



Central Weld County Water District

Financial Statements and Supplementary Information

For the Years Ended December 31, 2022 and 2021

Central Weld County Water District

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Independent Auditor's Report

Board of Directors
Central Weld County Water District
Greeley, Colorado

Opinion

We have audited the financial statements of the Central Weld County Water District (the District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, and the changes in financial position and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were 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) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. 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.

BDO USA, P.C.

December 21, 2023

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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

The MD&A should be read in conjunction with the District's basic financial statements (beginning on page 9).

2022 Highlights

- At December 31, 2022, net position was \$170,786,898 resulting from an increase of \$8,213,059 or 5.1% when compared to December 31, 2021. Capital contributions made up \$6,365,946 of the increase in net position in 2022.
- Total operating revenues increased to \$11,132,295 during 2022, which was \$2,625,338 or 30.9% greater than 2021. The increase is attributed to higher water sales revenue as a result of rate fee and surcharge increases in 2022.
- Total operating expenses were \$9,008,453 increasing \$2,100,370 or 30.4% compared to 2021, due to an increase in distribution related costs, primarily relating to the abandonment of certain construction in progress assets and depreciation expense.
- Net capital assets were \$172,932,804 at December 31, 2022 compared to \$153,736,359 at December 31, 2021 for a net increase of \$19,196,445 or 13.4%. Water right purchases accounted for \$20,122,878 of this increase. See footnote 4 for details.
- Long-term liabilities decreased to \$51,285,265 during 2022, which was \$2,531,666 less than 2021, see footnote 5 for details.

Using this Report

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

Statements of Net Position - reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See pages 9-10).

Statements of Revenues, Expenses and Changes in Net Position - reports the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 11).

Statements of Cash Flows - reports the District's cash flows from operating activities, investing, and capital and related financing activities. (See page 12).

Notes to Financial Statements - the notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13-26 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, 2022**

Condensed Statements of Net Position

| Year End December 31, | 2022 | 2021 | 2020 |
|----------------------------------|-------------------|-------------------|-------------------|
| Current assets | \$20,954,379 | \$13,455,748 | \$25,229,470 |
| Restricted assets | 27,100,216 | 47,979,821 | 57,003,225 |
| Capital assets, net | 172,932,804 | 153,736,359 | 128,217,180 |
| <u>Other assets</u> | <u>2,912,659</u> | <u>3,090,654</u> | <u>3,265,851</u> |
| Total assets | 223,900,058 | 218,262,582 | 213,715,726 |
| | | | |
| Current liabilities | 1,827,895 | 1,871,812 | 1,783,851 |
| <u>Long-term liabilities</u> | <u>51,285,265</u> | <u>53,816,931</u> | <u>56,305,322</u> |
| Total liabilities | 53,113,160 | 55,688,743 | 58,089,173 |
| | | | |
| Net position | | | |
| Net investment in capital assets | 147,161,909 | 146,374,476 | 124,028,024 |
| Restricted: bond reserves | 292,321 | 292,633 | 281,311 |
| <u>Unrestricted</u> | <u>23,332,668</u> | <u>15,906,730</u> | <u>31,317,218</u> |
| Total net position | \$170,786,898 | \$162,573,839 | \$155,626,553 |

The net position of the District increased to \$170,786,898 during 2022. The District's net position reflected an increase, or net income of \$8,213,059. The net position of the District increased to \$162,573,839 during 2021. The District's net position reflected an increase, or net income of \$6,947,286.

Review of Revenues

| Year Ended December 31, | 2022 | 2021 | 2020 |
|---|----------------|------------------|----------------|
| Operating revenues | | | |
| Water sales | \$10,346,298 | \$8,089,868 | \$6,817,427 |
| <u>Other income</u> | <u>785,997</u> | <u>417,089</u> | <u>120,622</u> |
| Subtotal | 11,132,295 | 8,506,957 | 6,938,049 |
| Non-operating revenues | | | |
| Equity (loss) income-share of joint venture | (177,995) | (175,197) | (130,943) |
| Earnings on investments | 942,273 | 60,699 | 166,351 |
| <u>Subtotal</u> | <u>764,278</u> | <u>(114,498)</u> | <u>35,408</u> |
| Total revenues | \$11,896,573 | \$8,392,459 | \$6,973,457 |

Water sales were \$10,346,298 or 27.9% greater than 2021 due to water rate increases. Earnings on investments were up \$881,574 from 2021 due to higher interest rates on investments. Total revenues were up \$3,504,114 from 2021 primarily due to implemented rate increases and higher interest rates.

Water sales were \$8,089,868 or 18.7% greater than 2020 due to water rate increases. Earnings on investments were down \$105,652 from 2020 due to lower interest rates on investments. Total revenues were up \$1,419,002 from 2020 primarily due to implemented rate increases.

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Review of Expenses

| Year Ended December 31, | 2022 | 2021 | 2020 |
|-------------------------|--------------|-------------|-------------|
| Operating expenses | | | |
| Administrative | \$2,095,428 | \$1,920,170 | \$1,862,717 |
| Distribution | 4,123,743 | 2,664,885 | 3,451,434 |
| Depreciation | 2,789,282 | 2,323,028 | 2,199,593 |
| Non-operating expenses | | | |
| Interest expense | 1,041,007 | 1,037,851 | 469,148 |
| Total expenses | \$10,049,460 | \$7,945,934 | \$7,982,892 |

Distribution system expenditures were up \$1,458,858 or 54.7% higher than 2021 due primarily to the write off of certain construction in progress assets of approximately \$1.1 million, and to increases in system maintenance and field utility charges. Distribution system expenditures were \$786,549 or 22.8% lower than 2020 due to decreases in system maintenance and water treatment charges.

Administrative services were \$175,258 or 9.1% higher than 2021 due primarily to increases in insurance and professional fees. Administrative services were \$57,453 or 3.1% higher than 2020 due primarily to increases in insurance, salaries, and payroll taxes.

Depreciation was \$2,789,282 or 20.0% more than 2021 and \$2,232,028 or 5.6% more than 2020 due to the completed depreciable projects during 2021 and 2022.

Capital Contributions

| Year Ended December 31, | 2022 | 2021 | 2020 |
|------------------------------|-------------|-------------|-------------|
| Capital contribution: | | | |
| Tap fees and line extensions | \$6,365,946 | \$6,500,761 | \$7,720,871 |

Capital contributions were \$6,365,946 and down 2.1% from 2021. Capital contributions were \$6,500,761 and down 15.8% from 2020.

Capital Assets (Net of Depreciation)

| Year Ended December 31, | 2022 | 2021 | 2020 |
|--------------------------------------|---------------|---------------|---------------|
| Land and easement rights | \$1,005,000 | \$222,375 | \$222,375 |
| Water rights | 70,398,185 | 51,057,926 | 31,333,741 |
| Dry Creek Reservoir | 13,429,891 | 13,429,897 | 13,429,897 |
| Facilities | 354,285 | 370,175 | 386,065 |
| Transmission and distribution system | 74,896,416 | 71,140,556 | 70,927,426 |
| Office equipment and furniture | 29,499 | 43,701 | 61,996 |
| Field equipment and vehicles | 335,794 | 292,665 | 331,256 |
| Construction in progress | 12,483,734 | 17,179,064 | 11,524,424 |
| Total | \$172,932,804 | \$153,736,359 | \$128,217,180 |

During 2022 and 2021, major capital asset additions consisted of mostly water right purchases and new construction.

Debt and Other Financial Obligations

The District's long-term debt, excluding compensated absences, was \$52,871,111 at December 31, 2022 and \$55,341,704 at December 31, 2021. During 2020, the District issued a Series 2020 Water Revenue Bond to finance capital improvements. In 2022 and 2021, the District reduced the principal balance by \$1,575,000 and \$1,445,000, respectively. Further debt information is available in the notes (See Note 5).

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

Customer Classification, Water Rates, Revenue and Consumption

The District currently provides water service to 2,579 taps, of which 95% are residential. All water service is metered and read on a monthly basis. The following table is a breakdown of water consumption (in gallons) and revenue collected by customer class in 2022. In 2021, the District provided water service to 2,435 taps, of which 95% were residential.

| <u>Classification</u> | <u>Water Consumption 2021</u> | <u>Water Consumption 2022</u> | <u>Percent of Total 2021</u> | <u>Percent of Total 2022</u> | <u>Revenue Collected 2021</u> | <u>Revenue Collected 2022</u> | <u>Percent of Total 2021</u> | <u>Percent of Total 2022</u> |
|---------------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|
| Residential (5/8" & 3/4") | 481,073,000 | 471,761,000 | 14.0% | 13.8% | \$1,290,126 | \$1,843,585 | 15.7% | 17.4% |
| Commercial Towns | 643,843,000 | 609,531,000 | 18.7% | 17.9% | 2,744,911 | 3,499,290 | 33.4% | 33% |
| Left Hand Interconnect | 2,239,390,000 | 2,249,235,000 | 64.8% | 66% | 3,749,335 | 4,815,972 | 45.6% | 45.5% |
| Hydrants | 71,068,000 | 62,331,000 | 2.1% | 1.83% | 216,893 | 228,511 | 2.6% | 2.1% |
| | <u>16,257,000</u> | <u>14,665,000</u> | <u>0.4%</u> | <u>0.4%</u> | <u>211,341</u> | <u>204,675</u> | <u>2.6%</u> | <u>1.9%</u> |
| TOTAL | <u>3,451,631,000</u> | <u>3,407,523,000</u> | <u>100%</u> | <u>100%</u> | <u>\$8,212,606</u> | <u>\$10,592,033</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 began annual rate increases in 2019.

| Year | Historical Tap Fee Collections | |
|-------------|---------------------------------------|------------------------|
| | Number of Taps | Tap Fee Revenue |
| 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 |
| 2020 | 486 | \$6,710,302 |
| 2021 | 455 | \$5,811,010 |
| 2022 | 260 | \$3,449,150 |

**Central Weld County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2022**

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 NISP project is presented as construction in progress within the financial statements.

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.

Contracts and Agreements

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

Agreements with Cities and Towns

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

Economic and Other Factors

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

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

Financial Contact

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

Basic Financial Statements

Central Weld County Water District
Statements of Net Position

| <i>December 31,</i> | 2022 | 2021 |
|---|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 19,223,080 | \$ 11,768,224 |
| Investments | 495,000 | 495,000 |
| Receivables | 815,523 | 804,601 |
| Inventories | 194,557 | 161,623 |
| Prepaid items | 226,219 | 226,300 |
| Total current assets | 20,954,379 | 13,455,748 |
| Non-current assets | | |
| Restricted assets | | |
| Cash and cash equivalents | 27,100,216 | 47,979,821 |
| Capital assets | | |
| Transmission and distribution system | 109,388,109 | 102,980,277 |
| Facilities | 614,736 | 614,736 |
| Vehicles and field equipment | 896,137 | 745,790 |
| Office equipment | 206,779 | 206,779 |
| Total depreciable capital assets | 111,105,761 | 104,547,582 |
| Less: accumulated depreciation | (35,489,767) | (32,700,485) |
| Total depreciable capital assets, net | 75,615,994 | 71,847,097 |
| Land, easements, water rights and reservoir | 84,833,076 | 64,710,198 |
| Construction in progress | 12,483,734 | 17,179,064 |
| Total capital assets, net | 172,932,804 | 153,736,359 |
| Other assets | | |
| Investment in joint venture accounted for using the equity method | 2,912,659 | 3,090,654 |
| Total non-current assets | 202,945,679 | 204,806,834 |
| Total assets | 223,900,058 | 218,262,582 |

Continued.

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

| <i>December 31,</i> | 2022 | 2021 |
|---|-----------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Current portion of bonds payable | 1,650,000 | 1,575,000 |
| Accounts payable | 169,473 | 288,330 |
| Accrued expenses | 8,422 | 8,482 |
| Total current liabilities | 1,827,895 | 1,871,812 |
| Non-current liabilities | | |
| Accrued compensated absences | 64,154 | 50,227 |
| Bonds and notes payable, net of current portion | 51,221,111 | 53,766,704 |
| Total non-current liabilities | 51,285,265 | 53,816,931 |
| Total liabilities | 53,113,160 | 55,688,743 |
| Net position | | |
| Net investment in capital assets | 147,161,909 | 146,374,476 |
| Restricted: | | |
| Bond reserves | 292,321 | 292,633 |
| Unrestricted | 23,332,668 | 15,906,730 |
| Total net position | \$ 170,786,898 | \$ 162,573,839 |

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> | 2022 | 2021 |
|---|-----------------------|-----------------------|
| Operating revenues | | |
| Water sales | \$ 10,346,298 | \$ 8,089,868 |
| Other income | 785,997 | 417,089 |
| Total operating revenues | 11,132,295 | 8,506,957 |
| Operating expenses | | |
| Administrative | 2,095,428 | 1,920,170 |
| Distribution | 4,123,743 | 2,664,885 |
| Depreciation | 2,789,282 | 2,323,028 |
| Total operating expenses | 9,008,453 | 6,908,083 |
| Income from operations | 2,123,842 | 1,598,874 |
| Nonoperating revenues (expenses) | | |
| Earnings on investments and interest income | 942,273 | 60,699 |
| Equity income (loss) - share of joint venture income (loss) | (177,995) | (175,197) |
| Interest expense | (1,041,007) | (1,037,851) |
| Total nonoperating revenues (expenses) | (276,729) | (1,152,349) |
| Income before contributions | 1,847,113 | 446,525 |
| Capital contributions | 6,365,946 | 6,500,761 |
| Change in net position | 8,213,059 | 6,947,286 |
| Net position at beginning of year | 162,573,839 | 155,626,553 |
| Net position at end of year | \$ 170,786,898 | \$ 162,573,839 |

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

Central Weld County Water District

Statements of Cash Flows

| Years Ended December 31, | 2022 | 2021 |
|---|---------------|---------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 11,121,373 | \$ 8,210,622 |
| Cash paid to suppliers | (4,023,561) | (3,529,462) |
| Cash paid to employees | (1,205,447) | (1,154,756) |
| Net cash flows from operating activities | 5,892,365 | 3,526,404 |
| Cash flows from capital and related financing activities | | |
| Capital contributions | 6,365,946 | 6,500,761 |
| Acquisition and construction of capital assets | (23,113,733) | (27,842,207) |
| Principal paid on long-term debt | (1,575,000) | (1,445,000) |
| Interest paid | (1,936,600) | (1,930,728) |
| Net cash flows from capital and related financing activities | (20,259,387) | (24,717,174) |
| Cash flows from investing activities | | |
| Earnings on investments | 942,273 | 60,699 |
| Net change in cash and cash equivalents | (13,424,749) | (21,130,071) |
| Cash and cash equivalents at beginning of year | 59,748,045 | 80,878,116 |
| Cash and cash equivalents at end of year | \$ 46,323,296 | \$ 59,748,045 |
| Reconciliation of Income (loss) from operations to net cash flows from operating activities: | | |
| Income from operations | \$ 2,123,842 | \$ 1,598,874 |
| Adjustments to reconcile income from operations to net cash flows from operating activities: | | |
| Depreciation | 2,789,282 | 2,323,028 |
| Loss on disposal of capital assets | 1,128,006 | - |
| Changes in operating assets and liabilities: | | |
| Receivables | (10,922) | (296,335) |
| Inventories | (32,934) | (36,610) |
| Prepaid items | 81 | - |
| Accrued compensated absences | 13,927 | (20,514) |
| Accounts payable and accrued expenses | (118,917) | (42,039) |
| Net cash flows from operating activities | \$ 5,892,365 | \$ 3,526,404 |
| Noncash investing, capital, and financing activities: | | |
| Equity gain (loss) share of joint venture gain (loss) | \$ (177,995) | \$ (175,197) |
| Reconciliation of cash and cash equivalents to Statement of Net Position: | | |
| Current cash and cash equivalents | \$ 19,223,080 | \$ 11,768,224 |
| Non-current restricted cash and cash equivalents | \$ 27,100,216 | \$ 47,979,821 |
| Total cash and cash equivalents | \$ 46,323,296 | \$ 59,748,045 |

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.

Central Weld County Water District

Notes to Financial Statements

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 in the statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred and they become measurable.

Total net position is segregated into net investment in capital assets, restricted net position, 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 2022:

| | Original Budget | Total Revisions | Revised Budget |
|--------------------------|--------------------|--------------------|-------------------|
| Enterprise fund expenses | \$ 24,733,600 | \$ 10,727,285 | \$ 35,460,885 |

The following is a summary of the original budget, total revisions, and revised budget for fiscal year 2021:

| | Original Budget | Total Revisions | Revised Budget |
|--------------------------|--------------------|--------------------|-------------------|
| Enterprise fund expenses | \$ 25,335,000 | \$ 13,577,168 | \$ 38,912,168 |

Central Weld County Water District

Notes to Financial Statements

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 for doubtful accounts is necessary at December 31, 2022 or 2021, based on historical collection experience.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30-day cycles. At December 31, 2022 and 2021, 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 acquisition value at the date received.

Central Weld County Water District

Notes to Financial Statements

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.

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.

Debt Issuance Costs

Debt issuance costs are recognized as an expense during the period of issuance.

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 \$64,154 and \$50,227 at December 31, 2022 and 2021, 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.

Central Weld County Water District

Notes to Financial Statements

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.

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, 2022 and 2021, the District had deposits with a financial institution with a carrying amount of \$5,480,419 and \$1,266,314 respectively. The bank balances with the financial institution were \$5,508,088 and \$1,286,023, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$5,258,088 and \$1,036,023, respectively, were collateralized with securities held by the financial institutions' agent, but not in the District's name.

Central Weld County Water District

Notes to Financial Statements

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

| | 2022 | 2021 |
|----------------------------------|---------------|---------------|
| Cash on hand | \$ 492 | \$ 410 |
| Bank deposits | 5,480,419 | 1,266,314 |
| Local government investment pool | 40,842,385 | 58,481,321 |
| | \$ 46,323,296 | \$ 59,748,045 |

Cash and cash equivalents balances are reflected on the statement of net position at December 31 as follows:

| | 2022 | 2021 |
|--------------------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 19,223,080 | \$ 11,768,224 |
| Restricted cash and cash equivalents | 27,100,216 | 47,979,821 |
| Total | \$ 46,323,296 | \$ 59,748,045 |

Investments

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

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

District policy is to hold investments until maturity.

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

At December 31, 2022, assets measured at fair value on a recurring basis have been categorized into the hierarchy as follows:

| | Assets at fair value as of December 31, 2022 | | | |
|-------------------------|--|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Description | | | | |
| Certificates of deposit | \$ - | \$ 495,000 | \$ - | \$ 495,000 |
| | \$ - | \$ 495,000 | \$ - | \$ 495,000 |

Central Weld County Water District

Notes to Financial Statements

At December 31, 2021, 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, 2021 | | | Total |
|-------------------------|--|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | |
| 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, 2022 and 2021, 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, 2022 and 2021, the District had invested \$13,813,956 and \$10,572,052, 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 \$1.00. 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-rated 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 & 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.

At December 31, 2022 and 2021, the District had invested \$27,028,429 and \$47,909,269, respectively, in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE is a highly liquid fund operating similarly to a money market-like fund and each share is equal in value to \$1.00. CSAFE measures all of its investment at amortized cost in accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants. CSAFE invests primarily in United States Treasuries, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, AAAM rated money market funds, highly rated corporate bonds and Colorado Depositories. The weighted

Central Weld County Water District

Notes to Financial Statements

average maturity of the portfolio shall not exceed 60 days and the weighted average life of the portfolio shall not exceed 120 days. CSAFE is rated AAAM by Standard & Poor's and is measured at amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

New Accounting Pronouncement

The District implemented GASB Statement Number 87, Leases (GASB 87) effective for the fiscal year beginning January 1, 2021. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

There was no effect on the financial statements for the years ended December 31, 2022 and 2021, as a result of the implementation of this standard.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Total net position and changes in net position are unchanged due to these reclassifications.

3. Restricted Assets

Amounts shown as restricted cash and cash equivalents have been restricted by bond indentures to be used for specified purposes, as described below in Note 5. The balance restricted as of December 31, 2022 and 2021, was \$27,100,216 and \$47,979,821, respectively.

Central Weld County Water District

Notes to Financial Statements

4. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

| | Beginning Balance | Additions | Deletions/ Reclass | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land, easements, water rights and reservoir | \$ 64,710,198 | \$ 20,122,878 | \$ - | \$ 84,833,076 |
| Construction in progress | 17,179,064 | 2,681,873 | (7,377,203) | 12,483,734 |
| Total capital assets, not being depreciated | 81,889,262 | 22,804,751 | (7,377,203) | 97,316,810 |
| Capital assets, being depreciated: | | | | |
| Transmission and distribution system | 102,980,277 | 158,635 | 6,249,197 | 109,388,109 |
| Facilities | 614,736 | - | - | 614,736 |
| Vehicles and field equipment | 745,790 | 150,347 | - | 896,137 |
| Office equipment | 206,779 | - | - | 206,779 |
| Total capital assets, being depreciated | 104,547,582 | 308,982 | 6,249,197 | 111,105,761 |
| Less accumulated depreciation for: | | | | |
| Transmission and distribution system | (31,839,721) | (2,651,972) | - | (34,491,693) |
| Facilities | (244,561) | (15,890) | - | (260,451) |
| Vehicles and field equipment | (453,125) | (107,218) | - | (560,343) |
| Office equipment | (163,078) | (14,202) | - | (177,280) |
| Total accumulated depreciation | (32,700,485) | (2,789,282) | - | (35,489,767) |
| Total capital assets, being depreciated, net | 71,847,097 | (2,480,300) | 6,249,197 | 75,615,994 |
| Capital assets, net | \$ 153,736,359 | \$ 20,324,451 | \$ (1,128,006) | \$ 172,932,804 |

Central Weld County Water District

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2021, was as follows:

| | Beginning Balance | Additions | Deletions/ Reclass | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land, easements, water rights and reservoir | \$ 44,986,013 | \$ 19,724,185 | \$ - | \$ 64,710,198 |
| Construction in progress | 11,524,424 | 5,654,640 | - | 17,179,064 |
| Total capital assets, not being depreciated | 56,510,437 | 25,378,825 | - | 81,889,262 |
| Capital assets, being depreciated: | | | | |
| Transmission and distribution system | 100,581,075 | 2,399,202 | - | 102,980,277 |
| Facilities | 614,736 | - | - | 614,736 |
| Vehicles and field equipment | 681,610 | 64,180 | - | 745,790 |
| Office equipment | 247,711 | - | (40,932) | 206,779 |
| Total capital assets, being depreciated | 102,125,132 | 2,463,382 | (40,932) | 104,547,582 |
| Less accumulated depreciation for: | | | | |
| Transmission and distribution system | (29,653,649) | (2,186,072) | - | (31,839,721) |
| Facilities | (228,671) | (15,890) | - | (244,561) |
| Vehicles and field equipment | (350,354) | (102,771) | - | (453,125) |
| Office equipment | (185,715) | (18,295) | 40,932 | (163,078) |
| Total accumulated depreciation | (30,418,389) | (2,323,028) | 40,932 | (32,700,485) |
| Total capital assets, being depreciated, net | 71,706,743 | 140,354 | - | 71,847,097 |
| Capital assets, net | \$ 128,217,180 | \$ 25,519,179 | \$ - | \$ 153,736,359 |

5. Long-Term Debt

2020 Revenue Bonds

On December 1, 2020, the District issued Water Revenue Bonds, Series 2020, totaling \$47,020,000, to finance certain capital improvements to the System (the "Project") to update, modernize, replace, and provide the infrastructure to meet the needs of the recent and anticipated future growth of the District, and to pay the costs of issuing the Bonds including the costs related to bond insurance and surety bond premiums. Interest, with rates ranging from 2.0% to 5.0%, is payable semiannually through maturity in December 2040. The bonds are a special revenue obligation of the District, payable from 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. There was no accrued interest on this debt as of December 31, 2022 and 2021.

Central Weld County Water District

Notes to Financial Statements

A summary of changes in the District's long-term debt as of December 31, 2022 is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|---|----------------------|------------------|-----------------------|----------------------|------------------------|
| 2020 revenue bonds | \$ 45,575,000 | - | \$ (1,575,000) | \$ 44,000,000 | \$ 1,650,000 |
| Compensated absences | 50,227 | 55,844 | (41,917) | 64,154 | - |
| Total | \$ 45,625,227 | \$ 55,844 | \$ (1,616,917) | \$ 44,064,154 | \$ 1,650,000 |
| Current portion of long term debt | (1,575,000) | | | (1,650,000) | |
| Net bond premiums | 9,766,704 | - | (895,593) | 8,871,111 | |
| Noncurrent portion of long term debt | \$ 53,816,931 | | | \$ 51,285,265 | |

A summary of changes in the District's long-term debt as of December 31, 2021, is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|---|----------------------|------------------|-----------------------|----------------------|------------------------|
| 2020 revenue bonds | \$ 47,020,000 | - | \$ (1,445,000) | \$ 45,575,000 | \$ 1,575,000 |
| Compensated absences | 70,741 | 51,010 | (71,524) | 50,227 | - |
| Total | \$ 47,090,741 | \$ 51,010 | \$ (1,516,524) | \$ 45,625,227 | \$ 1,575,000 |
| Current portion of long term debt | (1,445,000) | | | (1,575,000) | |
| Net bond premiums | 10,659,581 | - | (892,877) | 9,766,704 | |
| Noncurrent portion of long term debt | \$ 56,305,322 | | | \$ 53,816,931 | |

The future principal and interest payments on the debt outstanding as of December 31, 2022 are as follows:

| Year Ending December 31, | Annual Maturities | Interest | Total Payment |
|--------------------------|----------------------|----------------------|----------------------|
| 2023 | \$ 1,650,000 | \$ 1,857,850 | \$ 3,507,850 |
| 2024 | 1,735,000 | 1,775,350 | 3,510,350 |
| 2025 | 1,820,000 | 1,688,600 | 3,508,600 |
| 2026 | 1,915,000 | 1,597,600 | 3,512,600 |
| 2027 | 1,950,000 | 1,559,300 | 3,509,300 |
| 2028 - 2032 | 11,295,000 | 6,255,700 | 17,550,700 |
| 2033 - 2037 | 13,895,000 | 3,658,800 | 17,553,800 |
| 2038 - 2040 | 9,740,000 | 789,400 | 10,529,400 |
| Totals | \$ 44,000,000 | \$ 19,182,600 | \$ 63,182,600 |

Central Weld County Water District

Notes to Financial Statements

6. Rate Maintenance

The District's 2020 Revenue Bonds, require the District to establish, maintain, enforce, and collect rates, fees, plant investment fees, availability fees, tolls and charges for services furnished by or the use of the System to create Gross Revenue each Fiscal Year sufficient to pay Operation and Maintenance Expenses and to create Net Revenue in an amount equal to not less than 110% of the amount necessary to pay when due the principal of and interest on the Bonds and any Parity Lien Obligations coming due during such fiscal year.

As shown below, the District is in compliance with this requirement of the 2020 Water Revenue Bonds for the year ended December 31, 2022:

| | |
|---|---------------|
| Net revenue as defined in 2022 agreements | |
| Operating revenues | \$ 11,132,295 |
| Tap fees | 3,496,950 |
| Subtotal | 14,629,245 |
| Operating expenses (excluding depreciation expense) | (6,219,171) |
| Net revenues as defined in 2020 bond agreement | \$ 8,410,074 |

As shown below, the District is in compliance with this requirement of the 2020 Water Revenue Bonds for the year ended December 31, 2021:

| | |
|---|--------------|
| Net revenue as defined in 2021 agreements | |
| Operating revenues | \$ 8,506,957 |
| Tap fees | 5,811,010 |
| Subtotal | 14,317,967 |
| Operating expenses (excluding depreciation expense) | (4,585,055) |
| Net revenues as defined in 2020 bond agreement | \$ 9,732,912 |

7. Joint Venture

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

Central Weld County Water District

Notes to Financial Statements

Summary financial information of the Plant as of and for the years ended December 31, 2022 and 2021, are as follows:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Current assets | \$ 672,077 | \$ 680,084 |
| Capital assets - net | 5,364,489 | 5,617,451 |
| Total assets | \$ 6,036,566 | \$ 6,297,535 |
| Current liabilities | \$ 211,247 | \$ 116,226 |
| Net position | 5,825,319 | 6,181,309 |
| Total liabilities and net position | \$ 6,036,566 | \$ 6,297,535 |
| Operating revenues | \$ 3,217,202 | \$ 2,673,989 |
| Operating expenses | (3,305,785) | (2,722,593) |
| Depreciation | (267,794) | (267,423) |
| Non-operating (expense) revenue | 387 | (34,366) |
| Increase (decrease) in net position | \$ (355,990) | \$ (350,393) |

During the years ended December 31, 2022 and 2021, the District purchased treated water from the Plant for \$1,431,075 and \$1,386,790, respectively. The amount owed to the Plant at December 31, 2022 and December 31, 2021 has been deemed immaterial by District management.

8. 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.

9. 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.

Central Weld County Water District

Notes to Financial Statements

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

10. 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, 2022 and 2021, the District contributed \$40,020 and \$36,658, 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, 2022 and 2021, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

11. 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.

12. 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, 2022, the District has paid \$7,363,262 to enter this project, which has been classified as construction in progress.

13. Subsequent Events

The District evaluated subsequent events through December 21, 2023 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Supplementary Information

Central Weld County Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| | 2022 | | | Variance with Final Budget Positive (Negative) | 2021 |
|--|-------------------|-------------------|--------------------------------------|---|--------------------------------------|
| | Budgeted Amounts | | Actual Amounts Budget Basis | | Actual Amounts Budget Basis |
| | Original | Final | | | |
| Revenues | | | | | |
| Operating revenues: | | | | | |
| Water sales - treated | \$ 7,800,000 | \$ 13,022,021 | \$ 10,346,298 | \$ (2,675,723) | \$ 8,089,868 |
| Other income | 936,000 | 1,038,225 | 785,997 | (252,228) | 417,089 |
| Total operating revenues | 8,736,000 | 14,060,246 | 11,132,295 | (2,927,951) | 8,506,957 |
| Non-operating revenue: | | | | | |
| Earnings on investments and interest income | 80,000 | 942,273 | 942,273 | - | 60,699 |
| Total non-operating revenue | 80,000 | 942,273 | 942,273 | - | 60,699 |
| Contributions: | | | | | |
| Capital contributions | 6,350,000 | 6,143,929 | 6,143,929 | - | 6,346,366 |
| Line extensions | 175,000 | 222,017 | 222,017 | - | 154,395 |
| Total contributions | 6,525,000 | 6,365,946 | 6,365,946 | - | 6,500,761 |
| Total revenues | 15,341,000 | 21,368,465 | 18,440,514 | (2,927,951) | 15,068,417 |
| Expenditures | | | | | |
| Administrative: | | | | | |
| Salaries | 1,090,000 | 1,083,564 | 1,084,866 | (1,302) | 1,005,878 |
| Insurance | 385,000 | 395,341 | 270,433 | 124,908 | 367,380 |
| Professional fees | 239,000 | 349,659 | 349,659 | - | 204,519 |
| Office expenses and supplies | 239,000 | 263,044 | 253,454 | 9,590 | 209,097 |
| Payroll taxes | 80,000 | 89,161 | 86,695 | 2,466 | 82,896 |
| Deferred compensation | - | 42,539 | 42,539 | - | 40,020 |
| Directors' fees and board meetings | 6,500 | 7,782 | 7,782 | - | 10,380 |
| Total administrative | 2,039,500 | 2,231,090 | 2,095,428 | 135,662 | 1,920,170 |
| Distribution system: | | | | | |
| Depreciation | 2,100,000 | 2,200,000 | 2,789,282 | (589,282) | 2,323,028 |
| System maintenance | 903,000 | 1,180,956 | 658,386 | 522,570 | 627,583 |
| Water treatment charges | 1,650,000 | 1,684,418 | 1,802,120 | (117,702) | 1,424,299 |
| Water assessments | 356,000 | 390,428 | 315,301 | 75,127 | 406,489 |
| Automotive | 67,000 | 97,998 | 92,725 | 5,273 | 70,669 |
| Office and field utilities | 53,000 | 53,003 | 70,653 | (17,650) | 77,683 |
| Dry Creek Reservoir operating costs | 30,000 | 36,126 | 36,126 | - | 26,041 |
| Water samples | 12,000 | 11,318 | 11,318 | - | 10,270 |
| Water rental | 100,000 | 236 | - | 236 | - |
| Office and warehouse maintenance | 10,000 | 9,020 | 9,108 | (88) | 21,851 |
| Total distribution system | 5,281,000 | 5,663,503 | 5,785,019 | (121,516) | 4,987,913 |

Continued.

Central Weld County Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

| | 2022 | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | 2021 |
|---|-----------------------|------------------------|--------------------------------------|---|--------------------------------------|
| | Budgeted Amounts | | | | Actual Amounts Budget Basis |
| | Original | Final | | | Actual Amounts Budget Basis |
| Debt service: | | | | | |
| Principal retired | 1,575,000 | 1,575,000 | 1,575,000 | - | - |
| Interest expense | 1,936,600 | 1,936,600 | 1,041,007 | 895,593 | 1,037,851 |
| Total debt service | 3,511,600 | 3,511,600 | 2,616,007 | 895,593 | 1,037,851 |
| Capital improvements: | | | | | |
| Distribution system | 4,951,500 | 2,368,869 | 2,840,508 | (471,639) | 8,053,842 |
| Land, easements and water rights | 3,000,000 | 20,183,095 | 20,122,878 | 60,217 | 19,724,185 |
| Office and field equipment | 125,000 | 159,737 | 150,347 | 9,390 | 64,180 |
| Filter plant and Dry Creek Reservoir | 5,000,000 | 517,991 | - | 517,991 | - |
| Total capital improvements | 13,076,500 | 23,229,692 | 23,113,733 | 115,959 | 27,842,207 |
| Reserves | 825,000 | 825,000 | - | 825,000 | - |
| Total expenditures | 24,733,600 | 35,460,885 | 33,610,187 | 1,850,698 | 35,788,141 |
| Excess (deficiency) of revenues over expenses | <u>\$ (9,392,600)</u> | <u>\$ (14,092,420)</u> | <u>(15,169,673)</u> | <u>\$ (1,077,253)</u> | <u>(20,719,724)</u> |
| Reconciling items - GAAP basis | | | | | |
| Capital improvements | | | 23,113,733 | | 27,842,207 |
| Principal retired | | | 1,575,000 | | - |
| Loss on disposal of capital assets | | | (1,128,006) | | - |
| Equity income (loss) - share of joint venture income (loss) | | | <u>(177,995)</u> | | <u>(175,197)</u> |
| Change in net position - GAAP basis | | | <u>\$ 8,213,059</u> | | <u>\$ 6,947,286</u> |

See accompanying Independent Auditor's Report.