



Central Weld County Water District


Financial Statements and Supplementary
Information
For the Years Ended December 31, 2017 and 2016

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June 12, 2018



Central Weld County Water District

Contents

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Statements of Net Position	9 - 10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13 - 22
Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)	23 - 24



Independent Auditor's Report

Board of Directors
Central Weld County Water District
Greeley, Colorado

We have audited the accompanying financial statements of the Central Weld County Water District (the "District") as of and for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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 8 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 22 and 23 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 as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
May 31, 2018

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

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 9).

2017 Highlights Business Type Activities

- At December 31, 2017, net position was \$129,714,741 resulting from an increase of \$4,910,625, or 3.9% when compared to December 31, 2016.
- Total operating revenues increased to \$5,053,739 during 2017, which was \$78,001 or 1.6% more than 2016.
- Total operating expenses were \$6,157,098, increasing \$438,150, or 7.7% compared to 2016.
- Net capital assets were \$111,986,744 at December 31, 2017 compared to \$106,902,482 at December 31, 2016 for a net increase of \$5,084,262 or 4.8%.
- Non-current liabilities, consisting of accrued compensated absences, increased to \$45,082 during 2017, which was \$11,563 or 34.5% more than 2016.

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 9-10).

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 11).

Statements of Cash Flows - reports the District's cash flows from operating activities, investing, capital and non-capital activities (see pages 12).

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 13-21 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, 2017**

Condensed Statements of Net Position

December 31,	2017	2016	2015
Current assets	\$14,351,348	\$14,638,232	\$12,389,970
Capital assets, net	111,986,744	106,902,482	102,889,019
Other assets	3,611,543	3,731,907	3,768,308
Total assets	129,949,635	125,272,621	119,047,297
Current liabilities	189,812	434,986	203,798
Long-term liabilities	45,082	33,519	34,760
Total liabilities	234,894	468,505	238,558
Net investment in capital assets	111,986,744	106,902,482	102,889,019
Unrestricted	17,727,997	17,901,634	15,919,720
Total net position	\$129,714,741	\$124,804,116	\$118,808,739

The net position of the District increased to \$129,714,741 during 2017. The District's net position reflected an increase of \$4,910,625.

Review of Revenues

Year Ended December 31,	2017	2016	2015
Operating revenues			
Water sales	\$4,993,166	\$4,933,168	\$4,489,896
Other income	60,573	42,570	92,715
Subtotal	5,053,739	4,975,738	4,582,611
Non-operating revenues			
Grant revenue	-	596,064	1,222,528
Earnings on investments	133,890	77,587	18,892
Subtotal	133,890	673,651	1,241,420
Total revenues	\$5,187,629	\$5,649,389	\$5,824,031

Water sales were \$4,993,166 or 41.0% of budgeted revenue. Earnings on investments were up \$56,303 from 2016 due to higher interest rates on investments. Total revenues were down \$461,760 from 2016 primarily due to the decrease in grant revenue.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Review of Expenses

Years End December 31,	2017	2016	2015
Operating expenses			
Administrative	\$1,269,131	\$1,226,044	\$1,313,510
Distribution	2,936,167	2,519,904	2,511,953
Depreciation	1,951,800	1,973,000	1,837,717
Subtotal	6,157,098	5,718,948	5,663,180
Non-operating expenses			
Equity loss- share of joint venture loss	120,364	36,401	102,321
Interest expense	-	-	129,533
Subtotal	120,364	36,401	231,854
Total expenses	\$6,277,462	\$5,755,349	\$5,895,034

Distribution system expenditures were \$2,936,167 or 10% over budget and \$416,263 or 16.5% higher than 2016 due to the Weld County 49 relocation.

Administrative services were \$1,269,131 or 4.3% more than budget and 3.5% higher than 2016 due primarily to staff changes.

Depreciation was \$1,951,800 or 1.1% less than 2016 due to assets becoming fully depreciated during 2017.

Capital Contributions

Year Ended December 31,	2017	2016	2015
Capital contribution:			
Tap fees	\$5,704,082	\$5,860,300	\$6,471,508
Line extension	296,376	241,037	985,824
Total	\$6,000,458	\$6,101,337	\$7,457,332

Capital contributions were \$6,000,458 or 25.0% of budget and down 1.7% from 2016.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Capital Assets (Net of Depreciation)

Year Ended December 31,	2017	2016	2015
Land and easement rights	\$222,375	\$222,375	\$222,375
Water rights	23,381,620	20,268,120	18,812,120
Dry Creek Reservoir	13,422,929	13,422,929	13,366,929
Facilities	433,735	449,625	465,515
Transmission and distribution system	64,396,857	65,281,370	65,247,321
Office equipment and furniture	116,267	142,020	167,773
Field equipment and vehicles	195,252	209,567	191,185
Construction in progress	9,817,709	6,906,476	4,415,801
Total	\$111,986,744	\$106,902,482	\$102,889,019

During 2017, major capital asset additions consisted of \$3,113,500 in water rights and customer transfers.

Customer Classification, Water Rates, Revenue and Consumption

The District currently provides water service to 2,204 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 2017.

<u>Classification</u>	Water Consumption <u>2017</u>	Water Consumption <u>2016</u>	Percent of Total <u>2017</u>	Percent of Total <u>2016</u>	Revenue Collected <u>2017</u>	Revenue Collected <u>2016</u>	Percent of Total <u>2017</u>	Percent of Total <u>2016</u>
Residential (5/8" & 3/4")	433,962,000	435,622,000	13.7%	13.3%	\$884,864	\$851,011	17.7%	17.2%
Commercial	664,222,000	708,442,000	21.0%	21.5%	1,065,242	746,993	21.4%	15.1%
Towns	1,927,905,000	1,923,943,000	60.8%	58.5%	2,305,254	2,295,683	46.2%	46.4%
Left Hand								
Interconnect	93,825,000	111,147,000	3.0%	3.4%	217,694	172,145	4.4%	3.4%
Hydrants	48,329,000	110,181,000	1.5%	3.3%	515,163	886,061	10.3%	17.9%
TOTAL	<u>3,168,243,000</u>	<u>3,289,335,000</u>	<u>100%</u>	<u>100.0%</u>	<u>\$4,988,217</u>	<u>\$4,951,893</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.

**Central Weld County Water District
Management’s Discussion and Analysis
For the Year Ended December 31, 2017**

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
2017	456	\$5,097,447

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.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Future proposed capital projects are shown below.

Proposed Capital Project Plan 2018

Project	2018
Miscellaneous construction	\$500,000
Easements	5,000
Office and field equipment	100,000
Total	\$605,000

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>	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 1,079,060	\$ 389,261
Investments	12,701,230	13,719,661
Receivables	428,435	394,945
Inventories	126,756	118,498
Prepaid items	15,867	15,867
Total current assets	14,351,348	14,638,232
Non-current assets		
Capital assets		
Transmission and distribution system	91,187,751	90,243,821
Facilities	755,899	755,899
Vehicles and field equipment	793,571	726,172
Office equipment	348,527	348,527
Total depreciable capital assets	93,085,748	92,074,419
Less: accumulated depreciation	(27,943,637)	(25,991,837)
Total depreciable capital assets, net	65,142,111	66,082,582
Land, easements, water rights and reservoir	37,026,924	33,913,424
Construction in progress	9,817,709	6,906,476
Total capital assets, net	111,986,744	106,902,482
Other assets		
Investment in joint venture accounted for using the equity method	3,611,543	3,731,907
Total other assets	3,611,543	3,731,907
Total non-current assets	115,598,287	110,634,389
Total assets	129,949,635	125,272,621

(Continued).

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

<i>December 31,</i>	2017	2016
Liabilities		
Current liabilities		
Accounts payable	187,197	427,365
Accrued expenses	2,615	7,621
Total current liabilities	189,812	434,986
Non-current liabilities		
Accrued compensated absences	45,082	33,519
Total liabilities	234,894	468,505
Net position		
Net investment in capital assets	111,986,744	106,902,482
Unrestricted	17,727,997	17,901,634
Total net position	\$ 129,714,741	\$ 124,804,116

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>	2017	2016
Operating revenues		
Water sales - treated	\$ 4,993,166	\$ 4,933,168
Other income	60,573	42,570
Total operating revenues	5,053,739	4,975,738
Operating expenses		
Administrative	1,269,131	1,226,044
Distribution	2,936,167	2,519,904
Depreciation	1,951,800	1,973,000
Total operating expenses	6,157,098	5,718,948
Loss from operations	(1,103,359)	(743,210)
Nonoperating revenues (expenses)		
Earnings on investments	133,890	77,587
Grant revenue	-	596,064
Equity loss - share of joint venture loss	(120,364)	(36,401)
Total nonoperating revenues (expenses)	13,526	637,250
Loss before contributions	(1,089,833)	(105,960)
Capital contributions	6,000,458	6,101,337
Change in net position	4,910,625	5,995,377
Net position at beginning of year	124,804,116	118,808,739
Net position at end of year	\$ 129,714,741	\$ 124,804,116

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

Central Weld County Water District

Statements of Cash Flows

Years Ended December 31,	2017	2016
Cash flows from operating activities		
Cash received from customers	\$ 5,020,249	\$ 4,849,575
Cash paid to suppliers	(3,800,820)	(2,837,247)
Cash paid to employees	(759,258)	(654,546)
Net cash flows from operating activities	460,171	1,357,782
Cash flows from noncapital financing activities		
Grant revenue	-	596,064
Net cash flows from noncapital activities	-	596,064
Cash flows from capital and related financing activities		
Contributed capital	6,000,458	4,589,337
Acquisition and construction of capital assets	(6,923,151)	(4,474,463)
Net cash flows from capital and related financing activities	(922,693)	114,874
Cash flows from investing activities		
Earnings on investments	133,890	77,587
Purchase of investments	-	(3,173,414)
Proceeds from sale of investments	1,018,431	-
Net cash flows from investing activities	1,152,321	(3,095,827)
Net change in cash and cash equivalents	689,799	(1,027,107)
Cash and cash equivalents at beginning of year	389,261	1,416,368
Cash and cash equivalents at end of year	\$ 1,079,060	\$ 389,261
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (1,103,359)	\$ (743,210)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	1,951,800	1,973,000
Changes in operating assets and liabilities		
Receivables	(33,490)	(126,163)
Inventories	(8,258)	28,264
Prepaid items	-	(4,056)
Accrued compensated absences	11,563	(1,241)
Accounts payable, accrued expenses	(358,085)	231,188
Net cash flows from operating activities	\$ 460,171	\$ 1,357,782
Noncash investing, capital, and financing activities :		
Equity loss share of joint venture loss	\$ 120,364	\$ 36,401
Capital assets acquired with accounts payable	\$ 112,911	\$ -
Contributed water rights	\$ -	\$ 1,512,000.00

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.

Central Weld County Water District

Notes to Financial Statements

Total net position is segregated into net investment in capital assets 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 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 following is a summary of the original budget, total revisions, and revised budget for fiscal year 2017:

	Original Budget	Total Revisions	Revised Budget
Enterprise fund expenses	\$21,500,000	\$ 2,564,629	\$ 24,064,629

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

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, 2017 or 2016, based on historical collection experience.

Central Weld County Water District

Notes to Financial Statements

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30 day cycles. At December 31, 2017 and 2016 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 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 2017 or 2016.

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	10-50 years
Facilities	20-40 years
Vehicles and field equipment	5-10 years
Office equipment	5-10 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 4). 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.

Central Weld County Water District

Notes to Financial Statements

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 \$45,082 and \$33,519 at December 31, 2017 and 2016, respectively.

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.

Central Weld County Water District
Notes to Financial Statements

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 deposits 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, 2017 and 2016, the District had deposits with a financial institution with a carrying amount of \$1,078,650 and \$388,851, respectively. The bank balances with the financial institution were \$1,256,676 and \$445,494, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$1,006,676 and \$195,494, 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:

	2017	2016
Cash on hand	\$ 410	\$ 410
Bank deposits	1,078,650	388,851
	\$ 1,079,060	\$ 389,261

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.

Central Weld County Water District
Notes to Financial Statements

At December 31, 2017, 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, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 495,000	\$ -	\$ 495,000
Investments at Net Asset Value				
COLOTRUST				12,206,230
	\$ -	\$ 495,000	\$ -	\$ 12,701,230

At December 31, 2016, 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, 2016			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 495,000	\$ -	\$ 495,000
Investments at Net Asset Value				
COLOTRUST				13,224,661
	\$ -	\$ 495,000	\$ -	\$ 13,719,661

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, 2017 and 2016, 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, 2017 and 2016, the District had invested \$12,206,230 and \$13,224,661, respectively, in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Central Weld County Water District
Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements, water rights and reservoir	\$ 33,913,424	\$3,113,500	\$ -	\$ 37,026,924
Construction in progress	6,906,476	3,155,056	(243,823)	9,817,709
Total capital assets, not being depreciated	40,819,900	6,268,556	(243,823)	46,844,633
Capital assets, being depreciated:				
Transmission and distribution system	90,243,821	943,930	-	91,187,751
Facilities	755,899	-	-	755,899
Vehicles and field equipment	726,172	67,399	-	793,571
Office equipment	348,527	-	-	348,527
Total capital assets, being depreciated	92,074,419	1,011,329	-	93,085,748
Less accumulated depreciation for:				
Transmission and distribution system	(24,962,451)	(1,828,443)	-	(26,790,894)
Facilities	(306,274)	(15,890)	-	(322,164)
Vehicles and field equipment	(516,605)	(81,714)	-	(598,319)
Office equipment	(206,507)	(25,753)	-	(232,260)
Total accumulated depreciation	(25,991,837)	(1,951,800)	-	(27,943,637)
Total capital assets, being depreciated, net	66,082,582	(940,471)	-	65,142,111
Capital assets, net	\$ 106,902,482	\$ 5,328,085	\$ (243,823)	\$ 111,986,744

Central Weld County Water District
Notes to Financial Statements

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 Facilities	88,619,135	1,886,574	(261,888)	90,243,821
Vehicles and field equipment	755,899	-	-	755,899
Office equipment	628,958	97,214	-	726,172
	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 Facilities	(23,371,814)	(1,852,525)	261,888	(24,962,451)
Vehicles and field equipment	(290,384)	(15,890)	-	(306,274)
Office equipment	(437,773)	(78,832)	-	(516,605)
	(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

4. 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."

Central Weld County Water District
Notes to Financial Statements

Summary financial information of the Plant as of and for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016 Restated
Current assets	\$ 661,490	\$ 664,475
Capital assets - Net	12,179,969	12,172,601
Less: accumulated depreciation	(5,582,834)	(5,331,365)
Total assets	\$ 7,258,625	\$ 7,505,711
Current liabilities	\$ 35,539	\$ 101,024
Net position	7,223,086	7,404,687
Total liabilities and net position	\$ 7,258,625	\$ 7,505,711
Operating revenues	\$ 2,260,702	\$ 2,288,865
Operating expenses	(2,248,613)	(2,210,232)
Depreciation	(253,669)	(251,851)
Non-operating (expense) revenue	59,979	530
Decrease in net position	\$ (181,601)	\$ (172,688)

5. 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.

6. 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.

Central Weld County Water District

Notes to Financial Statements

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.

7. 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, 2017 and 2016, the District contributed \$27,180 and \$22,224, 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, 2017 and 2016, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

8. Commitments and Contingencies

Litigation

The District is subject to various claims and legal proceedings that arise in the ordinary course of business. The District believes that adequate insurance coverage exists in situations where monetary damages are claimed and that the final settlements of these matters will not materially affect the financial statements of the District.

9. Subsequent Events

The District evaluated subsequent events through May 31, 2018, 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, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			2016	
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	Actual
	Original	Final			
Revenues					
Operating revenues:					
Water sales - treated	\$ 4,500,000	\$ 7,064,629	\$ 4,993,166	\$ (2,071,463)	\$ 4,933,168
Other income	250,000	250,000	60,573	(189,427)	42,570
Total operating revenues	4,750,000	7,314,629	5,053,739	(2,260,890)	4,975,738
Non-operating revenue:					
Earnings on investments	65,000	65,000	133,890	68,890	77,587
Grant revenue	-	-	-	-	596,064
Total non-operating revenue	65,000	65,000	133,890	68,890	673,651
Contributions:					
Capital contributions	4,500,000	4,500,000	5,704,082	1,204,082	5,860,300
Line extensions	300,000	300,000	296,376	(3,624)	241,037
Total contributions	4,800,000	4,800,000	6,000,458	1,200,458	6,101,337
Total revenues	9,615,000	12,179,629	11,188,087	(991,542)	11,750,726
Expenditures					
Administrative:					
Salaries	625,000	625,000	666,178	(41,178)	602,999
Insurance	230,000	230,000	240,304	(10,304)	225,146
Professional fees	150,000	150,000	100,461	49,539	157,841
Office expenses and supplies	150,000	150,000	175,582	(25,582)	162,571
Payroll taxes	55,000	55,000	54,337	663	50,306
Deferred compensation	-	-	27,180	(27,180)	22,224
Directors' fees and board meetings	6,500	6,500	5,089	1,411	4,957
Miscellaneous	-	-	-	-	-
Total administrative	1,216,500	1,216,500	1,269,131	(52,631)	1,226,044
Distribution system:					
Depreciation	1,850,000	1,850,000	1,951,800	(101,800)	1,973,000
System maintenance	800,000	800,000	1,058,537	(258,537)	845,942
Water treatment charges	1,400,000	1,400,000	1,342,830	57,170	1,342,153
Water assessments	300,000	300,000	373,756	(73,756)	170,784
Automotive	80,000	80,000	71,912	8,088	61,148
Office and field utilities	45,000	45,000	55,986	(10,986)	43,918
Dry Creek Reservoir operating costs	40,000	40,000	23,436	16,564	42,668

(Continued).

Central Weld County Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			2016	
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	Actual
	Original	Final			
Water samples	-	-	9,250	(9,250)	12,847
Water rental	3,500	3,500	-	3,500	-
Office and warehouse maintenance	-	-	460	(460)	444
Total distribution system	4,518,500	4,518,500	4,887,967	(369,467)	4,492,904
Capital improvements:					
Distribution system	3,360,000	3,360,000	3,855,163	(495,163)	4,377,249
Land, easements and water rights	1,005,000	3,569,629	3,113,500	456,129	1,512,000
Office and field equipment	200,000	200,000	67,399	132,601	97,214
Filter plant and Dry Creek Reservoir	450,000	450,000	-	450,000	-
Total capital improvements	5,015,000	7,579,629	7,036,062	543,567	5,986,463
Reserves	10,750,000	10,750,000	-	10,750,000	-
Total expenditures	21,500,000	24,064,629	13,193,160	10,871,469	11,705,411
Excess (deficiency) of revenues over expenses	<u>\$ (11,885,000)</u>	<u>\$ (11,885,000)</u>	<u>(2,005,073)</u>	<u>\$ 9,879,927</u>	45,315
Reconciling items - GAAP basis					
Capital improvements			7,036,062		5,986,463
Equity loss - share of joint venture loss			(120,364)		(36,401)
Change in net position - GAAP basis			<u>\$ 4,910,625</u>		<u>\$ 5,995,377</u>

See accompanying Independent Auditor's Report.