



## North Weld County Water District

### Financial Statements and Supplementary Information


For the Years Ended December 31, 2017 and 2016

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July 19, 2018



# 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, 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 North Weld County Water District as of December 31, 2017 and 2016, and changes in financial position and 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 as a whole.

*Anton Collins Mitchell LLP*

Greeley, Colorado  
June 11, 2018

## **North Weld County Water District 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).

### **2017 Highlights – Business-Type Activities**

- On December 31, 2017, the District's net position was \$107,028,771 an increase of \$11,332,396 from the 2016 amount of \$95,696,375.
- Operating revenues for 2017 increased by \$377,415 from \$8,993,378 in 2016 to \$9,370,793.
- Total operating expenses in 2017 increased by \$3,358,123 from \$6,156,614 in 2016 to \$9,514,737.
- Total capital assets, net of accumulated depreciation, in 2017 increased by \$7,462,364 from \$98,587,694 in 2016 to \$106,050,058.
- Long term debt decreased by \$1,746,076 in 2017, from \$15,743,556 in 2016 to \$13,997,480.

### **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, investing capital and non-capital 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**

<b>December 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current assets	\$15,619,294	\$10,380,295	\$11,955,186
Restricted assets	1,481,109	2,883,680	2,728,274
Capital assets	106,050,058	98,587,694	88,381,672
Other assets	28,439	401,386	117,874
Deferred outflows of resources	10,785	31,921	63,465
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$123,189,685</b>	<b>\$112,284,976</b>	<b>\$103,246,471</b>
Current liabilities	3,696,494	2,355,182	2,244,525
Non-current liabilities	12,464,420	14,233,419	15,990,337
<b>Total Liabilities</b>	<b>\$16,160,914</b>	<b>16,588,601</b>	<b>\$18,234,862</b>
Net position			
Net investment in capital assets	\$92,063,363	\$84,488,624	\$72,604,700
Restricted:			
Loan reserves	1,481,109	1,271,115	1,115,709
Bond proceeds	0	1,612,565	1,612,565
Unrestricted	13,484,299	8,324,071	9,678,635
<b>Total Net Position</b>	<b>\$107,028,771</b>	<b>\$95,696,375</b>	<b>\$85,011,609</b>

Capital assets increased by \$7,462,364 during 2017.

**Review of Revenue**

<b>Years Ended December 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating Revenue			
Water – treated	\$9,050,744	\$8,735,349	\$7,858,872
Other income	320,049	258,029	959,773
<b>Total operating revenue</b>	<b>\$9,370,793</b>	<b>\$8,993,378</b>	<b>\$8,818,645</b>
Non-operating revenues			
Earnings on investments	85,803	25,082	\$5,205
Other non-operating income	520,816	234,433	523,298
Equity in net operating loss of joint venture	0	(47,212)	(77,752)
Gain (loss) on disposal of capital assets	(6,965)	(15,300)	3,500
<b>Total non-operating revenue</b>	<b>599,654</b>	<b>197,003</b>	<b>\$454,251</b>
<b>Total revenue</b>	<b>\$9,970,447</b>	<b>\$9,190,381</b>	<b>\$9,272,896</b>

Water sales were \$9,050,744 of budgeted meter sales. Water sales from construction meters increased from \$258,029 in 2016, to \$320,049, an increase of \$62,020.

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

**Review of Expenses**

<u>Years Ending December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administrative	\$1,710,107	\$1,438,029	\$1,147,092
Distribution	6,292,109	3,017,168	3,407,235
Depreciation	1,512,521	1,701,417	1,650,710
Total operating expenses	\$9,514,737	\$6,156,614	\$6,205,037
Interest expense	437,801	480,295	526,875
Total expenses	<u>\$9,952,538</u>	<u>\$6,636,909</u>	<u>\$6,731,912</u>

Operating expenses were \$8,002,216 of the total expenditures as shown on the budgetary comparison schedule plus depreciation of \$1,512,521.

**Capital Contribution**

<u>Years Ending December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributed capital			
Tap fees – customers	\$2,044,625	\$1,226,375	\$1,083,775
Meter set fees	78,300	27,000	25,500
Reimbursement for water rights	6,989,500	4,946,950	3,704,900
Distance fees	951,975	553,125	622,077
Reimbursement for line extension	816,837	976,814	483,797
Water storage	433,250	401,030	180,270
Net capital contributions	<u>\$11,314,487</u>	<u>\$8,131,294</u>	<u>\$6,100,319</u>

Contributed capital was \$11,314,487 of the total revenues as shown on the budgetary comparison schedule.

**Capital Assets, Net of Depreciation**

<u>Years Ending December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land, easement, and water rights	\$49,992,847	\$44,166,755	\$35,741,708
Construction in progress	2,474,574	2,241,549	0
Filter plant	0	11,844,680	11,844,680
Transmission and distribution system	65,666,484	63,496,643	62,367,651
Facilities	1,642,915	1,642,915	1,616,283
Vehicle and field equipment	1,960,420	1,596,600	1,511,381
SCWTA Treatment Capacity	7,566,396	0	0
Other	78,221	78,221	78,221
Total	<u>\$129,381,857</u>	<u>\$125,067,363</u>	<u>\$113,159,924</u>

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

**Major capital asset additions in 2017 were:**

Installation of 12-inch water main in WCR 66 from WCR 43 to 45	\$371,061
Pump Station 4 – 16-inch diameter suction line (Galeton)	43,839
Installation of a 30" diameter water main in CR 72 from CR 25 to 27 and	
Installation of a 16" diameter water main in CR 27 from CR 72 to 70	979,569
Meter Setting	397,268
Land & Easements	248,258
Gravel Pit Storage Reservoirs	325,851
	<b>\$2,365,846</b>

**Construction in Progress**

The following projects will be ongoing in 2018:

- 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
- WCR 47 Waterline Relocation from WCR 60.5 to Hwy 392
- Nunn Pump Station Replacement
- Non-Potable Waterline Installation for the Wildwing Subdivision
- Completion of gravel pit ponds for storage
- Land and Easements

**Customer Classification, Water Rates, Revenue and Consumption**

The District currently provides water service to 4,498 taps, 71%, 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 2017.

<u>Classification</u>	<b>2017 Water Consumption (Per 1000 Gal.)</b>	<b>Percent of Total</b>	<b>Total Billed in 2017</b>	<b>Percent of Total</b>
Residence Only	13,781	0.49%	55,302	0.61%
Standard	555,492	19.95%	1,952,838	21.58%
Standard ½	8,691	0.31%	44,496	0.49%
Standard ¾	1,370	0.05%	5,130	0.06%
Flow Control	135,621	4.87%	329,376	3.64%
Commercial	974,339	34.99%	3,122,946	34.50%
Municipal	1,011,418	36.32%	2,427,602	26.82%
Conservation Blue	38,016	1.37%	163,101	1.80%
Fire Meters	278	0.01%	3,027	0.03%
Non-Potable Meters	36,795	1.32%	40,475	0.45%
Billable Usage	320	0.01%	1,024	0.01%
Landscape Meters	8,633	0.31%	14,321	0.16%
Unset Meters	0	0.00%	3,072	0.03%
Adjustments	0	0.00%	(22,094)	(0.24%)
Surcharges (PI)	0	0.00%	494,222	5.46%
Surcharges (W)	0	0.00%	415,906	4.60%
<b>Total</b>	<b>2,784,754</b>	<b>100.00%</b>	<b>\$11,590,767.85</b>	<b>100.00%</b>

**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) was \$19.20. The 2018 rates increased from \$3.20 to \$3.29. Monthly minimum for usage between 0-6 (Kgals) is \$19.74.

**Comparative Residential System User Charges 2014-2018**

	January 2014	January 2015	January 2016	January 2017	January 2018
Monthly Minimum	*\$30.50	\$18.30	\$18.30	\$19.20	\$19.74
Usage (Kgals) <b>*May 2014</b>					
0-10 <b>0-6</b>					
11 and greater <b>6 &gt;</b>	\$3.05	\$3.05	\$3.05	\$3.20	\$3.29

**Comparative Town's User Charges 2014-2018**

75% Residential Rate	\$2.29	\$2.29	\$2.29	\$2.40	\$2.47
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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; cash in lieu raw water \$26,000 (effective 07/17/2017; an increase of \$1,000) with a \$1,000 storage fee or for dedication, 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.

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

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

**Historical Plant Investment Collections**

Year	Number of Pls	Tap Fee Revenue
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
2017	250.25	\$1,876,875

**Capital Improvement Plan**

The five-year capital improvement plan (CIP) for the period 2018 thru 2022 is driven by the growth of the District and Northern Colorado. The CIP for this report is split into the following categories and amounts for each category:

Project	Proposed CIP					Total
	2018	2019	2020	2021	2022	
<b>Filter Plant</b>	1,293,000	2,695,401	2,131,701	2,378,551	2,255,551	10,754,204
<b>Main Transmission Lines, Meters, Tanks, Distribution Lines and Pump Stations</b>	4,851,000	4,396,900	1,969,038	2,231,419	1,944,047	15,392,404
<b>Water Resources</b>	2,479,667	1,262,220	1,200,539	2,206,364	1,269,809	8,418,599
<b>Land /Easements</b>	180,000	180,000	180,000	180,000	180,000	900,000
<b>Total</b>	<b>\$8,803,667</b>	<b>\$8,534,521</b>	<b>\$5,481,278</b>	<b>\$6,996,334</b>	<b>\$5,649,407</b>	<b>\$35,465,207</b>

Upcoming expenditures are to expand and improve the filter plant treatment capacity, piping network and storage capabilities of the District.

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

### **Contracts and Agreements**

The District is a party to contracts and cooperative agreements concerning the financing, acquisition, construction, operation, maintenance, and use of certain water facilities.

### **Economic and Other Factors**

Overall, the District has shown increases in water revenues and tap sales as a result of continued growth throughout the District, the Towns served by the District, and generally in Weld and Larimer counties. Operating expenses have increased due to construction and needed system improvements but will assure future water revenues and tap sales to be generated.

Land use, zoning and management procedures and policies as established by Weld and Larimer County will materially affect the extent of future growth and development within the District.

### **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 Eric Reckentine, District Manager, North Weld County Water District, P.O. Box 56, Lucerne, CO 80646.

## Basic Financial Statements

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# North Weld County Water District

## Statements of Net Position

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,812,641	\$ 1,392,790
Investments	10,290,023	7,315,801
Receivables, net of allowance for doubtful accounts of \$655	549,730	712,709
Inventories	888,803	876,260
Prepaid items	78,097	82,735
Total current assets	15,619,294	10,380,295
<b>Non-current assets</b>		
Restricted assets		
Cash and cash equivalents	-	1,612,565
Investments	1,481,109	1,271,115
Total restricted assets	1,481,109	2,883,680
<b>Capital assets, net</b>		
Filter plant	-	11,844,680
Transmission and distribution system	65,666,484	63,496,643
Facilities	1,642,915	1,642,915
Vehicles and field equipment	1,960,420	1,596,600
Other	78,221	78,221
Total	69,348,040	78,659,059
Less: accumulated depreciation	(23,331,799)	(26,479,669)
Total	46,016,241	52,179,390
SCWTA Treatment Capacity	7,566,396	-
Land, easements, and water rights	49,992,847	44,166,755
Construction in progress	2,474,574	2,241,549
Total capital assets, net	106,050,058	98,587,694
<b>Other assets</b>		
Debt insurance costs, net of \$54,335 and \$46,220 in accumulated amortization	28,439	36,554
Investment in joint venture accounted for using the equity method	-	364,832
Total other assets	28,439	401,386
Total non-current assets	107,559,606	101,872,760
Total assets	123,178,900	112,253,055
<b>Deferred outflows of resources</b>		
Unamortized deferred loss on refunding bonds	10,785	31,921
Total deferred outflows of resources	10,785	31,921

*(Continued).*

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

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	1,645,000	1,610,000
Accounts payable	1,833,039	521,980
Accrued expenses	218,455	223,202
<b>Total current liabilities</b>	<b>3,696,494</b>	<b>2,355,182</b>
<b>Non-current liabilities</b>		
Accrued compensated absences	111,940	99,863
Long-term debt, net of current portion	12,352,480	14,133,556
<b>Total non-current liabilities</b>	<b>12,464,420</b>	<b>14,233,419</b>
<b>Total liabilities</b>	<b>16,160,914</b>	<b>16,588,601</b>
<b>Net position</b>		
Net investment in capital assets	92,063,363	84,488,624
Restricted:		
Operations and maintenance reserves	1,481,109	1,271,115
Bond proceeds	-	1,612,565
Unrestricted	13,484,299	8,324,071
<b>Total net position</b>	<b>\$ 107,028,771</b>	<b>\$ 95,696,375</b>

*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>	<b>2017</b>	<b>2016</b>
<b>Operating revenues</b>		
Water sales - treated	\$ 9,050,744	\$ 8,735,349
Construction water	320,049	258,029
<b>Total operating revenues</b>	<b>9,370,793</b>	<b>8,993,378</b>
<b>Operating expenses</b>		
Administrative	1,710,107	1,438,029
Distribution	6,292,109	3,017,168
Depreciation	1,512,521	1,701,417
<b>Total operating expenses</b>	<b>9,514,737</b>	<b>6,156,614</b>
<b>Operating (loss) income</b>	<b>(143,944)</b>	<b>2,836,764</b>
<b>Non-operating revenues (expenses)</b>		
Earnings on investments	85,803	25,082
Other non-operating income	520,816	234,433
Equity in net operating loss of joint venture	-	(47,212)
Loss on disposal of capital assets	(6,965)	(15,300)
Interest expense	(437,801)	(480,295)
<b>Total non-operating revenues (expenses)</b>	<b>161,853</b>	<b>(283,292)</b>
<b>Net income before contributions</b>	<b>17,909</b>	<b>2,553,472</b>
<b>Capital contributions</b>	<b>11,314,487</b>	<b>8,131,294</b>
<b>Change in net position</b>	<b>11,332,396</b>	<b>10,684,766</b>
<b>Net position at beginning of year</b>	<b>95,696,375</b>	<b>85,011,609</b>
<b>Net position at end of year</b>	<b>\$ 107,028,771</b>	<b>\$ 95,696,375</b>

*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>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 9,533,772	\$ 9,063,795
Cash paid to suppliers and vendors	(5,071,449)	(3,257,948)
Cash paid to employees	(1,663,679)	(1,618,595)
Net cash flows from operating activities	2,798,644	4,187,252
<b>Cash flows from non-capital financing activities</b>		
Other non-operating revenues	520,816	234,433
Net cash flows from non-capital financing activities	520,816	234,433
<b>Cash flows from capital and related financing activities</b>		
Contributed capital	10,544,815	6,125,794
Principal paid on long-term debt	(1,610,000)	(1,560,000)
Interest paid	(531,890)	(576,874)
Acquisition of land, easements and water rights	-	(5,994,086)
Acquisition and construction of capital assets	(7,818,686)	(3,548,944)
Proceeds from disposition of capital assets	2,000	67,000
Net change in restricted cash and cash equivalents and investments	1,402,571	(155,406)
Net cash flows from capital and related financing activities	1,988,810	(5,642,516)
<b>Cash flows from investing activities</b>		
Capital contributed to joint venture accounted for using the equity method	-	(339,714)
Earnings on investments	85,803	25,082
Net cash flows from investing activities	85,803	(314,632)
<b>Net change in cash, cash equivalents, and investments</b>	<b>5,394,073</b>	<b>(1,535,463)</b>
Cash, cash equivalents, and investments at beginning of year	8,708,591	10,244,054
<b>Cash, cash equivalents, and investments at end of year</b>	<b>\$ 14,102,664</b>	<b>\$ 8,708,591</b>

*(Continued)*

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

<i>For the Years Ended December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>		
Operating (loss) income	\$ (143,944)	\$ 2,836,764
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,512,521	1,701,417
Change in allowance for doubtful accounts	-	(602)
Changes in assets and liabilities:		
Receivables	162,979	71,019
Inventories	(12,543)	(24,434)
Prepaid items	4,638	(6,555)
Accounts payable, accrued expenses, and accrued compensated absences	1,274,993	(390,357)
<b>Net cash flows from operating activities</b>	<b>\$ 2,798,644</b>	<b>\$ 4,187,252</b>
<b>Noncash investing, capital and financing activities:</b>		
Equity in net operating loss of joint venture	\$ -	\$ (47,212)
Capital assets and investment in Soldier Canyon Filter Plant transferred to SCWTA	\$ (7,566,396)	\$ -
Treatment capacity in SCWTA	\$ 7,566,396	\$ -
Amortization of bond premium	\$ (136,076)	\$ (149,447)
Amortization of bond loss	\$ 21,136	\$ 31,046
Amortization of bond insurance	\$ 8,115	\$ 8,989
Noncash additions of capital assets	\$ (769,672)	\$ (2,005,500)
Capital assets acquired with accounts payable	\$ (30,660)	\$ (259,209)

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

# North Weld County Water District

## Notes to Financial Statements

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### 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

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### ***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 \$25,860,022 for the year ended December 31, 2017.

### ***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 at December 31, 2017 and 2016.

### ***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

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### **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
Facilities	40 years
Transmission and distribution system	10-100 years
Vehicles and field equipment	5-10 years
Other	5-20 years

### **Joint Venture**

Prior to February 1, 2017, the District was 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. Each district was charged for their respective share of the water purchased from the Plant, and for capital improvements made at the Plant on a periodic basis. Major capital improvements to the Plant were funded by the individual districts independently, and included in each of the district's capital assets. As such, the depreciation expense for these assets was also 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 were 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 \$0 and \$364,832 at December 31, 2017 and 2016, respectively.

On February 1, 2017, the District transferred all of the Filter Plant assets to a new entity, Solider Canyon Water Treatment Authority (the "Authority"). In exchange for the District's share of the Plant assets, the District received treatment capacity share of 16.238 MGD or 36.084%. The treatment capacity is considered an intangible asset with an indefinite life and is included in capital assets. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 4424 LaPorte Avenue, Ft. Collins, Colorado 80521. See additional disclosures in Note 10.

### **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.

# North Weld County Water District

## Notes to Financial Statements

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### ***Accrued Compensated Absences Payable***

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 due under this policy is considered a long-term liability.

The District has recorded a liability of \$111,940 and \$99,863 at December 31, 2017 and 2016, 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. The District reports a deferred outflow of resources relating to the unamortized deferred loss on refunding bonds.

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. The District does not report any deferred inflows of resources.

### ***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, 2017 and 2016.

### ***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

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### *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, 2017 and 2016, the District had deposits with a financial institution with a carrying amount of \$3,812,441 and \$1,392,590, respectively. The bank balances with the financial institution were \$4,213,520 and \$1,878,245, respectively, which of this amount \$250,000 was covered by federal depository insurance. The remaining balances of \$3,963,520 and \$1,628,245, 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 \$0 and \$1,612,565 at December 31, 2017 and 2016, respectively, 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

### *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, 2017 and 2016, the District had invested \$11,771,132 and \$8,586,916, 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.

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

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
Cash on hand	\$ 200	\$ 200
Cash on deposit with financial institution	3,812,441	1,392,590
Cash held with Colorado Water Resources & Power Development Authority	-	1,612,565
Total cash and cash equivalents	\$ 3,812,641	\$ 3,005,355

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

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
Investments	\$ 10,290,023	\$ 7,315,801
Restricted investments	1,481,109	1,271,115
Total investments	\$ 11,771,132	\$ 8,586,916

### **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>	<b>2017</b>	<b>2016</b>
Operations and maintenance reserve	\$ 1,481,109	\$ 1,271,115
Bond proceeds restricted for capital expenditures	-	1,612,565
Total	\$ 1,481,109	\$ 2,883,680

# North Weld County Water District

## Notes to Financial Statements

### 4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land, easements, and water rights	\$ 44,166,755	\$ 5,826,092	\$ -	\$ 49,992,847
SCWTA Treatment Capacity	-	7,566,396	-	7,566,396
Construction in progress	2,241,549	995,732	(762,707)	2,474,574
<b>Total capital assets, not being depreciated</b>	<b>46,408,304</b>	<b>14,388,220</b>	<b>(762,707)</b>	<b>60,033,817</b>
<b>Capital assets, being depreciated:</b>				
Filter plant	11,844,680	-	(11,844,680)	-
Transmission and distribution system	63,496,643	2,169,841	-	65,666,484
Facilities	1,642,915	-	-	1,642,915
Vehicles and field equipment	1,596,600	390,060	(26,240)	1,960,420
Other	78,221	-	-	78,221
<b>Total capital assets, being depreciated</b>	<b>78,659,059</b>	<b>2,559,901</b>	<b>(11,870,920)</b>	<b>69,348,040</b>
<b>Less accumulated depreciation for:</b>				
Filter plant	(4,643,116)	-	4,643,116	-
Transmission and distribution system	(20,489,660)	(1,334,447)	-	(21,824,107)
Facilities	(279,872)	(41,073)	-	(320,945)
Vehicles and field equipment	(1,004,084)	(132,437)	17,275	(1,119,246)
Other	(62,937)	(4,564)	-	(67,501)
<b>Total accumulated depreciation</b>	<b>(26,479,669)</b>	<b>(1,512,521)</b>	<b>4,660,391</b>	<b>(23,331,799)</b>
<b>Total capital assets, being depreciated, net</b>	<b>52,179,390</b>	<b>1,047,380</b>	<b>(7,210,529)</b>	<b>46,016,241</b>
<b>Capital assets, net</b>	<b>\$ 98,587,694</b>	<b>\$ 15,435,600</b>	<b>\$ (7,973,236)</b>	<b>\$ 106,050,058</b>

# North Weld County Water District

## Notes to Financial Statements

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
<b>Total capital assets, not being depreciated</b>	<b>35,741,708</b>	<b>10,748,896</b>	<b>(82,300)</b>	<b>46,408,304</b>
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
<b>Total capital assets, being depreciated</b>	<b>77,418,216</b>	<b>1,240,843</b>	<b>-</b>	<b>78,659,059</b>
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)
<b>Total accumulated depreciation</b>	<b>(24,778,252)</b>	<b>(1,701,417)</b>	<b>-</b>	<b>(26,479,669)</b>
<b>Total capital assets, being depreciated, net</b>	<b>52,639,964</b>	<b>(460,574)</b>	<b>-</b>	<b>52,179,390</b>
<b>Capital assets, net</b>	<b>\$ 88,381,672</b>	<b>\$ 10,288,322</b>	<b>\$ (82,300)</b>	<b>\$ 98,587,694</b>

# 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, 2017 and 2016, follows:

Source	December 31, 2017	December 31, 2016
<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 \$86,086 and \$91,614 at December 31, 2017 and 2016, respectively.</p>	\$ 4,750,000	\$ 5,055,000
<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 \$48,080 and \$55,288 at December 31, 2017 and December 31, 2016, respectively.</p>	8,705,000	10,010,000
Totals	\$ 13,455,000	\$ 15,065,000

The annual requirements to amortize all debt outstanding as of December 31, 2017, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
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	1,885,000	215,440	2,100,440
2023-2027	3,655,000	639,100	4,294,100
2028-2029	960,000	65,740	1,025,740
Totals	\$ 13,455,000	\$ 2,638,590	\$ 16,093,590

# North Weld County Water District

## Notes to Financial Statements

A summary of changes in debt for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2009 CWRPDA	\$ 5,055,000	\$ -	\$ 305,000	\$ 4,750,000	\$ 315,000
2012 refunding revenue					
bonds	10,010,000	-	1,305,000	8,705,000	1,330,000
Compensated absences	99,863	134,668	122,591	111,940	-
<b>Total</b>	<b>15,164,863</b>	<b>\$ 134,668</b>	<b>\$1,732,591</b>	<b>13,566,940</b>	<b>\$1,645,000</b>
Current portion of long-term debt	(1,610,000)			(1,645,000)	
Net bond premiums	678,556			542,480	
Noncurrent portion of long-term debt	\$14,233,419			\$12,464,420	

A summary of changes in debt for the year ended December 31, 2016 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	-
<b>Total</b>	<b>16,722,335</b>	<b>\$ 93,674</b>	<b>\$ 1,651,146</b>	<b>15,164,863</b>	<b>\$ 1,610,000</b>
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	\$15,990,337			\$14,233,419	

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.

# North Weld County Water District

## Notes to Financial Statements

### 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.

As shown below, the District is in compliance with this requirement of the CWRPDA loan agreement for the year ended December 31, 2017:

Operating revenues	\$ 9,370,793
System connections fees (limited to 15% of revenue)	1,405,619
Total revenues as defined in loan agreement	10,776,412
Operation and maintenance expense (excluding depreciation expense)	(8,002,216)
<b>Net revenue as defined in loan resolution</b>	<b>\$ 2,774,196</b>
2017 principal due	\$ 1,610,000
2017 interest due	544,626
Subtotal	2,154,626
	x 110%
<b>Required revenue as defined in loan resolution</b>	<b>\$ 2,370,089</b>

### 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>	<b>2017</b>	<b>2016</b>
Excess of non-GAAP revenues over expenditures (budgetary basis)	\$ 3,416,231	\$ 1,230,665
Adjustments required to reconcile:		
Non-GAAP revenues/expenditures:		
Bond principal	1,610,000	1,560,000
Capital asset acquisition	7,818,686	9,725,030
Net book value of disposed capital assets	-	(82,300)
GAAP revenue/expense - adjustments:		
Joint venture (loss)	-	(47,212)
Depreciation expense	(1,512,521)	(1,701,417)
Change in net position GAAP basis	\$11,332,396	\$10,684,766

# North Weld County Water District

## Notes to Financial Statements

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### 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.

At December 31, 2016 (the most current audited financial statements) CSDPLP has total admitted assets of \$52,645,796, liabilities of \$28,757,242, and unassigned surplus of \$23,888,554. The liability amount includes no long-term debt. Total revenue for 2016 amounted to \$19,338,769 and total expenses were \$14,100,230 resulting in net income of \$5,238,539. 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

Prior to February 1, 2017, the District was a one-third owner of the Soldier Canyon Filter Plant, and was assessed contributions for capital improvement and monthly charges based upon water used. The District utilized 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 was 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 until February 1, 2017.

After February 1, 2017, the District relinquished its investment in the joint venture and transferred all of the Plant assets to a new entity, Solider Canyon Water Treatment Authority. In exchange for the District’s investment in the Filter Plant to the Authority, the District received treatment capacity at the Authority. The treatment capacity is included in capital assets.

# North Weld County Water District

## Notes to Financial Statements

Summary financial information of the Plant as of and for the year ended December 31, 2016:

<i>December 31,</i>	<b>2016</b>
Current assets	\$ 791,023
Capital assets, net of accumulated depreciation	1,721,047
Deferred outflows of resources	602,505
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,114,575</b>
Current liabilities	\$ 263,887
Net pension liability	2,295,780
Deferred inflows of resources	157,769
Net position	397,139
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,114,575</b>
Operating revenues	\$ 3,188,183
Capital contributions	755,289
Non-operating revenues	-
Operating expenses	(3,346,845)
<b>Increase in net position</b>	<b>\$ 596,627</b>

### 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 2017 and 2016, the District's contributions to this plan totaled \$31,743 and \$35,648, 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

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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. Subsequent Events**

The District evaluated subsequent events through June 11, 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

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# North Weld County Water District

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

For the Years Ended December 31,	2017		2016		
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Budget	Final Budget	Budget
			Basis	Positive	Basis
				(Negative)	
<b>Revenues</b>					
<b>Operating revenues:</b>					
Metered sales	\$ 7,500,000	\$ 7,500,000	\$ 8,162,710	\$ 662,710	\$ 7,536,082
Surcharges	1,800,000	1,800,000	415,906	(1,384,094)	660,547
PI surcharge	1,700,000	1,700,000	494,222	(1,205,778)	564,249
Adjustments	(18,000)	(18,000)	(22,094)	(4,094)	(25,529)
Construction water	195,500	195,500	320,049	124,549	258,029
<b>Total operating revenues</b>	<b>11,177,500</b>	<b>11,177,500</b>	<b>9,370,793</b>	<b>(1,806,707)</b>	<b>8,993,378</b>
<b>Debt proceeds</b>	<b>114,502</b>	<b>114,502</b>	<b>-</b>	<b>(114,502)</b>	<b>-</b>
<b>Non-operating revenue:</b>					
Earnings on investments	19,000	19,000	85,803	66,803	25,082
Other	750	750	114,557	113,807	37,420
Rate differential	-	-	-	-	(20)
Water lease and rental	39,500	39,500	58,033	18,533	29,250
Farm income	8,500	8,500	7,133	(1,367)	63,250
Mineral rights	-	-	154,345	154,345	-
Proceeds from sale of capital assets	500	500	(6,965)	(7,465)	67,000
Conversion fees	-	-	133,000	133,000	-
Inspection fee	136,050	136,050	53,748	(82,302)	104,533
<b>Total non-operating revenues</b>	<b>204,300</b>	<b>204,300</b>	<b>599,654</b>	<b>395,354</b>	<b>326,515</b>
<b>Contributions:</b>					
Tap fees	796,500	796,500	2,044,625	1,248,125	1,226,375
Meter set fees	20,000	20,000	78,300	58,300	27,000
Water rights	1,650,000	1,650,000	6,989,500	5,339,500	4,946,950
Distance fees	160,000	160,000	951,975	791,975	553,125
Line extensions reimbursement	500,000	500,000	816,837	316,837	976,814
Water storage	200,000	200,000	433,250	233,250	401,030
<b>Total contributions</b>	<b>3,326,500</b>	<b>3,326,500</b>	<b>11,314,487</b>	<b>7,987,987</b>	<b>8,131,294</b>
<b>Total revenues</b>	<b>14,822,802</b>	<b>14,822,802</b>	<b>21,284,934</b>	<b>6,462,132</b>	<b>17,451,187</b>
<b>Expenditures</b>					
<b>Administrative:</b>					
Bank charges	5,000	5,000	23,063	(18,063)	19,908
Building maintenance	1,000	1,000	16,105	(15,105)	5,202
Computer support	130,000	130,000	106,672	23,328	85,052
Director fees	9,000	9,000	8,400	600	8,422
Dues and registrations	3,000	3,000	2,880	120	6,699
Health insurance	45,600	45,600	48,886	(3,286)	55,480

(Continued)

# North Weld County Water District

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

For the Years Ended December 31,	2017		2016		
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final	Budget Basis	Positive (Negative)	Budget Basis
<b>Expenditures (continued)</b>					
<b>Administrative (continued)</b>					
Membership fee	8,500	8,500	12,096	(3,596)	9,029
Miscellaneous	7,000	7,000	120,595	(113,595)	94,170
Office expense	225,600	225,600	44,604	180,996	29,714
Office utilities and telephone	74,500	74,500	40,202	34,298	38,146
Payroll taxes	99,500	99,500	104,314	(4,814)	98,114
Postage	3,000	3,000	1,853	1,147	1,809
Professional fees	89,000	89,000	503,611	(414,611)	398,828
Public relations	-	-	17,190	(17,190)	7,329
Publications	500	500	-	500	-
Salaries	333,356	333,356	651,479	(318,123)	574,566
Subscriptions and printing	2,500	2,500	217	2,283	82
Training	8,000	8,000	7,940	60	5,479
<b>Total administrative</b>	<b>1,045,056</b>	<b>1,045,056</b>	<b>1,710,107</b>	<b>(665,051)</b>	<b>1,438,029</b>
<b>Operational:</b>					
Awards	1,200	1,200	17,100	(15,900)	1,100
Communications	4,000	4,000	16,181	(12,181)	15,549
Electricity	133,796	133,796	150,816	(17,020)	151,258
Engineering	55,000	55,000	391,737	(336,737)	8,996
Health insurance	171,000	171,000	120,340	50,660	150,332
Insurance	32,000	32,000	97,128	(65,128)	80,643
Mapping	36,200	36,200	42,222	(6,022)	1,760
Miscellaneous	14,100	14,100	5,078	9,022	13,439
Operation and maintenance	1,037,275	1,037,275	1,585,986	(548,711)	422,613
Repairs	81,000	81,000	32,547	48,453	98,978
Retirement	47,025	47,025	31,713	15,312	35,648
Salaries	940,330	940,330	693,659	246,671	701,514
Uniforms	4,000	4,000	3,241	759	2,416
Water assessments	562,587	562,587	518,216	44,371	500,398
Water delivery - other	-	-	4,257	(4,257)	4,761
Water filtration	1,699,377	1,699,377	2,580,691	(881,314)	833,049
Water rent and carryover	54,989	54,989	(8,744)	63,733	(13,571)
Water testing	5,500	5,500	9,941	(4,441)	8,285
<b>Total operational</b>	<b>4,879,379</b>	<b>4,879,379</b>	<b>6,292,109</b>	<b>(1,412,730)</b>	<b>3,017,168</b>

*(Continued)*

# North Weld County Water District

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

For the Years Ended December 31,	2017		2016		
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual
	Original	Final	Budget Basis	Positive (Negative)	Amounts Budget Basis
<b>Expenditures (continued)</b>					
<b>Debt service</b>					
Interest expense	-	-	437,801	(437,801)	480,295
Principal paid	2,168,765	2,168,765	1,610,000	558,765	1,560,000
<b>Total debt service</b>	<b>2,168,765</b>	<b>2,168,765</b>	<b>2,047,801</b>	<b>120,964</b>	<b>2,040,295</b>
<b>Capital improvements</b>					
Construction in progress	-	-	965,072	(965,072)	1,982,340
Office equipment	5,000	5,000	-	5,000	-
Office building	1,500	1,500	-	1,500	26,632
Filter plant	3,577,228	3,577,228	-	3,577,228	-
Land and easements	127,500	127,500	275,058	(147,558)	19,886
Vehicles and field equipment	110,500	110,500	390,060	(279,560)	85,219
Water storage	1,533,700	1,533,700	424,244	1,109,456	507,761
Pumping stations	30,000	30,000	43,839	(13,839)	89,956
Storage tanks	40,000	40,000	-	40,000	56,117
Utility system	6,054,550	6,054,550	1,363,295	4,691,255	982,919
Water rights	6,286,844	6,286,844	4,357,118	1,929,726	5,974,200
<b>Total capital improvements</b>	<b>17,766,822</b>	<b>17,766,822</b>	<b>7,818,686</b>	<b>9,948,136</b>	<b>9,725,030</b>
<b>Total budgeted expenditures</b>	<b>25,860,022</b>	<b>25,860,022</b>	<b>17,868,703</b>	<b>7,991,319</b>	<b>16,220,522</b>
<b>Excess (deficiency) of budgeted</b>					
<b>revenues over budgeted</b>					
<b>expenditures</b>	<b>\$ (11,037,220)</b>	<b>\$ (11,037,220)</b>	<b>\$ 3,416,231</b>	<b>\$ 14,453,451</b>	<b>\$ 1,230,665</b>

*See accompanying Independent Auditor's Report.*