also takes certain water conservation actions under the Water Efficiency Plan to minimize waste and encourage efficient use of water resources.

Water use regulations implemented under the Drought Plan and water conservation actions taken under the Water Efficiency Plan could reduce the amount of water treated and sold by the Authority and therefore could reduce Net Revenues. Severe watering limitations implemented in the event of a water supply emergency or increased conservation measures could further reduce the amount of water treated and sold by the Authority and therefore could reduce the Net Revenues generated by the System. Further, although the Authority may increase rates and charges without restriction in response to lower usage (and may be required to do so to satisfy the Rate Maintenance Covenant of the 2024 Bond Resolution), it is not possible to predict at this time whether any rate increases can or will be implemented in time to pay debt service on the 2024 Bonds in any given fiscal year.

As described above, the Board has approved the imposition of the Water Debt Service Rates for the purpose of providing a reliable revenue source dedicated to the payment of debt service on the 2024 Bonds and Parity Bonds, if any. See “REVENUES AVAILABLE FOR DEBT SERVICE--Customer Rates and Charges.” In addition, in the event of an ongoing water supply emergency resulting in significant and lasting reductions in levels of revenues necessary for the continued operation of the System, there is no guarantee that revenues generated by the debt service fee would be sufficient to pay debt service on the 2024 Bonds.

## **Water Quality and Environmental Requirements**

The System is subject to numerous federal and State regulatory requirements. Those regulations are subject to change at any time. Public drinking water systems like the System are regulated by the Environmental Protection Agency; the Colorado Department of Public Health and Environment (the “CDPHE”) has the authority to enforce drinking water quality standards. Water quality standards imposed by the federal government or the State may affect the water available to the Authority. Further, implementation of those standards or enforcement by the CDPHE could result in increased costs associated with the Authority’s water treatment, storage or distribution operations or require significant capital expenditures. In addition, failure to comply with regulatory changes, or the inability to comply with them in a timely manner could cause portions of the System to become unavailable. Any disruption of service or increases in costs would reduce the amount of Net Revenues available to pay debt service on the 2020 Bonds (subject to the requirement that the Authority must subsequently raise rates if necessary to satisfy the Rate Maintenance Covenants of the 2020 Bond Resolution).

In 2019, the CDPHE notified the Authority of five violations attributed to an inadequate backflow protection and cross connection control (“BPCCC”) program. The violations were for failures to (1) develop or implement a written BPCCC program, (2) develop a written BPCCC program annual report, (3) comply with the requirements for surveying the System for cross connections, (4) repair cross-connection assemblies within 60 days or a CDPHE-approved alternative schedule, and (5) complete testing requirements for backflow prevention devices. Uncontrolled cross connections can lead to inadvertent contamination of drinking water.

Since receiving the violations, the Authority formed a BPCCC task force to improve its existing BPCCC program; however, the task force determined that a completely new program must be developed in order to comply with CDPHE regulations. An Incident Command System has been established with staff from multiple departments dedicated to creation of the new program. The Authority achieved compliance with all five violations by December 31, 2020, and has met all regulatory requirements for calendar years 2021 and 2022.

## **Delay in Collection of Fees and Enforcement of Liens**

The Authority has the statutory authority to enforce payment of its rates and charges through the foreclosure of liens on the real property of delinquent ratepayers. However, foreclosure of real property liens is a time-consuming and burdensome remedy. The delays involved in foreclosure could substantially delay the collection of rates and charges by the Authority. In addition, proceeds realized from the sale of real property, if any, may not be sufficient to cover the delinquent rates and charges after the payment of any senior liens on the property.

## **Bankruptcy and Foreclosure; Other Federal Issues**

The ability and willingness of an owner or operator of property to remit water rates and charges in a timely manner may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent water service charges using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a property. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in the collection of Net Revenues in amounts that may be insufficient to pay debt service on the 2024 Bonds when due.

A federal tax lien or other federal lien could exist in the future which could have a lien upon the Net Revenues which, pursuant to federal law, is prior to the lien thereon of the 2024 Bond Resolution. The Authority is unaware of the current existence of such a lien or circumstances which could give rise to such a lien, but it is possible that such a lien could arise in the future.

## **Changes in Law**

Various Colorado constitutional provisions, laws and regulations apply to the operation of the System and the operation and finances of the Authority. Various federal laws and regulations also apply to the operation of the System. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the Authority or the operation of the System in the future.

## **Limitations on Remedies Available to Owners of 2024 Bonds**

General. The enforceability of the rights and remedies of the owners of the 2024 Bonds and the obligations incurred by the Authority in issuing the 2024 Bonds are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2024 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

No Acceleration. There is no provision for acceleration of maturity of the principal of the 2024 Bonds in the event of a default in the payment of principal or interest on the 2024 Bonds. Consequently, remedies available to the owners of the 2024 Bonds may have to be enforced from year to year.

No Trustee. There is no bond trustee or similar person or entity to monitor or enforce the provisions of the 2024 Bond Resolution on behalf of the Owners of the 2024 Bonds, and therefore the Owners should be prepared to enforce such provisions themselves if the need to do so ever arises.

## **Secondary Market**

There can be no assurance or guaranty that a secondary market for the 2024 Bonds will be maintained or that sufficient information will be publicly available to permit the maintenance of such a market. Accordingly, each purchaser should expect to bear the risk of the investment represented by the 2024 Bonds to maturity.

## SOURCES AND USES OF FUNDS

### Sources and Uses of Funds

The Authority expects to apply the proceeds from the sale of the 2024 Bonds as set forth in the following table.

<u>Sources and Uses of Funds</u>	
	<u>Amount</u>
<b>SOURCE:</b>	
Par amount .....	\$21,865,000
Plus: net original issue premium.....	<u>1,291,709</u>
Total .....	\$23,156,709
<b>USES:</b>	
The Project.....	\$22,000,000
Capitalized interest (1).....	845,737
Costs of issuance (including Underwriter's discount and premiums on the Policy and the Reserve Policy)...	<u>310,972</u>
Total .....	\$23,156,709

(1) Represents the interest due on the 2024 Bonds through December 1, 2024.

Source: The Underwriter.

### The Project

Specific project details for the near-term projects expected to be funded with proceeds of the 2024 Bonds are discussed below.

Wildridge Improvements. The Wildridge booster pump station (“BPS”) and pressure reducing vaults (“PRV”) project is planned to replace and rehabilitate various distribution system assets in the Wildridge Subdivision, namely, tanks, pump stations, PRVs, and other appurtenances. The Authority estimates this project will cost \$6,541,963 and the various facilities are at end of life cycle (40+ years old). The high elevation and age of the subdivision infrastructure increase the likelihood of failure. This portion of the Project is currently under contract and in the construction phase.

Avon Drinking Water Facility Improvements and Upgrades. This portion of the Project is expected to replace the controls and communications network at the Avon Drinking Water Facility (“ADWF”) and is estimated to cost \$2,774,510. Upgrades are expected to include a new server room located in the western portion of the ADWF, new fiber optic cabling throughout the ADWF and new remote I/O and programmable logic controller equipment throughout for full redundancy, increased reliability and future room for expansion. Construction is substantially complete.

Fenno Well House / Raw Water Conveyance. The Fenno Well House/Raw Water Conveyance project is an overhaul of the water production and treatment facilities that serve the west side of Cordillera and is estimated to cost \$300,000. The Authority has been systematically pulling wells, replacing well pumps and motors, and assessing well casings. Future improvements

include rehab or replacement of meter pits, electrical, and piping. The scope of this portion of the Project includes design work and construction of well improvements due to pipeline condition, electrical concerns and future compatibility with remote telemetry units.

Bolts Lake Reservoir. The Bolts Lake Reservoir project is estimated to cost \$6,621,689 for land purchase, permitting, design and construction of a future water supply. This portion of the Project will provide strategic in-basin storage to meet demands of future development, provide minimum in-stream flows and hedge against the uncertainty of climate change.

Arrowhead Transmission Main Rehab. The Arrowhead Transmission Main Rehab project is estimated to cost \$3,023,738 in order to complete the investigation, design and construction of a 16” transmission main feeding the Arrowhead water storage tank. The scope includes a valve vault near the tank to help with tank balancing with Cordillera Valley Club in the Edwards low zone. The Authority anticipates advertising for construction bids in February of 2024 and beginning construction in the spring of 2025.

Cordillera West Tank 1 Rehabilitation. The Cordillera West Tank 1 Rehabilitation project is estimated to cost \$1,376,200 to sandblast, weld repairs and apply a new engineered coating system. The rehabilitation also includes the replacement of venting, hatches, and overflows to meet current CDPHE standards.

Beaver Creek Booster Pump Stations 1, 2 and 3 Rehabilitation. The Beaver Creek BPS 1, 2 and 3 Rehabilitation project is estimated to cost \$1,361,900. The aging assets are high elevation pump stations and are in need of rehabilitation and replacement throughout the distribution system. This portion of the Project is anticipated to include a connection point for portable mobile generators in the event of a power outage. Replacement of the pump stations will improve the location and access to these distribution facility assets.



## THE 2024 BONDS

### General Description

The 2024 Bonds will be dated, mature and bear interest as shown on the cover page and inside cover page of this Official Statement. The 2024 Bonds will be issued in fully registered form and initially will be registered in the name of “Cede & Co.,” as nominee for DTC. Purchases by Beneficial Owners of the 2024 Bonds are to be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof. Payments to Beneficial Owners are to be made as described below in “Book-Entry Only System.”

For a complete statement of the details and conditions of the Bond issue, reference is made to the 2024 Bond Resolutions and the Sale Certificate (defined in Appendix B), copies of which are available from the sources listed in “INTRODUCTION--Additional Information.”

### Payment Provisions

The 2024 Bonds mature and bear interest as set forth on the cover page of this Official Statement. Interest on the 2024 Bonds (calculated based on a 360-day year consisting of twelve 30-day months) is payable on June 1, 2024, and semiannually thereafter on each June 1 and December 1. Interest on the 2024 Bonds is payable by the Paying Agent on or before the interest payment date (or if such day is not a business day, on or before the next succeeding business day) to the persons in whose names the 2024 Bonds are registered on the fifteenth day of the month next preceding each Payment Date (the “Record Date”), but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Record Date and shall be payable to the person who is the registered owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. The Special Record Date and the date fixed for payment of the defaulted interest shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest and notice of the Special Record Date and the date fixed for payment of the defaulted interest will be given to the registered owners of the 2024 Bonds not less than ten days prior to the Special Record Date by first-class, postage prepaid mail. The principal of the 2024 Bonds will be payable at maturity or prior redemption upon presentation and surrender at the principal corporate trust office of the Paying Agent. If any 2024 Bond is not paid upon presentation at maturity or prior redemption, it will continue to draw interest at the rate borne prior to maturity or prior redemption until the principal thereof is paid in full. All such payments will be made in lawful money in the United States of America.

Notwithstanding the foregoing, payments of the principal of and interest on the 2024 Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the Owner of the 2024 Bonds. Disbursement of such payments to DTC’s Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and the Indirect Participants, as more fully described herein. See “Book-Entry Only System” below.

### Redemption Provisions

Optional Redemption. The 2024 Bonds maturing on and before December 1, 2033, are not subject to redemption prior to maturity at the option of the Authority. The 2024 Bonds maturing on and after December 1, 2034, are subject to redemption prior to maturity, at the option

of the Authority, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, in such manner as the Authority may determine (giving proportionate weight to 2024 Bonds in denominations larger than \$5,000), on December 1, 2033, or on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium.

Mandatory Sinking Fund Redemption. The 2024 Bonds maturing on December 1, 2041, December 1, 2046, December 1, 2049, and December 1, 2053 (the “Term Bonds”), are subject to mandatory sinking fund redemption on at a price equal to the principal amount thereof, plus accrued interest to the redemption date.

As a sinking fund for the redemption of the Term Bonds maturing December 1, 2041, the Authority shall deposit into the Bond Fund on or before the dates shown below, a sum which together with other moneys available in the Bond Fund is sufficient to redeem (after credit as described below), the following principal amounts of the 2024 Term Bond maturing December 1, 2041:

Redemption Date (December 1)	Principal Amount
2040	\$750,000
2041 (maturity)	785,000

As a sinking fund for the redemption of the Term Bonds maturing December 1, 2046, the Authority shall deposit into the Bond Fund on or before the dates shown below, a sum which together with other moneys available in the Bond Fund is sufficient to redeem (after credit as described below), the following principal amounts of the 2024 Term Bond maturing December 1, 2046:

Redemption Date (December 1)	Principal Amount
2042	\$825,000
2043	860,000
2044	890,000
2045	925,000
2046 (maturity)	965,000

As a sinking fund for the redemption of the Term Bonds maturing December 1, 2049, the Authority shall deposit into the Bond Fund on or before the dates shown below, a sum which together with other moneys available in the Bond Fund is sufficient to redeem (after credit as described below), the following principal amounts of the 2024 Term Bond maturing December 1, 2049:

Redemption Date (December 1)	Principal Amount
2047	\$1,005,000
2048	1,055,000
2049 (maturity)	1,105,000

As a sinking fund for the redemption of the Term Bonds maturing December 1, 2053, the Authority shall deposit into the Bond Fund on or before the dates shown below, a sum which together with other moneys available in the Bond Fund is sufficient to redeem (after credit

as described below), the following principal amounts of the 2024 Term Bond maturing December 1, 2053:

Redemption Date (December 1)	Principal Amount
2050	\$1,160,000
2051	1,210,000
2052	1,260,000
2053 (maturity)	1,315,000

On or before the fortieth day prior to each sinking fund redemption date, the Paying Agent shall proceed to select for redemption from all Term Bonds Outstanding then subject to sinking fund redemption, \$5,000 units of the Term Bonds equal in the aggregate to the total principal amount of such Term Bonds redeemable with the required sinking fund payment, and shall call such Term Bonds, or portions thereof, for redemption from the sinking fund on the next December 1, and give notice of such call without further instruction from the Authority.

At its option, to be exercised on or before the forty-fifth day prior to any sinking fund redemption date, the Authority may (a) deliver to the Registrar for cancellation Term Bonds then subject to mandatory sinking fund redemption or portions thereof (\$5,000 or any multiple thereof) in an aggregate principal amount desired by the Authority or (b) specify a principal amount of Term Bonds then subject to redemption or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Registrar and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond so delivered or previously redeemed will be credited by the Paying Agent at 100 percent of the principal amount thereof against the obligation of the Authority on such sinking fund redemption date and any excess over such amount shall be credited against future sinking fund redemption obligations in chronological order.

Notice of Redemption. Notice of any prior redemption shall be given by the Paying Agent in the name of the Authority by sending a copy of such notice by first-class, postage prepaid mail or by electronic means to DTC, not less than 30 nor more than 60 days prior to the Redemption Date to each owner of any 2024 Bond, all or a portion of which is called for prior redemption at such person's address as it last appears on the registration books kept by the Registrar; but neither failure to give such notice to the owner of any 2024 Bond nor any defect therein shall affect the redemption of any other 2024 Bonds.

Such notice shall specify the numbers and maturities of the 2024 Bonds, or portions thereof, to be so redeemed (if less than all are to be redeemed) and the date fixed for redemption, and shall further state that on such Redemption Date there will become due and payable upon each \$5,000 unit of principal so to be redeemed, at the principal corporate trust office of the Paying Agent, the principal amount thereof, the designated premium thereon, if any, and accrued interest to the Redemption Date, and that from and after such date interest will cease to accrue. Notice having been given in the manner hereinabove provided, the 2024 Bonds so called for redemption shall become due and payable on the Redemption Date so designated; and upon presentation and surrender thereof to the Paying Agent, the Authority, acting by and through the Paying Agent, shall pay the 2024 Bonds, or portions thereof, so called for redemption. No further interest shall accrue on the principal of any such \$5,000 unit called for redemption from and after the Redemption Date, provided sufficient funds are deposited with the Paying Agent and available on

the date of redemption. Upon surrender of any 2024 Bond redeemed in part only, the Paying Agent shall execute and deliver to the owner thereof, at no expense to any owner, a new 2024 Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2024 Bond surrendered.

Notwithstanding the provisions described above, any notice of redemption shall either (i) contain a statement that the redemption is conditioned upon the receipt by the Paying Agent on or before the Redemption Date of funds sufficient to pay the redemption price of the 2024 Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the 2024 Bonds called for redemption in the same manner as the original redemption notice was mailed, or (ii) be given only if funds sufficient to pay the redemption price of the 2024 Bonds so called for redemption are on deposit with the Paying Agent in the applicable fund or account.

### **Tax Covenants**

In the Bond Resolution, the Authority covenants for the benefit of the Owners of the 2024 Bonds that it will not take any action or omit to take any action with respect to the 2024 Bonds, the proceeds thereof, any other funds of the Authority or any facilities financed or refinanced with the proceeds of the 2024 Bonds if such action or omission (i) would cause the interest on the 2024 Bonds to lose its excludability from gross income for federal income tax purposes under Section 103 of the Tax Code, (ii) would cause interest on the 2024 Bonds to become a specific preference item for purposes of federal alternative minimum tax under the Code, except as such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations, or (iii) would cause the 2024 Bonds and the income therefrom to lose their exemption from taxation, except inheritance, estate, and transfer taxes under present State law. In furtherance of this covenant, the Authority agrees to comply with the procedures set forth in the Tax Compliance Certificate with respect to the 2024 Bonds. The foregoing covenant remains in full force and effect notwithstanding the payment in full or defeasance of the 2024 Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code and State law have been met.

### **Defeasance**

When the Bond Requirements due in connection with any 2024 Bond have been duly paid, the pledge and lien and all obligations of the Resolution shall thereby be discharged and the 2024 Bond shall no longer be deemed to be “Outstanding” within the meaning of the Resolution. There shall be deemed to be such due payment when the Authority has placed, or has caused to be placed, in escrow or in trust with a Depository, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of such 2024 Bond, as the same become due to the final maturity or the Redemption Date of the 2024 Bond. The Federal Securities shall become due at or prior to the respective times at which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the Authority and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. Except in the situation where there is payment or defeasance of all of the

outstanding 2024 Bonds, the provisions described above shall be subject to contractual restrictions, if any, governing the rights of the holders of such 2024 Bonds.

### **Book-Entry Only System**

The 2024 Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the 2024 Bonds. The ownership of one fully registered Bond for each maturity as set forth on the cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C - Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2024 BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE 2024 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the Authority nor the Registrar and Paying Agent will have any responsibility or obligation to DTC's Participants or Indirect Participants (defined herein), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the 2024 Bonds as further described in Appendix C to this Official Statement.

## DEBT SERVICE REQUIREMENTS

Set forth in the following table are the debt service requirements for the 2024 Bonds, the total outstanding debt service payable on the Existing Parity Bonds, and the combined debt service payable on the 2024 Bonds and the Existing Parity Bonds.

Year	2024 Bonds			Debt Service on	
	Principal	Interest	Total	Existing Parity Bonds	Total Debt Service
2024	--	\$845,737	\$845,737	\$2,492,269	\$3,338,006
2025	\$360,000	1,011,513	1,371,513	3,163,694	4,535,206
2026	380,000	993,513	1,373,513	3,160,863	4,534,375
2027	395,000	974,513	1,369,513	3,165,775	4,535,288
2028	415,000	954,763	1,369,763	3,163,013	4,532,775
2029	435,000	934,013	1,369,013	3,162,825	4,531,838
2030	460,000	912,263	1,372,263	3,164,013	4,536,275
2031	480,000	889,263	1,369,263	3,162,325	4,531,588
2032	505,000	865,263	1,370,263	3,159,138	4,529,400
2033	530,000	840,013	1,370,013	3,158,838	4,528,850
2034	560,000	813,513	1,373,513	3,161,213	4,534,720
2035	585,000	785,513	1,370,513	3,158,988	4,529,500
2036	615,000	756,263	1,371,263	3,159,075	4,530,338
2037	645,000	725,513	1,370,513	3,161,250	4,531,763
2038	680,000	693,263	1,373,263	3,159,900	4,533,163
2039	710,000	659,263	1,369,263	3,161,300	4,530,563
2040	750,000	623,763	1,373,763	3,160,300	4,534,063
2041	785,000	586,263	1,371,263	3,160,600	4,531,863
2042	825,000	547,013	1,372,013	3,160,200	4,532,213
2043	860,000	514,013	1,374,013	3,161,400	4,535,413
2044	890,000	479,613	1,369,613	3,159,000	4,528,613
2045	925,000	444,013	1,369,013	3,163,000	4,532,013
2046	965,000	407,013	1,372,013	3,163,000	4,535,013
2047	1,005,000	368,413	1,373,413	3,159,000	4,532,413
2048	1,055,000	318,163	1,373,163	3,161,000	4,534,163
2049	1,105,000	265,413	1,370,413	3,163,600	4,534,013
2050	1,160,000	210,163	1,370,163	3,161,600	4,531,763
2051	1,210,000	160,863	1,370,863	--	1,370,863
2052	1,260,000	109,438	1,369,438	--	1,369,438
2053	1,315,000	55,888	1,370,888	--	1,370,888
TOTAL	\$21,865,000	\$18,744,199	\$40,609,199	\$84,687,175	\$125,296,374

(1) May not total due to rounding.

Source: the Underwriter.

## **SECURITY FOR THE BONDS**

### **Limited Obligations**

The 2024 Bonds are special revenue obligations of the Authority. The 2024 Bonds do not constitute a debt or indebtedness of the Authority, do not constitute any obligation of any kind of the Member Districts, the County, the State, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or provision, nor do they constitute a lien on any properties owned by, or located within the boundaries of, the Authority, other than the Net Revenues. The owners of the 2024 Bonds do not have the right to require or compel the exercise of the taxing power of any taxing entity for payment of the principal of and interest on 2024 Bonds. *The Authority has no taxing power.*

The owners of the 2024 Bonds may not look to any funds of the Authority (other than Net Revenues and the funds pledged in the 2024 Bond Resolutions) for payment of the 2024 Bonds, and the 2024 Bonds are not a general obligation of the Authority. Therefore, the security for the punctual payment of the interest on and the principal of the 2024 Bonds is dependent upon the generation of Net Revenues in an amount sufficient to meet those requirements.

### **Pledge of Net Revenues of the System**

The 2024 Bonds constitute an irrevocable lien (but not an exclusive lien) on the Net Revenues on a parity with the lien thereon of the Existing Parity Bonds, and the Net Revenues are pledged to the payment of the 2024 Bonds. The 2024 Bonds are payable solely out of the Net Revenues in amounts sufficient to pay promptly, when due, the principal of and interest on the 2024 Bonds). See Appendix B - Summary of Certain Provisions of the 2024 Bond Resolution--Pledge of Resolution; Special Obligations.

### **Rate Maintenance Covenant**

The Authority covenants (the “Rate Maintenance Covenant”) in the Resolution, to charge to customers for water service, such rates, fees and charges as shall be: non-discriminatory, fair and reasonable, and adequate (after taking into consideration other moneys available or anticipated to be received, including any funds in the Rate Stabilization Fund) in each Fiscal Year so that Revenues shall be sufficient 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 Policy Costs then due and owing.

In addition, the 2024 Bond Resolution provide that when determining the Bond Requirements due on the Bonds for a Fiscal Year for this purpose, there shall be excluded from such principal and interest requirements amounts on deposit in such Fiscal Year in the Rate Stabilization Fund.

### **Debt Service Coverage**

The following table sets forth the Net Revenues for the past five years and portrays debt service coverage under three scenarios: (a) actual Net Revenues compared to actual debt

service paid on the Authority's Existing Parity Bonds, (b) actual Net Revenues compared to future maximum annual debt service on the Existing Parity Bonds and the 2024 Bonds (\$4,536,275 in 2030); and (c) actual Net Revenues as supplemented by pro-forma revenues from the 2024 Water Debt Service Rate as if such rate had been imposed during these years (as further explained and subject to the assumptions described in footnote 6 to the table) compared to the future maximum annual debt service on the Existing Parity Bonds and the 2024 Bonds.

Information for 2018-2022 was derived from the Authority's audited financial statements. Investors should be aware that collections of Net Revenues may not continue at the levels stated below, and the coverage factors in future years may not remain at the historical levels indicated.



### Debt Service Coverage and Pro-Forma Debt Service Coverage

<b>Revenues</b>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Service fees (1)	\$11,660,639	\$11,300,594	\$13,273,780	\$14,228,792	\$15,684,126
Water system impact fees/water storage fees	1,216,759	2,492,944	713,623	1,507,207	3,087,252
Investment income	228,589	218,910	43,024	8,354	207,151
Interest subsidy - Build America Bonds (2)	293,272	294,369	253,044	--	--
Other non-operating revenues	<u>57,260</u>	<u>50,460</u>	<u>34,868</u>	<u>38,537</u>	<u>48,435</u>
Total	<u>\$13,456,519</u>	<u>\$14,357,277</u>	<u>\$14,318,339</u>	<u>\$15,782,890</u>	<u>\$19,026,964</u>
<b>Operation and Maintenance Expenses</b>					
Operation & Maintenance Expenses (3)	\$12,961,564	\$13,731,256	\$14,735,970	\$16,366,020	\$17,642,069
Less: Depreciation (4)	<u>4,908,262</u>	<u>5,154,524</u>	<u>5,202,025</u>	<u>5,369,816</u>	<u>6,148,323</u>
Total	<u>\$8,053,302</u>	<u>\$8,576,732</u>	<u>\$9,533,945</u>	<u>\$10,996,204</u>	<u>\$11,493,746</u>
<b>Net Revenues</b>	\$5,403,217	\$5,780,545	\$4,784,394	\$4,786,686	\$7,533,218
<b>Actual Coverage Information:</b>					
Actual Annual Debt Service on outstanding Existing Parity Bonds (5)	\$3,289,672	\$2,491,902	\$2,451,902	\$2,464,381	\$2,335,006
Coverage Ratio	1.64x	2.32x	1.95x	1.94x	3.23x
<b>Pro-Forma Coverage Including Assumed 2024 Water Debt Service Rate</b>					
Actual Net Revenues	\$5,403,217	\$5,780,545	\$4,784,394	\$4,786,686	\$7,533,218
Pro-Forma 2024 Water Debt Service Rate (6)	<u>1,511,414</u>	<u>1,511,414</u>	<u>1,511,414</u>	<u>1,511,414</u>	<u>1,511,414</u>
Pro-Forma Net Revenues (7)	\$6,914,631	\$7,291,959	\$6,295,808	\$6,298,100	\$9,044,632
Combined Maximum Annual Debt Service Requirements (8)	\$4,536,275	\$4,536,275	\$4,536,275	\$4,536,275	\$4,536,275
Pro-Forma Coverage Ratio	1.52x	1.61x	1.39x	1.39x	1.99x

- (1) Constitutes revenue from the Base Monthly Rate and the Usage Rate, including the Water Debt Service Rates and the CRP Base Monthly Rates. See "REVENUES AVAILABLE FOR DEBT SERVICE--Customer Rates and Charges."
- (2) Reflects the BAB Subsidy the Authority received on previously refunded bonds.
- (3) This figure includes all operating expenses properly allocable to the Authority pursuant to GAAP. Nonoperating expenses are excluded from this figure.
- (4) The definition of Operation and Maintenance Expenses excludes depreciation or replacement expenses or reserves therefore, debt service, or principal of or interest on any other borrowing of the Authority.
- (5) Constitutes actual debt service paid on the Existing Parity Bonds.
- (6) The 2024 Water Service Rate will be imposed in an amount per SFE necessary to generate the debt service due on the 2024 Bonds in each year, plus 10% to account for the Rate Maintenance Covenant requirements. The number shown here is the maximum debt service due on the 2024 Bonds (\$1,374,013), plus 10%.
- (7) Calculated by adding Net Pledged Revenue to the Pro-Forma 2024 Water Debt Service Rate.
- (8) \$4,536,275 occurring in 2030.

Sources: The Authority's audited financial statements for the years ending December 31, 2018-2022 and the Authority.

## **Reserve Fund**

Each Bond Resolution continues the existing Reserve Fund, which is to be used (subject to any required rebate of investment earnings thereon to the United States of America) solely for the payment of principal of and interest on the Bonds and any Future Reserve Fund Bonds (defined in Appendix B) in the event that moneys in the Bond Fund are insufficient to make such payments when due. The Reserve Fund is required to be maintained in an amount equal to the Reserve Fund Requirement, which is defined in the Sale Certificate to mean the least of (i) 10% of the aggregate principal amount of the 2024 Bonds and any Reserve Fund Bonds; (ii) the maximum annual principal and interest on the 2024 Bonds and any Reserve Fund Bonds for each Fiscal Year from the time of determination through final maturity of the 2024 Bonds and any Reserve Fund Bonds; or (iii) 125% of average annual principal of and interest on the 2024 Bonds and any Reserve Fund Bonds; provided that upon issuance of the 2024 Bonds the Reserve Fund Requirement shall be calculated based upon clause (iii).

Upon issuance of the 2024 Bonds, the Bond Reserve Requirement will be \$4,539,787.50. A portion of the Bond Reserve Requirement was funded upon issuance of the Existing Parity Bonds. Upon issuance of the 2024 Bonds, the remainder of the Reserve Fund Requirement is expected to be met by the deposit into the Reserve Fund of the municipal bond debt service reserve insurance policy issued by the Insurer (the "Qualified Surety Bond"). The Bond Reserve Requirement for the Existing Parity Bonds previously was funded with Qualified Surety Bonds.

For further information about the Reserve Fund, see Appendix B - Summary of Certain Provisions of the 2024 Bond Resolutions--Reserve Fund.

## **Flow of Funds**

So long as any of the 2024 Bonds are Outstanding (either as to principal or interest or both), the Revenues shall be promptly deposited in and credited to the Revenue Fund for the Bonds created in the 2024 Bond Resolution, and the following payments shall be made from that fund in the following order of priority:

1. Operation and Maintenance Expenses. First, to the payment of Operation and Maintenance Expenses as they become due and payable.

2. Bond Fund Payments. Second, there shall be credited to the Bond Fund the following:

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of any 2024 Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source including moneys already available therefor in the Bond Fund, to pay the next maturing installment of interest on the Bonds then Outstanding, and monthly thereafter, commencing on the first day of the month following the first interest payment date on any Bonds, one-sixth of the amount necessary to pay the next maturing installment of interest on the Bonds then Outstanding, except to the extent any other moneys are available therefor.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of any 2024 Bonds, or commencing on the first day of the month one year

next prior to the first principal payment date of any of the Bonds, whichever commencement date is later, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next Principal Installment of the Outstanding 2024 Bonds, and monthly thereafter, commencing on the first day of the month following the first principal payment date of such Bonds, one-twelfth of the amount necessary to pay the next Principal Installment of the Outstanding 2024 Bonds, except to the extent any other moneys are available therefor.

3. Rebate Fund. Third, there shall be credited into a separate subaccount of the Rebate Fund created for the 2024 Bonds the amounts required to be credited into such subaccount to comply with the rebate provisions of the Tax Code applicable to such series of 2024 Bonds. For a further discussion of the use of moneys on deposit in the Rebate Fund, see Appendix B - Summary of Certain Provisions of the 2024 Bond Resolutions--Rebate Fund.

4. Reserve Fund. Fourth, there shall be credited monthly to the Reserve Fund, an amount, if any, which is necessary to maintain the Reserve Fund in an amount not less than the Reserve Fund Requirement, as a continuing reserve to pay principal of or interest on the Reserve Fund Bonds (defined as the Outstanding 2020 Bonds, 2013 Bonds, 2024 Bonds and Future Reserve Fund Bonds). See "Reserve Fund" below for a description of the Reserve Fund. Also see Appendix B - Summary of Certain Provisions of the 2024 Bond Resolution--Reserve Fund.

5. Operations Reserve Fund Payments. Fifth, there shall be deposited monthly into the Operations Reserve Fund, commencing in the month next succeeding each date on which the 2024 Bonds are delivered or on which the moneys accounted for in the Operations Reserve Fund for any other reason are less than the Operations Minimum Reserve, amounts which are necessary to bring the total amount in such Operations Reserve Fund to the Operations Minimum Reserve. Upon a determination by the Treasurer of the Authority that there are insufficient moneys in the Revenue Fund to pay any specified amount of Operation and Maintenance Expenses due or to become due within any month, the Authority shall transfer an amount sufficient to pay such Operation and Maintenance Expenses from the Operations Reserve Fund to the Revenue Fund. In addition, if there shall be insufficient funds in the Revenue Fund to make the required deposits to the Bond Fund, then the Authority shall transfer into the Revenue Fund on any such date from the Operations Reserve Fund an amount equal to the difference between the amount then remaining on deposit in the Revenue Fund prior to the transfer and the total amount needed to make the required payments as described above. For a further description of the Operations Reserve Fund, see "Operations Reserve Fund" below.

6. Payment for Subordinate Bonds. Sixth, any balance remaining in the Revenue Fund, after making the payments described above, shall be used by the Authority for the payment of interest on and the principal of Subordinate Bonds hereafter authorized to be issued and payable from the Net Revenues, including reasonable reserve funds therefor and the funding of rebate obligations, as the same accrue; provided that the lien of such Subordinate Bonds on the Net Revenues and the pledge thereof for the payment of such additional obligations shall be subordinate and junior to the lien and pledge of the 2024 Bonds.

7. Use of Remaining Revenues. After the payments described above, any remaining moneys in the Revenue Fund shall be used, firstly, for any other annual costs and, secondly, to the extent of any remaining surplus, for any one or any combination of lawful purposes of the Authority as the Board may from time to time conclusively determine.

## **Rate Stabilization Fund**

In order to help offset or reduce any increases in fees, rates and other charges to the users of the System required by the Rate Maintenance Covenant, the Authority previously created a separate fund of the Authority known as the “Upper Eagle Regional Water Authority, Water Revenue Bonds, Rate Stabilization Fund.” The Rate Stabilization Fund was funded in the amount of \$600,000.

The 2024 Bond Resolution provides that moneys on deposit in the Rate Stabilization Fund shall be used only to pay principal of and interest on the 2024 Bonds and the Parity Bonds. The Authority may transfer moneys on deposit in the Rate Stabilization Fund to the Bond Fund, at such times and in such amounts as determined by the Finance Manager or as directed by the Board. The Authority shall be required to transfer moneys on deposit in the Rate Stabilization Fund to the Bond Fund, to the extent necessary to prevent a default in the payment of the principal of and interest due on the 2024 Bonds resulting from a deficiency of moneys on deposit in the Bond Fund. Any such required transfer of moneys from the Rate Stabilization Fund to the Bond Fund shall be made by the Authority prior to any draws being made on the Reserve Funds.

If at any time amounts on deposit in the Rate Stabilization Fund are less than \$600,000, the 2024 Bond Resolution requires that there shall be credited to the Rate Stabilization Fund monthly, commencing on the first day of the month next succeeding each date on which the moneys accounted for in the Rate Stabilization Fund for any reason are less than \$600,000, Net Revenues in such amounts in substantially equal monthly payments on the first day of each month to reaccumulate the Rate Stabilization Fund to the required amount by not more than 12 such monthly payments. See “Flow of Funds” below.

## **Operations Reserve Fund**

Pursuant to the 2024 Bond Resolution, the Authority has continued an Operations Reserve Fund to be funded in an amount equal to three months of operation and maintenance expenses as set forth in the Authority’s annual budget (the “Operations Minimum Reserve”). The Authority’s practice is to establish the amount of the Operations Minimum Reserve once per year at the time the annual budget is adopted. Restricted money in the Operations Reserve Fund exceeds the Operations Minimum Reserve. The money in the Operations Reserve Fund may be used by the Authority to meet any unanticipated operation and maintenance expenses or to meet any deficiencies in the bond fund created for the payment of the principal of and interest on the Existing Parity Bonds.

## **Additional Bonds**

The 2024 Bond Resolution allows the Authority to issue additional Parity Lien Bonds (defined in Appendix B) after complying with the following requirements:

*Absence of Default.* At the time of the adoption of the resolution authorizing the issuance of the additional securities, the Authority shall not be in default in making any payments required by the 2024 Bond Resolution, including any payments of Policy Costs.

*Historic Earnings Test.* The Net Revenues for any 12 consecutive months out of the 18 months preceding the month in which such securities are to be issued are at least

equal to the sum of 110% of the Average Annual Principal and Interest Requirements of all outstanding Bonds of the Authority during such 12-month period payable from the Net Revenues and such proposed Parity Lien Bonds to be issued.

*Adjustment of Revenues.* In any computation under the preceding paragraph, the amount of the Revenues for the applicable period shall be decreased and may be increased by the amount of loss or gain conservatively estimated by a Certified Public Accountant, an independent Engineer or the Finance Manager, which results from any changes, which became effective not less than 60 days prior to the last day of the period for which Revenues are determined, in any schedule of fees, rates and other charges constituting Revenues based on the number of users during the applicable period as if such modified schedule of fees, rates and other charges shall have been in effect during such entire time period. However, the Revenues need not be decreased by the amount of any such estimated loss to the extent the Certified Public Accountant, the independent Engineer or the Finance Manager estimates the loss is temporary in nature or will be offset within a reasonable temporary period by an increase in revenues or a reduction in Operation and Maintenance Expenses not otherwise included in the calculations under the provisions of the Bond Resolutions described above, estimates any loss under this sentence will not at any time materially and adversely affect the Authority's apparent ability to comply with the Rate Maintenance Covenant without modification because of any restrictive legislation, regulation or other action under the police power exercised by any governmental body.

*Reduction of Annual Requirements.* The respective Bond Requirements (including as such a requirement the amount of any prior redemption premiums due on any Redemption Date) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective Fiscal Years with moneys held in trust or in escrow for that purpose by any commercial bank with trust power, including the known minimum yield from any investment in Federal Securities and any bank deposits, including any certificate of deposit.

*Consideration of Additional Expenses.* In determining whether or not additional Parity Lien Bonds may be issued as aforesaid, consideration shall be given to any probable increase (but not reduction) in the Operation and Maintenance Expenses of the System as estimated by the Finance Manager that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional securities; but the Finance Manager may reduce any such increase in Operation and Maintenance Expenses by the amount of any increase in revenues or any reduction in Operation and Maintenance Expenses resulting from the capital improvements to which such expenditure relates and not otherwise included in the calculations under this Section, if the Finance Manager also opines that any such increase in revenues or reduction in any increase in Operation and Maintenance Expenses will not materially and adversely affect the Authority's apparent ability to comply with the Rate Maintenance Covenant without modification because of any restrictive legislation, regulation or other action under the police power exercised by any governmental body.

Refunding Bonds. Any refunding securities payable, in whole or in part, from the Net Revenues may be issued with such details as the Board may by resolution provide so long as there is no impairment of any contractual obligation imposed upon the Authority by any proceedings authorizing the issuance of any unrefunded Bonds. So long as any 2024 Bonds are Outstanding, no such refunding securities payable, in whole or in part, from the Net Revenues may be issued on a parity with unrefunded 2024 Bonds (i.e., as Parity Lien Bonds under the 2024 Bond Resolution) without the consent of the holder or holders of the unrefunded Bonds unless either (1)

as a result of the refunding, the refunding securities do not increase by more than \$5,000, for any Fiscal Year in which the unrefunded 2024 Bonds will be Outstanding, the Bond Requirements for such year evidenced by such refunding bonds and by the Outstanding 2024 Bonds not refunded, or (2) such refunding obligations are issued in compliance with the provisions governing Parity Lien Bonds described above.

No Superior Lien Bonds. The 2024 Bond Resolution prohibits the issuance of obligations having a lien on Net Revenues which is superior to the lien thereon of the 2024 Bonds.

Subordinate Lien Bonds. The 2024 Bond Resolution permits the issuance of additional obligations with a lien on Net Revenues which is subordinate or junior to the lien thereon of the 2024 Bonds.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2023 and as prepared in accordance with statutory accounting practices prescribed

or permitted by the New York State Department of Financial Services were \$502.8 million, \$217.0 million and \$285.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

#### *BAM GreenStar Bonds*

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure



- responsible consumption and production
- climate action
- life below water
- life on land

*The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term “GreenStar” is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to “GreenStar” designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.*

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an “AS IS” basis and is based on BAM’s own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM’s website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM’s GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## REVENUES AVAILABLE FOR DEBT SERVICE

### Customer Rates and Charges

General Information. The Authority's service charges are based upon the single-family equivalent ("SFE") assessment method. The Authority assigns an SFE value to specific properties based upon the relative size and capacity of the water connection, in accordance with a schedule set forth in the Authority's rule and regulations.

Current Service Rates. Regular monthly service rates are comprised of three components: (i) a base service fee (the "Base Monthly Rate"), (ii) capital replacement base monthly rate (the "CRP Base Monthly Rate") and (iii) a charge per 1,000 gallons of water used (the "Usage Rate"). For 2024, the Base Monthly Rate is \$24.47 per month per SFE, the CRP Base Monthly Rate is \$5.23 per SFE and the tiered rate structure of the Usage Rate is as follows:

Tier / Usage in Gallons	Individually Metered Residential Kgal/Month	Commercial, Mixed, Multi-Family, Muni Kgal/Month
0 - 6,000	\$4.94	\$4.94
6,000 - 12,000	\$7.69	\$7.67
12,000 - 18,000	\$13.28	\$13.28
18,000 - 24,000	\$20.15	\$27.67
More than 24,000	N/A	\$41.51
More than 30,000	28.21	N/A

The foregoing rates and charges are marginal rate tiers (i.e., the charge of \$28.21/1,000 gallons of use applies only to the water used by an individually metered residential customer in excess of 30,000 gallons per month). Outdoor usage and construction usage accounts have different rate structures.

The Board reviews rates each year and adjusts them as necessary. The last rate increases of the Base Monthly Rate, the CRP Base Monthly Rate, and the Usage Rate were effective on January 1, 2024.

For a history of service charges collected by the Authority, see the table under "AUTHORITY FINANCIAL INFORMATION--History of General Fund Revenues, Expenses, and Changes in Net Assets."

Water Debt Service Rates. In addition to the usage rates described above and the plant investment described below, the Board has adopted resolutions which impose additional monthly charges against customers. These charges, defined below as the 2020 Water Debt Service Rate, the 2013 Water Debt Service Rate and the 2024 Water Debt Service Rate, are referred to herein together as the "Water Debt Service Rates."

*2013 Water Debt Service Rate.* The Board adopted a resolution on January 24, 2013, that went into effect on January 1, 2014 (the "2013 Rate Resolution"). The 2013 Rate Resolution imposes an additional rate (the "2013 Water Debt Service Rate"), the purpose of which is to provide an additional revenue source for the 2013A Bonds; however, the revenues from such rate are not pledged exclusively to the 2013A Bonds. The amount of the 2013 Water Debt Service Rate is calculated annually by dividing the Net 2013 Bond Requirements by the total number of SFE's in the Authority. The 2013 Rate Resolution defines "Net 2013 Bond Requirements" as the

amount required to pay 110% of the principal of, premium if any, and interest on the 2013A Bonds for the next fiscal year (the “2013 Bond Requirements”), less (a) interest on any 2013A Bonds’ debt service reserve fund expected to be received in the next fiscal year, (b) the Annual Debt Service Obligation (as that term was defined in an agreement with Traer Creek Metropolitan District received from the Traer Creek Districts (as defined in that agreement) and (c) any legally available moneys which are appropriated by the Board to the payment of 2013 Bond Requirements in such year. The 2013 Rate Resolution provides that the Board reserves the right to adjust or eliminate the 2013 Water Debt Service Rate at any time by subsequent resolution.

For 2024, the 2013 Water Debt Service Rate is imposed in the amount of \$3.33 per SFE per month. In 2022, the 2013 Water Debt Service Rate generated \$681,918 of revenue.

*2020 Water Debt Service Rate.* The Board adopted a resolution on September 24, 2020, that went into effect on January 1, 2021 (the “2020 Rate Resolution”). The 2020 Rate Resolution imposes an additional new rate (the “2020 Water Debt Service Rate”), the purpose of which is to provide an additional revenue source for the 2020 Bonds; however, the revenues from such rate are not pledged exclusively to the 2020 Bonds. The amount of the 2020 Water Debt Service Rate is calculated annually by dividing the Net 2020 Bond Requirements by the total number of SFE’s in the Authority. The 2020 Rate Resolution defines “Net 2020 Bond Requirements” as the amount required to pay 110% of the principal of, premium if any, and interest on the 2020 Bonds for the next fiscal year (the “2020 Bond Requirements”), less (a) interest on any 2020 Bonds’ debt service reserve fund expected to be received in the next fiscal year, and (b) any legally available moneys which are appropriated by the Board to the payment of 2020 Bond Requirements in such year. The 2020 Rate Resolution provides that the Board reserves the right to adjust or eliminate the 2020 Water Debt Service Rate at any time by subsequent resolution.

For 2024, the 2020 Water Debt Service Rate is imposed in the amount of \$9.82 per SFE per month. In 2022, the 2020 Water Debt Service Rate generated \$1,239,452 of revenue.

*Relationship of the Water Debt Service Rates to Net Pledged Revenue.* Although the amount of each Water Debt Service Rate is calculated based upon the net debt service on the related bond issue, once revenues are received from the imposition of those rates, the revenues constitute Net Pledged Revenues which are pledged to all of the Bonds on a parity basis. *However, the Board has not expressly pledged to maintain such rates, and reserves the right to decrease or eliminate such rates at any time provided that such action would not cause an event of default on the Bonds.*

Water System Impact Fees. Since January 1, 1995, the Authority also has imposed a water system impact fee (formerly referred to as a plant investment fee) for each new unit added to the System. The water system impact fee, or tap fee, is collected in connection with the issuance of water taps by each Member District. The Authority generally has increased the water system impact each year; the most recent increase of 10% was effective January 1, 2023.

The Authority’s current schedule of plant investment fees is as follows:

*Residential* - Residential plant investment fees are based upon the square footage of the residence. The schedule of water system impact fees by size of residence is as follows:

<u>Floor Area Tiers</u>	<u>Sq. Ft. in Tier</u>	<u>Price per Sq. Ft.</u>	<u>Tier Total</u>
Tier 1	1-2,500	\$5.96	\$14,900
Tier 2	2,501-3,500	7.49	7,460
Tier 3	3,501-5,000	9.31	13,965
Tier 4	5,001+	11.65	+ overage

For an average 3,000 square foot home constructed within the Authority, the water system impact fee would be \$18,630.

*Commercial* - Commercial and industrial plant investment fees are based upon the meter size. The current schedule of commercial/industrial plant investment fees by meter size (with corresponding SFE equivalents) is as follows:

<u>Meter Size</u>	<u>SFE Equivalent</u>	<u>Water System Impact Fee</u>
3/4"	1.5	\$ 20,428
1"	2.6	35,408
1-1/2"	5.8	78,988
2"	10.3	140,272
3"	23.0	313,228
4"	40.9	557,001
6"	92.1	1,254,273

The Authority occasionally authorizes non-profit entities, including schools, to finance payment defer payment of required plant investment fees water system impact fees over a multi-year period (typically five years), typically at an interest rate of 3% to 4% for up to five years until fully paid; those authorization are granted on a case-by-case basis.

History of Water System Impact Fee Collections. The following table sets forth a history of water system impact fees collected by the Authority.

History of Water System Impact Fees Collected

<u>Year</u>	<u>Water System Impact Fees Collected</u>	<u>Number of Units (1)</u>
2018	1,216,759	138.2
2019	2,300,552	374.0
2020	668,439	271.4
2021	1,461,423	119.6
2022	2,863,936	151.25
2023 (2)	2,975,150	231.9

(1) SFEs added in each year.

(2) Through November 30, 2023, unaudited.

Annual Review of Rates. The Authority's long range financial plan currently contemplates annual increases of 3% for Base Rates and Usage Rates, and 3% for water system impact fees effective each January. However, annually, for the preparation of the next year's

budget, the Board reviews rates and adjusts them as needed to pay for the costs of operations, capital investment and debt service anticipated. The Authority's long range financial plan currently contemplates annual increases of 3% for Base Rates and Usage Rates, and 3% for water system impact fees effective each January. Water system impact fees historically have increased in each year. The Authority increased Base Rates and Usage Rates in January 2020 by 13.26% and water system impact fees by 3%. The CRP Base Monthly Rate may be increased by inflation (based on Consumer Price Index data) each year; the Authority expects to increase that rate by inflation each year.

Typical residential monthly consumption and water bills for 2023 are expected to be \$72.49 for one SFE customer.

**Billing and Collection.** Pursuant to the Operations Agreement, Eagle River bills the Authority's customers monthly. Customer rates and charges are payable within 15 days from the date of mailing. After such time, bills are considered delinquent and are declared overdue. Bills which are 30 days delinquent, from the date of billing, will have a penalty of 1% per month added thereto. The penalty amount is retained by Eagle River. Eagle River remits to the Authority an amount equal to the total water services billed (less amounts deemed uncollectible from previous billing periods) approximately one month after the end of each billing period. Until paid, all rates and charges constitute a perpetual lien on and against the property served and may be foreclosed upon in the same manner as provided for under State law for the foreclosure of mechanics' liens. Eagle River may discontinue water service to overdue accounts following notice of disconnection as provided in the Authority's rules and regulations. The Authority's historic collection rate is at or above 99%.

Additional terms of the Operations Agreement are described in "THE AUTHORITY--Management and Employees."

## **Customer Information**

**Customer and Water Sale Information.** The following table sets forth a history of the Authority's SFE water customers and the number of gallons of treated water sold. The Authority does not maintain data for a breakdown of how many of these customers are residential, commercial or industrial.

<b><u>Customer and Water Sale Information</u></b>				
<u>Year</u>	<u>Number of SFE Customers (1)</u>	<u>Percent Change</u>	<u>Gallons Sold (in thousands)</u>	<u>Percent Change</u>
2018	16,720	--	1,361,256	--
2019	16,957	1.42%	1,185,821	(12.89)%
2020	17,191	1.38	1,359,775	14.67
2021	17,280	0.52	1,224,580	(9.94)
2022	17,383	0.60	1,168,312	(4.59)
2023 <sup>(2)</sup>	17,467	0.49	1,074,992	--

(1) Average as of December 31 for each year indicated.

(2) Through November 30, 2023. Unaudited.

Set forth in the following table is a list of the ten largest customers (based upon total service charges paid) of the Authority for the twelve-month period ending on December 31, 2022. Information on water usage by those customers also is provided. State law protects personal financial information of utility users unless that information is presented in a form that prevents the identification, location or habits of individuals. Accordingly, the information set forth below does not identify customers by name; it includes only the type of business. No independent investigation has been made of, and consequently there can be no representation as to, the financial condition of the customers listed below, the likelihood that such customers will remain in the Authority or continue to be served by the Authority, or their continued usage of the System. During 2022, no individual customer of the Authority accounted for more than 2.5% of total System revenues. The Authority expects the largest customers to be substantially similar in 2023 and 2024.

Largest Authority Customers(1)

<u>Customer</u>	<u>Member District</u>	<u>Total Service Charges Paid</u>	<u>% of Total Service Charges(2)</u>	<u>Water Used (in 1,000 Gallons)</u>	<u>% of Total Water Used(3)</u>
Hotel/Resort	Bachelor Gulch	\$229,753	1.5%	29,509	2.5%
Apartment Complex	Avon	160,924	1.0	18,413	1.6
Apartment Complex	Edwards	144,127	0.9	17,959	1.5
Hotel/Resort/Offices	Avon	122,170	0.8	15,400	1.3
Apartment Complex	Avon	112,966	0.7	8,831	0.8
Hotel/Resort	Beaver Creek	109,556	0.7	10,005	0.9
Mobile Home Park	Avon	107,103	0.7	13,033	1.1
Apartment Complex	Avon	97,908	0.6	8,434	0.7
Condominiums/HOA	Avon	92,203	0.6	8,746	0.7
Ski Resort/Hotels/Offices	Beaver Creek	<u>85,203</u>	<u>0.5</u>	<u>8,703</u>	<u>0.7</u>
Total		\$1,261,913	8.0%	139,033	11.8%

(1) For the twelve-month period ending December 31, 2022.

(2) Based on total water service charge revenue of \$15,684,126 for the twelve months ending December 31, 2022.

(3) Based on total water consumption of 1,168,312,000 gallons for the twelve months ending December 31, 2022.

## **THE AUTHORITY**

### **Description and Organization**

The Authority is a water authority, a separate governmental entity and a political subdivision and public corporation of the State, organized pursuant to the Water Authority Act. The Authority was formed in 1984 pursuant to the Establishing Contract by the Member Districts to make the best practicable use of the Member Districts' joint resources, to supply water to the Member Districts, their inhabitants and others, and to further development of water resources, systems and facilities. The Authority also provides water service to the Cordillera Metropolitan District and the Bachelor Gulch Metropolitan District (and two related districts) through contracts with Member Districts. The area served by the Authority encompasses approximately 32 square miles. The Authority estimates the total full-time population served to be approximately 43,500 (based upon an assumed average of 2.5 persons per SFE).

### **The Authority Contract**

The Authority was formed for the purpose of developing water resources, systems or facilities in whole or in part for the benefit of the Member Districts and their inhabitants. The Authority is currently operating pursuant to the Authority Contract. The Authority's original establishing agreement was executed as of September 18, 1984, and amended on April 1, 1985 (the "EA"). The Contracting Parties previously entered into an amended and restated master service contract dated as of January 1, 1998 (the "MSC"). The Authority Contract has replaced the EA and the MSC.

The Initial Term of the Authority Contract ended on December 31, 2023, but was renewed for a 10-year term. The Authority Contract is subject to automatic renewal and extension for successive 10-year terms unless the Contracting Parties unanimously approve changes to the term. However, the Authority Contract will remain in effect until the Authority has no bonds, notes or other obligations outstanding in accordance with the terms of such obligation. Upon the issuance of the 2024 Bonds, the Authority will have bonds outstanding with maturities extending through 2053.

Notwithstanding the foregoing, the Authority may be dissolved upon the unanimous consent of the Contracting Parties and provision being made for a successor entity that will continue to provide service to the Authority's customers. If the Authority is dissolved, the Authority's financial obligations must be fully paid or provision must be made for an escrow to pay those obligations. The Authority has previously considered a merger with Eagle River; however, no action has been taken to further such an action has been taken.

No party may be added to the Authority Contract without the unanimous consent of all Contracting Parties. A party added to the Authority Contract is to be subject to such terms and conditions as the Board of the Authority may determine provided that a new Contracting Party must be assessed a capital investment fee to cover its pro rata share of the costs of those capital assets previously purchased or constructed by the Authority for the joint use by all Contracting Parties.

A Contracting Party may withdraw from the Authority Contract by written document presented to the Authority between June 1 and July 15 of any calendar year, provided that such Contracting Party shall remain liable for any financial obligations and indebtedness



incurred pursuant to a Authority Contract. Upon withdrawal, a Contracting Party has no further interest in the assets or equity of the Authority; however, certain water rights (including those contributed to the Authority by such Contracting Party) immediately vest in such Contracting Party. The Authority Contract also provides that if a Contracting Party withdraws, the Authority and the Contracting Party will agree on terms regarding the reconveyance of the Contracting Party's individual water system components needed to serve customers within the boundaries of the Contracting Party (including enlargements and additions made while owned by the Authority) and the Authority customers connected to such water system will immediately become customer of the withdrawing Contracting Party.

On termination of the Authority, all assets of the Authority (except water rights contributed by a Contracting Party) vest in the Contracting Parties, subject to liens, in such proportion as the average annual amount of treated water sold to each Contracting Party bears to the average annual amount of treated water sold by the Authority to all Contracting Parties. Water rights contributed to the Authority by a Contracting Party shall vest in such Contracting Party; all other water rights of the Authority are to be distributed as are other assets of the Authority.

Pursuant to the Authority Contract, the Authority provides residents of the Member Districts with water service (and centrally bills the individual customers of each Member District for such service) at a rate which is expected to cover its costs in providing water services and other functions. Those costs specifically include debt service requirements, depreciation, replacements, and operations and maintenance. As part of the Authority Contract, the Member Districts have ratified the prior conveyance of all of their rights, associated easements and improvements to the Authority at no cost. In consideration, the Authority has agreed to maintain the associated improvements and water decrees at no cost to the Member Districts.

In addition to the provisions described in the preceding paragraph, the Authority Contract stipulates that: the Member Districts convey their individual water systems to the Authority; all Member District customers become customers of the Authority; and maintenance of the existing individual water systems becomes the responsibility of the Authority. Pursuant to the Authority Contract, construction of new lines or the extension of existing lines to serve new development remains the responsibility of the individual Member Districts; and the Member Districts retain ownership of water rights and an interest in assets, including rights to capacity in the system to the extent necessary to assure service to their service areas and retain individual enterprise status for purposes of TABOR. The Member Districts may continue to impose plant investment and water surcharges (in addition to those imposed by the Authority) on customers; those moneys will remain revenue of the individual Member Districts (although generally they will be collected by the Authority and remitted to the applicable Member District pursuant to the Authority Contract). In addition, the contracting parties have adopted a system of assessing water storage fees which are assessed by each Member District and retained by the Authority.

### **Authority Powers**

The Water Authority Act specifies the purposes for which a water authority may be created. Pursuant to the Authority Contract, the specific function or service to be provided by the Authority is the provision of treated water to the Contracting Parties, their inhabitants and others by (a) acquiring raw water, (b) acquiring, constructing, owning, reconstructing, improving, rehabilitating, repairing, operating and maintaining raw water diversion, transmission and storage facilities, water treatment facilities and treated water storage systems, (c) developing water

resources, (d) selling treated water and (e) providing such other services or functions as may be authorized by law and determined by the Board to be in the best interests of the Contracting Parties and their inhabitants.

The Authority has the power to exercise all powers which are now, or may be, conferred by law upon a water authority under the Water Authority Act; provided, that the Authority may not encumber any leasehold interest in water rights assigned to it by a Contracting Party without such Contracting Party's consent. The Authority also has the power to condemn certain property for use as rights-of-way; to fix fees, rates and charges for services (subject to the Authority Contract) and to sue and be sued. The Authority also may authorize the issuance of bonds for the purpose of financing any future projects.

### **Governing Board**

The Authority Contract provides that the Board consists of the number of Directors equal to the number of Contracting parties, which is currently six. Each Contracting Party is entitled to appoint one Director to the Board and each Director is entitled to cast one vote. A Contracting Party in default under the Authority Contract loses voting rights. Each Director serves at the pleasure of the governing body of the Contracting Party which appointed such Director; the appointee is not required to be an elected official of such Contracting Party. The governing body of each Contracting Party also appoints one or more alternate members who, in the discretion of the governing body, may be an elected official of the Contracting Party. Such alternate member may act and vote in the absence of the principal member appointed by such governing body.

The present names, positions with the Authority, occupations and Member District representation, and the expiration date of the current terms of the principal members of the Board are as follows:

<u>Name and Member District</u>	<u>Board Position</u>	<u>Date First Appointed</u>	<u>Principal Occupation</u>
George Gregory	Chair	2000	Developer
Kim Bell Williams	Secretary	2017	Eagle County Housing Director
Geoff Dreyer	Treasurer	2013	Retired
Tamara Underwood	Asst. Sec./Treas.	2023	Mayor Pro Tem, Town of Avon
Kevin Hillgren	Asst. Sec./Treas.	2022	Investment Banking
Mike Trueblood	Asst. Sec./Treas.	2023	Certified Public Accountant

The Authority Contract provides that a majority of the Directors then in office constitutes a quorum for the transaction of business. The act of a majority of the Directors present at a meeting at which a quorum is present is an act of the Board.

### **Management and Employees**

General. The Authority has no employees. All operations and administrative functions are contracted to Eagle River pursuant to the Operations Agreement, which superseded prior operating agreements between the parties. The Operations Agreement has a one-year term, currently ending December 31, 2024, and is automatically extended for successive one-year periods unless either party provides written notice of intent to terminate at least 30 days prior to

the annual extension date. The Operations Agreement may be terminated by the Authority at any time upon three months written notice to Eagle River.

The Operations Agreement requires Eagle River to provide professional management, capital plan management, operations, preventive, predictive and corrective maintenance, meter reading and billing, accounting and financial services, laboratory activities and quality assurance services in compliance with legal and regulatory requirements at levels which consistently exceed those generally accepted standards customary to the industry.

Pursuant to the Operations Agreement, Eagle River has full responsibility for the operation and maintenance of the Authority's facilities, including tasks specified in the Operations Agreement. Eagle River also must develop, implement and follow a written Maintenance, Repair and Replacement Plan and Maintenance Response Schedule for facilities and equipment to be submitted to the Authority annually as part of the budget process. Maintenance expenditures in excess of \$60,000 must be approved jointly by the Authority and Eagle River. Eagle River also must provide administrative and engineering services, accounting and financial services (including budget and audit preparation), and billing and customer services with respect to the System.

Pursuant to the Operations Agreement, the Authority agrees to pay Eagle River the actual cost of providing services. Each year, Basic Compensation for providing the services included with the Scope of Services (defined in the Operations Agreement) is estimated; the fee is payable in equal monthly payments. For 2022 and 2021, the Basic Compensation was \$8,434,768 and \$7,539,684, respectively. The actual amount of Basic Compensation is determined through an end of year report of actual results of Eagle River. The difference between the estimated and actual Basic Compensation must be paid to the other party within 30 days of acceptance of the Eagle River audit by the Eagle River board. The Basic Compensation is to be adjusted each year based on Eagle River's proposed budget and includes overhead costs applicable to the Authority. Additional services provided by Eagle River are billed to the Authority at rates listed in the Operations Agreement.

Management. The following employees of Eagle River currently provide management services to the Authority.

*Siri Roman – General Manager.* Siri Roman has been an employee of the District since 2012 and was promoted to the position of General Manager in 2022. She is responsible for overseeing the daily functions of all operations and administration. Prior to being promoted, she held the positions of Director of Operations and Wastewater Manager. Siri Roman is a Professional Engineer registered in the State of Colorado and has a B.S. degree in Environmental Engineering from the University of Colorado, Boulder.

*David Norris – Director of Business Administration.* David Norris has been an employee of the District since 2020. He has over 10 years of experience in state government as a key financial strategist including roles in financial information technology, as well as experience as a controller, and chief financial officer at large state agencies. He oversees Finance, Human Resources, Customer Service, Housing, and Information Technology. David plays a key role in the District's strategic planning and oversight of financial strategies. David Norris has a B.S. degree in Economics and a M.A. degree in Accounting and Financial Management.

## **Authority Agreements**

The Authority enters into agreements as necessary to further its operations, including agreements for the purchase of water rights and water service agreements. According to Eagle River, with the exception of those described in this Official Statement, the Authority is not a party to any contract or agreement which would potentially impose a significant financial liability on the Authority or have an adverse effect on the security for the 2024 Bonds.

## **Intergovernmental Agreements**

Interconnect Agreement. Eagle River and the Authority have entered into an intergovernmental agreement (the “Interconnect Agreement”) to construct an interconnect between their two water systems to enable the transfer of water between the parties for the purpose of achieving operating flexibility. Pursuant to the Interconnect Agreement, 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 billed at a rate equal to 75% of the then-current water rate charges of the owing party. Net amounts owed are to be paid at least on an annual basis. Historically, 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, 2022 and 2021, the balance outstanding was \$0.

Operations Agreement. Eagle River and the Authority have also entered into the Operations Agreement, which is defined and described in “Management and Employees” above.

## **Capital Plan**

In 2022, the Board adopted a Capital Improvement Plan (“CIP”) for the years 2023-2027, and the revised CIP is currently in development for board consideration for the years 2024-2028. The projects included in the CIP may be amended at the discretion of the Board in order to accomplish the Authority’s purposes and priorities, but the draft 2023 CIP generally includes projects that are well developed and more certain to be implemented, e.g. design work is nearly completed or the projects are multi-year multi-phase projects already underway.

The CIP includes capital projects to address aging infrastructure, deficient water storage and fire flows, system capacity, and operational optimization for present day demands and future growth. In addition to capital projects, funds to develop a future water supply reservoir and if the opportunity arises, the Board may purchase additional water rights. The CIP adopted by the Board in 2022 included approximately \$51 million in proposed projects from 2023-2027. The 2023 includes updated figures projecting totaling \$50.7 million in the years 2024-2028. Using the most recent \$50.7 million figure, approximately \$32 million will be used for the improvements discussed in “SOURCES AND USES OF FUNDS--The Construction Project”). The remainder of the CIP includes master planning for water treatment and production, replacement of a well house serving the Cordillera Subdivision, and various controls improvements and pump station and water storage tank rehabilitations.

The Authority estimates that the remaining capital improvements will be financed from water system impact fees, Capital Replacement user rates, and additional future bonds to be issued. A major Water Distribution Master Plan is in progress which will provide a thorough assessment of the distribution system, hydraulic model, and capital plan guideline. The Master Plan identified nearly \$112 million (based on current 10-Year CIP) in needed capital improvements over the next 10 years; this is only used as a guideline to prioritize actual budgeting

based on ever changing regulatory needs, growth, and must be balanced with the Authority's impact on its ratepayers.

## **AUTHORITY FINANCIAL INFORMATION**

### **Budget Process**

The Authority's budget is prepared on a calendar year basis as required by Title 29, Article 1, Part 1, C.R.S., the "Colorado Local Government Budget Law." No later than October 15 of each year, Eagle River (which is responsible for preparing the budget pursuant to the Operations Agreement) must submit a proposed budget to the Board for the next fiscal year. After statutory notice and a hearing, the Board must adopt the budget prior to December 31. The budget is required to be balanced between revenue sources and expenditures. State law requires that the Authority file a certified copy of its budget with the State Division of Local Government within 30 days of adoption.

Before the beginning of the fiscal year, the Board must enact a corresponding appropriation resolution. The income of the Authority, as estimated in the budget and as provided for by revenue and borrowing resolutions, must be allocated in the amounts according to the funds specified in the budget for the purpose of meeting the expenditures authorized by the appropriation resolution. Authority expenditures may not exceed the amounts appropriated, except in the case of an emergency or a contingency which was not reasonably foreseeable. Under such circumstances, the Board may authorize the expenditure of funds in excess of the budget by a resolution adopted by a two-thirds vote of the Board following proper notice. If the Authority receives revenues which were unanticipated or were not assured to be received at the time of adoption of the budget, the Board may authorize the expenditure thereof by adopting a supplemental budget and appropriation resolution after proper notice and a hearing.

The Board adopted the Authority's 2024 budget and appropriation resolution on October 26, 2023, and will timely file its budget as described above.

### **Financial Statements**

According to Title 29, Article 1, Part 6, C.R.S. the "Colorado Local Government Audit Law," an annual audit is required to be made of the Authority's financial affairs at the end of the fiscal year. Unless an extension is granted by the State, the audited financial statements must be filed with the Board by June 30 of each year and with the State Auditor 30 days thereafter.

The Authority's audited financial statements for the fiscal years ended December 31, 2022 and 2021 (attached hereto as Appendix A) represent the most recent audited financial information available for the Authority.

### **Budget Summary and Comparison**

The following table sets forth a comparison of the Authority's budgets for 2022, 2023 and 2024 as compared to unaudited, interim results for the eleven-month periods ending November 30, 2022, and 2023. The table is presented in budgetary format and are not intended to comply with Generally Accepted Accounting Principles ("GAAP"). For example, the table does not include beginning fund balances (which also are available for expenditure in each year) or ending fund balances. See the table below entitled "Statement of Revenues, Expenses and Changes in Net Position."

In the course of formulating its budget and adjusting its rates and charges for services within the Authority, the Authority has made certain assumptions regarding continued growth in demand within its service area. Numerous factors over time, including business activity, commercial development activity, interest rates and the success of the tourism industry generally, among others, may affect the Authority's assumptions concerning demand and growth.

### Budget Summary and Comparison

	2022		2023		2024
	Final Budget	Actual 11/30/22 <sup>(1)</sup>	Original Budget	Actual 11/30/23 <sup>(1)</sup>	Original Budget
<b>Water Service Revenue</b>	\$15,334,325	\$13,796,895	\$15,699,888	\$15,848,249	\$17,922,366
<b>Routine Expenditures</b>					
Water treatment	2,171,691	1,617,982	2,226,907	1,893,027	2,251,469
Water distribution	312,500	257,789	341,000	325,135	361,368
Nonrecurring replacements/repairs	1,335,000	521,857	930,000	676,598	845,000
General & administrative	6,614,870	5,997,442	7,230,050	6,767,567	8,384,730
Water rights protection & studies	250,000	133,417	150,000	268,569	240,000
Water quality	97,000	38,687	212,000	122,432	50,000
Total routine expenditures	10,781,061	8,567,175	11,089,957	10,053,358	12,132,567
<b>Funds Generated from Sales</b>	4,553,264	5,229,720	4,609,931	5,794,891	5,789,799
<b>Developer &amp; Other Funding</b>					
Plant investment & WSI fees	220,752	1,635,266	286,978	2,975,150	373,071
Capital replacement SFE Base	822,243	753,288	986,686	907,856	1,092,055
Contributed capital cash	--	223,316	251,184	138,635	251,184
Interest & miscellaneous income	75,587	202,553	90,352	587,621	90,352
Total other funding	1,118,582	2,814,423	1,615,200	4,609,262	1,806,662
<b>Funds generated for debt/capital</b>	5,671,846	8,044,143	6,225,131	10,404,153	7,596,461
<b>Debt Service &amp; Capital Expense</b>					
Bond proceeds-revenue					23,434,257
Debt service expense	(2,487,021)	(2,314,070)	(2,645,862)	(2,368,829)	(2,642,060)
Bond issue expense					(229,500)
Capital Construction Plan & CRP	(19,605,007)	(11,049,000)	(10,975,409)	(5,115,758)	(14,632,707)
Net debt service & capital expenses	(22,092,028)	(13,363,070)	(13,621,271)	(7,484,587)	5,929,990
<b>Surplus/(Deficit)</b>	\$(16,420,182)	\$(5,318,926)	\$(7,396,140)	\$2,919,566	\$13,526,450

(1) Unaudited information provided by the Authority.

Source: Derived from the Authority's 2022, 2023 and 2024 budgets and from unaudited financial information provided by the Authority.

### **History of General Fund Revenues, Expenses and Changes in Net Position**

Set forth in the following table is a five-year comparative statement of Authority revenues, expenses and changes in net position for fiscal years 2018-2022. The information in this table is presented in accordance with GAAP and has been derived from the Authority's audited financial statements for 2018-2022.

The information in this table should be read together with the Authority's audited financial statements for the years ended December 31, 2022 and 2021, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information."

Statement of Revenues, Expenses and Changes in Net Position

	<u>Year Ended December 31,</u>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Operating Revenue</b>					
Water service fees	\$11,660,639	\$11,300,594	\$13,273,780	\$14,228,792	\$15,684,126
<b>Operating Expenses</b>					
Water treatment	4,135,545	4,419,084	4,630,148	4,336,052	4,510,588
Water distribution	4,819,271	5,708,499	5,431,869	5,756,971	6,150,178
Other Operating	1,279,958	995,751	856,278	985,277	1,304,316
General and administrative	2,726,790	2,607,922	3,817,675	5,287,720	5,676,987
Total Operating Expenses	12,961,564	13,731,256	14,735,970	16,366,020	17,642,069
<b>Operating Income (Loss)</b>	(1,300,925)	(2,430,662)	(1,462,190)	(2,137,228)	(1,957,943)
<b>Nonoperating Revenue and (Expense)</b>					
Investment income	228,589	218,910	43,024	8,354	207,151
BAB Credit (2)	293,272	294,369	253,044	--	--
Other non-operating revenues	57,260	50,460	34,868	38,537	48,435
Settlement proceeds	--	5,006,894	--	--	--
Interest expense	(1,545,717)	(1,486,235)	(1,037,704)	(2,022,062)	(1,885,725)
Paying agent fees	(2,669)	(1,569)	(1,623)	(990)	(1,089)
Total	(969,265)	4,082,829	(708,391)	(1,976,161)	(1,631,228)
<b>(Loss) Before Capital Contributions</b>	(2,270,190)	1,652,167	(2,170,581)	(4,113,389)	(3,589,171)
<b>Capital Contributions</b>					
Plant investment fees/water storage fees	1,216,759	2,492,944	713,623	1,507,207	3,087,252
EPRC stock-water rights	498,685	--	3,453,871	--	--
Contributed assets	1,000,330	567,295	--	230,061	515,984
Total capital contributions	2,715,774	3,060,239	4,167,494	1,737,268	3,603,236
<b>Change in Net Position</b>	445,584	4,712,406	1,996,913	(2,376,121)	14,065
<b>Net Position-Beginning of Year</b>	56,150,166	56,595,750	61,308,156	63,305,069	60,928,948
<b>Net Position-End of Year</b>	\$56,595,750	\$61,308,156	\$63,305,069	\$60,928,948	\$60,943,013

Source: Derived from the Authority's Annual Financial Reports for the years ended December 31, 2018-22.

## Risk Management

Insurance Coverage. The Authority has joined 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.

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

See Note IV.A. in the audited financial statements attached hereto as Appendix A for a description of the pool. In the opinion of the Eagle River General Manager, the Authority's insurance policies provide it with adequate insurance protection.

Cybersecurity. The Authority relies on computer systems and other technology to conduct many of its operations. Despite security measures, policies and training, the Authority, like any other public entity, may be vulnerable to cyber-attacks by third parties. Any such attack could compromise systems and the information stored therein. The Authority requires users to complete monthly cybersecurity trainings, password updates every 90 days and multi-factor authentication is used for all VPN and cloud systems access. In addition, hourly backups on all systems are taken and stored in an air-gapped environment as well as offsite for ransomware protection. A.I.-driven EDR, network and email security are also in place.

## Debt Structure

General. The Authority has the power to issue revenue obligations payable solely from the net revenues of the System; the Authority does not have the power to issue general obligation indebtedness.

Parity Obligations. As of the date of issuance of the 2024 Bonds, the Authority will have the following Parity Bonds outstanding.

<u>Parity Bonds</u>		
Bond Issue	Amount Outstanding	Date of Final Maturity
<i>Existing Parity Bonds:</i>		
Water Revenue Bonds, Series 2013A	\$11,625,000	12/1/42
Water Revenue Refunding and Improvement Bonds, Series 2020	<u>39,915,000</u>	12/1/50
Grand Total	<u>\$51,540,000</u>	

Other Obligations. In 1998, the Authority acquired approximately 19% of the stock in The Eagle Park Reservoir Company (the "Reservoir Company") for \$2,216,574, along with approximately \$143,000 in other costs related to the issuance of the assessment payable and the contribution/pledge of certain water rights. Investment in the company allows the Authority to augment its existing water rights. The purchase price was payable pursuant to an annual assessment of \$151,671 (principal and interest) to be paid over 30 years. As of September 30, 2023, the outstanding principal balance was \$648,567 and the total amount outstanding (principal and interest) was \$758,355. The obligation is secured by a pledge of the Authority's ownership of common stock in the company and certain water rights owned by participating Member Districts and leased to the Authority pursuant to the Authority Contract. The assessment payable is subject to annual appropriation by the Authority. The Reservoir Company has, in turn, pledged this assessment to a loan agreement between it and the State Department of Natural Resources,

Colorado Water Conservation. See Notes III(E) and III(G) in the audited financial statements attached hereto as Appendix A for additional information.

Beginning in 2003, the Authority has acquired additional shares of the Reservoir Company through various transactions. As of December 31, 2022, the Authority held 6,406.8789 Class A Shares (approximately 24.7%), 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 Note III(E) in the audited financial statements attached hereto as Appendix A for additional information.

In November of 2023, the Authority exercised its option to purchase an additional 25 acre-feet of water from the District's Eagle Park Reservoir supplies at a price of \$66,063 per acre-foot, for a total purchase price of \$1,651,575. The District conveyed the 25 acre-feet pursuant to a stock conveyance of 250 Class A, Series 2 shares of Eagle Park Reservoir Company stock.

## THE SYSTEM

### Service Area

The area served by the Authority encompasses approximately 32 square miles. Service is provided only to customers located within the boundaries of the Member Districts unless the written consent of the Authority and the Member Districts is obtained. The Authority also provides water service to Cordillera Metropolitan District and the Bachelor Gulch Metropolitan District (and two related districts) through contracts with Member Districts.

### The System

Treatment Facilities. The Authority currently operates the Avon Drinking Water Facility, a 10 million gallon per day (“MGD”) surface water treatment plant located in Avon, Colorado and the Edwards Drinking Water Facility, a 5 MGD surface water treatment plant located in Edwards, Colorado. The Edwards Drinking Water Facility was constructed so that it may be expanded to a capacity of 10.0 MGD with the addition of additional microfiltration equipment. The Authority’s water production capacity is also supplemented by several wells including the Berry Creek Wells (2.0 MGD), the Edwards Wells (0.12 MGD) and the Fenno Wells (0.65 MGD). The Authority currently has approximately 17.77 MGD of total production capacity. This capacity is estimated to be sufficient to serve expected growth through 2055 once the Edwards Drinking Water Facility is equipped to its ultimate capacity of 10 MGD. Raw water to supply the Avon Drinking Water Facility is diverted from the Eagle River at two locations, one approximately 9,200 feet upstream of the treatment plant at the Metcalf intake and the other, directly south of the plant at the Raw Water Booster Pump Station in Avon, depending on stream flows. The intake for the Edwards Drinking Water Facility is adjacent to the plant on the Eagle River, and a raw water pump station conveys water into the plant for treatment. The average daily production varies significantly between summer and winter months. In 2021, the peak summer day usage was 9.4 MGD and the peak winter day usage was 3.6 MGD. In 2022, the peak summer day usage was 7.9 MGD and the peak winter day usage was 4.0 MGD. The lowest average usage levels (approximately 2.0 MGD) occur in April and October of each year.

The Avon Drinking Water Facility is a conventional surface water treatment plant which includes oxidation, coagulation, flocculation, sedimentation, filtration, and disinfection with onsite sodium hypochlorite generation. The plant has a 400,000-gallon clearwell and eight distribution pumps which deliver water to two separate pressure zones in the distribution system. In 2018 and 2019, improvements were made to the clearwell to improve chlorine contact time, plate settlers were added to the sedimentation basins, and the flocculation system was rehabilitated. These projects resulted in the ability to operate the plant with lower influent raw water quality and reduced the frequency of filter backwashing. In 2022, the facility’s chemical feed systems were rehabilitated, and in 2023 the Authority has substantially completed the replacement of the facility’s programmable logic controllers, improving the plant’s automation and controls systems.

The Edwards treatment plant is a microfiltration surface water treatment plant which includes a raw water intake, screening and pumping to the treatment processes; membrane treatment units; disinfection (onsite storage of sodium hypochlorite); an option for iron and manganese removal; clearwell storage; and distribution pumps which deliver treated water to the distribution system.

Storage and Distribution System. The Authority's water distribution system currently consists of approximately 62 pressure zones which include 191 miles of water mains, 34 booster pumping stations, and 38 water storage tanks with total capacity of approximately 16 million gallons of distribution system storage.

## **Water Rights**

The Authority consists of the Arrowhead, Beaver Creek, Berry Creek, Eagle-Vail and Edwards Metropolitan Districts and the Town of Avon (collectively, the "Members"), and serves three additional areas by contract. The areas that it serves by contract are the service areas of the Bachelor Gulch Metropolitan District, the Traer Creek Metropolitan District (the Village at Avon), and the Cordillera Metropolitan District. The Authority meets the delivery obligations and augmentation needs of its Members and those areas served by contract by using water from the following sources: (a) direct flow and ground water rights owned by or perpetually leased to the Authority; (b) a total of 2,342.8 acre-feet in historical consumptive use ("HCU") credits; (c) the right to 256.5 acre-feet of Homestake Reservoir water; (d) the right to 680.7 acre-feet of Eagle Park Reservoir water, which includes 87.4 acre-feet of water conveyed by Eagle County for workforce housing; (e) the limited right to up to 425 acre feet of water from Black Lakes; (f) the right to 548 acre-feet of Green Mountain Reservoir contract water; (g) the right to 710.8 acre-feet of Wolford Mountain Reservoir water; (h) the System Interconnect with the Eagle River Water & Sanitation District; and (i) 70.3 cfs of conditional direct flow rights, 224 acre-feet of conditional storage rights, and 200 gallons per minute of conditional groundwater rights.

The Authority has plans for augmentation approved by the District Court in and for Water Division No. 5 (the "Water Court") which utilize the Authority's in-basin storage water (Eagle Park Reservoir, Homestake Reservoir and Black Lakes), out-of-basin storage water (Green Mountain Reservoir and Wolford Mountain Reservoir), and HCU credits as sources of replacement water to augment out-of-priority diversions at the Metcalf Ditch, Raw Water Booster Pump, Edwards Drinking Water Facility, Edwards Water District Well, June Creek Ranch Wells, Lake Creek Wells and Stag Gulch Wells.

The Authority has sufficient water rights to meet the full build out water requirements of its Members and the agreed upon 5,282.5 single family equivalents in the case of the Town of Avon, the full build-out requirements of the Bachelor Gulch Metropolitan District, and the agreed upon consumptive acre-feet amounts of the Village at Avon and the Cordillera Metropolitan District.

## **Water Conservation and Drought Plan**

Background and Development of Drought Plan. In 2018, the Authority adopted a Regional Water Efficiency Plan. Prior to the adoption of the regional plan the Authority began implementing water conservation programs in 2012 that provide advanced data collection and water use analysis, identify sources of non-revenue water losses, communicate the value of water to customers through tiered water service rates, target reductions in outdoor watering use, and educate customers through community outreach. As a result of these programs, and other passive savings that are realized as customers replace fixtures and appliances with more water efficient technology, the amount of water needed per customer in the Authority was reduced by 15%, or roughly 769 acre feet of demand, between 2012 and 2017. The total water use in the Authority has

declined over that time even though the total number of single-family equivalents served by the Authority has increased by 9% since 2009.

The 2018 Regional Water Efficiency Plan identifies several demand management programs for different customer classes. For residential customers, the plan aims to reduce outdoor water use by 7% to 10% and indoor water use by 9% by the year 2030 by offering tools and programs to residential customers such as outdoor water efficiency incentives and rebates, irrigation system consultations, turf to native vegetation conversions, indoor efficiency incentives, customer engagement, and coordination with land use authorities. For commercial and mixed-use customers, the plan aims to reduce indoor water use by 5% by the year 2030 by leveraging partnerships with the Eagle County Climate Action Collaborative, re-evaluating rate structures for these customer classes, and by offering water efficiency rebate and incentive programs. For irrigation only accounts, the Authority aims to reduce outdoor water use by 10% by the year 2030 through programs such as irrigation system consultations, outdoor incentives and rebates, customer engagement, and coordination with land use authorities.

In addition to the above measures, the Authority has adopted an emergency drought response plan which includes stream flow triggers for implementing measures intended to mitigate the effects of drought on local streams and water supplies. These measures include targeted customer outreach and communication with high water users, implementation of irrigation and water use restrictions and/or prohibitions, and coordination with businesses (such as hotels, restaurants and property management companies) to implement strict water conservation measures.

The Authority's winter conservation actions are comprised of a comprehensive program including reservoir releases coordinated with other area water agencies, strategic water plant and well operation plans, and hotel and restaurant water conservation programs. In accordance with the plan, the Authority is encouraging conservation through public service announcements and other media, planning for operation of its treatment plants in low water flow scenarios, considering augmentation of existing wells, and planning for coordination of water releases and flows among area water providers to optimize the amount of water available.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding Eagle County. It is intended only to provide prospective investors with general information regarding the Authority's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The Authority makes no representation as to the accuracy or completeness of data obtained from parties other than the Authority.

### Population

The following table sets forth a history of the populations of the Town of Avon, Eagle County and the State. Between 2010 and 2020, the Town of Avon's population decreased 5.8%, Eagle County's population increased 6.8% and the population of the State increased 14.8%. These figures represent the permanent resident populations for these entities. Total population figures for the Town of Avon and Eagle County can increase significantly during the winter and summer tourism seasons.

<u>Population</u>						
<u>Year</u>	<u>Town of Avon</u>	<u>Percent Change</u>	<u>Eagle County</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
1980	640	--	13,320	--	2,889,735	--
1990	1,798	180.9%	21,928	64.6%	3,294,394	14.0%
2000	5,561	209.3	41,659	90.0	4,301,261	30.6
2010	6,447	15.9	52,197	25.3	5,029,196	16.9
2020	6,072	(5.8)	55,731	6.8	5,773,714	14.8
2021	6,150	--	55,785	--	5,811,026	--
2022	5,978	(2.8)%	55,291	(0.9)%	5,838,736	0.5%

Sources: United States Department of Commerce, Bureau of the Census (1980 to 2020), and Colorado State Demography Office (2021 and 2022 estimates, which are subject to periodic revisions).

### Income

The following table sets forth annual per capita personal income levels for Eagle County, the State and the United States. Per capita personal income levels in Eagle County have consistently exceeded levels in the State and the United States during the period shown.

### Per Capita Personal Income

<u>Year<sup>(1)</sup></u>	<u>Eagle County</u>	<u>Colorado</u>	<u>United States</u>
2018	\$80,075	\$57,794	\$53,309
2019	82,491	61,258	55,547
2020	88,073	64,852	59,153
2021	103,440	71,923	64,430
2022	113,643	75,722	65,470

(1) Eagle County figures updated November 16, 2023; State and national figures updated September 29, 2023. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

## **Employment**

The following table presents information on employment within Eagle County, the State and the United States for the time period indicated.

### Labor Force and Percent Unemployed

<u>Year</u>	<u>Eagle County<sup>(1)</sup></u>		<u>Colorado<sup>(1)</sup></u>		<u>United States</u>
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2018	35,835	2.5%	3,054,347	3.0%	3.9%
2019	36,381	2.2	3,105,584	2.7	3.7
2020	35,394	8.9	3,088,995	6.8	8.1
2021	34,608	4.8	3,158,144	5.4	5.3
2022	34,793	2.6	3,200,625	3.0	3.6
<u>Month of October<sup>(2)</sup></u>					
2022	33,787	2.4%	3,211,953	2.7%	3.7%
2023	34,549	2.7	3,239,508	3.2	3.9

(1) Figures for Eagle County and the State are not seasonally adjusted.

(2) Due to the seasonal nature of much of the employment in Eagle County, the monthly estimates are not necessarily representative of overall employment in Eagle County.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Labor Force Data and United States Department of Labor, Bureau of Labor Statistics.

The following table sets forth the number of individuals employed within selected Eagle County industries that are covered by unemployment insurance. In 2022, the largest employment sector in Eagle County was accommodation and food services (comprising approximately 21.4% of Eagle County's work force), followed, in order, by retail trade; construction; arts, entertainment, and recreation; and health care and social assistance. For the twelve-month period ended December 31, 2022, total average employment in Eagle County increased 3.5% as compared to the same period ending December 31, 2021, and average weekly wages increased 8.2% during the same time period.

Average Number of Employees Within Selected Industries - Eagle County

Industry	2018	2019	2020	2021	2022	2023 <sup>(3)</sup>
Accommodation and Food Services	7,973	7,877	6,074	6,771	7,272	7,563
Administrative and Waste Services	2,216	2,646	2,398	2,687	2,909	2,736
Agriculture, Forestry, Fishing, Hunting	51	69	63	69	63	48
Arts, Entertainment and Recreation	3,771	3,707	2,837	3,516	3,419	3,893
Construction	3,402	3,370	3,340	3,415	3,464	3,473
Educational Services	1,502	1,542	1,419	1,500	1,522	1,554
Finance and Insurance	478	488	478	471	460	456
Government	1,540	1,570	1,558	1,529	1,585	1,630
Health Care and Social Assistance	2,390	2,564	2,652	3,012	3,394	3,449
Information	305	313	260	242	263	289
Management of Companies/Enterprises	104	112	110	121	121	117
Manufacturing	391	376	345	415	407	447
Mining	19	24	27	28	25	22
Non-classifiable	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	4	38
Other Services	1,030	1,031	1,018	1,097	1,132	1,134
Professional and Technical Services	1,350	1,399	1,454	1,489	1,462	1,411
Real Estate, Rental and Leasing	1,653	1,706	1,526	1,634	1,674	1,774
Retail Trade	3,666	3,673	3,481	3,551	3,507	3,548
Transportation and Warehousing	799	830	653	712	736	713
Utilities	184	196	200	198	202	205
Wholesale Trade	437	435	381	404	405	397
Totals <sup>(1)</sup>	<u>33,265</u>	<u>33,932</u>	<u>30,272</u>	<u>32,862</u>	<u>34,025</u>	<u>34,891</u>

(1) Figures may not equal totals when added due to the rounding of averages or the inclusion of employees in the total that were not disclosed in individual classifications.

(2) Data was not released due to confidentiality.

(3) Figures are averaged through the second quarter of 2023.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

A selection of some of the largest employers in Eagle County is set forth below. The list does not include all of the largest employers in Eagle County. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employers in Eagle County.



### Selected Major Employers in Eagle County

<u>Employer</u>	<u>Product or Service</u>	<u>Number of Employees<sup>(1)</sup></u>
Eagle County School District RE50J	K-12 education	1,000 to 4,999
Vail Resorts	Outdoor recreation	1,000 to 4,999
Vail Health	Healthcare	500 to 999
Colorado Mountain College	Higher education	250 to 499
Eagle County	Government	250 to 499
Four Seasons Resort and Residences	Lodging	250 to 499
Grand Hyatt Vail	Lodging	250 to 499
Mountain Temp Services	Staffing	250 to 499
Ritz-Carlton, Bachelor Gulch	Lodging	250 to 499
Ritz-Carlton Club Vail	Lodging	250 to 499
The Lodge at Vail	Lodging	250 to 499
The Sebastian - Vail	Lodging	250 to 499
Vail Marriot Mountain Resort	Lodging	250 to 499
Walmart Supercenter	General merchandise retail	250 to 499

(1) Figures are estimates as of March 2023.

Source: Data Axle as posted by State of Colorado, Department of Labor and Employment, Labor Market Information.

### **Recreation and Tourism**

Year-round tourism and skiing-related businesses account for a significant portion of the employment and earned income of area residents.

The Ski Industry in the State. A study of Colorado’s travel and tourism market (conducted by Longwoods International for the Colorado Tourism Office) reflected record economic gains in 2022. According to the study, total day and overnight trips to Colorado totaled 90.0 million, an increase of 5.8 million over 2021. Overnight trips accounted for 42.7 percent of those trips (38.4 million) and overnight visitors spent a record \$21.1 billion. Approximately sixteen percent (\$3.3 billion) of the total overnight spending was credited to recreation.

Skier Visit Information. The National Ski Areas Association (“NSAA”), the ski industry’s trade group, reported that ski areas in the United States tallied a record 65.4 million skier visits during the 2022-23 season. This figure represents an increase of more than seven percent over the 2021-22 season. (A skier visit represents a person participating in the sport of skiing or snowboarding for any part of one day at a mountain resort.) NSAA also reported that the Rocky Mountain Region (Colorado, Idaho, Montana, New Mexico, Utah and Wyoming) saw a record number of skier visits, 27.9 million, during the 2022-23 season. Vail Resorts, Inc. (“Vail Resorts”), the owner of the two largest ski areas in Eagle County—Vail Mountain and Beaver Creek Resort—does not provide figures for individual ski areas.

Vail Resorts. Vail Resorts is a publicly held company (NYSE: MTN) headquartered in Broomfield, Colorado. Through its subsidiaries, Vail Resorts is the leading mountain resort operator in the United States. Its subsidiaries operate 40 destination mountain resorts and regional ski areas in 15 states and three countries, including Beaver Creek, Breckenridge, Crested Butte, Keystone and Vail in Colorado; Heavenly, Kirkwood and Northstar

in the Lake Tahoe area; Park City Mountain Resort in Utah; Stowe Mountain Resort in Vermont; Perisher in Australia and Whistler Blackcomb in Canada.

The lodging division, Vail Resorts Hospitality, owns and operates hotels, condos and private residences, including five RockResorts luxury hotels in Colorado. Epic Mountain Express, an airport-to-resort ground transportation company, is part of the lodging division. Vail Resorts Retail, also part of the lodging division, manages a collection of more than 230 retail outlets and rental locations carrying gear for skiing, snowboarding, biking, hiking, camping, running, paddle sports and fly-fishing; offers ski and snowboard rentals at Breeze Ski Rental; and operates the Epic Mountain Gear stores. Vail Resorts also has the national park contract in Wyoming with the Grand Teton Lodge Company at Grand Teton National Park.

Furthermore, Vail Resorts develops real estate (including the Red Sky Ranch luxury golf community in the western part of Eagle County and the Ritz-Carlton Club in the Town of Vail), operates seven golf courses and engages in various other business ventures.

Vail Ski Resort. Vail Ski Resort lies within the White River National Forest and operates under permits from the U.S. Forest Service. The ski area is directly adjacent to the Town of Vail. Vail Mountain has seven bowls, two terrain parks, a 13-foot mini-pipe, and 5,317 acres of skiable terrain. The outer-most area of Vail Mountain offers intermediate and expert skiers and riders a variety of moguls, glades, tree skiing, cliffs and ridges. There are 195 trails and 32 lifts, including two gondolas. The newer of the two gondolas, Gondola One, features 10-passenger cabins with heated seats and Wi-Fi. Vail Ski Resort hosted the Burton US Open Snowboarding Championships eight times before the series ended after the 2020 edition.

In 2016, Vail Ski Resort opened Epic Discovery to provide expanded summer activities. Visitors can ride the gondolas, descend 3,400 feet down the mountain on the Forest Flyer raised alpine coaster, experience nearly two miles of ziplining on the Game Creek Zipline Tour, and explore the Nature Discovery Center's interactive regional wildlife exhibits and nature hikes. Summer visitors can also participate in mountain biking, guided hikes, mini golf and tubing.

Beaver Creek Resort. Beaver Creek Resort is located adjacent to the Town of Avon, several miles west of the Town of Vail, and opened for business in 1980. Beaver Creek Resort contains 2,082 acres of skiable terrain, 24 lifts, 167 trails, and has a vertical rise of approximately 3,340 feet. Beaver Creek Resort includes three separate villages, each of which is connected by ski runs: Beaver Creek Village, Bachelor Gulch Village (location of a Ritz-Carlton resort hotel) and Arrowhead Village.

Beaver Creek Resort is the only mountain in the United States that regularly hosts races as part of the men's alpine FIS Ski World Cup. The Birds of Prey event features men's super G, downhill and giant slalom races. The race festivities include live music, beer tastings, ski films and parties in the heart of Beaver Creek Village.

Summer Activities. Horseback riding, mountain biking, fly-fishing, hiking, 4x4 tours, zip line tours, challenge ropes courses, whitewater rafting and other recreational sports draw guests to the area, as well as world-class music and dance festivals and art shows. Summer visitors are also attracted to the area to take advantage of award-winning golf courses. There are two public 18-hole championship golf courses near the Town of Vail: EagleVail Golf Club and Vail Golf Club. Other resort courses in Eagle County include Beaver Creek Golf Club, Eagle Ranch

Golf Club, The Golf Club at Cordillera, Gypsum Creek Golf Course, and Red Sky Ranch and Golf Club.

## Building Permits

The following table provides a history of building permits issued in the unincorporated portions of Eagle County. Construction activity in unincorporated Eagle County has fluctuated in response to nationwide economic conditions, reflecting the area's dependence on tourism and skiing. Development within unincorporated Eagle County is primarily residential.

### History of Building Permits Issued in Unincorporated Eagle County

Year	Total Number of Permits Issued	Total Valuation
2018	690	\$156,563,412
2019	691	118,200,110
2020	801	162,154,381
2021	925	353,212,808
2022	914	319,388,052

Source: Eagle County Building Department.

## Foreclosure Activity in Eagle County

The following table sets forth the number of foreclosures filed in Eagle County during the time period indicated. Such figures represent the total number of foreclosures filed and do not take into account foreclosures that were filed and subsequently withdrawn or redeemed.

### History of Foreclosures – Eagle County

Year	Number of Foreclosures Filed	Percent Change
2018	60	--
2019	51	(15.0)%
2020	26	(49.0)
2021	18	(30.8)
2022	28	55.6
2023 <sup>(1)</sup>	23	--

(1) Figures are for foreclosures filed from January 1 through November 30, 2023.

Sources: Colorado Division of Housing (2018-2020); and Eagle County Public Trustee's Office (2021-2023).

## TAX MATTERS

*General Matters.* In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the 2024 Bonds (including any original issue discount properly allocable to the owner of a 2024 Bond) is excludable from gross income under federal income tax laws pursuant to Section 103 of the Tax Code and interest on the 2024 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, except as such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations.

The opinions described above assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Tax Code that must be met subsequent to the issuance of the 2024 Bonds. Failure to comply with such requirements could cause interest on the 2024 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2024 Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2024 Bonds.

Bond Counsel is also of the opinion that, under existing State statutes, the 2024 Bonds and the income therefrom are exempt from taxation, except inheritance, estate and transfer taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the 2024 Bonds under the laws of the State or any other state or jurisdiction.

The accrual or receipt of interest on the 2024 Bonds may otherwise affect the federal income tax liability of the owners of the 2024 Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the 2024 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the 2024 Bonds.

*Original Issue Discount.* The 2024 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the Bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity).

Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as federally tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such Discount Bonds for a price that is higher or lower than the “adjusted issue price” of the Discount Bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

*Original Issue Premium.* The 2024 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

*Backup Withholding.* As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the 2024 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the 2024 Bonds that fail to provide certain required information including an accurate taxpayer identification

number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the 2024 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

*Changes in Federal and State Tax Law.* From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the 2024 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2024 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2024 Bonds or the market value thereof would be impacted thereby. Purchasers of the 2024 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2024 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE 2024 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE 2024 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE 2024 BONDS.

## **LEGAL MATTERS**

### **Litigation**

There is no litigation now pending which questions the validity of the 2024 Bonds or any proceedings the Authority has taken with respect to the issuance or sale thereof or which would affect the Authority’s ability to pay the 2024 Bonds from the sources pledged therefore. In addition, the Authority’s General Counsel is expected to provide an opinion at closing which states that as of the date of closing, to the best of its knowledge, although the Authority is subject to certain pending or threatened litigation or administrative proceedings, these matters either are adequately covered by insurance or, to the extent not insured, the likelihood is remote that the ultimate resolution thereof would materially affect the financial position of the Authority.

### **Sovereign Immunity**

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the “Immunity Act”), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Authority, for injuries which lie in tort or could lie in tort.

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle (including a light rail car), owned or leased by the public entity;

the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; failure to perform an education employment required background check; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. Financial immunity is also waived for serious bodily injury or death resulting from an incident of school violence (murder, first degree assault or felony sexual assault). In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which occur during the performance of their duties and within the scope of their employment.

The maximum amounts that may be recovered under the Immunity Act for injuries occurring on or after January 1, 2022, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$424,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$1,195,000; except in such instance, no person may recover in excess of \$424,000. Those amounts increase every four years pursuant to a formula based on the Denver-Aurora-Greeley Consumer Price Index. The maximum recovery amounts for injuries occurring before January 1, 2022, are lower than the amounts listed in this paragraph. The Authority may increase any maximum amount that may be recovered from the Authority for certain types of injuries. However, the Authority may not be held liable either directly or by indemnification for punitive or exemplary damages unless the Authority voluntarily pays such damages in accordance with State law. The Authority has not acted to increase the damage limitations in the Immunity Act.

The Authority may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Authority may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

### **Approval of Certain Legal Proceedings**

The approving opinion of Butler Snow LLP, Denver, Colorado, as Bond Counsel, will be delivered with the 2024 Bonds. The form of the Bond Counsel opinion is attached to this Official Statement as Appendix E. Butler Snow LLP has also acted as Special Counsel to the Authority in connection with this Official Statement. Certain matters will be passed upon for the Authority by its General Counsel, Collins Cole Flynn Winn & Ulmer, PLLC, Lakewood, Colorado.

### **Police Power**

The obligations of the Authority are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

## **RATINGS**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned the 2024 Bonds the Underlying Rating shown on the cover page of this Official Statement. S&P is also expected to assign the 2024 Bonds the Insured Rating shown on the cover page of this Official Statement, based on the understanding that the Policy will be issued by BAM concurrently with the issuance of the 2024 Bonds. See "BOND INSURANCE." An explanation of the significance of any S&P ratings may be obtained from S&P at 55 Water Street, New York, New York 10041.

Such ratings reflect only the views of the rating agency, and there is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstance so warrant. Any such downward revision or withdrawal of the rating (including rating changes related to BAM's rating) may have an adverse effect on the market price or liquidity of the 2024 Bonds. Except for its responsibilities under the Disclosure Certificate, the Authority has not undertaken any responsibility to bring to the attention of the owners of the 2024 Bonds any proposed change in or withdrawal of the rating once received or to oppose any such proposed revision.

## **INDEPENDENT AUDITORS**

The financial statements of the Authority as of December 31, 2022 and 2021, and for the years then ended, included in this Official Statement as Appendix A, have been audited by McMahan and Associates, L.L.C., independent certified public accountants, Avon, Colorado, as stated in their report appearing herein.

The Authority has not requested and will not obtain a consent letter from its auditor for the inclusion of the audit report in this Official Statement. McMahan and Associates, L.L.C., the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McMahan and Associates, L.L.C., also has not performed any procedures relating to this Official Statement.

## **UNDERWRITING**

Piper Sandler & Co., Denver, Colorado (the "Underwriter") has agreed to purchase the 2024 Bonds from the Authority pursuant to a Purchase Agreement at a purchase price of \$23,047,383.65 (representing the par amount of the 2024 Bonds, plus net original issue premium of \$1,291,708.65, and less underwriting discount on the 2024 Bonds of \$109,325.00). The Underwriter is committed to take and pay for all of the 2024 Bonds if any are taken.

The 2024 Bonds are being offered for sale to the public at the yields shown on the cover of this Official Statement. The Underwriter intends to offer the 2024 Bonds to the public at the offering price set forth on the cover page of this Official Statement. The Underwriter may allow concessions from the public offering price to certain dealers who may reallow concessions to other dealers. After the initial public offering price, prices may be varied from time to time by the Underwriter, and the 2024 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Bonds into investment accounts.



The Underwriter has entered into a distribution agreement (the “Distribution Agreement”) with Charles Schwab & Co., Inc. (CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase 2024 Bonds from the Underwriter at the original issue price, less a negotiated portion of the selling concession applicable to any 2024 Bonds that CS&Co sells.

#### **OFFICIAL STATEMENT CERTIFICATION**

The preparation of this Official Statement and its distribution has been authorized by the Board. This Official Statement is hereby duly approved by the Board as of the date on the cover page hereof.

UPPER EAGLE REGIONAL WATER  
AUTHORITY, Eagle County, Colorado

By: /s/ George Gregory  
Chair

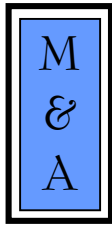
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## **APPENDIX A**

### **AUDITED BASIC FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE: This Appendix contains the Authority's audited basic financial statements, including the "Management's Discussion and Analysis," which is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. Certain schedules, including those in the audit sections labeled "Supplementary Information and "Statistical Section" were purposely excluded from this Official Statement. Such statements provide supporting details and are not necessary for a fair presentation of the audited basic financial statements of the Authority.

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# McMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Upper Eagle Regional Water Authority  
Vail, Colorado**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities of Upper Eagle Regional Water Authority (the "Authority"), as of and for the year ended December 31, 2022 and December 31, 2021, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2022 and December 31, 2021 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 ("U.S. GAAP").

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800  
ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

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 is the responsibility of management and, 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 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.

**To the Board of Directors  
Upper Eagle Regional Water Authority  
Vail, Colorado**

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparisons and debt service schedules in Section E are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons and debt services schedules are 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 U.S. GAAS. In our opinion, the information in Section E is fairly stated, in all material respects, in relation to the basic 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.  
Avon, Colorado  
July 6, 2023**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**UPPER EAGLE REGIONAL  
WATER AUTHORITY**

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**Upper Eagle Regional Water Authority  
Management's Discussion and Analysis  
December 31, 2022**

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 2022, total net position increased by \$14,065 from \$60,928,948 in 2021 to \$60,943,013 in 2022. Depreciation expense of \$6,148,323 netted with debt payments of \$359,611 and capitalized expenditures of \$12,429,667 are the main reasons for the increase in net position. Overall for the year, current and other assets decreased by \$5,703,377. A bond issue in 2020 provided cash for the multi-year capital program. Proceeds being held at December 31, 2022, for future capital project spending were \$0. Capital assets increased by \$6,785,938, which represents total capital additions and contributions, net of changes in accumulated depreciation and disposals. Total liabilities increased \$1,045,091 during 2022, primarily as a result of ongoing construction.

In 2022, total revenues increased by \$3,529,997 relative to 2021, and total expenses increased by \$1,139,811 when compared to 2021. The Authority's 2022 financial activity generated a net decrease of \$7,211,927 in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), \$6,148,323 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 \$14,065 for 2022, compared to a decrease in net position of \$2,376,121 in 2021.

In 2021, total revenues decreased by \$1,759,259 relative to 2020, and total expenses increased by \$2,613,775 when compared to 2020. The Authority's 2021 financial activity generated a net decrease of \$14,548,271 in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), \$5,369,816 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 decrease in net position of \$2,376,121 for 2021, compared to an increase in net position of \$1,996,913 in 2020.

**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, 2022**  
**(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**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets:</b>			
Current and other assets	\$ 27,719,099	\$ 33,422,476	\$ 46,635,412
Capital assets, net	97,933,909	91,147,971	79,548,908
<b>Total Assets</b>	<u>125,653,008</u>	<u>124,570,447</u>	<u>126,184,320</u>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	395,941	419,346	442,751
<b>Total Deferred Outflows of Resources</b>	<u>395,941</u>	<u>419,346</u>	<u>442,751</u>
<b>Liabilities:</b>			
Long-term liabilities	58,220,500	58,842,702	59,439,496
Other liabilities	6,885,436	5,218,143	3,882,506
<b>Total Liabilities</b>	<u>65,105,936</u>	<u>64,060,845</u>	<u>63,322,002</u>
<b>Net Position:</b>			
Net investment in capital assets	40,868,229	40,732,008	44,249,694
Restricted:			
Debt	7,997,088	7,891,456	7,367,144
Unrestricted	12,077,696	12,305,484	11,688,231
<b>Total Net Position</b>	<u>\$ 60,943,013</u>	<u>\$ 60,928,948</u>	<u>\$ 63,305,069</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, 2022**  
**(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>2022</u>	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>			
Operating revenues:			
Service fees	\$ 15,684,126	\$ 14,228,792	\$ 13,273,780
Non-operating revenues:			
Investment income	207,151	8,354	43,024
Interest credit - Build America Bonds	-	-	253,044
Other	48,435	38,537	34,868
Capital contributions:			
Plant investment fees	2,863,936	1,461,423	668,439
Water storage fees	223,316	45,784	45,184
EPRC stock - water rights	-	-	3,453,871
Contributed assets	515,984	230,061	-
<b>Total Revenues</b>	<u>\$ 19,542,948</u>	<u>\$ 16,012,951</u>	<u>\$ 17,772,210</u>

In 2022, service revenues continued to increase year over year. During 2020, the Authority received shares of Eagle Park Reservoir Company from Eagle County.

**Upper Eagle Regional Water Authority**  
**Management's Discussion and Analysis**  
**December 31, 2022**  
**(continued)**

**REVIEW OF EXPENSES**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Expenses:</b>			
Operating expenses:			
Water treatment	\$ 4,510,588	\$ 4,336,052	\$ 4,630,148
Water distribution	6,150,178	5,756,971	5,431,869
Other operating	1,304,316	985,277	856,278
General and administrative	5,676,987	5,287,720	3,817,675
Non-operating expenses:			
Interest expense	1,885,725	2,022,062	1,037,704
Other	1,089	990	1,623
<b>Total Expenses</b>	<u>19,528,883</u>	<u>18,389,072</u>	<u>15,775,297</u>
 <b>Change in Net Position</b>	 14,065	 (2,376,121)	 1,996,913
 <b>Net Position - Beginning of Year</b>	 <u>60,928,948</u>	 <u>63,305,069</u>	 <u>61,308,156</u>
 <b>Net Position - End of Year</b>	 <u><u>\$ 60,943,013</u></u>	 <u><u>\$ 60,928,948</u></u>	 <u><u>\$ 63,305,069</u></u>

In 2022, total expenses increased year over year. The increase is related to operational costs of providing services, offset by decreasing interest expense.

In 2021, total expenses increased year over year. The increase is related to general and administrative costs increasing in 2021.

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

**Upper Eagle Regional Water Authority  
Management's Discussion and Analysis  
December 31, 2022  
(continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation, as of December 31, 2022 and 2021, were \$97,933,909 and \$91,147,971, 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, 2022. 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 2022 is as follows:

	<b>1/1/22 Beginning Balance</b>	<b>Additions</b>	<b>Reclasses and Retirements</b>	<b>12/31/22 Ending Balance</b>
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	27,063,141	12,421,090	(30,138,677)	9,345,554
Total capital assets, not being depreciated	29,553,251	12,421,090	(30,138,677)	11,835,664
Capital assets, being depreciated:				
Treatment plants	42,919,721	174,162	-	43,093,883
Distribution system	95,008,443	27,788,745	-	122,797,188
Water wells	15,267,165	2,688,941	-	17,956,106
Total capital assets being depreciated	153,195,329	30,651,848	-	183,847,177
Less accumulated depreciation for:				
Treatment plants	(26,894,301)	(1,639,409)	-	(28,533,710)
Distribution system	(56,602,287)	(3,840,332)	-	(60,442,619)
Water wells	(8,104,021)	(668,582)	-	(8,772,603)
Total accumulated depreciation	(91,600,609)	(6,148,323)	-	(97,748,932)
Total capital assets, being depreciated, net	61,594,720	24,503,525	-	86,098,245
<b>Total capital assets, net</b>	<b>91,147,971</b>	<b>36,924,615</b>	<b>(30,138,677)</b>	<b>97,933,909</b>

**Upper Eagle Regional Water Authority  
Management's Discussion and Analysis  
December 31, 2022  
(continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**Capital Assets (continued)**

In 2022, total net capital assets were \$97,933,909, an increase of \$6,785,938 from the 2021 amount of \$91,147,971. Net capital asset additions of \$12,934,261 were offset by changes in accumulated depreciation of \$6,148,323 for a net increase in capital assets of \$6,785,938.

In 2021, total net capital assets were \$91,147,971, an increase of \$11,599,063 from the 2020 amount of \$79,548,908. Net capital asset additions of \$16,968,879 were offset by changes in accumulated depreciation of \$5,369,816 for a net increase in capital assets of \$11,599,063.

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 2022, the Authority had revenue bonds of \$57,461,621 and an assessment payable to Eagle Park Reservoir Company of \$758,879.

At the end of 2021, the Authority had revenue bonds of \$57,979,212 and an assessment payable to Eagle Park Reservoir Company of \$863,490.

**BUDGET VARIANCES AND FUTURE CONSIDERATIONS**

**Budget Variances**

In 2022, revenues were above budget expectations by \$2,634,274. The positive variance is mainly due to the Authority budgeting conservatively for water service fees and plant investment fees. The expenditure budget was \$32,873,089, including \$19,605,007 of capital additions. Actual expenditures were \$6,573,981 less than budget.

**2023 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 2023 is \$24,711,228 including \$10,975,409 of capital additions.

The 2023 water use rates continue to include base fees and a five-tier usage structure. Each tier allows 7,000 gallons of water use per SFE. The tier pricing progressively increases above previous tier to further promote wise use of water.

The 2023 monthly water rates are \$23.53 service base rate per SFE, plus \$12.89 debt service base rate per SFE, plus \$4.75 capital replacement program base rate per SFE and tiered usage rates of \$4.75 per 1,000 gallons for tier one, \$7.39 per 1,000 gallons for tier two, \$12.89 per 1,000 gallons for tier three, \$26.86 per 1,000 gallons for tier four and \$40.30 per 1,000 gallons for tier five (24,000 gallons and over).



**Upper Eagle Regional Water Authority  
Management's Discussion and Analysis  
December 31, 2022  
(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: Jim Cannava, Finance Manager, Eagle River Water and Sanitation District, 846 Forest Road, Vail, Colorado 81657.

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**BASIC FINANCIAL STATEMENTS**



**UPPER EAGLE REGIONAL  
WATER AUTHORITY**

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**Upper Eagle Regional Water Authority**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents - Unrestricted	6,420,680	6,706,795
Cash and cash equivalents - Restricted	7,997,088	15,035,358
Receivables, net of allowance for uncollectibles:		
Accounts	4,398,661	2,590,862
Current portion of notes receivable	-	8,194
Inventory	107,093	92,755
Prepaid expenses	-	140,912
<b>Total Current Assets</b>	<u>18,923,522</u>	<u>24,574,876</u>
<b>Non-current Assets:</b>		
<b>Other Assets:</b>		
Patronage dividend receivable	397,104	389,685
Notes receivable - Due in more than one year	-	59,442
Investment in Eagle Park Reservoir Company	8,398,473	8,398,473
<b>Total Other Assets</b>	<u>8,795,577</u>	<u>8,847,600</u>
<b>Capital Assets:</b>		
Land and improvements	780,962	780,962
Water/storage rights	1,709,148	1,709,148
Construction in progress	9,345,554	27,063,141
Treatment plants	43,093,883	42,919,721
Distribution system	122,797,188	95,008,443
Water wells	17,956,106	15,267,165
Less: Accumulated depreciation	<u>(97,748,932)</u>	<u>(91,600,609)</u>
<b>Total Capital Assets</b>	<u>97,933,909</u>	<u>91,147,971</u>
<b>Total Non-current Assets</b>	<u>106,729,486</u>	<u>99,995,571</u>
<b>Total Assets</b>	<u>125,653,008</u>	<u>124,570,447</u>
<b>Deferred Outflows of Resources:</b>		
Deferred charge on refunding	395,941	419,346
<b>Total Deferred Outflows of Resources</b>	<u>395,941</u>	<u>419,346</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>126,048,949</u>	<u>124,989,793</u>

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

**Upper Eagle Regional Water Authority**  
**Statements of Net Position**  
**December 31, 2022 and 2021**  
**(Continued)**

	<u>2022</u>	<u>2021</u>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable - Other	1,926,584	1,854,801
Accounts payable - ERWSD	4,645,173	3,151,727
Interest payable	184,773	186,929
Loans and bonds payable - Due within one year	425,312	359,611
Deposits	<u>4,727</u>	<u>7,227</u>
<b>Total Current Liabilities</b>	<u>7,186,569</u>	<u>5,560,295</u>
<b>Non-current Liabilities:</b>		
Other payables	124,179	17,459
Loans and bonds payable - Due in more than one year	<u>57,795,188</u>	<u>58,483,091</u>
<b>Total Non-current Liabilities</b>	<u>57,919,367</u>	<u>58,500,550</u>
<b>Total Liabilities</b>	<u>65,105,936</u>	<u>64,060,845</u>
<b>Net Position:</b>		
Net investment in capital assets	40,868,229	40,732,008
Restricted for:		
Debt	7,997,088	7,891,456
Unrestricted	<u>12,077,696</u>	<u>12,305,484</u>
<b>Total Net Position</b>	<u>60,943,013</u>	<u>60,928,948</u>

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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Service fees	15,684,126	14,228,792
<b>Total Operating Revenues</b>	<u>15,684,126</u>	<u>14,228,792</u>
<b>Operating Expenses:</b>		
Water treatment	4,510,588	4,336,052
Water distribution	6,150,178	5,756,971
Other operating	1,304,316	985,277
General and administrative	5,676,987	5,287,720
<b>Total Operating Expenses</b>	<u>17,642,069</u>	<u>16,366,020</u>
<b>Operating Income (Loss)</b>	<u>(1,957,943)</u>	<u>(2,137,228)</u>
<b>Non-operating Revenues (Expenses):</b>		
Investment income	207,151	8,354
Other non-operating revenues	48,435	38,537
Interest expense	(1,885,725)	(2,022,062)
Paying agent fees	(1,089)	(990)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(1,631,228)</u>	<u>(1,976,161)</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>(3,589,171)</u>	<u>(4,113,389)</u>
<b>Capital Contributions:</b>		
Plant investment fees	2,863,936	1,461,423
Water storage fees, net of refunds	223,316	45,784
Contributed assets	515,984	230,061
<b>Total Capital Contributions</b>	<u>3,603,236</u>	<u>1,737,268</u>
<b>Change in Net Position</b>	14,065	(2,376,121)
<b>Net Position - Beginning of Year</b>	<u>60,928,948</u>	<u>63,305,069</u>
<b>Net Position - End of Year</b>	<u><u>60,943,013</u></u>	<u><u>60,928,948</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	13,876,327	13,473,712
Cash payments for goods and services	<u>(9,621,553)</u>	<u>(10,122,261)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>4,254,774</u>	<u>3,351,451</u>
<b>Cash Flows From Non-capital Financing Activities:</b>		
Patronage dividend received	30,460	29,043
Other cash receipts and settlement proceeds	<u>10,556</u>	<u>3,849</u>
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<u>41,016</u>	<u>32,892</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Cash received from system development fees	2,863,936	1,461,423
Cash received from water storage fees	223,316	45,784
Interest subsidy payment received - Build America Bonds	-	279,155
Cash (paid) received for return of capital asset deposit	(2,500)	103
Cash paid for principal on debt	(359,611)	(334,204)
Cash paid for interest and paying agent fees on debt	(2,128,155)	(2,288,238)
Cash paid for capital acquisitions	<u>(12,491,948)</u>	<u>(16,357,819)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(11,894,962)</u>	<u>(17,193,796)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest income received	203,465	4,244
Interest received on notes receivable	3,686	4,110
Principal received on notes receivable	<u>67,636</u>	<u>7,771</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>274,787</u>	<u>16,125</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(7,324,385)	(13,793,328)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>21,742,153</u>	<u>35,535,481</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>14,417,768</u></u>	<u><u>21,742,153</u></u>
<b>Represented by Balance Sheet Captions:</b>		
Cash and cash equivalents - Unrestricted	6,420,680	6,706,795
Cash and cash equivalents - Restricted	<u>7,997,088</u>	<u>15,035,358</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>14,417,768</u></u>	<u><u>21,742,153</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, 2022 and 2021**  
**(Continued)**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	<u>(1,957,943)</u>	<u>(2,137,228)</u>
<b>Adjustments:</b>		
Depreciation	6,148,323	5,369,816
Prior year capitalized assets expensed in the current year	11,391	403,882
(Increase) decrease in accounts receivable	(1,807,799)	(755,080)
(Increase) decrease in inventory	(14,338)	(92,755)
(Increase) decrease in prepaid expenses	140,912	(13,842)
Increase (decrease) in accounts payable - Other	134,062	82,026
Increase (decrease) in accounts payable - ERWSD	1,493,446	496,879
Increase (decrease) in other liabilities	106,720	(2,247)
<b>Total Adjustments</b>	<u>6,212,717</u>	<u>5,488,679</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>4,254,774</u>	<u>3,351,451</u>
<b>Non-cash Investing, Capital, and Financing Activities:</b>		
Contribution of capital assets and EPRC stock	<u>515,984</u>	<u>230,061</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS**



**UPPER EAGLE REGIONAL  
WATER AUTHORITY**

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**Upper Eagle Regional Water Authority  
Notes to the Financial Statements  
December 31, 2022**

**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, 2022, 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, 2022**  
**(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, 2022**  
**(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, 2022 and 2021, 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, 2022**  
**(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-F8) 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:

<b>Assets</b>	<b>Years</b>
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, 2022**  
**(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 assets 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 assets 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, 2022.

**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, 2022**  
**(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 2022:

1. The Authority submitted, on or before October 15, 2021, a recommended budget that detailed the necessary revenues to meet the Authority's operating requirements.
2. On or prior to December 31, 2021, 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.

**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, 2022**  
**(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 \$14,417,768 and \$21,742,153 as of December 31, 2022 and 2021, respectively.

At December 31, 2022 and 2021, the Authority had the following cash and investments with the following maturities:

<b>December 31, 2022</b>				
	<b>Standard &amp; Poors Rating</b>	<b>Carrying Amounts</b>	<b>Maturities</b>	
			<b>Less than one year</b>	<b>One to five years</b>
<i>Deposits:</i>				
Checking	Not rated	952,041	952,041	-
Money market	Not rated	6,199	6,199	-
<i>Investment pools</i>	AAAm	13,459,528	13,459,528	-
<b>Total</b>		<b>14,417,768</b>	<b>14,417,768</b>	<b>-</b>

<b>December 31, 2021</b>				
	<b>Standard &amp; Poors Rating</b>	<b>Carrying Amounts</b>	<b>Maturities</b>	
			<b>Less than one year</b>	<b>One to five years</b>
<i>Deposits:</i>				
Checking	Not rated	29,117	29,117	-
Money market	Not rated	5,660	5,660	-
<i>Investment pools</i>	AAAm	21,707,376	21,707,376	-
<b>Total</b>		<b>21,742,153</b>	<b>21,742,153</b>	<b>-</b>

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, 2022**  
**(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:

<u>Investment Type</u>	<u>Maximum Percentage</u>
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, 2022, the Authority had the following recurring measurements:

<u>Investments Measured at Net Asset Value</u>	<u>12/31/22</u>	<u>12/31/21</u>
Colotrust	13,459,528	21,707,376

**Upper Eagle Regional Water Authority**  
**Notes to the Financial Statements**  
**December 31, 2022**  
**(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>12/31/22</u>	<u>12/31/21</u>
Cash and cash equivalents - Unrestricted	6,420,680	6,706,795
Cash and cash equivalents - Restricted	7,997,088	15,035,358
<b>Total</b>	<u>14,417,768</u>	<u>21,742,153</u>

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

	<u>12/31/22</u>	<u>12/31/21</u>
Debt covenant and operations reserves	7,397,088	7,291,456
Rate stabilization funds	600,000	600,000
Unspent bond proceeds	-	7,143,902
<b>Total</b>	<u>7,997,088</u>	<u>15,035,358</u>

**C. Notes Receivable**

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

	<u>1/1/21</u>			<u>12/31/21</u>			<u>12/31/22</u>
	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>			<u>Balance</u>
Traer Creek	75,407	-	(7,771)	67,636	-	(67,636)	-
	75,407	-	(7,771)	67,636	-	(67,636)	-
Less: Current portion	(7,771)			(8,194)			-
Long-term portion	67,636			59,442			-

**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 15<sup>th</sup> through 2028. The loan bears interest at 5.45% per annum.

**Upper Eagle Regional Water Authority**  
**Notes to the Financial Statements**  
**December 31, 2022**  
**(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, 2022 and 2021, the Authority received refunds of \$30,460 and \$29,044, respectively, from Holy Cross. The balances due to the Authority at December 31, 2022 and 2021, were \$397,104 and \$389,685, 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 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, 2022, 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-F8) for additional information.

**Upper Eagle Regional Water Authority**  
**Notes to the Financial Statements**  
**December 31, 2022**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**F. Capital Assets**

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

	<b>1/1/21 Beginning Balance</b>	<b>Additions</b>	<b>Reclasses and Retirements</b>	<b>12/31/21 Ending Balance</b>	<b>Additions</b>	<b>Reclasses and Retirements</b>	<b>12/31/22 Ending Balance</b>
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	12,514,574	17,170,244	(2,621,677)	27,063,141	12,421,090	(30,138,677)	9,345,554
Total capital assets, not being depreciated	15,004,684	17,170,244	(2,621,677)	29,553,251	12,421,090	(30,138,677)	11,835,664
Capital assets, being depreciated:							
Treatment plants	41,991,272	928,449	-	42,919,721	174,162	-	43,093,883
Distribution system	93,516,580	1,491,863	-	95,008,443	27,788,745	-	122,797,188
Water wells	15,267,165	-	-	15,267,165	2,688,941	-	17,956,106
Total capital assets being depreciated	150,775,017	2,420,312	-	153,195,329	30,651,848	-	183,847,177
Less accumulated depreciation for:							
Treatment plants	(25,284,227)	(1,610,074)	-	(26,894,301)	(1,639,409)	-	(28,533,710)
Distribution system	(53,444,997)	(3,157,290)	-	(56,602,287)	(3,840,332)	-	(60,442,619)
Water wells	(7,501,569)	(602,452)	-	(8,104,021)	(668,582)	-	(8,772,603)
Total accumulated depreciation	(86,230,793)	(5,369,816)	-	(91,600,609)	(6,148,323)	-	(97,748,932)
Total capital assets, being depreciated, net	64,544,224	(2,949,504)	-	61,594,720	24,503,525	-	86,098,245
<b>Total capital assets, net</b>	<b>79,548,908</b>	<b>14,220,740</b>	<b>(2,621,677)</b>	<b>91,147,971</b>	<b>36,924,615</b>	<b>(30,138,677)</b>	<b>97,933,909</b>

Depreciation expense for the years ended 2021 and 2022 was charged to the following departments:

	<b>2022</b>	<b>2021</b>
Water treatment	2,307,991	2,212,525
Water distribution	3,840,332	3,157,291
<b>Total</b>	<b>6,148,323</b>	<b>5,369,816</b>

Fully depreciated assets totaled \$19,127,119 and \$22,325,347 for the years ended 2021 and 2022, respectively.

**Upper Eagle Regional Water Authority**  
**Notes to the Financial Statements**  
**December 31, 2022**  
**(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 16<sup>th</sup> 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 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, 2022**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Long-Term Debt (continued)**

**2. 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.

**3. 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.

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.

**Upper Eagle Regional Water Authority**  
**Notes to the Financial Statements**  
**December 31, 2022**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Long-Term Debt (continued)**

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

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.

The bonds were fully repaid during 2022.

**4. 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, 2022**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**G. Long-Term Debt (continued)**

**5. 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, 2022**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**H. Long-term Liability Activity Schedules**

Long-term liability activity for 2021 was as follows:

	<b>1/1/21</b>			<b>12/31/21</b>	<b>Due</b>
	<b>Beginning</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending</b>	<b>Within</b>
	<b>Balance</b>			<b>Balance</b>	<b>One Year</b>
1998 assessment obligation note	962,694	-	(99,204)	863,490	104,611
2013 tax-exempt revenue bonds	11,775,000	-	-	11,775,000	150,000
2013 tax-exempt refunding					
revenue bonds	210,000	-	(105,000)	105,000	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	6,555,050	-	(267,510)	6,287,540	-
Unamortized bond discounts	(108,248)	-	4,920	(103,328)	-
<b>Total</b>	<b>59,309,496</b>	<b>-</b>	<b>(466,794)</b>	<b>58,842,702</b>	<b>359,611</b>

Long-term liability activity for 2022 was as follows:

	<b>1/1/22</b>			<b>12/31/22</b>	<b>Due</b>
	<b>Beginning</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending</b>	<b>Within</b>
	<b>Balance</b>			<b>Balance</b>	<b>One Year</b>
1998 assessment obligation note	863,490	-	(104,611)	758,879	110,312
2013 tax-exempt revenue bonds	11,775,000	-	(150,000)	11,625,000	165,000
2013 tax-exempt refunding					
revenue bonds	105,000	-	(105,000)	-	-
2020 tax-exempt revenue bonds	27,125,000	-	-	27,125,000	150,000
2020 tax-exempt refunding					
revenue bonds	12,790,000	-	-	12,790,000	-
Unamortized bond premiums	6,287,540	-	(267,512)	6,020,028	-
Unamortized bond discounts	(103,328)	-	4,921	(98,407)	-
<b>Total</b>	<b>58,842,702</b>	<b>-</b>	<b>(622,202)</b>	<b>58,220,500</b>	<b>425,312</b>

**Upper Eagle Regional Water Authority**  
**Notes to the Financial Statements**  
**December 31, 2022**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**I. Debt Service Schedules**

Aggregate debt service requirements at December 31, 2022, were as follows for the Authority:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,299,349	2,013,184	3,312,533
2027	1,366,399	1,951,047	3,317,446
2028 - 2032	7,188,832	8,774,150	15,962,982
2033 - 2037	8,620,000	7,179,361	15,799,361
2038 - 2042	10,325,000	5,477,300	15,802,300
2043 - 2045	12,510,000	3,295,400	15,805,400
2046 - 2050	8,775,000	711,200	9,486,200
<b>Total</b>	<u>52,298,880</u>	<u>35,687,212</u>	<u>87,986,092</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, 2022  
(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, 2022 and 2021, the balance outstanding was \$0.

The value of water distributed by the District to the Authority through the interconnect was \$124,179 and \$17,459 during the year ended December 31, 2022 and 2021, 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 2022 under the terms of this agreement amounted to 7,890,000 and 7,151,924 for operating and billing expenses, and \$544,768 and \$387,760 for capitalized management services, totaling \$8,434,768 and \$7,539,684 during the years ended December 31, 2022 and 2021, respectively. Outstanding management fees due to the District as of December 31, 2022 and 2021 totaled \$4,645,173 and \$3,151,727, 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, 2022 and 2021, respectively. There were other outstanding payables, for operation services, due to the District as of December 31, 2022 and 2021 totaling \$4,731,744 and \$3,151,727, respectively. As of December 31, 2022 there was \$4,398,661 due from the District, for water service billed, included in the \$4,715,084 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, 2022**  
**(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, 2022:

<b>Project</b>	<b>Vendor</b>	<b>Contract Commitment</b>	<b>Completed</b>	<b>Remaining</b>
Wildridge BPS and PRV	AE2S, Inc.	280,500	(250,351)	30,149
Berry Creek Well House				
Hypochlorite Tank	Velocity Plant Services	39,982	-	39,982
Replacement				

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## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

Set forth in this Appendix B are certain definitions used in the Bond Resolution and of certain provisions of the Bond Resolution. These summaries do not purport to be definitive summaries of all of the provisions of the Bond Resolution and are qualified in their entirety by the provisions of the Bond Resolution. Reference must be made to the complete Bond Resolution for a complete recital of its terms. Copies of the Bond Resolution may be obtained from the sources listed in “INTRODUCTION--Additional Information.”

#### Definitions

“Act” means Section 29-1-204.2, C.R.S.

“Authority” means the Upper Eagle Regional Water Authority or any entity that assumes the obligations of the Authority pursuant to the Bond Resolution.

“Bond Act” means Part 4 of Article 35 of Title 31, C.R.S., relating to the terms, conditions and details of the 2024 Bonds authorized by the Bond Resolution, as referred to in and supplemented and qualified by the Act.

“Bond Fund” means the fund so designated and created in the Bond Resolution. See “SECURITY FOR THE BONDS--Flow of Funds” in this Official Statement.

“Bondholder” or “owner” or “registered owner” or “holder” means the registered owner of any of the Bonds.

“Bond Requirements” means the Principal Installments of, interest on, and any prior redemption premium due in connection with Outstanding Parity Lien Bonds or the 2024 Bonds, as individually or collectively referred to hereinafter.

“Bonds” means the 2013A Bonds, the 2020 Bonds and the 2024 Bonds as so authorized in the Resolution, and any Parity Lien Bonds issued and Outstanding.

“Certified Public Accountant” or “Accountant” means any independent certified public accountant, or firm of such certified public accountants, duly licensed to practice and practicing as such under the laws of the State of Colorado, appointed and paid by the Authority.

“Costs of the Project” means the Authority’s costs properly attributable to the Project or any part thereof, including without limitation:

(a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work;

(b) the costs of insurance premiums, including the premium due in connection with the Policy, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed;

- (c) administrative and general overhead costs;
- (d) the costs of reimbursing funds advanced by the Authority in anticipation of reimbursement from Bond proceeds, including any intrafund or interfund loan;
- (e) the costs of surveys, appraisals, plans, designs, specifications, and estimates;
- (f) the costs, fees, and expenses of printers, engineers, architects, financial consultants, legal advisors, or other agents or employees;
- (g) the costs of publishing, reproducing, posting, mailing, or recording documents;
- (h) the costs of contingencies or reserves;
- (i) the costs of issuing the 2024 Bonds;
- (j) the costs of amending any resolution or other instrument relating to the 2024 Bonds or the Project;
- (k) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans;
- (l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, and franchises;
- (m) the costs of demolition, removal, and relocation; and
- (n) all other lawful costs as determined by the Board.

“Depository” means any state or national bank, or state chartered or federally chartered savings and loan association which has its principal office in the State of Colorado, is insured by the Federal Deposit Insurance Corporation, and has been designated as an eligible public depository under the Public Deposit Protection Acts.

“District” means any of the Arrowhead Metropolitan District, the Town of Avon, as the successor in interest to the Avon Metropolitan District, Beaver Creek Metropolitan District, Berry Creek Metropolitan District, Eagle-Vail Metropolitan District, or Edwards Metropolitan District, and each of their successors, and any entity which may hereafter become a Contracting Party pursuant to the Establishing Contract. All of the foregoing shall be referred to herein collectively as the “Districts.”

“Engineer” means any registered or licensed professional engineer, or any firm of such engineers, having a favorable reputation for skill and experience in the field of water projects and facilities, and feasibility and rate-making in connection therewith.

“Establishing Contract” means the Authority Agreement Amending and Restating the Agreement Establishing the Upper Eagle Regional Water Authority and the Master Service Contract dated as of May 27, 2015, among the Districts, which amended and restated the original Establishing Contract dated as of September 18, 1984, as amended by the First Amendment to Establishing Contract of Upper Eagle Regional Water Authority, among the Districts, dated as of April 1, 1985, which established the Authority, and any amendments or supplements thereto.

“Event of Default” means any of the events stated in the Bond Resolution and described under “Events of Default and Remedies” below.

“Existing Parity Bonds” means the 2013A Bonds and the 2020 Bonds, which have been issued and remain Outstanding as of the date of issuance of the 2024 Bonds.

“Federal Securities” means bills, certificates of indebtedness, notes, or bonds which are direct obligations of, or the principal and interest of which obligations are unconditionally guaranteed by, the United States of America (or any interest in any of the foregoing).

“Finance Manager” means the Finance Manager of the Authority or such other officer or employee of the Authority who performs the duties of the chief financial officer.

“Fiscal Year” for the purposes of the Bond Resolution means the 12 months commencing on the first day of January of any calendar year and ending on the last day of December of said year, or such other fiscal year for Authority purposes as may hereafter be provided pursuant to law.

“Future Reserve Fund Bonds” means Parity Lien Bonds which are secured by the Reserve Fund as provided in the resolution authorizing such Parity Lien Bonds.

“Insurance Policy” means the municipal bond new issue insurance policy, if any, issued by the Insurer that guarantees payment of principal of and interest on the 2024 Bonds when due.

“Insurer” means the issuer of the Insurance Policy, if any, as set forth in the Sale Certificate.

“Insurance Agreement” means an agreement, if any, entered into between the Authority and any Insurer pursuant to the Bond Resolution.

“Investment Securities” means any of the following securities, whether acquired by the Authority individually or pursuant to a pool established pursuant to Title 24, Article 75, Part 7, C.R.S., if and to the extent that the same are at the time legal for investment of Authority funds:

- (i) Federal Securities;
- (ii) Deposits pursuant to the Public Deposit Protection Acts;
- (iii) Written agreements under which a bank or trust company which is a member of the Federal Deposit Insurance Corporation, a savings and loan association which is a

member of the Federal Deposit Insurance Corporation, or an investment dealer or dealer bank which is recognized as a primary dealer in United States government securities sells to, and agrees to repurchase from the Authority, Federal Securities provided (i) that the market value of such Federal Securities is, at all times, at least equal to the repurchase price specified in the agreement and (ii) that such obligations are held by the Authority or by an agent satisfactory to the Authority in such manner as may be required to provide a perfected security interest in such Federal Securities.

“Net Revenues” means the Revenues after deducting Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means all expenses incurred in the operation and maintenance of the Authority’s water system, including the Participating Members’ formerly individually owned water systems and normally recurring expenses incurred by the Authority in the conduct of its activities which are properly Authority costs under generally accepted accounting principles as applied to governmental units. Such term does not include depreciation or replacement expenses or reserves therefore, debt service, or principal of or interest on any other borrowing of the Authority.

“Operations Reserve Fund” means the fund so designated in the Bond Resolution. See “SECURITY FOR THE BONDS--Flow of Funds” in this Official Statement.

“Outstanding” means, as of any date of calculation, all Bonds theretofore executed, issued and delivered by the Authority except:

(i) Bonds theretofore cancelled by the Registrar or surrendered to the Registrar for cancellation;

(ii) Bonds in lieu of, or in substitution for, which other Bonds shall have been executed, issued and delivered by the Authority and authenticated by the Registrar unless proof satisfactory to the Registrar is presented that any such Bonds are duly held by the lawful registered owners thereof;

(iii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or Redemption Date, shall be held in trust and set aside for such payment or redemption (whether at or prior to the maturity or Redemption Date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Bond Resolution or provision satisfactory to the Registrar shall have been made for the giving of such notice; and

(iv) Bonds deemed to have been paid as provided in the Bond Resolution. See “THE 2024 BONDS--Defeasance” in this Official Statement.

“Parity Lien Bonds” means any additional series of bonds or other securities or obligations payable from the Revenues issued pursuant to the Bond Resolution and having a lien upon the Net Revenues on a parity with the lien of the Existing Parity Bonds and the 2024 Bonds.

“Payment Date” means any scheduled interest or principal payment date for the 2024 Bonds.

“Policy Costs” means repayment of draws under the Qualified Surety Bond, if any, plus all related reasonable expenses incurred by the Insurer, plus accrued interest thereon.

“Principal Installment” means as of any date of calculation, the sum of the principal amount of Bonds maturing on such date; provided that for purposes of this computation, Bonds subject to mandatory sinking fund redemption shall be deemed to mature in principal installments equal to, and on the dates of, the annual mandatory sinking fund redemptions.

“Project” means the acquisition, construction, and installation of water improvements, facilities, and properties, including without limitation water rights and rights to water and all necessary or appropriate equipment, which are financed with a portion of the proceeds of the 2024 Bonds.

“Public Deposit Protection Acts” means the Public Deposit Protection Act, Section 11-10.5-101, et seq., C.R.S., or the Savings and Loan Association Public Deposit Protection Act, Section 11-47-101 et seq., C.R.S.

“Qualified Surety Bond” means a surety bond, insurance policy, letter or line of credit, or similar instrument which may be utilized in the Reserve Fund in lieu of or in partial substitution for moneys on deposit therein to provide security therefor, the issuer or provider of which is the 2013A Insurer, the 2020 Insurer, and the Insurer of the 2024 Bonds, if any, or is acceptable to the 2013A Insurer and the 2020 Insurer.

“Rate Stabilization Fund” means the special fund designated as the “Upper Eagle Regional Water Authority Rate Stabilization Fund” previously created by the Authority and continued in the Bond Resolution.

“Rebate Fund” means the Rebate Fund so designated and created in the Bond Resolution. See “SECURITY FOR THE BONDS--Flow of Funds” in this Official Statement and “Rebate Fund” below.

“Redemption Date” means the date fixed in any notice of redemption for the redemption of Bonds prior to their respective maturities.

“Reserve Fund” means the debt service reserve fund so designated and created in the Bond Resolution. See “SECURITY FOR THE BONDS--Flow of Funds” in this Official Statement and “Reserve Fund” below.

“Reserve Fund Bonds” means the Outstanding 2013A Bonds, 2020 Bonds and the 2024 Bonds if so designated in the Sale Certificate relating to such 2024 Bonds, and Future Reserve Fund Bonds.

“Reserve Fund Requirement” has the meaning ascribed to such term in the Sale Certificate.

“Revenue Fund” means the fund so designated and created in the Bond Resolution. See “SECURITY FOR THE BONDS--Flow of Funds” in this Official Statement.

“Revenues” means the gross revenues derived by the Authority from the operation of, or attributable to the ownership of, the System, or any part thereof, including all revenue attributable to the System received by the Authority pursuant to the Service Contract or any lease or other contractual arrangement with respect to the use of the System or the service thereof, or from the proceeds of any business interruption insurance relating to the System or from the sale of the System or any portion thereof as permitted in the Bond Resolution. “Revenues” also includes all interest, profits, or other income derived from investment of funds or moneys held pursuant to the Bond Resolution. “Revenues” does not include any moneys collected by the Authority acting as agent for the Districts pursuant to the Service Contract, including but not limited to, tap fees and water surcharges imposed by the individual Districts.

“Sale Certificate” means the certificate executed by either the General Manager or Finance Manager of the Authority dated on or before the date of delivery of the 2024 Bonds, setting forth: (i) the rates of interest on the 2024 Bonds; (ii) the conditions on which the 2024 Bonds may be redeemed prior to maturity and the redemption prices therefor; (iii) the existence and amount of any reserve fund; (iv) the price at which the 2024 Bonds will be sold; (v) the principal amount and denominations of the 2024 Bonds; (vi) the amount or amounts of principal maturing in any particular year; (vii) the dates on which principal and interest shall be paid, including, the first interest payment date for the 2024 Bonds; and (viii) whether the Authority shall obtain an Insurance Policy or a Qualified Surety Bond, subject to the parameters and restrictions contained in the Bond Resolution.

“Service Charges” means the charges to customers for water service by the Authority pursuant to the Service Contract.

“Service Contract” means the Authority Agreement Amending and Restating the Upper Eagle Regional Water Authority and the Master Service Contract, by and among the Districts, dated as of May 27, 2015, as the same may be amended or extended.

“Subordinate Bonds” means bonds or securities payable from Revenues with a lien on Net Revenues subordinate and junior to the lien thereon of the Bonds.

“System” means the Authority’s system for the collection, treatment and distribution of water and consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Authority, through the Service Contract, and through purchase, construction or otherwise, and used in connection with such system of the Authority, and in any way appertaining thereto.

“Tax Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the 2024 Bonds.

“Term Bonds” means 2024 Bonds that are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such 2024 Bonds on or before their specified maturity dates.

“2013A Bonds” means the Upper Eagle Regional Water Authority, Eagle County, Colorado, Water Revenue Bonds, Series 2013A, originally issued and currently outstanding in the aggregate principal amount of \$11,905,000.

“2013A Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“2020 Bonds” means the Upper Eagle Regional Water Authority, Eagle County, Colorado, Water Revenue Refunding and Improvement Bonds, Series 2020, originally issued and currently outstanding in the aggregate principal amount of \$39,915,000.

“2020 Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“2024 Bonds” means the Upper Eagle Regional Water Authority, Eagle County, Colorado, Water Revenue Bonds, Series 2023 or Series 2024, as authorized by the Bond Resolution and as designated in the Sale Certificate.

“2024 Construction Fund” means the special subaccount of the Authority’s General Fund designated as the “Upper Eagle Regional Water Authority, Water Revenue Bonds, Series 2024, Construction Fund” created pursuant to the Bond Resolution, to be utilized for purposes of the Project.

### **Pledge of Resolution; Special Obligations**

The 2024 Bonds are special obligations of the Authority payable from and secured by the funds pledged therefor. The Authority covenants to pay promptly the principal of and interest on the 2024 Bonds at the place, on the dates and in the manner specified in the Bond Resolution and in the Sale Certificate. There are pledged by the Bond Resolution for the payment of the principal of and interest on the 2024 Bonds in accordance with their terms and the provisions of the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution, the Net Revenues, the Bond Fund, and the Reserve Fund (if the 2024 Bonds are designated as Reserve Fund Bonds in the Sale Certificate). The 2024 Bonds constitute an irrevocable and first (but not necessarily an exclusive first) lien upon the Net Revenues on a parity with the lien of the Existing Parity Bonds. The pledge of the Net Revenues shall be valid and binding from and after the date of the delivery of the 2024 Bonds, and the moneys as received by the Authority and pledged by the Bond Resolution shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act.

The lien of this pledge and the obligation to perform the contractual provisions made by the Bond Resolution shall have priority over any or all other obligations and liabilities of the Authority except any Outstanding Parity Lien Bonds heretofore or hereafter authorized. The lien of the pledge of the Net Revenues as described above shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority (except as otherwise provided in the Bond Resolution) irrespective of whether such parties have notice thereof.

All of the 2024 Bonds, together with the interest accruing thereon, and the Policy Costs shall be payable and collectible solely out of the Net Revenues, which are so pledged; the holder or holders thereof may not look to any general or other fund for the payment of principal of and interest on such obligations, except the designated special funds pledged therefor; and the 2024 Bonds and the Policy Costs shall not constitute an indebtedness nor a debt of the Authority or of the Districts within the meaning of any constitutional, charter, or statutory provision or limitation.

The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the 2024 Bonds as provided in the Bond Resolution shall be governed by Section 11-57-208 of the Supplemental Act and the Bond Resolution. The revenues pledged for the payment of the 2024 Bonds, as received by or otherwise credited to the Authority, shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge on the revenues pledged for payment of the 2024 Bonds and the obligation to perform the contractual provisions made in the Bond Resolution shall have priority over any or all other obligations and liabilities of the Authority, except any Outstanding Parity Lien Bonds heretofore or hereafter authorized. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the Authority irrespective of whether such persons have notice of such liens.

### **Funds and Accounts**

The Bond Resolution establishes or continues the following funds, constituting book accounts of the Authority: (a) Revenue Fund, (b) Bond Fund, (c) Reserve Fund, (d) Rebate Fund, (e) Operations Reserve Fund and (f) Rate Stabilization Fund. All of these funds are held by the Authority.

### **Reserve Fund**

In determining the amounts required to be deposited in the Reserve Fund (as described in "SECURITY FOR THE BONDS--Flow of Funds" and "Reserve Fund"), the Authority shall receive credit for any investment earnings on the deposit in the Reserve Fund. Investment earnings on deposit in the Reserve Fund shall remain in the Reserve Fund if the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement. No credit need be made to the Reserve Fund so long as the moneys and/or a Qualified Surety Bond therein equal the Reserve Fund Requirement (regardless of the source of such accumulations). If the amount on deposit in the Reserve Fund exceeds the Reserve Fund Requirement, the excess may be transferred to the Bond Fund. The Reserve Fund Requirement shall be accumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the principal of and the interest on the Reserve Fund Bonds resulting from the failure to credit to the Bond Fund sufficient funds to pay said principal and interest as the same accrue. The Paying Agent shall be the custodian of any Qualified Surety Bond. By accepting delivery of the Qualified Surety Bond, the Paying Agent shall be deemed to agree to perform all duties required of a paying agent or trustee under the Insurance Agreement with respect to the Qualified Surety Bond. The Reserve Fund Requirement shall be re-calculated upon the issuance of Future Reserve Fund Bonds.



In lieu of all or a portion of the moneys required to be deposited in the Reserve Fund, the Authority may at any time or from time to time deposit a Qualified Surety Bond in the Reserve Fund in full or partial satisfaction of the Reserve Fund Requirement. Any such Qualified Surety Bond shall be payable (or available to be drawn upon) on any date on which moneys will be required to be withdrawn from the Reserve Fund as provided in the Bond Resolution. Upon deposit of any Qualified Surety Bond in the Reserve Fund, the Authority may transfer moneys equal to the amount payable under the Qualified Surety Bond from the Reserve Fund and apply such moneys to any lawful purpose.

All cash and investments in the Reserve Fund shall be transferred to the Bond Fund for payment of principal and interest on the Bonds before any drawing may be made on any Qualified Surety Bond credited to the Reserve Fund in lieu of cash. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Qualified Surety Bonds on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

If the Tax Code does not permit the use of proceeds of any series of Future Reserve Fund Bonds for a full funding of the Reserve Fund in the amount necessary to have the Reserve Fund funded at the Reserve Fund Requirement, the maximum amount of proceeds of such series of Future Reserve Fund Bonds which may be deposited to the Reserve Fund pursuant to the Tax Code shall be deposited to the Reserve Fund upon the issuance of such series of Future Reserve Fund Bonds, and thereafter Net Revenues shall be deposited to the Reserve Fund monthly so that not later than twelve calendar months after the date of issuance of such series of Future Reserve Fund Bonds, the amount on deposit in the Reserve Fund shall equal the Reserve Fund Requirement.

### **Rebate Fund**

Nothing in the Bond Resolution requires that a resolution authorizing Parity Lien Bonds establish or provide for the funding of a subaccount in the Rebate Fund for Parity Lien Bonds. The moneys in any subaccount of the Rebate Fund established for a particular series of Bonds shall be used solely to make payment to the United States under the rebate provisions of the Tax Code applicable to such series of Bonds. Moneys in any such subaccount not needed for the purpose of making such payments may be withdrawn from such subaccount and deposited in the Revenue Fund.

### **General Administration of Funds and Accounts**

The funds described in "Funds and Accounts" above shall be administered as follows:

Termination Upon Deposits to Maturity or Redemption Date. No payment need be made into the Bond Fund, if the amount in the Bond Fund equals a sum at least equal to the entire amount of the Outstanding Bonds, both as to Principal Installments and interest, in which case moneys in said fund in an amount at least equal to such Principal Installment and interest

requirements shall be used solely to pay such as the same accrue, and any moneys in excess thereof in said fund may be withdrawn and used for any lawful purposes.

Places and Times of Deposits. Each of the funds designated “Funds and Accounts” shall be maintained as a separate book account. The moneys in such funds may be deposited in a single account and shall be deposited with a Depository. Each bank account shall be continuously secured to the fullest extent required by the laws of Colorado for the securing of public funds, and shall be irrevocable and not withdrawable by anyone for any purpose other than the respective designated purposes. Moneys sufficient to pay the Bond Requirements of the Bonds shall be credited with the Paying Agent prior to each interest payment date designated in the Bond Resolution, as provided in the Paying Agent Agreement.

Investment of Moneys. Except as otherwise required by law and subject to the limitations of the tax covenant described in “THE 2024 BONDS--Tax Covenants,” and supplementing the provisions of the prior paragraph, any moneys in any account designated in “Funds and Accounts” not needed for immediate use may be invested or reinvested by the Authority in Investment Securities, which:

(1) Either shall be subject to redemption at any time at a fixed value by the holder thereof at the option of such holder, or

(2) Shall mature not later than the date or respective dates on which the proceeds are to be expended as estimated by the Authority upon each date of such investment or reinvestment.

For the purpose of any such investment or reinvestment, Investment Securities shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations. The Investment Securities so purchased as an investment or reinvestment of moneys in any such account shall be deemed at all times to be a part of said account. The interest accruing thereon and any profit realized therefrom, as well as the income from time deposits, shall be Revenues. Any loss resulting from such investment shall be charged to the account. The Authority’s Treasurer shall present for redemption or sale on the prevailing market any Investment Securities so purchased as an investment of moneys in the account whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such account.

### **Refunding Securities**

If at any time after the 2024 Bonds, or any part thereof, shall have been issued and remain Outstanding, the Board shall find it desirable to refund all or any portion of the Outstanding Bonds or all or any portion of the Outstanding Subordinate Bonds, such series of Bonds or Subordinate Bonds may be refunded. Any refunding securities payable, in whole or in part, from the Net Revenues may be issued with such details as the Board may by resolution provide so long as there is no impairment of any contractual obligation imposed upon the Authority by any proceedings authorizing the issuance of any unrefunded Bonds. So long as any 2024 Bonds are Outstanding, no such refunding securities payable, in whole or in part, from the Net Revenues may be issued on a parity with unrefunded 2024 Bonds (*i.e.*, as Parity Lien Bonds under the Bond

Resolution) without the consent of the holder or holders of the unrefunded Bonds unless either (1) as a result of the refunding, the refunding securities do not increase by more than \$5,000, for any Fiscal Year in which the unrefunded 2024 Bonds will be Outstanding, the Bond Requirements for such year evidenced by such refunding bonds and by the Outstanding 2024 Bonds not refunded or (2) such refunding obligations are issued in compliance with the provisions governing Parity Lien Bonds in the Bond Resolution. See "SECURITY FOR THE BONDS--Additional Bonds."

### **Certain Covenants**

In the Bond Resolution, the Authority makes the following covenants (among others) for the benefit of the Owners of the 2024 Bonds:

Service Charges and Their Collection. There shall be charged to customers for Water Service, such rates, fees and charges as shall be: non-discriminatory, fair and reasonable, and adequate (after taking into consideration other moneys available or anticipated to be received, including any funds in the Rate Stabilization Fund) in each Fiscal Year so that Revenues shall be sufficient 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 Policy Costs then due and owing.

When determining the Bond Requirements due on the Bonds for a Fiscal Year for purposes of this section, there shall be excluded from such principal and interest requirements amounts on deposit in such Fiscal Year in the Rate Stabilization Fund.

No free Water Service shall be furnished by the Authority. The Authority shall cause all rates, fees, and Service Charges appertaining to the System to be collected as soon as is reasonable, shall prescribe and enforce rules and regulations for the payment thereof, and shall provide methods of collection and penalties as provided in the Service Contract, to the end that Revenues shall be adequate to meet the requirements of the Bond Resolution.

Maintenance of Revenues; Service Contract. The Authority shall promptly collect all charges due for Water Service as the same become due, and shall at all times maintain and promptly use commercially reasonable efforts to vigorously enforce its rights against any person who does not pay such charges when due.

The Authority shall enforce the provisions of the Service Contract and duly perform its covenants and agreements thereunder. The Authority will not consent or agree to or permit any rescission of or amendment to the Establishing Contract and the Service Contract, or either of them, which will in any manner materially and adversely affect the rights or security of the Bondholders under the Bond Resolution, unless there is first secured the written consent of the Bondholders whose rights would be so affected, and any action by the Authority in violation of this covenant shall be null and void as to the Authority and any other party to such contracts.

Records. Proper books of record and account will be kept by the Authority, showing complete and correct entries of all transactions relating to the System. Such books shall

include (but not necessarily be limited to) monthly records showing: (a) the amount of Service Charges paid by the customers of the Authority, (b) the Revenues received from Service Charges, and (c) a detailed statement of the Operation and Maintenance Expenses.

Efficient Operation. The Authority will maintain the System in efficient operating condition and (subject to the provisions of the Establishing Contract) make such improvements, enlargements, extensions, repairs, and betterments thereto as may be necessary or advisable to ensure its economical and efficient operation at all times.

Charges and Liens Upon System. From the Revenues, the Authority will pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied, assessed upon, or in respect to the System, or any part thereof, when the same shall become due, and it will duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the System; and the Authority will not create nor suffer to be created any lien or charge upon the System or upon the Revenues therefrom except as permitted by the Bond Resolution, and it will make adequate provisions to satisfy and discharge within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies, or other objects, which, if unpaid, might by law become a lien upon the System or upon the Revenues therefrom; provided, however, that nothing in the Bond Resolution shall require the Authority to pay, or to cause to be discharged, or to make provision for, any such tax, assessments, lien, or charge before the time when payment thereof shall be due or so long as the validity thereof shall be contested in good faith by appropriate legal proceedings or in continuing good faith negotiations.

Insurance. The Authority in its operation of the System will carry fire and extended coverage insurance, workmen's compensation insurance, public liability insurance, business interruption and other types of insurance in such amounts and to such extent as is normally carried by municipal corporations operating similar water facilities. The cost of such insurance may be considered one of the Operation and Maintenance Expenses of the System. In the event of property loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged if such property is necessary for operation of the System, and any remainder shall be treated as Net Revenues and shall be subject to distribution in the manner provided in "SECURITY FOR THE BONDS--Flow of Funds" for Revenues derived from the operation of the System.

The Authority may establish and create a special fund for the purpose of providing a self-insurance fund. Amounts to be deposited in or credited to such fund in any Fiscal Year shall be accounted for as Operation and Maintenance Expenses. To the extent that moneys are deposited in such fund, if created, such moneys may be invested in Investment Securities. To the extent of the amounts held in such fund, the face amount of appropriate insurance policies may be reduced.

Corporate Existence. The Authority will maintain its corporate identity and existence so long as any of the Bonds remain Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities, duties and immunities of the Authority and is obligated by law to operate and maintain the System and to fix and collect the Revenues as provided in the Bond Resolution without adversely and materially affecting at any time the privileges and rights of any holder of any Outstanding Bond.

Disposal of Facilities Prohibited. Except for the use of the facilities and services pertaining thereto in the normal course of business and the pledge and use of Revenues and other moneys as provided in the Bond Resolution, neither all nor a substantial part of the System will be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of, until all the Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the Bonds have otherwise been redeemed, including, without limitation, the termination of the pledge as authorized in the Bond Resolution, except as provided in the following paragraph.

Notwithstanding the above, in the event that the Authority should determine that it is in the best interest of the Authority and the Districts, the Authority is authorized by the Bond Resolution to transfer all (but not part) of the assets and obligations of the System to Eagle River Water and Sanitation District, or a subdistrict thereof, so long as Eagle River Water and Sanitation District, or a subdistrict thereof, assumes all outstanding obligations of the Authority, including the payment of the Bonds.

Disposal of Unnecessary Property. The Authority at any time and from time to time may sell, exchange, lease or otherwise dispose of any property constituting a part of the System and not useful in the construction, reconstruction or operation thereof, or which will cease to be necessary for the efficient operation of the System, or which will have been replaced by other property reasonably estimated to be able to generate equivalent Net Revenues. Any proceeds of any such sale, exchange or other disposition received and not used to replace such property so sold or so exchanged or otherwise disposed of, will be deposited by the Authority in the Revenue Fund or into a special book account for betterment, enlargement, extension, other improvement and equipment of the appropriate portion of the System, or any combination thereof, as the Authority may determine. Administration and allocation of the moneys so deposited shall be as provided in the Bond Resolution (described in "SECURITY FOR THE BONDS--Flow of Funds" and "General Administration of Funds and Accounts" above).

Loss From Condemnation. If any part of the System is taken by the exercise of a power of eminent domain, the amount of any award received by the Authority as each taking will be paid into the Revenue Fund or a capital improvement account pertaining to the appropriate portion of the System for the purposes thereof, or will be applied to the redemption of the Bonds or held as a reserve for deposit subsequently into such a capital improvement account or for such prior redemption of obligations or for both such deposits and such redemption, as the Authority may determine.

Competent Management. The Authority shall employ experienced and competent management personnel for the System. In the event of default on the part of the Authority in paying principal of or interest on the Bonds promptly as each falls due, or in the keeping of any covenants contained in the Bond Resolution, and if such default shall continue for a period of 60 days, the Authority shall retain a firm of competent management Engineers skilled in the operation of water systems to assist the management of the System so long as such default continues.

Performing Duties. The Authority will faithfully and punctually perform all duties with respect to the System required by the Constitution and laws of the State of Colorado and the Bond Resolution, including but not limited to, the making and collecting of reasonable and

sufficient rates and charges for water service as hereinbefore provided, and the proper segregation of the Revenues and their application to the respective funds.

### **Events of Default and Remedies**

Events of Default. Each of the following events is declared an “Event of Default” in the Bond Resolution:

1. Nonpayment of Principal. Payment of a Principal Installment of any of the 2024 Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for prior redemption, or otherwise.

2. Nonpayment of Interest. Payment of any installment of interest on any 2024 Bonds shall not be made when the same becomes due and payable.

3. Inability to Perform. The Authority shall for any reason be unable to fulfill its obligations under the Bond Resolution.

4. Default of any Provision. The Authority shall default in the due and punctual performance of its covenants or conditions, agreements, and provisions contained in the 2024 Bonds or in the Bond Resolution on its part to be performed (other than as described in paragraphs (1) and (2) above and in the section of the Bond Resolution relating to compliance with the Disclosure Certificate), and if such default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the holders of at least twenty-five percent (25%) in principal amount of the 2024 Bonds then Outstanding.

5. Cross Defaults. The occurrence and continuance of an “event of default,” as defined in any Parity Lien Bond resolution or any Insurance Agreement.

Remedies for Defaults. Upon the happening and continuance of any of the events of default as described above, then and in every case the holder or holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, may proceed against the Authority, its governing body, and its agents, officers, and employees to protect and enforce the rights of any holder of Bonds under the Bond Resolution by mandamus or other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Resolution or an award of execution of any power granted in the Bond Resolution for the enforcement of any proper legal or equitable remedy as such holder or holders may deem most effectual to protect and enforce the rights aforesaid, or thereby to enjoin any act or nothing which may be unlawful or in violation of any rights of any Bondholder, or to require the governing body of the Authority to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had, and maintained for the equal benefit of all holders of the Bonds then Outstanding.

Notwithstanding the provisions described above, nothing in the Bond Resolution shall act as or be deemed a waiver by the Authority of the defenses, protections and limitations of

liability under the Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S., as now or hereafter amended.

Receiver's Rights and Privileges. Any receiver appointed in any proceedings to protect the rights of such holders under the Bond Resolution, the consent to any such appointment being expressly granted by the Authority by the Bond Resolution, may enter and may take possession of the System, may operate and maintain the same, may prescribe fees, rates and other charges and may collect, receive and apply all Revenues arising after the appointment of such receiver in the same manner as the Authority itself might do.

Rights and Privileges Cumulative. The failure of any holder of any Outstanding 2024 Bond to proceed in any manner provided in the Bond Resolution shall not relieve the Authority, or any of its officers, agents or employees of any liability for failure to perform or carry out any duty, obligation or other commitment. Each right or privilege of any such holder (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege thereof.

Duties upon Default. Upon the happening of any of the events of default described above, the Authority shall do and perform all proper acts on behalf of and for the holders of the Bonds to protect and to preserve the security created for the payment of their Bonds and to ensure the payment of the Bond Requirements of the Bonds promptly as the same become due. During any period of default, so long as any of the Bonds issued under the Bond Resolution, as to any Bond Requirements, are Outstanding, except to the extent it may be unlawful to do so, all Net Revenues shall be paid into the Bond Fund. If the Authority fails or refuses to proceed as provided in this paragraph, the holder or holders of no less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the right of the holders of the Bonds as provided in the Bond Resolution, and to that end any such holders of the Outstanding Bonds shall be subrogated to all rights of the Authority under any agreement, lease or other contract involving the System or the Revenues entered into prior to the effective date of the Bond Resolution or thereafter while any of the 2024 Bonds are Outstanding.

Duties in Bankruptcy Proceedings. If any user of the System proceeds under any laws of the United States relating to bankruptcy, including, without limitation, any action under any law providing for corporate reorganization, it shall be the duty of the Authority, and its appropriate officers are authorized and directed by the Bond Resolution, to take all commercially reasonable steps for the benefit of the holders of the Bonds in such proceedings, including the filing of any claims for unpaid fees, rates and other charges or otherwise arising from the breach of any of the covenants, terms or conditions of any contract involving the System.

## **Amendment of the Bond Resolution**

Amendments Requiring Bondholder Consent. The Bond Resolution may be amended or supplemented by resolution adopted by the Board in accordance with the laws of the State of Colorado, without receipt by the Authority of any additional consideration, but (except as provided in "Amendments Not Requiring Bondholder Consent" below) with the written consent

of the holders of a majority of the Bonds Outstanding at the time of the adoption of such amendatory or supplemental resolution (not including in any case any Bonds which may then be held or owned for the account of the Authority, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds if such refunding securities are not owned by the Authority); provided, however, that no such resolution (without consent of each Bondholder who may be adversely affected thereby) shall have the effect of permitting: (1) an extension of the maturity or sinking fund redemption date, or time of any interest payment on any Bond authorized by the Bond Resolution; or (2) a reduction in the principal amount of any Bond, the rate of interest thereon, or the redemption premium, if any, payable thereon; or (3) the creation of a lien upon or a pledge of Revenues ranking prior to the lien or pledge created by the Bond Resolution; or (4) a reduction of the principal amount of Bonds required for consent to such amendatory or supplemental resolution; or (5) the establishment of priorities as between Bonds issued and Outstanding under the provisions of the Bond Resolution; or (6) the modification of or otherwise affecting the rights of the holders of less than all of the Bonds then Outstanding.

Whenever at any time within one year from the date of the mailing of notice of the proposed amendment as required by the Bond Resolution, there shall be filed in the office of the Authority's Secretary an instrument or instruments executed by the requisite holders of the Bonds then Outstanding, as provided in the prior paragraph, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, but not otherwise, the Board may adopt such amendatory resolution and such resolution shall become effective.

Amendments Not Requiring Bondholder Consent. Notwithstanding the provisions of the prior paragraph, no resolution supplementing the Bond Resolution which authorizes Parity Lien Bonds, and making necessary provisions in connection therewith, but without otherwise modifying the contractual rights of the holders of the Bonds, shall require any consent of the Outstanding Bondholders. The Bond Resolution and the rights and obligations of the Authority and of the holders of the Bonds may also be modified or amended at any time, without the consent of any Bondholders, but only to the extent permitted by law and only for any of the following purposes: (1) to add to the covenants and agreements of the Authority contained in the Bond Resolution, other covenants and agreements thereafter to be observed; or (2) to make such provisions for the purpose of curing any ambiguity, or of curing or correcting any formal defect or omission in the Bond Resolution, or in regard to questions arising under the Bond Resolution, as the Authority may deem necessary or desirable, and which shall not materially adversely affect the interests of the holders of the Bonds; or (3) in order to preserve or protect the excludability from gross income for federal income tax purposes of the interest allocable to the Bonds.

### **Provisions Related to the Insurer**

Insurer To Be Deemed Owner. Notwithstanding any provision of the Bond Resolution to the contrary, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, the Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding 2024 Bonds for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies pursuant to the Bond Resolution, including but not limited to approval of or consent to any amendment of or supplement to the Bond Resolution which requires the consent or approval of the Owners of a majority in aggregate principal amount of the



2024 Bonds then Outstanding pursuant to the Bond Resolution; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding 2024 Bonds with respect to any amendment or supplement to the Bond Resolution which seeks to amend or supplement the Bond Resolution for the purposes set forth under “Amendment of the Bond Resolution – Amendments Requiring Bondholder Consent” above, and provided, further, that the Insurer shall not have the right to direct or consent to Authority, Paying Agent or Owner action as provided in the Bond Resolution, if:

- 1) the Insurer shall be in default under the Insurance Policy;
- 2) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested by the Insurer; or
- 3) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

Rights of the Insurer. The Authority will enter into an Insurance Agreement with the Insurer at the closing for the 2024 Bonds. Certain provisions of the Insurance Agreement are set forth below.

The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any. Amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the 2024 Bonds.

Upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole owner of the 2024 Bonds for all purposes, including, without limitations, for purposes of exercising remedies and approving amendments.

No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) of the Insurance Agreement to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer shall be treated like any other holder of the 2024 Bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, “Insurer Default” means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent

to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

The Insurer is recognized and deemed to be a third-party beneficiary to the documents to be executed and delivered in connection with the issuance and sale of the 2024 Bonds (“Security Documents”).

The Authority agrees unconditionally that it will pay or reimburse the Insurer on demand, but only from Net Pledged Revenues (as defined in the Bond Resolution), any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Bond Resolution (“Administrative Costs”). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The Authority agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate (defined in the Insurance Agreement), compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything to the contrary, the Authority agrees to pay, but only from Net Pledged Revenues, to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Policy (“Insurer Policy Payment”); and (ii) interest on such Insurer Policy Payments from the date paid by the Insurer until payment thereof in full by the Authority, payable to the Insurer at the Late Payment Rate per annum (collectively, “Insurer Reimbursement Amounts”) compounded semi-annually. The Authority covenants and agrees that the Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the 2024 Bonds on a parity with debt service due on the 2024 Bonds.

Whenever any Security Document requires the consent of holders of 2024 Bonds, the Insurer’s consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the Security Documents that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

The rights granted to the Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the 2024 Bonds and such action does not evidence any position of the Insurer, affirmative or negative,

as to whether the consent of the holders of the 2024 Bonds or any other person is required in addition to the consent of the Insurer.

At least three Business Days prior to any defeasance with respect to the 2024 Bonds, the Authority shall deliver to the Insurer draft copies of: (i) an escrow agreement, (ii) an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the 2024 Bonds, and (iii) a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer.

The investments in the defeasance escrow relating to 2024 Bonds shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise may be authorized under State law and approved by the Insurer.

In the event that principal and/or interest due on the 2024 Bonds shall be paid by the Insurer pursuant to the Policy, the 2024 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

So long as the 2024 Bonds are outstanding or any amounts are due and payable to the Insurer, the Authority shall not sell, lease, transfer, encumber or otherwise dispose of the System or any material portion thereof, except upon obtaining the prior written consent of the Insurer.

No contract shall be entered into or any action taken by which the rights of the Insurer or security for or source of payment of the 2024 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

If an event of default occurs under any agreement pursuant to which any Obligation of the Authority has been incurred or issued and that permits the holder of such Obligation to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the 2024 Bonds or the Insurer, as the Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred and the Insurer shall be entitled to exercise all available remedies at law and in equity. For purposes of the foregoing “Obligation” shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the 2024 Bonds.

### **Certain Provisions of the Reserve Policy**

Upon the execution and delivery of the 2024 Bonds, the Reserve Policy will be deposited in the Reserve Fund.

The Authority shall repay the Insurer any draws under the Reserve Policy and pay all Administrative Expenses (as defined below) incurred by the Insurer, solely from the Net

Pledged Revenues. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer.

Repayment of draws and payment of Administrative Expenses and the interest accrued thereon at the Late Payment Rate (collectively, “Policy Costs”) shall commence in the first month following each draw and each such monthly payment shall be in an amount at least equal to 1/12th of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due.

As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be reinstated by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Fund shall be transferred to the debt service fund for payment of debt service on the 2024 Bonds before any drawing may be made on the Reserve Policy or on any alternative credit instrument on deposit in the Reserve Fund in lieu of cash (the “Alternative Credit Instrument”). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Alternative Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to available coverage under each such Alternative Credit Instrument) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to Alternative Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable Alternative Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

If the Authority shall fail to pay any Policy Costs in accordance with the requirements of the Bond Resolution and the Debt Service Reserve Agreement, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Bond Resolution, other than (i) acceleration of the maturity of the 2024 Bonds or (ii) remedies which would adversely affect owners of the 2024 Bonds.

The Bond Resolution shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Authority’s obligation to pay such amounts shall expressly survive payment in full of the 2024 Bonds.

The Paying Agent shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions discussed above and shall provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the 2024 Bonds.

The Authority agrees unconditionally that it will pay or reimburse the Insurer on demand, but solely from the Net Pledged Revenues, any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees

and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Debt Service Reserve Agreement, the Bond Resolution and any other document executed in connection with the 2024 Bonds ("Administrative Expenses").

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## APPENDIX C

### BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name

as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.



The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.*

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

### Upper Eagle Regional Water Authority Water Revenue Bonds Series 2024

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Upper Eagle Regional Water Authority, Eagle County, Colorado (the “Issuer”), in connection with the issuance of its “Upper Eagle Regional Water Authority, Eagle County, Colorado, Water Revenue Bonds, Series 2024” in the aggregate principal amount of \$21,865,000 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Issuer on October 26, 2023 (the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Fiscal Year” shall mean the period beginning on January 1 of a calendar year and ending on December 31 of the same calendar year, or such other 12-month period as may be adopted by the Issuer in accordance with law.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, which is currently available at <http://emma.msrb.org>.

“Official Statement” means the final Official Statement prepared in connection with the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as in effect on the date of this Disclosure Certificate.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer’s Fiscal Year of each year, commencing nine (9) months following the end of the Issuer’s Fiscal Year ending December 31, 2023, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer has selected one). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. The information to be updated may be reported in any format chosen by the Issuer: it is not required that the format reflected in the Official Statement be used in future years.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, file or cause to be filed with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit “A.”

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements, if any, prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, audited financial statements will be provided when and if available.

(b) An update of the type of information identified in Exhibit “B” hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents (including official statements), which are available to the public on the MSRB’s Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Listed Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds. All of the events currently mandated by the Rule are listed below; however, some may not apply to the Bonds.

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, *if material*;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (4)     Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5)     Substitution of credit or liquidity providers or their failure to perform;
- (6)     Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7)     Modifications to rights of bondholders, *if material*;
- (8)     Bond calls, *if material*, and tender offers;
- (9)     Defeasances;
- (10)    Release, substitution or sale of property securing repayment of the Bonds, *if material*;
- (11)    Rating changes;
- (12)    Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>1</sup>
- (13)    The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*;
- (14)    Appointment of a successor or additional trustee or the change of name of a trustee, *if material*;
- (15)    Incurrence of a financial obligation<sup>2</sup> of the obligated person, *if material*, or agreement to covenants, events of default, remedies, priority rights, or other similar terms

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<sup>1</sup> For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

<sup>2</sup> For purposes of the events identified in subparagraphs (b)(5)(i)(C)(15) and (16) of the Rule, the term “financial obligation” is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule. In complying with Listed Events (15) and (16), the

of a financial obligation of the obligated person, any of which affect security holders, *if material*; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation<sup>2</sup> of the obligated person, any of which reflect financial difficulties.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 8. Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Issuer elects not to appoint a successor Dissemination Agent, it shall perform the duties thereof under this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and any other agreement between the Issuer and the Dissemination Agent.

(b) In addition to the filing duties on behalf of the Issuer described in this Disclosure Certificate, the Dissemination Agent shall:

(1) each year, prior to the date for providing the Annual Report, determine the appropriate electronic format prescribed by the MSRB;

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Issuer intends to apply the guidance provided by the Rule or other applicable federal securities law, SEC Release No. 34-83885 (August 20, 2018) and any future guidance provided by the SEC or its staff.



(2) send written notice to the Issuer at least 30 but no more than 60 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) certify in writing to the Issuer that the Annual Report has been provided pursuant to this Disclosure Certificate and the date it was provided.

(4) If the Annual Report (or any portion thereof) is not provided to the MSRB by the date required in Section (3)(a), the Dissemination Agent shall file with the MSRB a notice in substantially the form attached to this Disclosure Certificate as Exhibit A.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[Signature Page Follows]

DATE: January 30, 2024

UPPER EAGLE REGIONAL WATER  
AUTHORITY, EAGLE COUNTY, COLORADO

By: \_\_\_\_\_  
Chairman of the Board of Directors

[Signature Page to Continuing Disclosure Certificate]

**EXHIBIT “A”**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Upper Eagle Regional Water Authority  
Name of Bond Issue: Water Revenue Bonds, Series 2024 (the “Bonds”)  
Date of Issuance: January 30, 2024  
CUSIP Number: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated January 30, 2024. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

UPPER EAGLE REGIONAL WATER  
AUTHORITY, EAGLE COUNTY, COLORADO

By: \_\_\_\_\_  
Chairman of the Board of Directors

**EXHIBIT “B”**

**OFFICIAL STATEMENT TABLES TO BE UPDATED**

See page iv of the Official Statement

**APPENDIX E**  
**FORM OF BOND COUNSEL OPINIONS**

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January 30, 2024

Upper Eagle Regional Water Authority  
846 Forest Road  
Vail, Colorado 81657

**\$21,865,000**  
**Upper Eagle Regional Water Authority**  
**Eagle County, Colorado**  
**Water Revenue Bonds**  
**Series 2024**

Ladies and Gentlemen:

We have acted as bond counsel to the Upper Eagle Regional Water Authority (the “Authority”), in connection with the issuance of its Water Revenue Bonds, Series 2024, in the aggregate principal amount of \$21,865,000 (the “Bonds”). The Bonds are issued pursuant to an authorizing resolution of the Board of Directors of the Authority adopted on October 26, 2023 (the “Bond Resolution”). In such capacity, we have examined the Authority’s certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the Authority’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds are valid and binding, special, limited obligations of the Authority payable solely from the Net Revenues and from the funds and accounts pledged therefor under the Bond Resolution.
2. The Bond Resolution constitutes a valid and binding obligation of the Authority.
3. The Bond Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of the 2013A Bonds, the 2020 Bonds, and any Parity Lien Bonds hereafter issued. The Bond Resolution also creates a valid lien on the Bond Fund, the Reserve Fund and the Rate Stabilization Fund for the security of the Bonds on a parity with the lien thereon of the 2013A Bonds and the 2020 Bonds. Except

as described in this paragraph, we express no opinion regarding the priority of the lien on the Net Revenues or on the funds and accounts created by the Bond Resolution.

4. Interest on the Bonds is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and is not a specific preference item for purposes of the federal alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Tax Code) for the purpose of computing the alternative minimum tax imposed on corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents and certain other certifications furnished to us.

5. Under the laws of the State of Colorado in effect as of the date hereof, the Bonds and the income therefrom are exempt from taxation by the State of Colorado, except inheritance, estate, and transfer taxes.

The opinions expressed in this opinion letter are subject to the following:

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Resolution are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We understand that Build America Mutual Assurance Company has issued a Municipal Bond Insurance Policy and a Municipal Bond Debt Service Reserve Insurance Policy relating to the Bonds. We express no opinion as to the validity or enforceability of such positions or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Bonds, or any other statements made in connection with any offer or sale of the Bonds, or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,



BUTLER SNOW LLP

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## **APPENDIX F**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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