



# Central Weld County Water District

Financial Statements and  
Supplementary Information

For the Years Ended December 31, 2019 and 2018



# Central Weld County Water District

## Contents

---

<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	3 - 7
<b>Basic Financial Statements:</b>	
Statements of Net Position	8 - 9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
<b>Notes to Financial Statements</b>	12 - 21
<b>Supplementary Information:</b>	
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)	22 - 23



## 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, 2019 and 2018, 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, 2019 and 2018, 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.



### ***Emphasis of Matters***

The COVID-19 outbreak in 2020, see Note 10, has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 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.

*ACM LLP*

Greeley, Colorado  
September 28, 2020

**Central Weld County Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

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

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

**2019 Highlights Business Type Activities**

- At December 31, 2019, net position was \$148,915,117 resulting from an increase of \$10,288,520, or 7.4% when compared to December 31, 2018.
- Total operating revenues decreased to \$6,156,323 during 2019, which was \$26,897 or 0.4% less than 2018.
- Total operating expenses were \$6,309,812, decreasing \$57,161, or 0.9% compared to 2018.
- Net capital assets were \$121,474,555 at December 31, 2019 compared to \$114,583,144 at December 31, 2018 for a net increase of \$6,891,411 or 6.0%.
- Long-term liabilities, consisting of only compensated absences, decreased to \$54,563 during 2019, which was \$7,875 or 12.6% less than 2018.

**Using this Annual Report**

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

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

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

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

**Notes to Financial Statements** - the notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 12-21 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, 2019**

**Condensed Statements of Net Position**

Year End December 31,	2019	2018	2017
Current assets	\$ 24,104,172	\$ 20,582,891	\$ 14,351,348
Capital assets, net	121,474,555	114,583,144	111,986,744
Other assets	3,396,794	3,625,039	3,611,543
<b>Total assets</b>	<b>148,975,521</b>	<b>138,791,074</b>	<b>129,949,635</b>
Current liabilities	5,841	102,039	189,812
Long-term liabilities	54,563	62,438	45,082
<b>Total liabilities</b>	<b>60,404</b>	<b>164,477</b>	<b>234,894</b>
<b>Net position</b>			
Net investment in capital assets	121,474,555	114,583,144	111,986,744
Unrestricted	27,440,562	24,043,453	17,727,997
<b>Total net position</b>	<b>\$ 148,915,117</b>	<b>\$ 138,626,597</b>	<b>\$ 129,714,741</b>

The net position of the District increased to \$148,915,117 during 2019. The District's net position reflected an increase of \$10,288,520.

**Review of Revenues**

Year Ended December 31,	2019	2018	2017
<b>Operating revenues</b>			
Water sales	\$5,609,995	\$5,837,851	\$4,993,166
Other income	546,328	345,369	60,573
<b>Subtotal</b>	<b>6,156,323</b>	<b>6,183,220</b>	<b>5,053,739</b>
<b>Non-operating revenues</b>			
Loss on disposal	(7,864)	-	-
Equity (loss) income	(228,245)	13,496	(120,364)
Earnings on investments and interest income	531,531	341,900	133,890
<b>Subtotal</b>	<b>295,422</b>	<b>355,396</b>	<b>13,526</b>
<b>Total revenues</b>	<b>\$6,451,745</b>	<b>\$6,538,616</b>	<b>\$5,067,265</b>

Water sales were \$5,609,995 or \$785,005 less than budget. Earnings on investments were up \$189,651 from 2018 due to higher interest rates on investments. Total revenues were down \$86,871 from 2018 primarily due to the loss at the Carter Lake Filter Plant.

**Central Weld County Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

**Review of Operating Expenses**

Year End December 31,	2019	2018	2017
Operating expenses			
Administrative	\$ 1,723,596	\$ 1,557,954	\$ 1,269,131
Distribution	2,511,879	2,821,464	2,936,167
Depreciation	2,074,337	1,987,555	1,951,800
<b>Total</b>	<b>\$ 6,309,812</b>	<b>\$ 6,366,973</b>	<b>\$ 6,157,098</b>

Distribution system expenditures were \$2,511,879 or 14% under budget (excluding depreciation) and \$309,585 or 11% lower than 2018 due to a decrease in water treatment charges.

Administrative services were \$1,723,596 or 4% more than budget and 11% higher than 2018 due primarily to insurance and professional fees.

Depreciation was \$2,074,337 or 4% more than 2018 due to the completed depreciable projects during 2019.

**Capital Contributions**

Year Ended December 31,	2019	2018	2017
Capital contribution:			
Tap fees and Line Extensions	\$ 10,146,587	\$ 8,740,213	\$ 6,000,458
<b>Total</b>	<b>\$ 10,146,587</b>	<b>\$ 8,740,213</b>	<b>\$ 6,000,458</b>

Capital contributions were \$10,146,587 or 17% over budget and up 16% from 2018.

**Capital Assets (Net of Depreciation)**

Year Ended December 31,	2019	2018	2017
Land and easement rights	\$ 222,375	\$ 222,375	\$ 222,375
Water rights	27,042,563	23,646,568	23,381,620
Dry Creek Reservoir	13,429,897	13,429,897	13,422,929
Facilities	401,955	417,845	433,735
Transmission and distribution system	64,986,187	65,484,458	64,396,857
Office equipment and furniture	80,291	103,853	116,267
Field equipment and vehicles	320,117	219,087	195,252
Construction in progress	14,991,170	11,059,061	9,817,709
<b>Total</b>	<b>\$ 121,474,555</b>	<b>\$ 114,583,144</b>	<b>\$ 111,986,744</b>

During 2019, major capital asset additions consisted of water rights and construction in progress.

**Central Weld County Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

**Debt and Other Financial Obligations**

The District's long-term debt was \$0 at December 31, 2019 and 2018, respectively. During 2019, the District did not borrow any additional monies.

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

The District currently provides water service to 2,342 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 2019.

<u>Classification</u>	Water Consumption <u>2018</u>	Water Consumption <u>2019</u>	Percent of Total <u>2018</u>	Percent of Total <u>2019</u>	Revenue Collected <u>2018</u>	Revenue Collected <u>2019</u>	Percent of Total <u>2018</u>	Percent of Total <u>2019</u>
Residential (5/8" & 3/4")	449,192,000	436,232,000	13.5%	14.2%	\$1,723,368	\$1,504,793	27.7%	26.6%
Commercial	680,051,000	612,701,000	20.4%	20.0%	1,032,895	1,158,251	16.7%	20.5%
Towns Left Hand	2,008,836,000	1,927,108,000	60.4%	62.9%	2,462,278	2,471,483	39.7%	43.8%
Interconnect	99,628,000	59,606,000	3.1%	1.9%	160,656	172,596	2.6%	3.1%
Hydrants	<u>86,803,000</u>	<u>25,801,000</u>	<u>2.6%</u>	<u>0.9%</u>	<u>815,618</u>	<u>339,339</u>	<u>13.3%</u>	<u>6.0%</u>
TOTAL	<u>3,324,510,000</u>	<u>3,061,448,000</u>	<u>100%</u>	<u>100%</u>	<u>\$6,194,815</u>	<u>\$5,646,462</u>	<u>100%</u>	<u>100%</u>

**Basic Service Fees, Rates and Changes**

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

In establishing the current rate schedule, it was determined that the rate must both pay for increasing operating cost, including debt service, while not overburdening District customers. The District had a rate increase for the first time since 1991. A 4% increase is in effect for the next four years.

**Historical Tap Fee Collections**

<b>Year</b>	<b>Number of Taps</b>	<b>Tap Fee Revenue</b>
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
2018	437	\$6,122,572
2019	456	\$6,456,875

**Central Weld County Water District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019**

**Capital Improvement Program**

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

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

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

Future proposed capital projects are shown below.

**Proposed Capital Project Plan 2019-2020**

<b>Project</b>	<b>2019</b>	<b>2020</b>
Miscellaneous construction	\$ 1,280,000	\$ 2,051,000
Filter plant	2,400,000	4,350,000
Easements	5,000	5,000
Office and field equipment	195,000	50,000
<b>Total</b>	<b>\$ 3,880,000</b>	<b>\$ 6,456,000</b>

**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 2<sup>nd</sup> Avenue; Greeley, CO 80631.

## Basic Financial Statements

---

**Central Weld County Water District**  
**Statements of Net Position**

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 23,085,394	\$ 19,677,259
Investments	495,000	495,000
Receivables	365,865	268,445
Inventories	141,244	124,927
Prepaid items	16,669	17,260
<b>Total current assets</b>	<b>24,104,172</b>	<b>20,582,891</b>
<b>Non-current assets</b>		
<b>Capital assets</b>		
Transmission and distribution system	92,819,811	94,139,291
Facilities	614,736	755,899
Vehicles and field equipment	707,972	900,218
Office equipment	300,383	361,027
Total depreciable capital assets	94,442,902	96,156,435
Less: accumulated depreciation	(28,654,352)	(29,931,192)
Total depreciable capital assets, net	65,788,550	66,225,243
Land, easements, water rights and reservoir	41,041,413	37,645,418
Construction in progress	14,644,592	10,712,483
Total capital assets, net	121,474,555	114,583,144
<b>Other assets</b>		
Investment in joint venture accounted for using the equity method	3,396,794	3,625,039
Total other assets	3,396,794	3,625,039
<b>Total non-current assets</b>	<b>124,871,349</b>	<b>118,208,183</b>
<b>Total assets</b>	<b>148,975,521</b>	<b>138,791,074</b>

*(Continued).*

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

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	4,347	99,817
Accrued expenses	1,494	2,222
<b>Total current liabilities</b>	<b>5,841</b>	<b>102,039</b>
<b>Non-current liabilities</b>		
Accrued compensated absences	54,563	62,438
<b>Total liabilities</b>	<b>60,404</b>	<b>164,477</b>
<b>Net position</b>		
Net investment in capital assets	121,474,555	114,583,144
Unrestricted	27,440,562	24,043,453
<b>Total net position</b>	<b>\$ 148,915,117</b>	<b>\$ 138,626,597</b>

*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>	2019	2018
<b>Operating revenues</b>		
Water sales - treated	\$ 5,609,995	\$ 5,837,851
Other income	546,328	345,369
<b>Total operating revenues</b>	<b>6,156,323</b>	<b>6,183,220</b>
<b>Operating expenses</b>		
Administrative	1,723,596	1,557,954
Distribution	2,511,879	2,821,464
Depreciation	2,074,337	1,987,555
<b>Total operating expenses</b>	<b>6,309,812</b>	<b>6,366,973</b>
<b>Loss from operations</b>	<b>(153,489)</b>	<b>(183,753)</b>
<b>Nonoperating revenues (expenses)</b>		
Earnings on investments and interest income	531,531	341,900
Loss on disposal of assets	(7,864)	-
Equity income (loss) - share of joint venture income (loss)	(228,245)	13,496
<b>Total nonoperating revenues (expenses)</b>	<b>295,422</b>	<b>355,396</b>
<b>Income before contributions</b>	<b>141,933</b>	<b>171,643</b>
<b>Capital contributions</b>	<b>10,146,587</b>	<b>8,740,213</b>
<b>Change in net position</b>	<b>10,288,520</b>	<b>8,911,856</b>
<b>Net position at beginning of year</b>	<b>138,626,597</b>	<b>129,714,741</b>
<b>Net position at end of year</b>	<b>\$ 148,915,117</b>	<b>\$ 138,626,597</b>

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

**Central Weld County Water District**  
**Statements of Cash Flows**

<i>Years Ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 6,058,903	\$ 6,343,210
Cash paid to suppliers	(3,392,263)	(3,658,355)
Cash paid to employees	(963,011)	(791,044)
<b>Net cash flows from operating activities</b>	<b>1,703,629</b>	<b>1,893,811</b>
<b>Cash flows from capital and related financing activities</b>		
Contributed capital	10,146,587	8,740,213
Acquisition and construction of capital assets	(9,477,812)	(4,583,955)
Proceeds from sale of capital assets	504,200	-
<b>Net cash flows from capital and related financing activities</b>	<b>1,172,975</b>	<b>4,156,258</b>
<b>Cash flows from investing activities</b>		
Earnings on investments	531,531	341,900
<b>Net cash flows from investing activities</b>	<b>531,531</b>	<b>341,900</b>
<b>Net change in cash and cash equivalents</b>	<b>3,408,135</b>	<b>6,391,969</b>
Cash and cash equivalents at beginning of year	19,677,259	13,285,290
<b>Cash and cash equivalents at end of year</b>	<b>\$ 23,085,394</b>	<b>\$ 19,677,259</b>
<b>Reconciliation of loss from operations to net cash flows from operating activities:</b>		
Loss from operations	\$ (153,489)	\$ (183,753)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation	2,074,337	1,987,555
Changes in operating assets and liabilities		
Receivables	(97,420)	159,990
Inventories	(16,317)	1,829
Prepaid items	591	(1,393)
Accrued compensated absences	(7,875)	17,356
Accounts payable and accrued expenses	(96,198)	(87,773)
<b>Net cash flows from operating activities</b>	<b>\$ 1,703,629</b>	<b>\$ 1,893,811</b>
<b>Noncash investing, capital, and financing activities:</b>		
Equity gain (loss) share of joint venture gain (loss)	\$ (228,245)	\$ 13,496

*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*

The 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 2019:

	Original Budget	Total Revisions	Revised Budget
<b>Enterprise fund expenses</b>	\$ 15,724,500	\$ 1,073,355	\$ 16,797,855

***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, 2019 or 2018, 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, 2019 and 2018, 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 2019 or 2018.

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 the 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 \$54,563 and \$62,438 at December 31, 2019 and 2018, 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, 2019 and 2018, the District had deposits with a financial institution with a carrying amount of \$494,377 and \$683,609, respectively. The bank balances with the financial institution were \$694,502 and \$809,095, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$444,502 and \$559,095, 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:

	2019	2018
Cash on hand	\$ 410	\$ 410
Bank deposits	494,377	683,609
Local government investment pool	22,590,607	18,993,240
	<b>\$ 23,085,394</b>	<b>\$ 19,677,259</b>

*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, 2019, 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, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 495,000	\$ -	\$ 495,000
	\$ -	\$ 495,000	\$ -	\$ 495,000

At December 31, 2018, 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, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 495,000	\$ -	\$ 495,000
	\$ -	\$ 495,000	\$ -	\$ 495,000

#### ***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, 2019 and 2018, 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, 2019 and 2018, the District had invested \$22,590,607 and \$18,993,240, 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, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land, easements, water rights and reservoir	\$ 37,645,418	\$3,900,195	\$ (504,200)	\$ 41,041,413
Construction in progress	10,712,483	3,932,109	-	14,644,592
<b>Total capital assets, not being depreciated</b>	<b>48,357,901</b>	<b>7,832,304</b>	<b>(504,200)</b>	<b>55,686,005</b>
<b>Capital assets, being depreciated:</b>				
Transmission and distribution system	94,139,291	1,435,508	(2,754,988)	92,819,811
Facilities	755,899	-	(141,163)	614,736
Vehicles and field equipment	900,218	210,000	(402,246)	707,972
Office equipment	361,027	-	(60,644)	300,383
<b>Total capital assets, being depreciated</b>	<b>96,156,435</b>	<b>1,645,508</b>	<b>(3,359,041)</b>	<b>94,442,902</b>
<b>Less accumulated depreciation for:</b>				
Transmission and distribution system	(28,654,833)	(1,925,915)	2,747,124	(27,833,624)
Facilities	(338,054)	(15,890)	141,163	(212,781)
Vehicles and field equipment	(681,131)	(108,970)	402,246	(387,855)
Office equipment	(257,174)	(23,562)	60,644	(220,092)
<b>Total accumulated depreciation</b>	<b>(29,931,192)</b>	<b>(2,074,337)</b>	<b>3,351,177</b>	<b>(28,654,352)</b>
<b>Total capital assets, being depreciated, net</b>	<b>66,225,243</b>	<b>(428,829)</b>	<b>(7,864)</b>	<b>65,788,550</b>
<b>Capital assets, net</b>	<b>\$ 114,583,144</b>	<b>\$7,403,475</b>	<b>\$ (512,064)</b>	<b>\$121,474,555</b>

**Central Weld County Water District**  
**Notes to Financial Statements**

---

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land, easements, water rights and reservoir	\$ 37,026,924	\$ 618,494	\$ -	\$ 37,645,418
Construction in progress	9,817,709	1,241,352	(346,578)	10,712,483
<b>Total capital assets, not being depreciated</b>	<b>46,844,633</b>	<b>1,859,846</b>	<b>(346,578)</b>	<b>48,357,901</b>
<b>Capital assets, being depreciated:</b>				
Transmission and distribution system	91,187,751	2,951,540		94,139,291
Facilities	755,899	-	-	755,899
Vehicles and field equipment	793,571	106,647	-	900,218
Office equipment	348,527	12,500	-	361,027
<b>Total capital assets, being depreciated</b>	<b>93,085,748</b>	<b>3,070,687</b>	<b>-</b>	<b>96,156,435</b>
<b>Less accumulated depreciation for:</b>				
Transmission and distribution system	(26,790,894)	(1,863,939)		(28,654,833)
Facilities	(322,164)	(15,890)	-	(338,054)
Vehicles and field equipment	(598,319)	(82,812)	-	(681,131)
Office equipment	(232,260)	(24,914)	-	(257,174)
<b>Total accumulated depreciation</b>	<b>(27,943,637)</b>	<b>(1,987,555)</b>	<b>-</b>	<b>(29,931,192)</b>
<b>Total capital assets, being depreciated, net</b>	<b>65,142,111</b>	<b>1,083,132</b>	<b>-</b>	<b>66,225,243</b>
<b>Capital assets, net</b>	<b>\$ 111,986,744</b>	<b>\$ 2,942,978</b>	<b>\$ (346,578)</b>	<b>\$ 114,583,144</b>

**Central Weld County Water District**  
**Notes to Financial Statements**

---

**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."

Summary financial information of the Plant as of and for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Current assets	\$ 927,084	\$ 1,071,913
Capital assets - net	6,174,872	6,435,930
<b>Total assets</b>	<b>\$ 7,101,956</b>	<b>\$ 7,507,843</b>
Current liabilities	\$ 308,369	\$ 257,766
Net position	6,793,587	7,250,077
<b>Total liabilities and net position</b>	<b>\$ 7,101,956</b>	<b>\$ 7,507,843</b>
Operating revenues	\$ 2,474,896	\$ 2,649,821
Operating expenses	(2,765,636)	(2,372,065)
Depreciation	(260,286)	(254,358)
Non-operating (expense) revenue	94,536	3,593
<b>Increase (decrease) in net position</b>	<b>\$ (456,490)</b>	<b>\$ 26,991</b>

**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 Pension 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, 2019 and 2018, the District contributed \$33,721 and \$28,938, 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, 2019 and 2018, 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. Northern Integrated Supply Project

The District has entered into an agreement with the Northern Colorado Water Conservancy District ("NCWCD"), acting by and through its Northern Integrated Supply Project ("NISP") Water Activity Enterprise. NISP is a collaborative effort between NCWCD and 15 northern Front Range municipalities and water districts to increase the water quantity and reliability of their water supplies. As of December 31, 2019, the District has paid \$6,088,162 to enter this project, which has been classified as construction in progress.

### 10. Subsequent Events

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the District's operational and financial performance will be affected is also uncertain. Therefore, while the District expects this matter to negatively impact their business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

The District evaluated subsequent events through September 28, 2020 the date these financial statements were available to be issued. There were no other 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, 2019**  
**With Comparative Actual Amounts for the Year Ended December 31, 2018**

	2019		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	2018
	Budgeted Amounts				Actual
	Original	Final			
<b>Revenues</b>					
<b>Operating revenues:</b>					
Water sales - treated	\$ 6,395,000	\$ 6,395,000	\$ 5,609,995	\$ (785,005)	\$ 5,837,851
Other income	78,000	78,000	546,328	468,328	345,369
<b>Total operating revenues</b>	<b>6,473,000</b>	<b>6,473,000</b>	<b>6,156,323</b>	<b>(316,677)</b>	<b>6,183,220</b>
<b>Non-operating revenue:</b>					
Earnings on investments and interest income	320,000	320,000	531,531	211,531	341,900
Loss on disposal of assets	-	-	(7,864)	(7,864)	-
<b>Total non-operating revenue</b>	<b>320,000</b>	<b>320,000</b>	<b>523,667</b>	<b>203,667</b>	<b>341,900</b>
<b>Contributions:</b>					
Capital contributions	6,660,000	6,660,000	10,146,587	3,486,587	6,495,173
Line extensions	2,000,000	2,000,000	-	(2,000,000)	2,245,040
<b>Total contributions</b>	<b>8,660,000</b>	<b>8,660,000</b>	<b>10,146,587</b>	<b>1,486,587</b>	<b>8,740,213</b>
<b>Total revenues</b>	<b>15,453,000</b>	<b>15,453,000</b>	<b>16,826,577</b>	<b>1,373,577</b>	<b>15,265,333</b>
<b>Expenditures</b>					
<b>Administrative:</b>					
Salaries	840,000	840,000	845,939	(5,939)	721,012
Insurance	304,000	304,000	289,048	14,952	341,225
Professional fees	200,000	200,000	222,021	(22,021)	165,629
Office expenses and supplies	250,000	250,000	255,311	(5,311)	236,621
Payroll taxes	64,000	64,000	70,308	(6,308)	58,450
Deferred compensation	-	-	33,721	(33,721)	28,938
Directors' fees and board meetings	6,500	6,500	7,248	(748)	6,079
<b>Total administrative</b>	<b>1,664,500</b>	<b>1,664,500</b>	<b>1,723,596</b>	<b>(59,096)</b>	<b>1,557,954</b>
<b>Distribution system:</b>					
Depreciation	2,010,000	2,010,000	2,074,337	(64,337)	1,987,555
System maintenance	1,000,000	1,000,000	798,136	201,864	873,329
Water treatment charges	1,400,000	1,400,000	1,300,422	99,578	1,543,044
Water assessments	320,000	320,000	212,609	107,391	248,898
Automotive	66,000	66,000	66,318	(318)	64,339
Office and field utilities	57,000	57,000	54,327	2,673	51,420
Dry Creek Reservoir operating costs	22,000	22,000	71,176	(49,176)	26,968

(Continued).

**Central Weld County Water District**  
**Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)**  
**For the Year Ended December 31, 2019**  
**With Comparative Actual Amounts for the Year Ended December 31, 2018**

	2019		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	2018
	Budgeted Amounts				Actual
	Original	Final			
Water samples	-	-	7,502	(7,502)	11,378
Water rental	1,000	1,000	-	1,000	-
Office and warehouse maintenance	-	-	1,389	(1,389)	2,088
<b>Total distribution system</b>	<b>4,876,000</b>	<b>4,876,000</b>	<b>4,586,216</b>	<b>289,784</b>	<b>4,809,019</b>
<b>Capital improvements:</b>					
Distribution system	4,759,000	5,832,355	5,367,617	464,738	3,846,314
Land, easements and water rights	1,005,000	1,005,000	3,900,195	(2,895,195)	618,494
Office and field equipment	195,000	195,000	210,000	(15,000)	119,147
Filter plant and Dry Creek Reservoir	2,400,000	2,400,000	-	2,400,000	-
<b>Total capital improvements</b>	<b>8,359,000</b>	<b>9,432,355</b>	<b>9,477,812</b>	<b>(45,457)</b>	<b>4,583,955</b>
<b>Reserves</b>	<b>825,000</b>	<b>825,000</b>	<b>-</b>	<b>825,000</b>	<b>-</b>
<b>Total expenditures</b>	<b>15,724,500</b>	<b>16,797,855</b>	<b>15,787,624</b>	<b>1,010,231</b>	<b>10,950,928</b>
Excess (deficiency) of revenues over expenses	<u>\$ (271,500)</u>	<u>\$ (1,344,855)</u>	1,038,953	<u>\$ 2,383,808</u>	4,314,405
<b>Reconciling items - GAAP basis</b>					
Capital improvements			9,477,812		4,583,955
Equity income (loss) - share of joint venture income (loss)			<u>(228,245)</u>		<u>13,496</u>
<b>Change in net position - GAAP basis</b>			<u>\$ 10,288,520</u>		<u>\$ 8,911,856</u>

*See accompanying Independent Auditor's Report.*