



Central Weld County Water District

Financial Statements and Supplementary
Information
For the Years Ended December 31, 2016 and 2015

Central Weld County Water District

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Independent Auditor's Report

Board of Directors
Central Weld County Water District
Greeley, Colorado

We have audited the accompanying basic financial statements of the Central Weld County Water District (the "District") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Weld County Water District as of December 31, 2016 and 2015, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Anton Collins Mitchell LLP

Greeley, Colorado
April 19, 2017

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Management's discussion and analysis ("MD&A") is designed to provide an analysis of the Central Weld County Water District's (the "District") financial condition and operating results and to also inform the reader on District financial issues and activities.

The MD&A should be read in conjunction with the District's basic financial statements (beginning on page 8).

2016 Highlights Business Type Activities

- At December 31, 2016, net position was \$124,804,116 resulting from an increase of \$5,995,377, or 5.0% when compared to December 31, 2015.
- Total operating revenues increased to \$4,975,738 during 2016, which was \$393,127 or 8.6% more than 2015.
- Total operating expenses were \$5,718,948, increasing \$55,768, or 1.0% compared to 2015.
- Net capital assets were \$106,902,482 at December 31, 2016 compared to \$102,889,019 at December 31, 2015 for a net increase of \$4,013,463 or 3.9%.
- Non-current liabilities, consisting of accrued compensated absences, decreased to \$33,519 during 2016, which was \$1,241 or 3.6% less than 2015, see footnote 4 for details.

Using this Annual Report

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado engaged only in a business-type activity. As an enterprise fund, the District's basic financial statements include:

Statements of Net Position - reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See pages 8-9).

Statements of Revenues, Expenses and Changes in Net Position - reports the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 10).

Statements of Cash Flows - reports the District's cash flows from operating activities, investing, capital and non-capital activities. (See page 11).

Notes to Financial Statements - the notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 12-20 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. This includes the budget-to-actual information for all funds as dictated by state law.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Condensed Statements of Net Position

December 31,	2016	2015	2014
Current assets	\$ 14,638,232	\$ 12,389,970	\$ 9,066,830
Restricted assets	-	-	489,048
Capital assets, net	106,902,482	102,889,019	102,040,819
Other assets	3,731,907	3,768,308	3,870,629
Total assets	125,272,621	119,047,297	115,467,326
Current liabilities	434,986	203,798	597,235
Long-term liabilities	33,519	34,760	3,447,681
Total liabilities	468,505	238,558	4,044,916
Net investment in capital assets	106,902,482	102,889,019	98,400,101
Restricted:	-	-	489,048
Unrestricted	17,901,634	15,919,720	12,533,261
Total net position	\$124,804,116	\$118,808,739	\$111,422,410

The net position of the District increased to \$124,804,116 during 2016. The District's net position reflected an increase of \$5,995,377.

Review of Revenues

Years Ended December 31,	2016	2015	2014
Operating revenues			
Water sales	\$ 4,933,168	\$ 4,489,896	\$ 4,707,868
Other income	42,570	92,715	34,651
Subtotal	4,975,738	4,582,611	4,742,519
Non-operating revenues			
Grant revenue	596,064	1,222,528	88,524
Gain on sale of capital assets	-	-	19,944
Earnings on investments	77,587	18,892	11,634
Subtotal	673,651	1,241,420	120,102
Total revenues	\$ 5,649,389	\$ 5,824,031	\$ 4,862,621

Water sales were \$4,933,168 or 46.3% of budgeted revenue. Earnings on investments were up \$58,695 from 2015 due to larger investment balances in 2016 and higher interest rates on investments. Total revenues were down \$174,642 from 2015 primarily due to the decrease in grant revenue and other income.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Review of Operating Expenses

Years Ended December 31,	2016	2015	2014
Operating expenses:			
Administrative	\$1,226,044	\$1,313,510	\$1,233,306
Distribution	2,519,904	2,511,953	3,110,986
Depreciation	1,973,000	1,837,717	1,841,996
Total operating expenses	\$5,718,948	\$5,663,180	\$6,186,288

Distribution system expenditures were \$2,519,904 or 40.7% under budget and \$7,951 or 0.3% higher than 2015 due to the Weld County Road 49 pipe relocation.

Administrative services were \$1,226,044 or 1.4% more than budget and 6.7% lower than 2015 due primarily to staff changes.

Depreciation was \$1,973,000 or 7.4% more than 2015 due to the completed depreciable projects during 2016.

Capital Contributions

Years Ended December 31,	2016	2015	2014
Capital contributions:			
Tap fees	\$5,860,300	\$6,471,508	\$4,033,800
Line extension	241,037	985,824	727,313
Total capital contributions	\$6,101,337	\$7,457,332	\$4,761,113

Capital contributions were \$6,101,337 or 106.1% of budget and down 18.1% from 2015.

Capital Assets (Net of Accumulated Depreciation)

December 31,	2016	2015	2014
Land and easement rights	\$ 222,375	\$ 222,375	\$ 222,375
Water rights	20,324,120	18,812,120	18,812,120
Dry Creek Reservoir	13,366,929	13,366,929	13,366,929
Facilities	449,625	465,515	289,976
Transmission and distribution system	65,281,370	65,247,321	66,106,449
Office equipment	142,020	167,773	193,526
Vehicles and field equipment	209,567	191,185	200,962
Construction in progress	6,906,476	4,415,801	2,848,482
Total capital assets	\$106,902,482	\$102,889,019	\$102,040,819

During 2016, major capital asset additions consisted of \$5,986,463 in district system improvements and/or equipment along with water rights from customer transfers.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Debt and Other Financial Obligations

The District's did not have long-term debt at December 31, 2016 and 2015, respectively. During 2016, the District did not borrow any additional monies.

Customer Classification, Water Rates, Revenue and Consumption

The District currently provides water service to 2,237 taps, of which 96.0% are residential. All water service is metered and read on a monthly basis. The following table is a breakdown of water consumption and revenue collected by customer class in 2016.

<u>Classification</u>	<u>Water Consumption 2016</u>	<u>Water Consumption 2015</u>	<u>Percent of Total 2016</u>	<u>Percent of Total 2015</u>	<u>Revenue Collected 2016</u>	<u>Revenue Collected 2015</u>	<u>Percent of Total 2016</u>	<u>Percent of Total 2015</u>
Residential	357,819,000	341,253,000	10.9%	10.8%	\$758,093	\$860,695	15.3%	20.1%
Multiple Housing	77,803,000	77,701,000	2.4%	2.4%	92,918	123,113	1.9%	2.9%
Commercial	708,442,000	672,366,000	21.5%	21.3%	746,993	561,429	15.1%	13.1%
Towns	1,923,943,000	1,916,620,000	58.5%	60.7%	2,295,683	2,164,748	46.4%	50.4%
Left Hand Interconnect	111,147,000	108,741,000	3.4%	3.1%	172,145	148,045	3.4%	3.4%
Hydrants	<u>110,181,000</u>	<u>43,137,000</u>	<u>3.3%</u>	<u>1.4%</u>	<u>886,061</u>	<u>433,532</u>	<u>17.9%</u>	<u>10.1%</u>
TOTAL	<u>3,289,335,000</u>	<u>3,159,818,000</u>	<u>100%</u>	<u>100%</u>	<u>\$4,951,893</u>	<u>\$4,291,562</u>	<u>100%</u>	<u>100%</u>

Basic Service Fees, Rates and Changes

The District has established a schedule of rates, fees and charges for the connection to and use of District facilities. State law provides that, until paid, all such rates, fees, tolls and charges constitute a perpetual lien on and against the property served. User charges are billed according to customer classification and usage. Each customer is subject to a minimum monthly charge, which begins when the meter is set.

In establishing the current rate schedule, it was determined that the rate must both pay for increasing operating cost, including debt service, while not overburdening District customers. The District has not increased rates since 1991.

Historical Tap Fee Collections

Year	Number of Taps	Tap Fee Revenue
2000	606	\$5,498,800
2001	875	\$8,812,410
2002	845	\$8,596,466
2003	895	\$9,670,827
2004	546	\$6,262,850
2005	724	\$6,926,500
2006	450	\$4,611,800
2007	305	\$3,080,800
2008	187	\$2,069,810
2009	134	\$2,322,358
2010	174	\$2,119,384
2011	156	\$1,578,975
2012	268	\$3,643,265
2013	321	\$5,796,300
2014	325	\$4,033,800
2015	545	\$6,471,634
2016	531	\$4,348,300

**Central Weld County Water District
Management’s Discussion and Analysis
For the Year Ended December 31, 2016**

Capital Improvement Program

The District has an existing policy regarding capital improvements in the District system. All line extensions are paid by the individual customers as determined by a study for new service. The individual towns and/or entities the District serves are required to pay additional fees for filter plant enhancement and infrastructure improvements for growth in the Towns pursuant to existing contracts.

The District has anticipated the need for additional raw water supplies and delivery systems to fulfill the needs of the growth in the District. The District is participating in the Northern Integrated Supply Project (“NISP”) through the Northern Colorado Water Conservancy District (“NCWCD”). This project will provide new yield of water rights deliverable through the NCWCD system.

The District participated in the development of a new reservoir with Little Thompson Water District to increase the storage of water by both districts to meet the demands of growth.

Future proposed capital projects are shown below.

Proposed Capital Project Plan 2017

Project	2017
Miscellaneous construction	\$ 200,000
Easements	1,000
Office and field equipment	100,000
Total	\$ 301,000

Contracts and Agreements

The District is party to several contracts and agreements concerning the delivery of domestic potable water. The contracts and agreements have been approved by the District’s Board of Directors after review by the District’s legal counsel.

Agreements with Cities and Towns

The District has agreements with nine municipalities for the treatment and delivery of domestic potable water. The rates, delivery points and termination dates vary according to the individual negotiated agreements.

Economic and Other Factors

Overall, the District has shown increases in water revenues as a result of new developments. Operating expenses have been consistent over the last few years and reflect only minimal increases. Construction costs have increased due to needed system improvements to accommodate the growth experienced in the District.

The annual rate and extent of future growth and development within the District will be materially affected by management, zoning and land use procedures and policies established by Weld County and the individual towns the District serves.

Financial Contact

The District’s financial statements are designed to present users with a general overview of the District’s finances and to demonstrate the District’s accountability. If you have any questions about the report or need additional financial information, please contact our staff at Central Weld County Water District; 2235 2nd Avenue; Greeley, CO 80631.

Basic Financial Statements

Central Weld County Water District
Statements of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 389,261	\$ 1,416,368
Investments	13,719,661	10,546,247
Receivables	394,945	268,782
Inventory, supplies	118,498	146,762
Prepaid items	15,867	11,811
Total current assets	14,638,232	12,389,970
Non-current assets		
Capital assets		
Transmission and distribution system	90,243,821	88,619,135
Facilities	755,899	755,899
Vehicles and field equipment	726,172	628,958
Office equipment	348,527	348,527
Total depreciable capital assets	92,074,419	90,352,519
Less: accumulated depreciation	(25,991,837)	(24,280,725)
Total depreciable capital assets, net	66,082,582	66,071,794
Land, easements, water rights and reservoir	33,913,424	32,401,424
Construction in progress	6,906,476	4,415,801
Total capital assets, net	106,902,482	102,889,019
Other assets		
Investment in joint venture accounted for using the equity method	3,731,907	3,768,308
Total other assets	3,731,907	3,768,308
Total non-current assets	110,634,389	106,657,327
Total assets	125,272,621	119,047,297

(Continued)

Central Weld County Water District
Statements of Net Position (Continued)

<i>December 31,</i>	2016	2015
Liabilities		
Current liabilities		
Accounts payable	427,365	200,483
Accrued expenses	7,621	3,315
Total current liabilities	434,986	203,798
Non-current liabilities		
Accrued compensated absences	33,519	34,760
Total liabilities	468,505	238,558
Net position		
Net investment in capital assets	106,902,482	102,889,019
Unrestricted	17,901,634	15,919,720
Total net position	\$ 124,804,116	\$ 118,808,739

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

Central Weld County Water District
Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2016	2015
Operating revenues		
Water sales - treated	\$ 4,933,168	\$ 4,489,896
Other income	42,570	92,715
Total operating revenues	4,975,738	4,582,611
Operating expenses		
Administrative	1,226,044	1,313,510
Distribution	2,519,904	2,511,953
Depreciation	1,973,000	1,837,717
Total operating expenses	5,718,948	5,663,180
Loss from operations	(743,210)	(1,080,569)
Nonoperating revenues (expenses)		
Earnings on investments	77,587	18,892
Grant revenue	596,064	1,222,528
Equity loss - share of joint venture loss	(36,401)	(102,321)
Interest expense	-	(129,533)
Total nonoperating revenues (expenses)	637,250	1,009,566
Loss before contributions	(105,960)	(71,003)
Capital contributions	6,101,337	7,457,332
Change in net position	5,995,377	7,386,329
Net position at beginning of year	118,808,739	111,422,410
Net position at end of year	\$ 124,804,116	\$ 118,808,739

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

Central Weld County Water District

Statements of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash flows from operating activities		
Cash received from customers	\$ 4,849,575	\$ 4,519,466
Cash paid to suppliers	(2,837,247)	(3,172,106)
Cash paid to employees	(654,546)	(674,789)
Net cash flows from operating activities	1,357,782	672,571
Cash flows from noncapital financing activities		
Grant revenue	596,064	1,222,528
Net cash flows from noncapital activities	596,064	1,222,528
Cash flows from capital and related financing activities		
Contributed capital	4,589,337	7,457,332
Acquisition and construction of capital assets	(4,474,463)	(2,685,917)
Repayment of loans	-	(3,640,718)
Interest paid	-	(219,583)
Net cash flows from capital and related financing activities	114,874	911,114
Cash flows from investing activities		
Earnings on investments	77,587	18,892
Purchase of investments	(3,173,414)	(2,233,622)
Net change in restricted cash and cash equivalents	-	489,048
Net cash flows from investing activities	(3,095,827)	(1,725,682)
Net change in cash and cash equivalents	(1,027,107)	1,080,531
Cash and cash equivalents at beginning of year	1,416,368	335,837
Cash and cash equivalents at end of year	\$ 389,261	\$ 1,416,368
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (743,210)	\$ (1,080,569)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	1,973,000	1,837,717
Changes in operating assets and liabilities		
Receivables	(126,163)	(63,145)
Inventory	28,264	(19,938)
Prepaid items	(4,056)	74,096
Accounts payable, accrued expenses and accrued compensated absences	229,947	(75,590)
Net cash flows from operating activities	\$ 1,357,782	\$ 672,571
Noncash investing, capital, and financing activities :		
Equity loss share of joint venture loss	\$ 36,401	\$ 102,321
Contributed water rights	\$ 1,512,000	\$ -

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

Central Weld County Water District

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Form of Organization

Central Weld County Water District (the "District") is organized under the provisions of Colorado Revised Statutes ("CRS") Section 32-1-305(6). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") issued by the Governmental Accounting Standards Board ("GASB"). The more significant of the District's accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other stand alone government."

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, proprietary fund financial statements are presented.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred and they become measurable. Total net position is segregated into net investment in capital assets, restricted for debt service and loan reserves, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income

Central Weld County Water District

Notes to Financial Statements

is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with state statutes. The budget is prepared on a basis consistent with GAAP, except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

- 1) On or about October 15, the District's staff submits to the Board of Directors, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
- 3) Prior to December 15, the budget is legally adopted by the Board of Directors. The operating budget includes proposed expenditures and the means of financing them.
- 4) Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District for the year ended December 31, 2016, were \$23,670,002.

Cash and Cash Equivalents

The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments, consisting of certificates of deposit with original maturities of greater than three months and funds invested in a local government investment pool (Note 2), are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Receivables and Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2016 or 2015, based on historical collection experience.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30 day cycles. At December 31, 2016 and 2015 there was no unbilled revenue.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of

Central Weld County Water District

Notes to Financial Statements

providing water services to its customers. Operating revenues consist of charges to customers for the delivery of water. Operating expenses include the cost of service, administrative expenses, and depreciation expense. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses or capital contributions.

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installation, have been valued at cost, using the first-in first-out method.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more and an estimated useful life of more than one year are capitalized using historical cost. Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and improvements, which extend the lives of assets, are capitalized and subsequently depreciated. Contributed assets are reported at their fair market value at the date received. The District has not capitalized any interest during 2016 or 2015.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Description	Estimated Lives
Transmission and distribution system	5-50 years
Facilities	10-40 years
Vehicles and field equipment	5-10 years
Office equipment	5-15 years

Joint Venture

The District is a participant with Little Thompson Water District ("LTWD") in a joint venture to operate Carter Lake Filter Plant (the "Plant"), the filter plant from which the District and LTWD purchase 100% of their water (Note 5). The Plant is governed by a six-member board of directors composed of three appointees from the District and three from LTWD. The District and LTWD are each charged for their respective share of the water purchased from the Plant and may be assessed for capital improvements made at the Plant on a periodic basis. Beginning in 2008, the District and LTWD revised the joint venture agreement in order to change the way that major improvements to the Plant are funded. Major capital improvements to the Plant are no longer funded by the Plant, with assessments issued to each district; but rather, they are funded by the individual districts independently and included in each of the district's capital assets. As such, the depreciation expense for these assets has also been reflected in the financial statements of the District and LTWD. The District's net investment and its share of the operating results of the Plant are reported in the accompanying statements of net position, and revenues, expenses and changes in net position. Complete financial statements for the Plant may be obtained from the Plant's administrative office at 7100 W. County Road 8-E, Berthoud, Colorado 80521.

Accrued Compensated Absences

Obligations associated with the District's vacation policy are recorded as a liability and expense when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance under this policy is considered a long-term liability. The District has recorded a liability of \$33,519 and \$34,760 at December 31, 2016 and 2015, respectively.

Central Weld County Water District

Notes to Financial Statements

Contributions in Aid of Construction

Contributions of cash, transmission lines, and water rights to the District by developers, customers or by agreements with others are treated as capital contributions on the District's statements of revenues, expenses and changes in net position.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

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

Use of Estimates

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

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications had no effect on previously reported net position or change in net position.

2. Cash and Investments

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2016 and 2015, the District had deposits with a financial institution with a carrying amount of

Central Weld County Water District

Notes to Financial Statements

\$388,851 and \$1,415,848, respectively. The bank balances with the financial institution were \$445,494 and \$1,447,530, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$195,494 and \$1,197,530, respectively, were collateralized with securities held by the financial institutions' agent, but not in the District's name.

Cash and cash equivalents held by the District at December 31 were as follows:

	2016	2015
Cash on hand	\$ 410	\$ 520
Bank deposits	388,851	1,415,848
	\$ 389,261	\$ 1,416,368

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which special districts may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

District policy is to hold investments until maturity.

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2016, assets measured at fair value on a recurring basis have been categorized into the hierarchy as follows:

	Assets at fair value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Description				
Certificates of deposit	\$ -	\$ 495,000	\$ -	\$ 495,000
Local government investment pool	-	13,224,661	-	13,224,661
	\$ -	\$ 13,719,661	\$ -	\$ 13,719,661

Central Weld County Water District
Notes to Financial Statements

At December 31, 2015, assets measured at fair value on a recurring basis have been categorized into the hierarchy as follows:

Description	Assets at fair value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 495,000	\$ -	\$ 495,000
Local government investment pool	-	10,051,247	-	10,051,247
	\$ -	\$ 10,546,247	\$ -	\$ 10,546,247

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of December 31, 2016 and 2015, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the "Trust"), discussed below.

Interest Rate Risk

The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the District adheres to state statutes. Colorado state statutes prohibit investments with maturities in excess of five years.

Local Government Investment Pools

At December 31, 2016 and 2015, the District had invested \$13,224,662 and \$10,051,247, respectively, in the Trust, a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotruster.com.

Central Weld County Water District
Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements, water rights and reservoir	\$ 32,401,424	\$ 1,512,000	\$ -	\$ 33,913,424
Construction in progress	4,415,801	2,807,186	(316,511)	6,906,476
Total capital assets, not being depreciated	36,817,225	4,319,186	(316,511)	40,819,900
Capital assets, being depreciated:				
Transmission and distribution system	88,619,135	1,886,574	(261,888)	90,243,821
Facilities	755,899	-	-	755,899
Vehicles and field equipment	628,958	97,214	-	726,172
Office equipment	348,527	-	-	348,527
Total capital assets, being depreciated	90,352,519	1,983,788	(261,888)	92,074,419
Less accumulated depreciation for:				
Transmission and distribution system	(23,371,814)	(1,852,525)	261,888	(24,962,451)
Facilities	(290,384)	(15,890)	-	(306,274)
Vehicles and field equipment	(437,773)	(78,832)	-	(516,605)
Office equipment	(180,754)	(25,753)	-	(206,507)
Total accumulated depreciation	(24,280,725)	(1,973,000)	261,888	(25,991,837)
Total capital assets, being depreciated, net	66,071,794	10,788	-	66,082,582
Capital assets, net	\$ 102,889,019	\$ 4,329,974	\$ (316,511)	\$ 106,902,482

Central Weld County Water District
Notes to Financial Statements

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements, water rights and reservoir	\$ 32,401,424	\$ -	\$ -	\$ 32,401,424
Construction in progress	2,848,482	1,567,319	-	4,415,801
Total capital assets, not being depreciated	35,249,906	1,567,319	-	36,817,225
Capital assets, being depreciated:				
Transmission and distribution system Facilities	87,752,347	866,788	-	88,619,135
Vehicles and field equipment	569,139	186,760	-	755,899
Office equipment	563,908	65,050	-	628,958
	348,527	-	-	348,527
Total capital assets, being depreciated	89,233,921	1,118,598	-	90,352,519
Less accumulated depreciation for:				
Transmission and distribution system	(21,645,898)	(1,725,916)	-	(23,371,814)
Facilities	(279,163)	(11,221)	-	(290,384)
Vehicles and field equipment	(362,946)	(74,827)	-	(437,773)
Office equipment	(155,001)	(25,753)	-	(180,754)
Total accumulated depreciation	(22,443,008)	(1,837,717)	-	(24,280,725)
Total capital assets, being depreciated, net	66,790,913	(719,119)	-	66,071,794
Capital assets, net	\$ 102,040,819	\$ 848,200	\$ -	\$ 102,889,019

4. Long-Term Debt

2006 Colorado Water Conservation Board Loan

On February 16, 2006, the Board of Directors approved a resolution to borrow \$4,994,955 from the Colorado Water Conservation Board ("CWCB"). The proceeds were used to pay for the District's share of the cost of Dry Creek Reservoir. The loan requires 20 annual payments of \$357,841, with principal and interest at 3.7%, through May 1, 2027. During the year ended December 31, 2015, the District used existing funds to repay the outstanding balance on this loan; therefore, there is a zero balance due on the loan as of December 31, 2016 and 2015.

A summary of changes in long-term liabilities for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Compensated absences	\$ 34,760	\$ 27,761	\$ 29,002	\$ 33,519	\$ -
Total	\$ 34,760	\$ 27,761	\$ 29,002	\$ 33,519	\$ -

Central Weld County Water District
Notes to Financial Statements

A summary of changes in long-term liabilities for the year ended December 31, 2015, was as follows:

Beginning Balance	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2006 CWCB Loan	\$ 3,640,718	\$ -	\$ 3,640,718	\$ -	\$ -
Compensated absences	30,097	20,825	16,162	34,760	-
Total	\$ 3,670,815	\$ 20,825	\$ 3,656,880	\$ 34,760	\$ -

5. Joint Venture

The District is a 50 percent owner of the Plant and utilizes the equity method of accounting for its investment in the Plant. The District's share of the Plant's net position, shown in the following table, is reflected in the accompanying statements of net position under the caption "Investment in joint venture accounted for using the equity method."

Summary financial information of the Plant as of and for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Current assets	\$ 664,475	\$ 605,870
Capital assets - Net	12,172,601	12,139,200
Less: accumulated depreciation	(5,331,365)	(5,079,514)
Total assets	\$ 7,505,711	\$ 7,665,556
Current liabilities	\$ 41,897	\$ 88,181
Net position	7,463,814	7,577,375
Total liabilities and net position	\$ 7,505,711	\$ 7,665,556
Operating revenues	\$ 2,288,865	\$ 1,835,069
Operating expenses	(2,151,105)	(1,786,132)
Depreciation	(251,851)	(253,791)
Non-operating (expense) revenue	530	213
Decrease in net position	\$ (113,561)	\$ (204,641)

The District's equity in the venture totaled \$3,731,907 and \$3,768,308 as of December 31, 2016 and 2015, respectively. The District's share of the above loss was \$36,401 for 2016 and \$102,321 for 2015.

6. Risk Management

The District 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 District carries commercial insurance covering specific and general risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

Central Weld County Water District

Notes to Financial Statements

7. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District is an enterprise fund and has no TABOR revenues, and therefore, has not set aside any monies for emergencies as defined by TABOR.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

8. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the "Plan"). The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The District matches up to 6% of eligible salary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the years ended December 31, 2016 and 2015, the District contributed \$22,224 and \$22,193, respectively.

The Plan complies with Section 457 of the Internal Revenue Code, whereby, trust provisions are incorporated so that plan assets are held in a trust for the exclusive benefit of participants and their beneficiaries. As a result, as of December 31 2016 and 2015, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

9. Subsequent Events

The District evaluated subsequent events through April 19, 2017, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Supplementary Information

Central Weld County Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	Actual
	Original	Final			
Revenues					
Operating revenues:					
Water sales - treated	\$ 4,630,000	\$ 4,630,000	\$ 4,933,168	\$ 303,168	\$ 4,489,896
Other income	252,750	252,750	42,570	(210,180)	92,715
Total operating revenues	4,882,750	4,882,750	4,975,738	92,988	4,582,611
Non-operating revenue:					
Earnings on investments	12,000	12,000	77,587	65,587	18,892
Grant revenue	-	-	596,064	596,064	1,222,528
Total non-operating revenue	12,000	12,000	673,651	661,651	1,241,420
Contributions:					
Capital contributions	5,250,000	5,250,000	5,860,300	610,300	6,471,508
Line extensions	500,000	500,000	241,037	(258,963)	985,824
Total contributions	5,750,000	5,750,000	6,101,337	351,337	7,457,332
Total revenues	10,644,750	10,644,750	11,750,726	1,105,976	13,281,363
Expenditures					
Administrative:					
Salaries	655,000	655,000	602,999	52,001	627,938
Insurance	148,000	148,000	225,146	(77,146)	214,417
Professional fees	200,000	200,000	157,841	42,159	254,497
Office expenses and supplies	150,000	150,000	162,571	(12,571)	136,639
Payroll taxes	50,000	50,000	50,306	(306)	51,514
Deferred compensation	-	-	22,224	(22,224)	22,193
Directors' fees and board meetings	6,500	6,500	4,957	1,543	5,307
Miscellaneous	-	-	-	-	1,005
Total administrative	1,209,500	1,209,500	1,226,044	(16,544)	1,313,510
Distribution system:					
Depreciation	1,850,000	1,850,000	1,973,000	(123,000)	1,837,717
System maintenance	4,500,000	4,500,000	845,942	3,654,058	1,004,598
Water treatment charges	1,200,000	1,200,000	1,342,153	(142,153)	1,183,241
Water assessments	300,000	300,000	170,784	129,216	170,669
Automotive	80,000	80,000	61,148	18,852	73,803
Office and field utilities	48,000	48,000	43,918	4,082	47,787
Dry Creek Reservoir operating costs	60,000	60,000	42,668	17,332	5,587

(Continued)

Central Weld County Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	2015 Actual
	Budgeted Amounts				
	Original	Final			
Water samples	-	-	12,847	(12,847)	12,514
Water rental	3,500	3,500	-	3,500	4,096
Office and warehouse maintenance	-	-	444	(444)	9,658
Total distribution system	8,041,500	8,041,500	4,492,904	3,548,596	4,349,670
Debt retirement:					
CWCB principal paid	-	-	-	-	3,640,718
Interest expense	-	-	-	-	219,583
Total debt retirement	-	-	-	-	3,860,301
Capital improvements:					
Distribution system	1,119,001	1,119,001	4,377,249	(3,258,248)	2,434,107
Land, easements and water rights	1,005,000	1,005,000	1,512,000	(507,000)	-
Office and field equipment	260,000	260,000	97,214	162,786	65,050
Filter plant and Dry Creek Reservoir	200,000	200,000	-	200,000	186,760
Total capital improvements	2,584,001	2,584,001	5,986,463	(3,402,462)	2,685,917
Reserves	11,835,001	11,835,001	-	11,835,001	-
Total expenditures	23,670,002	23,670,002	11,705,411	11,964,591	12,209,398
Excess (deficiency) of revenues over expenses	\$ (13,025,252)	\$ (13,025,252)	45,315	\$ 13,070,567	1,071,965
Reconciling items - GAAP basis					
Capital improvements			5,986,463		2,685,917
Principal paid on debt			-		3,640,718
Decrease in accrued interest payable			-		90,050
Equity loss - share of joint venture loss			(36,401)		(102,321)
Change in net position - GAAP basis			\$ 5,995,377		\$ 7,386,329

See accompanying Independent Auditor's Report.