



North Weld County Water District

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

North Weld County Water District

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Independent Auditor's Report

Board of Directors
North Weld County Water District
Lucerne, Colorado

We have audited the accompanying financial statements of the North 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 North Weld County Water District as of December 31, 2016 and 2015, and 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 to 9 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion 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 29 to 31 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
April 10, 2017

**North Weld County Water District
Management's Discussion and Analysis**

Management's Discussion and Analysis

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

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the District's basic financial statements (beginning on page 10).

2016 Highlights – Business-Type Activities

- On December 31, 2016, the District's net position was \$95,696,375, an increase of \$10,684,766 from the 2015 amount of \$85,011,609.
- Operating revenues for 2016 increased by \$174,733 from \$8,818,645 in 2015 to \$8,993,378 in 2016.
- Total operating expenses in 2016 decreased by \$48,423 from \$6,205,037 in 2015 to \$6,156,614.
- Total capital assets, net of accumulated depreciation, in 2016 increased by \$10,206,022 from \$88,381,672 in 2015 to \$98,587,694.
- Long term debt decreased by \$1,709,446 in 2016, from \$17,453,002 in 2015 to \$15,743,556.

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 10-11).

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 12).

Statements of Cash Flows – reports the District's cash flows from operating activities, non-capital activities, capital and related financing activities and investing activities. (See pages 13-14).

**North Weld County Water District
Management's Discussion and Analysis**

The following tables summarize information from these statements.

Statements of Net Position

December 31,	2016	2015	2014 (Restated)
Current assets	\$10,380,295	\$11,955,186	\$12,963,795
Restricted assets	2,883,680	2,728,274	2,919,684
Capital assets	98,587,694	88,381,672	81,828,334
Other assets, net	401,386	117,874	60,649
Deferred outflows of resources	<u>31,921</u>	<u>63,465</u>	<u>103,243</u>
Total Assets and Deferred Outflows of Resources	<u>\$112,284,976</u>	<u>\$103,246,471</u>	<u>\$97,875,705</u>
Current liabilities	2,355,182	2,244,525	3,788,857
Non-current liabilities	<u>14,233,419</u>	<u>15,990,337</u>	<u>17,716,542</u>
Total Liabilities	<u>16,588,601</u>	<u>\$18,234,862</u>	<u>\$21,505,399</u>
Net position			
Net investment in capital assets	84,488,624	\$72,604,700	\$64,413,515
Restricted:			
Operations and maintenance reserves	1,271,115	1,115,709	1,307,119
Bond proceeds	1,612,565	1,612,565	1,612,565
Unrestricted	<u>8,324,071</u>	<u>9,678,635</u>	<u>9,037,107</u>
Total Net Position	<u>\$95,696,375</u>	<u>\$85,011,609</u>	<u>\$76,370,306</u>

Capital assets increased by \$10,206,022 during 2016.

Review of Revenue

Years Ended December 31,	2016	2015	2014
Operating Revenue			
Water – treated	\$8,735,349	\$7,858,872	\$7,350,153
Other income	<u>258,029</u>	<u>959,773</u>	<u>483,362</u>
Total operating revenue	<u>\$8,993,378</u>	<u>\$8,818,645</u>	<u>\$7,833,515</u>
Non-operating revenues			
Earnings on investments	25,082	5,205	1,929
Other non-operating income	234,433	523,298	100,777
Equity in net operating loss of joint venture	(47,212)	(77,752)	(36,990)
Gain (loss) on disposal of capital assets	<u>(15,300)</u>	<u>3,500</u>	<u>11,583</u>
Total non-operating revenue	<u>197,003</u>	<u>454,251</u>	<u>77,299</u>
Total revenue	<u>\$9,190,381</u>	<u>\$9,272,896</u>	<u>\$7,910,814</u>

Water sales were \$8,735,349 of budgeted meter sales. Water sales from construction meters decreased from \$959,773 in 2015 to \$258,029, in 2016, a decrease of \$701,744.

**North Weld County Water District
Management's Discussion and Analysis**

Review of Expenses

<u>Years Ending December 31,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Administrative	\$1,438,029	\$1,147,092	\$1,295,126
Distribution	3,017,168	3,407,235	3,353,089
Depreciation	1,701,417	1,650,710	1,550,670
Total operating expenses	\$6,156,614	\$6,205,037	\$6,198,885
Interest expense	480,295	526,875	564,434
Total expenses	<u>\$6,636,909</u>	<u>\$6,731,912</u>	<u>\$6,763,319</u>

Operating expenses were \$4,455,197 of the total expenditures as shown on the budgetary comparison schedule plus depreciation of \$1,701,417.

Capital Contribution

<u>Years Ending December 31,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributed capital			
Tap fees – customers	\$1,226,375	\$1,083,775	\$913,584
Meter set fees	27,000	25,500	265,515
Reimbursement for water rights	4,946,950	3,704,900	2,590,000
Distance fees	553,125	622,077	479,550
Reimbursement for line extension	976,814	483,797	244,338
Water storage	401,030	180,270	135,250
Total capital contributions	<u>\$8,131,294</u>	<u>\$6,100,319</u>	<u>\$4,628,237</u>

Contributed capital was \$8,131,294 of the total revenues as shown on the budgetary comparison schedule.

Capital Assets

<u>Years Ending December 31,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land, easement, and water rights	\$44,166,755	\$35,741,708	\$30,761,972
Construction in progress	2,241,549	0	3,184,905
Filter plant	11,844,681	11,844,680	11,844,680
Transmission and distribution system	63,496,643	62,367,651	56,017,396
Facilities	1,642,915	1,616,283	1,600,110
Vehicle and field equipment	1,596,600	1,511,381	1,501,124
Other	78,221	78,221	69,967
Total	<u>\$125,067,364</u>	<u>\$113,159,924</u>	<u>\$104,980,154</u>

**North Weld County Water District
Management's Discussion and Analysis**

Major capital asset additions in 2016 were:

Pump Station #6 Backup Generator	\$89,956
Chorine Booster Facility Upgrades	19,082
Meter Setting	380,219
Water Rights	7,979,700
Land & Easements	19,886
NEWT II 42" Waterline	339,992
Gravel Pit Storage Reservoirs	507,761
Waterline Relocation – 24"	668,443
	\$10,005,039

Construction in Progress

The following projects will be ongoing in 2017:

- Pump Station 4 – 16" diameter suction line (Galeton)
- Installation of a 30" diameter water main in CR 72 from CR 25 to 27
- Installation of a 16" diameter water main in CR 27 from CR 72 to 70
- Installation of a 30" water main in CR 72 from CR 27 to 29
- Installation of an 8" water line in CR 29 from CR 72 to CR 74
- Completion of gravel pit ponds for storage
- Water Rights
- Land and Easements

Customer Classification, Water Rates, Revenue and Consumption

The District currently provides water service to 4,146 taps, 77%, of which, are standard. All water service is metered and read electronically. The following table is a breakdown of water consumption and revenue billed by customer class in 2016.

Classification	2016 Water Consumption (Per 1000 Gal.)	Percent of Total	Total Billed in 2016	Percent of Total
Residence Only	13,229	0.49%	\$51,655	0.59%
Standard	567,285	21.01%	1,893,870	21.68%
Standard ½	6,954	0.26%	34,145	0.39%
Standard ¾	1,128	0.04%	3,794	0.04%
Flow Control	125,521	4.65%	287,786	3.29%
Commercial	926,817	34.33%	2,832,182	32.43%
Municipal	993,601	36.81%	2,275,565	26.05%
Conservation Blue	29,397	1.09%	113,320	1.30%
Fire Meters	233	0.00%	2,513	0.03%
Non-Potable Meters	31,178	1.17%	31,178	0.36%
Landscape Meters	3,724	0.14%	6,249	0.07%
Unset Meters	0	0.00%	3,825	0.04%
Adjustments	0	0.00%	(25,529)	(0.29%)
Surcharges (PI)	0	0.00%	564,249	6.46%
Surcharges (W)	0	0.00%	660,547	7.56%
Total	2,699,067	100.00%	\$8,735,349	100.00%

**North Weld County Water District
Management's Discussion and Analysis**

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. If the meter is not set within 12 months after purchase of the tap, a monthly charge is assessed.

In establishing the current rate schedule, it was determined that the rate must both pay for increasing operating costs, including debt service, and allow for some system deferred maintenance funds while not overburdening District customers on the lower end of the usage scale with excessive rates. The following table is a comparison of basic service fees for a Standard Tap (Class 1). The overall increase in residential rates between 2013 and 2014 is 1.67% (\$3.00/\$3.05). May 2014, the monthly minimum was changed to 0-6 (Kgals) for a minimum billing of \$18.30. The rate of \$3.05 remained for usage over 6 Kgal. There were no rate increases for 2014, 2015, or 2016. For 2017, the rates increased from \$3.05 to \$3.20. Monthly minimum for usage between 0-6 (Kgals) is \$19.20.

Comparative Residential System User Charges 2013-2017

	January 2013	January 2014	January 2015	January 2016	January 2017
Monthly Minimum	*\$30.50	\$18.30	\$18.30	\$18.30	\$19.20
Usage (Kgals) *May 2013					
0-10 0-6					
11 and greater 6 >	\$3.05	\$3.05	\$3.05	\$3.05	\$3.20

Comparative Town's User Charges 2012-2016

75% Residential Rate	\$2.29	\$2.29	\$2.29	\$2.29	\$2.40
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Tap Fees

The District charges tap fees to recover costs of system acquisition, construction and expansion. A tap fee is a one-time charge that must be paid by a new customer before connection to the system. The District's tap fee is calculated based upon plant investment fee, distance fee, raw water requirement, and storage fee.

The total tap fee for a Water Class 1 and Plant Investment Class 1 is; raw water \$25,000 (effective 01/04/2016; an increase of \$2,500) with a \$1,000 storage fee or the equivalent of 1 unit of CBT with an additional \$1,000 storage fee, \$7,500 for the plant investment, a distance fee of \$300 per mile from our main tank site at Highway 14 and Highway 257 to the property following section lines with a minimum of 5 miles or \$1,500, and meter pit installation which averages \$3,000.

In 2010, the District made Conservation Blue Taps available to customers purchasing a new tap. A Conservation Blue Tap allows the customer to purchase a tap and not pay the plant investment fee nor pay the distance fee. These taps are automatically in the plant investment surcharge as soon as usage occurs.

With the purchase of Conservation Blue Taps, the number of plant investments will decrease while water class allocations will increase.

**North Weld County Water District
Management's Discussion and Analysis**

Historical Plant Investment Collections

Year	Number of PIs	Tap Fee Revenue
2011	113.0	\$774,943
2012	142.0	\$1,274,750
2013	155.0	\$1,162,500
2014	112.0	\$840,583
2015	136.77	\$1,025,775
2016	120.25	\$1,167,375

Capital Improvement Plan

The five-year capital improvement plan (CIP) for the period 2017 thru 2021 is a quite ambitious plan that depends on the amount of growth the District realizes. The amount of growth will determine the need for the full slate of projects or delay them to later years. The CIP for this report is split into the following categories and amounts for each category:

Project	Proposed CIP					Total
	2017	2018	2019	2020	2021	
Filter Plant	\$11,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$18,000,000
Main Transmission Lines	4,000,000	5,000,000	4,000,000	4,000,000	4,000,000	21,000,000
Tank Systems	40,000	500,000	2,000,000	2,000,000	2,000,000	6,540,000
Pump Stations	100,000	100,000	100,000	100,000	100,000	500,000
Control Vaults	50,000	50,000	50,000	50,000	50,000	250,000
Water Resources	1,115,000	1,166,000	1,134,000	1,134,000	1,134,000	5,683,000
Miscellaneous	700,000	750,000	800,000	800,000	800,000	3,850,000
Total	\$17,605,000	\$9,166,000	\$9,684,000	\$9,684,000	\$9,684,000	\$55,823,000

North Weld County Water District Management's Discussion and Analysis

The expenditures for the next few years are to improve the filter plant treatment capacity, piping network and storage capabilities. With the remaining bond money, the District plans to fund a small portion of the above-mentioned pipeline projects.

Contracts and Agreements

The District is a party to several contracts and cooperative agreements concerning the financing, acquisition, construction, operation, maintenance, and use of certain water facilities. There are no contracts or agreements in effect which would potentially have a material, pecuniary adverse effect on the District.

Economic and Other Factors

Overall, the District has shown increases in water revenues and tap sales as a result of water rate and tap fee management utilizing a forecasting program to develop rates and fees that will ensure the District will continue as a financially sound entity. Continued growth throughout the District and in Weld and Larimer counties contribute to these increases, as well. Operating expenses have been consistent over the last few years and reflect only limited increases. Construction costs have increased significantly due to needed system improvements, but will assure future increased water revenues and tap sales to be generated, as well as adequate storage and fire protection.

Management, zoning and land use procedures and policies established by Weld County and Larimer County will materially affect the annual rate and extent of future growth and development within the District. Although each of these governmental entities controls growth in the areas under their governments, the policies and procedures are outside of the control or influence of the District.

Financial Contact

The District's financial statements are designed to present users (customer, citizens, and creditors) 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 Rick R. Pickard, District Manager, North Weld County Water District, P.O. Box 56, Lucerne, CO 80646.

Basic Financial Statements

North Weld County Water District

Statements of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1,392,790	\$ 1,147,436
Investments	7,315,801	9,096,618
Receivables, net of allowance for doubtful accounts of \$655 and \$1,257, respectively	712,709	783,126
Inventory - supplies	876,260	851,826
Prepaid items	82,735	76,180
Total current assets	10,380,295	11,955,186
Non-current assets		
Restricted assets		
Cash and cash equivalents	1,612,565	1,612,565
Investments	1,271,115	1,115,709
Total restricted assets	2,883,680	2,728,274
Capital assets, net		
Filter plant	11,844,680	11,844,680
Transmission and distribution system	63,496,643	62,367,651
Facilities	1,642,915	1,616,283
Vehicles and field equipment	1,596,600	1,511,381
Other	78,221	78,221
Total	78,659,059	77,418,216
Less: accumulated depreciation	(26,479,669)	(24,778,252)
Total	52,179,390	52,639,964
Land, easements, and water rights	44,166,755	35,741,708
Construction in progress	2,241,549	-
Total capital assets, net	98,587,694	88,381,672
Other assets		
Debt insurance costs, net of \$46,220 and \$37,230 in accumulated amortization	36,554	45,544
Investment in joint venture accounted for using the equity method	364,832	72,330
Total other assets	401,386	117,874
Total non-current assets	101,872,760	91,227,820
Total assets	112,253,055	103,183,006
Deferred outflows of resources		
Unamortized deferred loss on refunding bonds	31,921	63,465
Total deferred outflows of resources	31,921	63,465

(Continued)

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

<i>December 31,</i>	2016	2015
Liabilities		
Current liabilities		
Current portion of long-term debt	1,610,000	1,560,000
Accounts payable	521,980	462,048
Accrued expenses	223,202	222,477
Total current liabilities	2,355,182	2,244,525
Non-current liabilities		
Accrued compensated absences	99,863	97,335
Long-term debt, net of current portion	14,133,556	15,893,002
Total non-current liabilities	14,233,419	15,990,337
Total liabilities	16,588,601	18,234,862
Net position		
Net investment in capital assets	84,488,624	72,604,700
Restricted:		
Operations and maintenance reserves	1,271,115	1,115,709
Bond proceeds	1,612,565	1,612,565
Unrestricted	8,324,071	9,678,635
Total net position	\$ 95,696,375	\$ 85,011,609

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

North Weld County Water District

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended December 31,</i>	2016	2015
Operating revenues		
Water sales - treated	\$ 8,735,349	\$ 7,858,872
Construction water	258,029	959,773
Total operating revenues	8,993,378	8,818,645
Operating expenses		
Administrative	1,438,029	1,147,092
Distribution	3,017,168	3,407,235
Depreciation	1,701,417	1,650,710
Total operating expenses	6,156,614	6,205,037
Operating income	2,836,764	2,613,608
Non-operating revenues (expenses)		
Earnings on investments	25,082	5,205
Other non-operating income	234,433	523,298
Equity in net operating loss of joint venture	(47,212)	(77,752)
(Loss) gain on disposal of capital assets	(15,300)	3,500
Interest expense	(480,295)	(526,875)
Total non-operating revenues (expenses)	(283,292)	(72,624)
Net income before contributions	2,553,472	2,540,984
Capital contributions	8,131,294	6,100,319
Change in net position	10,684,766	8,641,303
Net position at beginning of year	85,011,609	76,370,306
Net position at end of year	\$ 95,696,375	\$ 85,011,609

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

North Weld County Water District

Statements of Cash Flows

<i>For the years ended December 31,</i>	2016	2015
Cash flows from operating activities		
Cash received from customers	\$ 9,063,795	\$ 8,706,824
Cash paid to suppliers and vendors	(3,257,948)	(4,874,627)
Cash paid to employees	(1,618,595)	(1,481,464)
Net cash flows from operating activities	4,187,252	2,350,733
Cash flows from non-capital financing activities		
Other non-operating revenues	234,433	523,298
Net cash flows from non-capital financing activities	234,433	523,298
Cash flows from capital and related financing activities		
Contributed capital	6,125,794	6,100,319
Principal paid on long-term debt	(1,560,000)	(1,515,000)
Interest paid	(576,874)	(644,764)
Acquisition of land, easements and water rights	(5,994,086)	(4,073,524)
Acquisition and construction of capital assets	(3,548,944)	(3,948,524)
Proceeds from disposition of capital assets	67,000	3,500
Net change in restricted investments	(155,406)	191,410
Net cash flows from capital and related financing activities	(5,642,516)	(3,886,583)
Cash flows from investing activities		
Capital contributed to joint venture accounted for using the equity method	(339,714)	(144,830)
Earnings on investments	25,082	5,205
Net cash flows from investing activities	(314,632)	(139,625)
Net change in cash, cash equivalents, and investments	(1,535,463)	(1,152,177)
Cash, cash equivalents, and investments at beginning of year	10,244,054	11,396,231
Cash, cash equivalents, and investments at end of year	\$ 8,708,591	\$ 10,244,054

(Continued)

North Weld County Water District
Statements of Cash Flows
(Continued)

<i>For the years ended December 31,</i>	2016	2015
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 2,836,764	\$ 2,613,608
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,701,417	1,650,710
Change in allowance for doubtful accounts	(602)	(17,390)
Changes in assets and liabilities:		
Receivables	71,019	(94,431)
Inventory - supplies	(24,434)	(31,612)
Prepaid items	(6,555)	(135)
Accounts payable, accrued expense, and accrued compensated absences	(390,357)	(1,770,017)
Net cash flows from operating activities	\$ 4,187,252	\$ 2,350,733
Noncash investing, capital and financing activities:		
Equity in net operating loss of joint venture	\$ (47,212)	\$ (77,752)
Amortization of bond premium	\$ (149,447)	\$ (162,624)
Amortization of bond loss	\$ 31,046	\$ 40,278
Amortization of bond insurance	\$ 8,989	\$ 9,852
Noncash additions of capital assets	\$ (2,005,500)	\$ -
Capital assets acquired with accounts payable	\$ (259,209)	\$ 182,000

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

North Weld County Water District

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Form of Organization

North Weld County Water District (the "District") is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("CRS"). 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") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described below.

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 board, and either, a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government

Based on the above criteria, there are no other organizations that would be considered component units of the District.

Basic Financial Statements

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

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the Statement of Net Position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts invested in capital assets, restricted for operations and maintenance reserves and bond proceeds, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

North Weld County Water District

Notes to Financial Statements

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the "Board") 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.

The budget process timeline is as follows:

1. On or about October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing 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.
4. Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District were \$19,249,507 for the year ended December 31, 2016.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents.

Investments

Investments, consisting of funds invested in a local government investment pool (Note 2), are measured at net asset value, which approximates fair value, or at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

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 had an allowance for doubtful accounts of \$655 and \$1,257 at December 31, 2016 and 2015, respectively.

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 of accounting.

Prepaid Items

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

North Weld County Water District

Notes to Financial Statements

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

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
Filter plant	50 years
Facilities	40 years
Transmission and distribution system	10-100 years
Vehicles and field equipment	5-10 years
Other	5-20 years

Joint Venture

The District is a participant with East Larimer County Water District ("ELCO") and Ft. Collins/Loveland Water District ("FLWD") in a joint venture to operate Soldier Canyon Filter Plant (the "Plant"), the filter plant from which the District, ELCO and FLWD purchase 100% of their water. The Plant is governed by a six-member Steering Committee composed of two appointees from each district. Each district is 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. Major capital improvements to the Plant 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, ELCO and FLWD. 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 Statements of Revenues, Expenses and Changes in Net Position. The District's equity interest in the Plant was \$364,832 and \$72,330 at December 31, 2016 and 2015, respectively. Complete financial statements for the Plant may be obtained from the Plant's administrative office at 4424 LaPorte Avenue, Ft. Collins, Colorado 80521. See additional disclosures in Notes 10 and 14.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance costs, are recognized as an expense during the period of issuance. Prepaid insurance costs paid as part of debt issuance costs are reported as an asset and are amortized over the life of the debt using the effective interest method.

Debt Related Deferrals

Premiums and discounts and losses on refunding are deferred and amortized to interest expense over the life of the debt using the effective interest method. The net premiums and discounts are presented as an adjustment to the face amount of the debt. Deferred losses on refunding are reflected as a deferred outflow of resources in the accompanying Statements of Net Position.

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expense when earned

North Weld County Water District

Notes to Financial Statements

to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a long-term liability.

The District has recorded a liability of \$99,863 and \$97,335 at December 31, 2016 and 2015, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restriction 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.

Revenue Recognition

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

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating 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 providing water services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

North Weld County Water District

Notes to Financial Statements

Capital Contributions

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.

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.

2. Cash and Investments

Custodial Credit Risk - 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 \$1,392,590 and \$1,147,236, respectively. The bank balances with the financial institution were \$1,878,245 and \$1,279,159, respectively, which of this amount \$250,000 was covered by federal depository insurance. The remaining balances of \$1,628,245 and \$1,029,159, respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name ("PDPA"). In addition, the District had deposits of \$1,612,565 at December 31, 2016 and 2015, with Colorado Water Resources & Power Development Authority for debt proceeds restricted for capital expenditures.

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.

North Weld County Water District

Notes to Financial Statements

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.

Investments measured at fair value on recurring basis represent the amount invested with a local government investment pool, with a fair value \$8,586,916 and \$10,212,327 as of December 31, 2016 and 2015, respectively, measured at the fair value of the investment pool's share price multiplied by the number of shares held (Level 2).

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 Revised Statutes limit investment maturities to five years or less from the date of purchase.

Local Government Investment Pools

At December 31, 2016 and 2015, the District had invested \$8,586,916 and \$10,212,327, respectively, in COLOTRUST (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.colotrust.com.

The District had cash, cash equivalents, and investment balances as follows:

<i>December 31,</i>	2016	2015
Cash on hand	\$ 200	\$ 200
Cash on deposit with financial institution	1,392,590	1,147,236
Cash held with Colorado Water Resources & Power Development Authority	1,612,565	1,612,565
Total cash and cash equivalents	\$ 3,005,355	\$ 2,760,001

Investment balances are reflected on the Statement of Net Position as follows:

<i>December 31,</i>	2016	2015
Investments	\$ 7,315,801	\$ 9,096,618
Restricted investments	1,271,115	1,115,709
Total investments	\$ 8,586,916	\$ 10,212,327

North Weld County Water District

Notes to Financial Statements

3. Restricted Assets

Amounts shown as restricted assets have been restricted by bond indentures to be used for specified purposes. The following is a summary of restricted non-current assets:

<i>December 31,</i>	2016	2015
Operations and maintenance reserve	\$ 1,271,115	\$ 1,115,709
Bond proceeds restricted for capital expenditures	1,612,565	1,612,565
Total	\$ 2,883,680	\$ 2,728,274

4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements, and water rights	\$35,741,708	\$ 8,507,347	\$ (82,300)	\$44,166,755
Construction in progress	-	2,241,549	-	2,241,549
Total capital assets, not being depreciated	35,741,708	10,748,896	(82,300)	46,408,304
Capital assets, being depreciated:				
Filter plant	11,844,680	-	-	11,844,680
Transmission and distribution system	62,367,651	1,128,992	-	63,496,643
Facilities	1,616,283	26,632	-	1,642,915
Vehicles and field equipment	1,511,381	85,219	-	1,596,600
Other	78,221	-	-	78,221
Total capital assets, being depreciated	77,418,216	1,240,843	-	78,659,059
Less accumulated depreciation for:				
Filter plant	(4,406,222)	(236,894)	-	(4,643,116)
Transmission and distribution system	(19,193,061)	(1,296,599)	-	(20,489,660)
Facilities	(239,132)	(40,740)	-	(279,872)
Vehicles and field equipment	(881,878)	(122,206)	-	(1,004,084)
Other	(57,959)	(4,978)	-	(62,937)
Total accumulated depreciation	(24,778,252)	(1,701,417)	-	(26,479,669)
Total capital assets, being depreciated, net	52,639,964	(460,574)	-	52,179,390
Capital assets, net	\$88,381,672	\$10,288,322	\$ (82,300)	\$98,587,694

North Weld County Water District

Notes to Financial Statements

The following is a summary of capital asset activity for the year ended December 31, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements, and water rights	\$ 30,761,972	\$ 4,979,736	\$ -	\$ 35,741,708
Construction in progress	3,184,905	-	(3,184,905)	-
Total capital assets, not being depreciated	33,946,877	4,979,736	(3,184,905)	35,741,708
Capital assets, being depreciated:				
Filter plant	11,844,680	-	-	11,844,680
Transmission and distribution system	56,017,396	6,350,255	-	62,367,651
Facilities	1,600,110	16,173	-	1,616,283
Vehicles and field equipment	1,501,124	34,535	(24,278)	1,511,381
Other	69,967	8,254	-	78,221
Total capital assets, being depreciated	71,033,277	6,409,217	(24,278)	77,418,216
Less accumulated depreciation for:				
Filter plant	(4,169,328)	(236,894)	-	(4,406,222)
Transmission and distribution system	(17,944,009)	(1,249,052)	-	(19,193,061)
Facilities	(198,826)	(40,306)	-	(239,132)
Vehicles and field equipment	(786,602)	(119,554)	24,278	(881,878)
Other	(53,055)	(4,904)	-	(57,959)
Total accumulated depreciation	(23,151,820)	(1,650,710)	24,278	(24,778,252)
Total capital assets, being depreciated, net	47,881,457	4,758,507	-	52,639,964
Capital assets, net	\$ 81,828,334	\$ 9,738,243	\$ (3,184,905)	\$ 88,381,672

North Weld County Water District

Notes to Financial Statements

5. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2016 and 2015, follows:

Source	December 31, 2016	December 31, 2015
<p>\$6,940,000 September 10, 2009, Colorado Water Resource and Power Development Agency ("CWRPDA") loan due in yearly installments of \$285,000 through 2015 with additional increases up until the date of maturity of August 1, 2029; interest at 2.50% to 4.55%. The loan is a special revenue obligation of the District payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds of the system legally available after the payment of operation and maintenance expenses of the system. Accrued interest on this debt amounts to \$91,614 and \$96,960 at December 31, 2016 and 2015, respectively.</p>	\$ 5,055,000	\$ 5,350,000
<p>\$13,440,000 Refunding Revenue Bonds, Series 2012 due in yearly installments of \$1,230,000 through 2015 with additional increases up until the date of maturity of November 1, 2023; interest at 2.0% to 5.0%. These bonds are a special revenue obligation of the District payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds of the system legally available after the payment of operation and maintenance expenses of the system. Accrued interest on this debt amounts to \$55,288 and \$62,275 at December 31, 2016 and December 31, 2015, respectively.</p>	10,010,000	11,275,000
Totals	\$ 15,065,000	\$ 16,625,000

The annual requirements to amortize all debt outstanding as of December 31, 2016, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2017	\$ 1,610,000	\$ 558,765	\$ 2,168,765
2018	1,645,000	520,465	2,165,465
2019	1,720,000	454,665	2,174,665
2020	1,765,000	399,765	2,164,765
2021	1,825,000	343,415	2,168,415
2022-2026	5,090,000	791,295	5,881,295
2027-2029	1,410,000	128,985	1,538,985
Totals	\$ 15,065,000	\$ 3,197,355	\$ 18,262,355

North Weld County Water District

Notes to Financial Statements

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2009 CWRPDA	\$ 5,350,000	\$ -	\$ 295,000	\$ 5,055,000	\$ 305,000
2012 refunding revenue bonds	11,275,000	-	1,265,000	10,010,000	1,305,000
Compensated absences	97,335	93,674	91,146	99,863	-
Total	16,722,335	\$ 93,674	\$ 1,651,146	15,164,863	\$ 1,610,000
Current portion of long-term debt	(1,560,000)			(1,610,000)	
Net bond premiums	828,002			678,556	
Noncurrent portion of long-term debt	<u>\$15,990,337</u>			<u>\$ 14,233,419</u>	

On March 23, 2012, the District issued \$13,440,000 in water revenue refunding bonds with an average interest rate of 3.54% to refund \$14,542,500 of outstanding 1998 and 2001 bonds with an average rate of 3.79% on the 1998 bonds and 7.21% on the 2001 bonds. The net proceeds of \$15,109,619 (after payment of \$175,569 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2001 bonds.

The original deferred loss on refunding of \$275,770 was the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be charged to operations through 2018 using the effective-interest method.

6. Rate Maintenance

The District's loan agreement with the CWRPDA requires the District to establish, levy, and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 100% of the debt service on all indebtedness or 110% of such debt service if connection fees are included as a source of repayment.

North Weld County Water District

Notes to Financial Statements

As shown below, the District is in compliance with this requirement of the CWRPDA loan agreement for the year ended December 31, 2016:

Operating revenues	\$ 8,993,378
System connections fees (limited to 15% of revenue)	1,349,007
Total revenues as defined in loan agreement	10,342,385
Operation and maintenance expense	(4,455,197)
Net revenue as defined in loan resolution	\$ 5,887,188
2016 principal due	\$ 1,560,000
2016 interest due	589,707
Subtotal	2,149,707
	x 110%
Required revenue as defined in loan resolution	\$ 2,364,678

7. Reconciliation of Budget Based Accounting to GAAP Financial Statements

The District prepares its annual budget on a non-GAAP basis of accounting. Below is the reconciliation from the budget basis of accounting to GAAP basis:

<i>For the years ended December 31,</i>	2016	2015
Excess of non-GAAP revenues over expenditures (budgetary basis)	\$ 1,230,665	\$ 650,717
Adjustments required to reconcile:		
Non-GAAP revenues/expenditures:		
Bond principal	1,560,000	1,515,000
Capital asset acquisition	9,725,030	8,204,048
Net book value of disposed capital assets	(82,300)	-
GAAP revenue/expense - adjustments:		
Joint venture (loss)	(47,212)	(77,752)
Depreciation expense	(1,701,417)	(1,650,710)
Change in net position GAAP basis	\$ 10,684,766	\$ 8,641,303

8. Risk Management

The District is a member of the Colorado Special District Property and Liability Pool ("CSDPLP"). The District has joined together with other special districts in the State of Colorado. This is a public entity risk pool currently operating as a common risk management and insurance program for members. The District pays annual contributions for its property and casualty insurance coverage. The intergovernmental agreement provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of specified self-insurance retention.

North Weld County Water District

Notes to Financial Statements

At December 31, 2015 (the most current audited financial statements) CSDPLP has total admitted assets of \$44,054,744, liabilities of \$24,739,781, and unassigned surplus of \$19,314,963. The liability amount includes no long-term debt. Total revenue for 2015 amounted to \$16,561,452 and total expenses were \$14,839,993 resulting in net income of \$1,721,459. The amount of the District's share of these amounts is less than 1%.

9. Contingencies

The District is self-insured for property and liability insurance. As discussed in Note 8, the District is a member of the CSDPLP. CSDPLP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CSDPLP has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs.

The ultimate liability to the District resulting from claims not covered by CSDPLP is not presently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the District.

10. Joint Venture

The District is a one-third owner of the Soldier Canyon Filter Plant, and is assessed contributions for capital improvement and monthly charges based upon water used. The District 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." This amount is further adjusted by amounts contributed for the construction of assets controlled by the Plant, and owned jointly and severally by each of the investors in the joint venture, net of the related depreciation expense (the District's share of depreciation is included in depreciation expense of the District).

Periodically, the District receives distributions for adjustments to the District's share of amounts contributed for capital expenditures. These distributions reduce the carrying value of the investment in the joint venture. The following table is included for purposes of additional analysis. See Note 14 for further disclosure.

North Weld County Water District

Notes to Financial Statements

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

<i>December 31,</i>	2016	2015
Current assets	\$ 791,023	\$ 893,333
Capital assets, net of accumulated depreciation	1,721,047	1,133,238
Deferred outflows of resources	602,505	239,971
Total assets and deferred outflows of resources	\$ 3,114,575	\$ 2,266,542
Current liabilities	\$ 263,887	\$ 352,020
Net pension liability	2,295,780	2,071,995
Deferred inflows of resources	157,769	42,015
Net position	397,139	(199,488)
Total liabilities, deferred inflows of resources and net position	\$ 3,114,575	\$ 2,266,542
Operating revenues	\$ 3,188,183	\$ 3,106,437
Capital contributions	755,289	357,178
Non-operating revenues	-	3,252
Operating expenses	(3,346,845)	(3,233,610)
Increase in net position	\$ 596,627	\$ 233,257

11. Deferred Compensation Pension Plan

During 1993 the District established an Internal Revenue Code Section 457 deferred compensation plan which also provides for contributions from the employee and the employer. The District makes matching contributions of up to 3.0% of an employee's eligible salary. During 2016 and 2015, the District's contributions to this plan totaled \$35,648 and \$31,500, respectively.

12. 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.

North Weld County Water District

Notes to Financial Statements

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.

13. Commitments

On May 9, 2016 the District signed a contract with a construction company to complete a pipeline project for a total contract price, including change orders, of \$2,114,453. As of December 31, 2016 the amount to completion was \$689,146.

14. Subsequent Events

The District evaluated subsequent events through April 10, 2017 the date these financial statements were available to be issued.

Effective February 1, 2017, Soldier Canyon Filter Plant transferred all assets to a newly formed entity called Solider Canyon Water Treatment Authority. The District also relinquished its investment in Soldier Canyon Filter Plant to Solider Canyon Water Treatment Authority, and in return received treatment capacity in Solider Canyon Water Treatment Authority.

There were no other material subsequent events that require recognition or additional disclosure in the financial statements.

Supplementary Information

North Weld County Water District

Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

For the years ended December 31,	2016		2015		
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
			Budget	Positive	Budget
			Basis	(Negative)	Basis
Revenues					
Operating revenues:					
Metered sales	\$ 7,000,000	\$ 7,000,000	\$ 7,536,082	\$ 536,082	\$ 7,067,639
Surcharges	1,250,000	1,250,000	660,547	(589,453)	419,141
PI surcharge	1,100,000	1,100,000	564,249	(535,751)	414,711
Adjustments	(35,000)	(35,000)	(25,529)	9,471	(42,619)
Construction water	608,000	608,000	258,029	(349,971)	959,773
Total operating revenues	9,923,000	9,923,000	8,993,378	(929,622)	8,818,645
Debt proceeds	1,614,502	1,614,502	-	(1,614,502)	-
Non-operating revenue:					
Earnings on investments	1,500	1,500	25,082	23,582	5,205
Other	1,500	1,500	37,420	35,920	319,319
Rate differential	1,000	1,000	(20)	(1,020)	534
Water lease and rental	51,500	51,500	29,250	(22,250)	36,416
Farm income	6,000	6,000	63,250	57,250	11,984
Mineral rights	-	-	-	-	155,045
Proceeds from sale of capital assets	1,000	1,000	67,000	66,000	3,500
Inspection fee	33,500	33,500	104,533	71,033	-
Total non-operating revenues	96,000	96,000	326,515	230,515	532,003
Contributions:					
Tap fees	581,500	581,500	1,226,375	644,875	1,083,775
Meter set fees	35,000	35,000	27,000	(8,000)	25,500
Water rights	1,100,000	1,100,000	4,946,950	3,846,950	3,704,900
Distance fees	160,000	160,000	553,125	393,125	622,077
Line extensions reimbursement	100,000	100,000	976,814	876,814	483,797
Water storage	80,000	80,000	401,030	321,030	180,270
Total contributions	2,056,500	2,056,500	8,131,294	6,074,794	6,100,319
Total revenues	13,690,002	13,690,002	17,451,187	3,761,185	15,450,967
Expenditures					
Administrative:					
Bank charges	3,000	3,000	19,908	(16,908)	7,211
Building maintenance	10,000	10,000	5,202	4,798	3,454
Computer support	100,000	100,000	85,052	14,948	81,928
Director fees	9,000	9,000	8,422	578	8,368
Dues and registrations	3,000	3,000	6,699	(3,699)	5,672
Health insurance	45,600	45,600	55,480	(9,880)	59,846

(Continued)

North Weld County Water District

Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

For the years ended December 31,	2016		2015		
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual
	Original	Final	Budget Basis	Positive (Negative)	Amounts Budget Basis
Expenditures (continued)					
Administrative (continued)					
Membership fee	8,500	8,500	9,029	(529)	8,618
Miscellaneous	7,000	7,000	94,170	(87,170)	134,990
Office expense	234,000	234,000	29,714	204,286	34,809
Office utilities and telephone	73,200	73,200	38,146	35,054	32,942
Payroll taxes	99,000	99,000	98,114	886	93,129
Postage	3,000	3,000	1,809	1,191	10,183
Professional fees	94,000	94,000	398,828	(304,828)	126,577
Public relations	-	-	7,329	(7,329)	7,855
Publications	500	500	-	500	-
Salaries	535,882	535,882	574,566	(38,684)	524,729
Subscriptions and printing	2,500	2,500	82	2,418	-
Training	8,000	8,000	5,479	2,521	6,781
Total administrative	1,236,182	1,236,182	1,438,029	(201,847)	1,147,092
Operational:					
Awards	1,200	1,200	1,100	100	500
Communications	4,000	4,000	15,549	(11,549)	15,797
Electricity	163,500	163,500	151,258	12,242	133,368
Engineering	60,000	60,000	8,996	51,004	3,550
Health insurance	159,600	159,600	150,332	9,268	114,441
Insurance	76,181	76,181	80,643	(4,462)	76,044
Mapping	10,000	10,000	1,760	8,240	23,020
Miscellaneous	18,420	18,420	13,439	4,981	9,003
Operation and maintenance	320,700	320,700	422,613	(101,913)	581,601
Repairs	114,700	114,700	98,978	15,722	30,353
Retirement	44,550	44,550	35,648	8,902	31,500
Salaries	618,628	618,628	701,514	(82,886)	655,146
Uniforms	4,950	4,950	2,416	2,534	763
Water assessments	690,924	690,924	500,398	190,526	409,090
Water delivery - other	-	-	4,761	(4,761)	4,962
Water filtration	1,530,315	1,530,315	833,049	697,266	1,233,927
Water rent and carryover	22,108	22,108	(13,571)	35,679	76,989
Water testing	5,500	5,500	8,285	(2,785)	7,181
Total operational	3,845,276	3,845,276	3,017,168	828,108	3,407,235

(Continued)

North Weld County Water District

Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

For the years ended December 31,	2016		2015		
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final	Budget Basis	Positive (Negative)	Budget Basis
Expenditures (continued)					
Debt service					
Interest expense	-	-	480,295	(480,295)	526,875
Principal paid	2,166,490	2,166,490	1,560,000	606,490	1,515,000
Total debt service	2,166,490	2,166,490	2,040,295	126,195	2,041,875
Capital improvements					
Construction in progress	-	-	1,982,340	(1,982,340)	-
Office equipment	5,000	5,000	-	5,000	8,254
Office building	30,850	30,850	26,632	4,218	16,173
Filter plant	1,312,227	1,312,227	-	1,312,227	-
Land and easements	160,000	160,000	19,886	140,114	46,370
Vehicles and field equipment	104,600	104,600	85,219	19,381	34,535
Water storage	542,446	542,446	507,761	34,685	906,212
Pumping stations	98,000	98,000	89,956	8,044	24,519
Storage tanks	40,000	40,000	56,117	(16,117)	6,801
Utility system	5,192,352	5,192,352	982,919	4,209,433	3,134,030
Water rights	4,516,084	4,516,084	5,974,200	(1,458,116)	4,027,154
Total capital improvements	12,001,559	12,001,559	9,725,030	2,276,529	8,204,048
Total budgeted expenditures	19,249,507	19,249,507	16,220,522	3,028,985	14,800,250
Excess (deficiency) of budgeted					
revenues over budgeted					
expenditures	\$ (5,559,505)	\$ (5,559,505)	\$ 1,230,665	\$ 6,790,170	\$ 650,717

See accompanying Independent Auditor's Report.