



North Weld County Water District

Financial Statements and Supplementary Information

For the Years Ended December 31, 2022 and 2021

North Weld County Water District

Contents

| | |
|---|---------|
| Independent Auditor's Report | 1 - 3 |
| Management's Discussion and Analysis | 4 - 11 |
| Basic Financial Statements | |
| Statements of Net Position | 12 - 13 |
| Statements of Revenues, Expenses and Changes in Net Position | 14 |
| Statements of Cash Flows | 15 - 16 |
| Notes to Financial Statements | 17 - 30 |
| Supplementary Information | |
| Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) | 31 - 32 |



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Independent Auditor's Report

Board of Directors
North Weld County Water District
Lucerne, Colorado

Opinion

We have audited the financial statements of the North Weld County Water District (the District), as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic 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 its changes in financial position and cash flows thereof for the year 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. 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information presented for purposes of additional analysis and is 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BDO USA, P.C.

October 6, 2023

North Weld County Water District Management's Discussion and Analysis

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

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the District's basic financial statements (beginning on page 12).

2022 Highlights – Business-Type Activities

- On December 31, 2022, the District's net position was \$191,496,463 an increase of \$16,891,085 from the 2021 amount of \$174,605,378. On December 31, 2021, the District's net position was \$174,605,378 an increase of \$12,162,654 from the 2020 amount of \$162,442,724. The District's net position increase was due to acquiring more water rights, construction that is in progress and the decrease of non-current liabilities.
- Operating revenues for 2022 increased by \$4,847,454 from \$16,860,844 in 2021 to \$21,708,298. Operating revenues for 2021 increased by \$3,292,227 from \$13,568,617 in 2020 to \$16,860,844. The District's increase in operating revenue was due to the increase in water sales and new rates. The increase in customers serviced by the District as well as the use of water by our wholesale customers contributed to the increase.
- Total operating expenses in 2022 increased by \$1,123,330 from \$10,737,833 to \$11,861,163. Total operating expenses in 2021 increased by \$417,250 from \$10,320,583 to \$10,737,833.. The District's operating expenses have increased due to construction and needed system improvements.
- Total capital assets in 2022 increased by \$9,410,018 from \$173,558,718 to \$182,968,736. Total capital assets in 2021 increased by \$14,626,046 from \$158,932,672 to \$173,558,718.
- Total non-current liabilities increased by \$36,252,743 in 2022, from \$21,906,800 in 2021 to \$58,159,543. Total non-current liabilities decreased by \$2,222,421 in 2021, from \$24,129,221 in 2020 to \$21,906,800.

North Weld County Water District Tap Moratorium

The North Weld County Water District Board of Directors voted in October 2021 to place a moratorium on the sale of new taps and plant investments that continued into 2023. Since the initial tap moratorium, NWCWD has partially lifted the restrictions in certain zones and allowed the sale of taps in a limited number based on models presented to them that would not have an extensive impact on the ability to serve future and current customers. As of July 2023, Larimer County has given its approval to NWCWD's 1041 application for the NEWTIII Project and can move forward with bringing improved infrastructure and services to the region. NWCWD will continue working on solutions that will remedy the distribution and capacity issues that are affecting NWCWD's ability to serve new customers, while also ensuring adequate supply for our existing individual and wholesale customers.

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

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 12-13).

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 14).

Statements of Cash Flows – reports the District's cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. (See pages 15-16).

The following tables summarize information from these statements.

Statements of Net Position

| December 31, | 2022 | 2021 | 2020 |
|---|----------------------|----------------------|----------------------|
| Current assets | \$26,883,097 | \$21,263,662 | \$21,886,048 |
| Restricted assets | 42,799,926 | 4,321,345 | 8,313,146 |
| Capital assets, net | 182,968,736 | 173,558,718 | 158,932,672 |
| Other assets | 189,911 | 211,176 | 233,473 |
| Deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$252,841,670</u> | <u>\$199,354,901</u> | <u>\$189,365,339</u> |
| Current liabilities | \$3,185,664 | \$2,842,723 | \$2,793,394 |
| Non-current liabilities | <u>58,159,543</u> | <u>21,906,800</u> | <u>24,129,221</u> |
| Total Liabilities | <u>\$61,345,207</u> | <u>\$24,749,523</u> | <u>\$26,922,615</u> |
| Net position | | | |
| Net investment in capital assets | \$161,359,342 | \$149,867,506 | \$133,220,394 |
| Restricted: | | | |
| Operations and Maintenance | 4,414,790 | 4,321,345 | 8,313,146 |
| Unrestricted | <u>25,722,331</u> | <u>20,416,527</u> | <u>20,909,184</u> |
| Total Net Position | <u>\$191,496,463</u> | <u>\$174,605,378</u> | <u>\$162,442,724</u> |

Capital assets increased by \$9,410,018 during 2022, compared to an increase of \$14,626,046 in 2021 and \$29,470,584 in 2020.

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

Review of Revenue

| Years Ended December 31, | 2022 | 2021 | 2020 |
|------------------------------------|---------------------|---------------------|---------------------|
| Operating Revenue | | | |
| Water Sales - treated | \$21,382,156 | \$16,463,770 | \$13,278,380 |
| Construction Water | <u>326,142</u> | <u>397,074</u> | <u>290,237</u> |
| Total operating revenue | \$21,708,298 | \$16,860,844 | \$13,568,617 |
| Non-operating revenues | | | |
| Earnings on investments | 780,724 | 2,997 | 143,264 |
| Other non-operating income | 246,059 | 85,037 | 123,113 |
| Gain on disposal of capital assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total non-operating revenue | 1,026,783 | 88,037 | 266,377 |
| Total revenue | <u>\$22,735,081</u> | <u>\$16,948,881</u> | <u>\$13,834,994</u> |

Water sales were \$21,382,156 of budgeted meter sales. Water sales from construction meters decreased from \$397,074 in 2021, to \$326,142 a decrease of \$70,932. Water sales from construction meters increased from \$290,237 in 2020, to \$397,074 in 2021, an increase of \$106,837.

Review of Expenses

| Years Ending December 31, | 2022 | 2021 | 2020 |
|----------------------------------|---------------------|---------------------|---------------------|
| Administrative | \$2,233,343 | \$1,825,409 | \$2,060,704 |
| Distribution | 7,737,047 | 7,094,729 | 6,586,864 |
| Depreciation | <u>1,890,773</u> | <u>1,817,695</u> | <u>1,673,015</u> |
| Total operating expenses | 11,861,163 | \$10,737,833 | \$10,320,583 |
| Interest expense | <u>1,117,378</u> | <u>689,673</u> | <u>793,508</u> |
| Total expenses | <u>\$12,978,541</u> | <u>\$11,427,506</u> | <u>\$11,114,091</u> |

Operating expenses were \$11,861,163 of the total expenditures as shown on the budgetary comparison schedule including depreciation of \$1,890,773.

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

Capital Contribution

| <u>Years Ending December 31,</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|----------------------------------|--------------------|--------------------|---------------------|
| Tap fees – customers | \$3,453,950 | \$1,790,750 | \$2,478,123 |
| Meter set fees | 176,255 | 206,075 | 172,000 |
| Reimbursement for water rights | 2,367,250 | 3,495,026 | 8,224,718 |
| Distance fees | 403,725 | 359,400 | 926,730 |
| Reimbursement for line extension | 737,615 | 785,031 | 1,138,756 |
| Water storage | - | - | - |
| Miscellaneous | (4,250) | 5,000 | - |
| Net capital contributions | <u>\$7,134,545</u> | <u>\$6,641,282</u> | <u>\$12,940,327</u> |

Contributed capital was \$7,134,545 of the total revenues as shown on the budgetary comparison schedule.

Capital Assets, Net of Depreciation

| <u>Years Ending December 31,</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------------|----------------------|----------------------|----------------------|
| Transmission and distribution system | \$83,274,480 | \$78,865,986 | \$77,820,765 |
| Facilities | 1,667,567 | 1,644,153 | 1,644,153 |
| Vehicle and field equipment | 2,389,047 | 2,204,382 | 2,134,534 |
| Other | 78,221 | 78,221 | 78,221 |
| Total depreciable assets | <u>87,409,315</u> | <u>82,792,742</u> | <u>81,677,673</u> |
| Less: accumulated depreciation | <u>(31,738,738)</u> | <u>(29,847,965)</u> | <u>(28,030,270)</u> |
| Total depreciable assets, net | 55,670,577 | 52,944,777 | 53,647,403 |
| SCWTA Treatment Capacity | 22,849,610 | 22,849,610 | 18,130,412 |
| Land, easements, and water rights | 104,425,836 | 94,928,149 | 87,092,881 |
| Construction in progress | <u>22,713</u> | <u>2,836,182</u> | <u>61,976</u> |
| Total capital assets, net | <u>\$182,968,736</u> | <u>\$173,558,718</u> | <u>\$158,932,672</u> |

Major capital asset additions in 2022 were:

| | |
|------------------------------|---------------------|
| Water Rights | \$8,942,000 |
| Gravel Pits – Storage | 428,786 |
| Easements & Land Acquisition | 126,901 |
| Construction in Progress | 22,713 |
| New Construction | 1,195,520 |
| Meter Sets | 793,657 |
| Vehicle – Equipment | 184,665 |
| Storage Tank Improvements | 321,561 |
| Pump Station Improvements | 50,761 |
| | <u>\$12,066,564</u> |

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

Construction in Progress

The following projects will be ongoing in 2023:

- Newt 3
- Eaton Pipeline Phase 2
- Eaton Pipeline Phase 3
- Harmony Interconnect
- County Line Road Line Lowering
- CR 84 & CR 15 Water Line Replacement
- Tank 1 42" Fill Line
- Tanks 4, 5 and 7 Rehab

Debt Administration

On December 31, 2022, the District had \$59,994,530 in outstanding debt obligations, an increase of \$36,303,318 from 2021. In 2021, the District's outstanding debt decreased by \$2,021,066, from \$25,712,278 in 2020 to \$23,691,212 in 2021. The increase in 2022 was due to the issuance of the 2022 revenue bond.

| December 31, | 2021 | 2021 | 2020 |
|------------------------------|---------------------|---------------------|---------------------|
| 2022 revenue bonds | \$ 34,615,000 | \$ - | \$ - |
| 2012 refunding revenue bonds | 1,575,000 | 3,090,000 | 4,560,000 |
| 2019 revenue bonds | 16,160,000 | 16,160,000 | 16,160,000 |
| 2020 refunding revenue bonds | 3,050,000 | 3,450,000 | 3,850,000 |
| Totals | \$55,400,000 | \$22,700,000 | \$24,570,000 |

Customer Classification, Water Rates, Revenue and Consumption

The District currently provides water service to 6,464 taps, 94%, of which, are standard. All water service is metered and read electronically. The following table is a breakdown of water consumption and revenue billed by customer class in 2022.

| Classification | 2022 Water Consumption (Per 1000 Gal.) | Percent of Total | Total Billed in 2022 | Percent of Total |
|--------------------|---|------------------|----------------------|---------------------|
| Residence Only | 15,845 | 0.47% | 81,416 | 0.39% |
| Standard | 582,361 | 17.43% | 2,658,350 | 12.60% |
| Standard ½ | 62,125 | 1.86% | 326,946 | 1.55% |
| Standard ¾ | 15,160 | 0.45% | 71,725 | 0.34% |
| Flow Control | 154,370 | 4.62% | 478,376 | 2.27% |
| Commercial | 1,121,241 | 33.57% | 4,634,495 | 21.96% |
| Municipal | 1,168,718 | 34.99% | 3,340,225 | 15.83% |
| Conservation Blue | 141,921 | 4.25% | 701,439 | 3.32% |
| Fire Meters | 258 | 0.01% | 5,006 | 0.02% |
| Non-Potable Meters | 78,226 | 2.34% | 117,339 | 0.56% |
| Unset Meters | - | - | 4,061 | 0.02% |
| Adjustments | - | - | 2,020 | 0.01% |
| Surcharges (PI) | - | - | 3,551,492 | 16.83% |
| Surcharges (W) | - | - | 5,130,584 | 24.31% |
| Total | 3,340,225 | 100% | 21,103,473 | 100% |

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

Basic Service Fees, Rates and Changes

The District has established a schedule of rates, fees and charges for the connection to and use of District facilities. State law provides that, until paid, all such rates, fees, tolls and charges constitute a perpetual lien on and against the property served. User charges are billed according to customer classification and usage. Each customer is subject to a minimum monthly charge, which begins when the meter is set. If the meter is not set within 12 months after purchase of the tap, a monthly charge is assessed.

In establishing the current rate schedule, it was determined that the rate must both pay for increasing operating costs, including debt service, and allow for some system deferred maintenance funds while not overburdening District customers on the lower end of the usage scale with excessive rates. The following table is a comparison of basic service fees for a Standard Tap (Class 1). The 2019 rates increased from \$3.29 to \$3.39. Monthly minimum for usage between 0-6 (Kgals) was \$20.34. The 2020 rates increased from \$3.39 to \$3.73. Monthly minimum for usage between 0-6 (Kgals) was \$22.38. The 2021 rates increased from \$3.73 to \$3.88. Monthly minimum for usage between 0-6 (Kgals) was \$23.28. The 2022 rates increased from \$3.88 to \$4.15. Monthly minimum for usage between 0-6 (Kgals) was \$24.90. The 2023 rates increased from \$4.15 to \$4.44. Monthly minimum for usage between 0-6 (Kgals) is \$26.64.

Comparative Residential System User Charges 2019 - 2023

| | January 2019 | January 2020 | January 2021 | January 2022 | January 2023 |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Monthly Minimum Usage (Kgals) 0-6 | \$20.34 | \$22.38 | \$23.28 | \$24.90 | \$26.64 |
| 6 and greater | \$3.39 | \$3.73 | \$3.88 | \$4.15 | \$4.44 |

Comparative Town's User Charges 2018-2022

| | | | | | |
|----------------------|--------|--------|--------|--------|--------|
| 75% Residential Rate | \$2.54 | \$2.80 | \$2.91 | \$3.11 | \$3.33 |
|----------------------|--------|--------|--------|--------|--------|

Tap Fees

The District charges tap fees to recover costs of system acquisition, construction and expansion. A tap fee is a one-time charge that must be paid in full before the meter will be installed and the account is considered active. The District's tap fee is calculated based upon plant investment fee, distance fee, raw water fee and storage fee. Effective July 1, 2018 the storage fee is no longer a requirement.

The total tap fee for a Water Class 1 and Plant Investment Class 1 is; cash in lieu - raw water for 2022 was \$62,500, approximately the cost of 1 unit of CBT. The plant investment was \$17,650, a distance fee of \$300 per mile from the District's main tank site at Highway 14 and Highway 257 to the property following section lines with a minimum of 5 miles or \$1,500, and a meter pit installation which averages \$1,850.

In 2010, the District made Conservation Blue Taps available to customers purchasing a new tap. A Conservation Blue Tap allows the customer to purchase a tap and not pay the plant investment fee nor pay the distance fee. These taps are automatically in the plant investment surcharge as soon as usage occurs. With the purchase of Conservation Blue Taps, the number of plant investments will decrease while water class allocations will increase.

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

Per Resolution 20180813-02 – Elimination of Conservation Blue Taps, effective August 13, 2018, Conservation Blue Taps are only available to certain pending subdivisions that have already received conditional or final approval from the District. Plat for such subdivisions shall be recorded on or before August 13, 2019 and the taps, including payment or transfer of water, as applicable, shall be purchased on or before August 13, 2023. With the Elimination of Conservation Blue Taps, the number of plant investments will increase, but at a slower rate than water class allocations through 2023 (approved subdivisions). After 2023, plant investments and water class allocations will level out.

Historical Plant Investment Collections

| Year | Number of PIs | Tap Fee Revenue |
|------|---------------|-----------------|
| 2016 | 120.25 | \$939,375 |
| 2017 | 250.25 | \$1,876,875 |
| 2018 | 299.50 | \$2,246,250 |
| 2019 | 188.75 | \$1,606,125 |
| 2020 | 260.84 | \$2,478,065 |
| 2021 | 188.50 | \$1,790,750 |
| 2022 | 195.69 | \$3,453,950 |

Capital Improvement Plan

The five-year capital improvement plan (CIP) for the period 2023 thru 2027 is driven by the growth within the District and Northern Colorado. The CIP for this report is split into the following categories and amounts for each category:

Proposed CIP

| Project | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|
| Main Transmission Lines, Meters, Tanks, Distribution Lines and Pump Stations | \$17,989,700 | \$17,620,500 | \$17,075,396 | \$9,080,390 | \$5,585,484 | \$67,351,470 |
| Water Resources | 10,070,000 | 6,560,000 | 6,560,000 | 6,560,000 | 6,560,000 | 36,310,000 |
| Land /Easements | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 | 900,000 |
| Total | \$28,239,700 | \$24,360,500 | \$23,815,396 | \$15,820,390 | \$12,325,484 | <u>\$104,561,470</u> |

Upcoming expenditures are to expand and improve the piping network and storage capabilities of the District.

North Weld County Water District Management's Discussion and Analysis

Contracts and Agreements

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

Economic and Other Factors

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

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

Financial Contact

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information please contact Eric Reckentine, District Manager, North Weld County Water District, P.O. Box 56, Lucerne, CO 80646.

Basic Financial Statements

North Weld County Water District

Statements of Net Position

| <i>December 31,</i> | 2022 | 2021 |
|---|---------------|---------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 23,874,568 | \$ 18,403,729 |
| Receivables | 1,174,450 | 1,271,776 |
| Inventories | 1,756,572 | 1,478,133 |
| Prepaid items | 77,507 | 110,024 |
| Total current assets | 26,883,097 | 21,263,662 |
| Non-current assets | | |
| Restricted assets | | |
| Cash and cash equivalents | 42,799,926 | 4,321,345 |
| Total restricted assets | 42,799,926 | 4,321,345 |
| Capital assets, net | | |
| Transmission and distribution system | 83,274,480 | 78,865,986 |
| Facilities | 1,667,567 | 1,644,153 |
| Vehicles and field equipment | 2,389,047 | 2,204,382 |
| Other | 78,221 | 78,221 |
| Total depreciable assets | 87,409,315 | 82,792,742 |
| Less: accumulated depreciation | (31,738,738) | (29,847,965) |
| Total depreciable assets, net | 55,670,577 | 52,944,777 |
| SCWTA Treatment Capacity | 22,849,610 | 22,849,610 |
| Land, easements, and water rights | 104,425,836 | 94,928,149 |
| Construction in progress | 22,713 | 2,836,182 |
| Total capital assets, net | 182,968,736 | 173,558,718 |
| Other assets | | |
| Debt insurance costs, net of \$78,391 and \$76,705 in accumulated amortization | 189,911 | 211,176 |
| Total other assets | 189,911 | 211,176 |
| Total non-current assets | 225,958,573 | 178,091,239 |
| Total assets | 252,841,670 | 199,354,901 |

(Continued).

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

| <i>December 31,</i> | 2022 | 2021 |
|--------------------------------------|-----------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Current portion of long-term debt | 1,985,000 | 1,915,000 |
| Accounts payable | 773,060 | 658,397 |
| Accrued expenses | 427,604 | 269,326 |
| Total current liabilities | 3,185,664 | 2,842,723 |
| Non-current liabilities | | |
| Compensated absences | 150,013 | 130,588 |
| Long-term debt, net | 58,009,530 | 21,776,212 |
| Total non-current liabilities | 58,159,543 | 21,906,800 |
| Total liabilities | 61,345,207 | 24,749,523 |
| Net position | | |
| Net investment in capital assets | 161,359,342 | 149,867,506 |
| Restricted: | | |
| Operations and maintenance reserves | 4,414,790 | 4,321,345 |
| Unrestricted | 25,722,331 | 20,416,527 |
| Total net position | \$ 191,496,463 | \$ 174,605,378 |

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

North Weld County Water District

Statements of Revenues, Expenses and Changes in Net Position

| <i>For the Years Ended December 31,</i> | 2022 | 2021 |
|--|-----------------------|-----------------------|
| Operating revenues | | |
| Water sales - treated | \$ 21,382,156 | \$ 16,463,770 |
| Construction water | 326,142 | 397,074 |
| Total operating revenues | 21,708,298 | 16,860,844 |
| Operating expenses | | |
| Administrative | 2,233,343 | 1,825,409 |
| Distribution | 7,737,047 | 7,094,729 |
| Depreciation | 1,890,773 | 1,817,695 |
| Total operating expenses | 11,861,163 | 10,737,833 |
| Operating income | 9,847,135 | 6,123,011 |
| Non-operating revenues (expenses) | | |
| Earnings on investments | 780,724 | 2,997 |
| Other non-operating income | 246,059 | 85,037 |
| Interest expense | (1,117,378) | (689,673) |
| Total non-operating expenses | (90,595) | (601,639) |
| Other non-operating revenues | 9,756,540 | 5,521,372 |
| Capital contributions | 7,134,545 | 6,641,282 |
| Change in net position | 16,891,085 | 12,162,654 |
| Net position at beginning of year | 174,605,378 | 162,442,724 |
| Net position at end of year | \$ 191,496,463 | \$ 174,605,378 |

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

North Weld County Water District

Statements of Cash Flows

| <i>For the Years Ended December 31,</i> | 2022 | 2021 |
|--|----------------------|----------------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 21,805,624 | \$ 16,615,724 |
| Cash paid to suppliers and vendors | (7,679,180) | (7,253,015) |
| Cash paid to employees | (2,244,766) | (2,230,074) |
| Net cash flows from operating activities | 11,881,678 | 7,132,635 |
| Cash flows from non-capital financing activities | | |
| Other non-operating revenues | 246,059 | 85,037 |
| Net cash flows from non-capital financing activities | 246,059 | 85,037 |
| Cash flows from capital and related financing activities | | |
| Capital contributions | 7,134,545 | 6,641,282 |
| Principal paid on long-term debt | (1,915,000) | (1,870,000) |
| Interest paid | (1,231,086) | (818,442) |
| Proceeds from issuance of debt | 38,353,291 | - |
| Acquisition of land, easements and water rights | (9,497,687) | (7,835,268) |
| Acquisition and construction of capital assets | (1,803,104) | (8,608,473) |
| Net change in restricted cash and cash equivalents restricted for bond reserves | (38,478,581) | 3,991,801 |
| Net cash flows used by capital and related financing activities | (7,437,622) | (8,499,100) |
| Cash flows from investing activities | | |
| Earnings on investments | 780,724 | 2,997 |
| Net cash flows from investing activities | 780,724 | 2,997 |
| Net change in cash and cash equivalents | 5,470,839 | (1,278,431) |
| Cash and cash equivalents at beginning of year | 18,403,729 | 19,682,160 |
| Cash and cash equivalents at end of year | \$ 23,874,568 | \$ 18,403,729 |

(Continued)

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

| <i>For the Years Ended December 31,</i> | 2022 | 2021 |
|--|----------------------|---------------------|
| Reconciliation of operating income to net cash flows from operating activities: | | |
| Operating income | \$ 9,847,135 | \$ 6,123,011 |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | |
| Depreciation | 1,890,773 | 1,817,695 |
| Changes in assets and liabilities: | | |
| Receivables | 97,326 | (245,120) |
| Inventories | (278,439) | (380,192) |
| Prepaid items | 32,517 | (30,733) |
| Accounts payable | 114,663 | 70,390 |
| Accrued expenses | 158,278 | (66,061) |
| Compensated absences | 19,425 | (156,355) |
| Net cash flows from operating activities | \$ 11,881,678 | \$ 7,132,635 |
| Noncash investing, capital and financing activities: | | |
| Amortization of bond premium | \$ 134,973 | \$ 151,066 |
| Amortization of bond insurance | \$ 21,265 | \$ 22,297 |

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

North Weld County Water District

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Form of Organization

The North Weld County Water District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“CRS”). The District was organized on November 28, 1962, as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed pursuant to the provisions of the Colorado Special District Act.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District’s significant accounting policies are described below.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s board, and either, a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

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

Basic Financial Statements

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

Basis of Accounting

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

North Weld County Water District

Notes to Financial Statements

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the “Board”) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

The budget process timeline is as follows:

1. On or before October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain public comments.
3. Prior to December 31, the budget is adopted by the Board.
4. Unused appropriations lapse at the end of each year.

The following is a summary if the original budgeted expenditures, total revisions, and revised budgeted expenditures for fiscal year 2022:

| | Original Budget | Total Revisions | Revised Budget |
|-----------------|--------------------|--------------------|-------------------|
| Enterprise Fund | \$ 38,805,345 | \$ - | \$ 38,805,345 |

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. Short term investments, consisting of funds invested in a local government investment pool (Note 2) are considered to be cash equivalents and are measured at net asset value, which approximates fair value.

Receivables and Allowance for Doubtful Accounts

The District’s receivables are due from commercial and residential customers within the District’s service area. The District’s policy for collections is limited to the right to discontinue service and to place liens on property. In 2020, the District adopted a policy allowing for the certification of delinquent accounts to the County Treasurer for collection - Resolution 20201214-07: Establishing Guidelines for the Processing and Collection of Delinquent Fees and Charges. The District had no allowance for doubtful accounts at December 31, 2022 and 2021.

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installation, have been valued at cost, using the first-in first-out method of accounting.

Prepaid Items

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

North Weld County Water District

Notes to Financial Statements

Capital Assets

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

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| Description | Estimated Lives |
|--------------------------------------|-----------------|
| Facilities | 40 years |
| Transmission and distribution system | 10-100 years |
| Vehicles and field equipment | 5-10 years |
| Other | 5-20 years |

Joint Venture

Prior to February 1, 2017, the District was a participant with East Larimer County Water District ("ELCO") and Ft. Collins/Loveland Water District ("FLWD") in a joint venture to operate Soldier Canyon Filter Plant (the "Plant"), the filter plant from which the District, ELCO and FLWD purchase 100% of their water. Each district was charged for their respective share of the water purchased from the Plant, and for capital improvements made at the Plant on a periodic basis. Major capital improvements to the Plant were funded by the individual districts independently and included in each of the district's capital assets. As such, the depreciation expense for these assets was also reflected in the financial statements of the District, ELCO and FLWD. The District's net investment and its share of the operating results of the Plant were reported in the accompanying Statements of Net Position, and Statements of Revenues, Expenses and Changes in Net Position.

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

Debt Issuance Costs

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

Debt Related Deferrals

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

North Weld County Water District

Notes to Financial Statements

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

The District has recorded a liability of \$150,013 and \$130,588 at December 31, 2022 and 2021, respectively.

Net Position

Net position is classified in the following categories:

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

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

Unrestricted Net Position - This category represents the net position of the District which is not restricted for any project or other purpose. A deficit will require future funding.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30 day cycles. There were no significant unbilled revenues at December 31, 2022 and 2021.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Capital Contributions

Contributions of cash, transmission lines and water rights to the District by developers, customers or by agreements with others are treated as capital contributions on the District's Statements of Revenues, Expenses and Changes in Net Position.

North Weld County Water District

Notes to Financial Statements

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.

New Accounting Pronouncement

The District implemented GASB Statement Number 87, *Leases* (GASB 87) effective for the fiscal year beginning January 1, 2022. 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 year ended December 31, 2022, as a result of the implementation of this standard.

2. Cash and Cash Equivalents

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2022 and 2021, the District had deposits with a financial institution with a carrying amount of \$1,227,418 and \$1,558,722, respectively. The bank balances with the financial institution were \$1,357,932 and \$2,819,232, respectively, of which \$250,000 was covered by federal depository insurance. The remaining balances of \$1,107,932 and \$2,569,232, respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name ("PDPA").

North Weld County Water District

Notes to Financial Statements

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

Interest Rate Risk

The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the District adheres to state statutes. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase.

Local Government Investment Pools

At December 31, 2022 and 2021, the District had invested \$27,061,740 and \$21,166,152, respectively, in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The District had cash and cash equivalents balances, including restricted cash and cash equivalents as follows:

| <i>December 31,</i> | 2022 | 2021 |
|--|----------------------|----------------------|
| Cash on hand | \$ 200 | \$ 200 |
| Cash on deposit with financial institution | 1,227,418 | 1,558,722 |
| Local government investment pool | 65,446,876 | 21,166,152 |
| Total cash and cash equivalents | \$ 66,674,494 | \$ 22,725,074 |

North Weld County Water District

Notes to Financial Statements

Cash and cash equivalents balances are reflected on the Statements of Net Position as follows:

| <i>December 31,</i> | 2022 | 2021 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 23,874,568 | \$ 18,403,729 |
| Restricted cash and cash equivalents | 42,799,926 | 4,321,345 |
| Total cash and cash equivalents | \$ 66,674,494 | \$ 22,725,074 |

3. Restricted Assets

Amounts shown as restricted assets have been restricted by bond indentures to be used for specified purposes. As of December 31, 2022 and 2021, the District had cash of \$42,799,926 and \$4,321,345 restricted for operations and maintenance and unspent bond proceeds.

4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2022:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land, easements, and water rights | \$ 94,928,149 | \$ 9,497,687 | \$ - | \$ 104,425,836 |
| SCWTA Treatment Capacity | 22,849,610 | - | - | 22,849,610 |
| Construction in progress | 2,836,182 | 22,713 | (2,836,182) | 22,713 |
| Total capital assets, not being depreciated | 120,613,941 | 9,520,400 | (2,836,182) | 127,298,159 |
| Capital assets, being depreciated: | | | | |
| Transmission and distribution system | 78,865,986 | 4,408,494 | - | 83,274,480 |
| Facilities | 1,644,153 | 23,414 | - | 1,667,567 |
| Vehicles and field equipment | 2,204,382 | 184,665 | - | 2,389,047 |
| Other | 78,221 | - | - | 78,221 |
| Total capital assets, being depreciated | 82,792,742 | 4,616,573 | - | 87,409,315 |
| Less accumulated depreciation for: | | | | |
| Transmission and distribution system | (27,637,789) | (1,673,412) | - | (29,311,201) |
| Facilities | (485,334) | (41,153) | - | (526,487) |
| Vehicles and field equipment | (1,646,621) | (176,208) | - | (1,822,829) |
| Other | (78,221) | - | - | (78,221) |
| Total accumulated depreciation | (29,847,965) | (1,890,773) | - | (31,738,738) |
| Total capital assets, being depreciated, net | 52,944,777 | 2,725,800 | - | 55,670,577 |
| Capital assets, net | \$ 173,558,718 | \$ 12,246,200 | \$ (2,836,182) | \$ 182,968,736 |

North Weld County Water District

Notes to Financial Statements

The following is a summary of capital asset activity for the year ended December 31, 2021:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|-----------------------|----------------------|-------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land, easements, and water rights | \$ 87,092,881 | \$ 7,835,268 | \$ - | \$ 94,928,149 |
| SCWTA Treatment Capacity | 18,130,412 | 4,719,198 | - | 22,849,610 |
| Construction in progress | 61,976 | 2,774,206 | - | 2,836,182 |
| Total capital assets, not being depreciated | 105,285,269 | 15,328,672 | - | 120,613,941 |
| Capital assets, being depreciated: | | | | |
| Transmission and distribution system | 77,820,765 | 1,045,221 | - | 78,865,986 |
| Facilities | 1,644,153 | - | - | 1,644,153 |
| Vehicles and field equipment | 2,134,534 | 69,848 | - | 2,204,382 |
| Other | 78,221 | - | - | 78,221 |
| Total capital assets, being depreciated | 81,677,673 | 1,115,069 | - | 82,792,742 |
| Less accumulated depreciation for: | | | | |
| Transmission and distribution system | (26,030,632) | (1,607,157) | - | (27,637,789) |
| Facilities | (444,230) | (41,104) | - | (485,334) |
| Vehicles and field equipment | (1,477,187) | (169,434) | - | (1,646,621) |
| Other | (78,221) | - | - | (78,221) |
| Total accumulated depreciation | (28,030,270) | (1,817,695) | - | (29,847,965) |
| Total capital assets, being depreciated, net | 53,647,403 | (702,626) | - | 52,944,777 |
| Capital assets, net | \$ 158,932,672 | \$ 14,626,046 | \$ - | \$ 173,558,718 |

North Weld County Water District

Notes to Financial Statements

5. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2022 and 2021, follows:

| Source | 2022 | 2021 |
|---|------------|------------|
| 2012 Revenue Refunding Bonds | | |
| <p>\$13,440,000 Refunding Revenue Bonds, Series 2012 due in yearly installments of \$1,230,000 through 2015 with additional increases up until the date of maturity of November 1, 2023; interest at 2.0% to 5.0%. These bonds are a special revenue obligation of the District payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds of the system legally available after the payment of operation and maintenance expenses of the system. Accrued interest on this debt amounts to \$9,188 and \$20,848 at December 31, 2022 and 2021, respectively.</p> | 1,575,000 | 3,090,000 |
| 2019 Revenue Bonds | | |
| <p>\$16,160,000 Water Enterprise Revenue Bonds, Series 2019 due in principal installments of \$460,000 in 2024 with additional increases up until the date of maturity in 2036; interest at 3.0% to 5.0%. These bonds are a special revenue obligation of the District payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds of the system legally available after the payment of operation and maintenance expenses of the system. Accrued interest on this debt amounts to \$80,800 and \$93,452 at December 31, 2022 and 2021, respectively.</p> | 16,160,000 | 16,160,000 |

North Weld County Water District

Notes to Financial Statements

2020 Refunding Revenue Bonds

\$3,850,000 Water Enterprise Revenue Refunding Loan, Series 2020 due in principal installments of \$400,000 in 2021 with additional increases up until the date of maturity in 2029; interest at 2.25%. The bonds were issued to refund the 2009 Colorado Water Resource and Power Development Authority ("CWRPDA") loan. These bonds are a special revenue obligation of the District payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds of the system legally available after the payment of operation and maintenance expenses of the system. Accrued interest on this debt amounts to \$11,438 and \$14,963 at December 31, 2022 and 2021, respectively.

3,050,000 3,450,000

2022 Revenue Bonds

\$34,615,000 Water Enterprise Revenue Bonds, Series 2022 due in principal installments of \$1,150,000 in 2024 with additional increases up until the date of maturity in 2042; interest at 4.0% to 5.0%. These bonds are a special revenue obligation of the District payable from water rates, fees, standby charges, and charges from the use and operation of the system and from such other funds of the system legally available after the payment of operation and maintenance expenses of the system. Accrued interest on this debt amounts to \$129,806 at December 31, 2022.

34,615,000 -

Totals **\$ 55,400,000** \$ 22,700,000

The annual requirements to amortize all debt outstanding as of December 31, 2022, are as follows:

| Year Ending December 31, | Annual Maturities | Interest | Total Payment |
|-----------------------------|----------------------|----------------------|----------------------|
| 2023 | \$ 1,985,000 | \$ 2,539,255 | \$ 4,524,255 |
| 2024 | 2,025,000 | 2,185,650 | 4,210,650 |
| 2025 | 2,110,000 | 2,095,813 | 4,205,813 |
| 2026 | 2,215,000 | 2,002,000 | 4,217,000 |
| 2027 | 2,305,000 | 1,903,213 | 4,208,213 |
| 2028-2032 | 13,275,000 | 7,898,913 | 21,173,913 |
| 2033-2037 | 16,450,000 | 4,798,350 | 21,248,350 |
| 2038-2042 | 15,035,000 | 1,622,550 | 16,657,550 |
| Totals | \$ 55,400,000 | \$ 25,045,744 | \$ 80,445,744 |

North Weld County Water District

Notes to Financial Statements

A summary of changes in long term obligations for the year ended December 31, 2022 is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|----------------------|---------------------|----------------------|------------------------|
| 2012 refunding revenue bonds | \$ 3,090,000 | \$ - | \$ 1,515,000 | \$ 1,575,000 | \$ 1,575,000 |
| 2019 revenue bonds | 16,160,000 | - | - | 16,160,000 | - |
| 2020 refunding revenue bonds | 3,450,000 | - | 400,000 | 3,050,000 | 410,000 |
| 2022 revenue bonds | - | 34,615,000 | - | 34,615,000 | - |
| Compensated absences | 130,588 | 118,463 | 99,038 | 150,013 | - |
| Total | 22,830,588 | \$ 34,733,463 | \$ 2,014,038 | 55,550,013 | \$ 1,985,000 |
| Current portion of long-term debt | (1,915,000) | | | (1,985,000) | |
| Net bond premiums | 991,212 | | | 4,594,530 | |
| Total non-current liabilities | \$ 21,906,800 | | | \$ 58,159,543 | |

A summary of changes in long-term obligations for the year ended December 31, 2021 is as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|-------------------|---------------------|----------------------|------------------------|
| 2012 refunding revenue bonds | 4,560,000 | - | 1,470,000 | 3,090,000 | 1,515,000 |
| 2019 revenue bonds | 16,160,000 | - | - | 16,160,000 | - |
| 2020 refunding revenue bonds | 3,850,000 | - | 400,000 | 3,450,000 | 400,000 |
| Compensated absences | 286,943 | 101,106 | 257,461 | 130,588 | - |
| Total | 24,856,943 | \$ 101,106 | \$ 2,127,461 | 22,830,588 | \$ 1,915,000 |
| Current portion of long-term debt | (1,870,000) | | | (1,915,000) | |
| Net bond premiums | 1,142,278 | | | 991,212 | |
| Total non-current liabilities | \$ 24,129,221 | | | \$ 21,906,800 | |

6. Rate Maintenance

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

North Weld County Water District

Notes to Financial Statements

As shown below, the District is in compliance with this requirement of the CWRPDA loan agreement for the year ended December 31, 2022:

| | |
|--|----------------------|
| Operating revenues | \$ 21,708,298 |
| System connections fees (limited to 15% of revenue) | 3,256,245 |
| Total revenues as defined in loan agreement | 24,964,543 |
| Operation and maintenance expense (excluding depreciation expense) | (9,970,390) |
| Net revenue as defined in loan resolution | \$ 14,994,153 |
| 2022 principal due | \$ 1,915,000 |
| 2022 interest due | 775,575 |
| Subtotal | 2,690,575 |
| | x 110% |
| Required revenue as defined in loan resolution | \$ 2,959,633 |

The District's 2019 Water Enterprise Revenue Bonds require the District to establish, levy, and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on all indebtedness.

As shown below, the District is in compliance with this requirement of the 2019 Water Enterprise Revenue Bonds for the year ended December 31, 2022:

| | |
|--|----------------------|
| Operating revenues | \$ 21,708,298 |
| Operation and maintenance expense (excluding depreciation expense) | (9,970,390) |
| Net revenue as defined in loan resolution | \$ 11,737,908 |
| 2022 principal due | \$ 1,915,000 |
| 2022 interest due | 775,575 |
| Subtotal | 2,690,575 |
| | x 110% |
| Required revenue as defined in loan resolution | \$ 2,959,633 |

The District's 2022 Water Enterprise Revenue Bonds require the District to establish, levy, and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on all indebtedness.

North Weld County Water District

Notes to Financial Statements

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

| | | |
|--|-----------|-------------------|
| Operating revenues | \$ | 21,708,298 |
| Operation and maintenance expense (excluding depreciation expense) | | (9,970,390) |
| Net revenue as defined in loan resolution | \$ | 11,737,908 |
| 2022 principal due | \$ | 1,915,000 |
| 2022 interest due | | 775,575 |
| Subtotal | | 2,690,575 |
| | | x 110% |
| Required revenue as defined in loan resolution | \$ | 2,959,633 |

7. Reconciliation of Budget Based Accounting to GAAP Financial Statements

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

| <i>For the years ended December 31,</i> | 2022 | 2021 |
|---|---------------|----------------|
| Excess of non-GAAP revenues over expenditures (budgetary basis) | \$ 40,180,604 | \$ (4,333,392) |
| Adjustments required to reconcile: | | |
| Non-GAAP revenues/expenditures: | | |
| Bond principal | 1,915,000 | 1,870,000 |
| Debt proceeds | (34,615,000) | - |
| Capital asset acquisition | 11,301,254 | 16,443,741 |
| GAAP revenue/expense - adjustments: | | |
| Depreciation expense | (1,890,773) | (1,817,695) |
| Change in net position GAAP basis | \$ 16,891,085 | \$ 12,162,654 |

8. Risk Management

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

At December 31, 2021 (the most current audited financial statements) CSDPLP has total admitted assets of \$68,195,261 liabilities of \$46,165,251 and unassigned surplus of \$22,030,010. The liability amount includes no long-term debt. Total revenue for 2021 amounted to \$24,889,624, investment income of \$482,027 and total expenses were \$25,123,490 resulting in a net income of \$248,160. The amount of the District’s share of these amounts is less than 1%.

North Weld County Water District

Notes to Financial Statements

9. Contingencies

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

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

10. Deferred Compensation Pension Plan

During 1993 the District established an Internal Revenue Code Section 457 deferred compensation plan which also provides for contributions from the employee and the employer. The District makes matching contributions of up to 3.0% of an employee's eligible salary. During 2022 and 2021, the District's contributions to this plan totaled \$114,839 and \$74,311, respectively.

11. 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.

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.

12. Subsequent Events

The District evaluated subsequent events through October 6, 2023, 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

North Weld County Water District

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

For the Years Ended December 31,

2022

2021

| | Budgeted Amounts | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | Actual Amounts Budget Basis |
|---------------------------------------|-------------------|-------------------|--------------------------------------|---|--------------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Operating revenues: | | | | | |
| Metered sales | \$11,484,447 | \$11,484,447 | \$ 12,720,143 | \$ 1,235,696 | \$ 12,375,464 |
| Surcharges | 2,625,016 | 2,625,016 | 5,130,584 | 2,505,568 | 1,949,876 |
| PI surcharge | 2,132,826 | 2,132,826 | 3,551,492 | 1,418,666 | 2,170,234 |
| Adjustments | (20,000) | (20,000) | (20,063) | (63) | (31,804) |
| Construction water | 211,050 | 211,050 | 326,142 | 115,092 | 397,074 |
| Total operating revenues | 16,433,339 | 16,433,339 | 21,708,298 | 5,274,959 | 16,860,844 |
| Non-operating revenue: | | | | | |
| Earnings on investments | 131,196 | 131,196 | 780,724 | 649,528 | 2,997 |
| Water lease and rental | 17,850 | 17,850 | 39,292 | 21,442 | 56,740 |
| Miscellaneous | 73,414 | 73,414 | 206,767 | 133,353 | 28,297 |
| Total non-operating revenues | 222,460 | 222,460 | 1,026,783 | 804,323 | 88,034 |
| Proceeds from issuance of debt | 38,000,000 | 38,000,000 | 34,615,000 | (3,385,000) | - |
| Capital contributions: | | | | | |
| Tap fees - customers | 1,000,000 | 1,000,000 | 3,453,950 | 2,453,950 | 1,790,750 |
| Meter set fees | 324,730 | 324,730 | 176,255 | (148,475) | 206,075 |
| Reimbursement for water rights | 300,000 | 300,000 | 2,367,250 | 2,067,250 | 3,495,026 |
| Distance fees | 173,189 | 173,189 | 403,725 | 230,536 | 359,400 |
| Reimbursement for line extension | 150,000 | 150,000 | 737,615 | 587,615 | 785,031 |
| Water storage | - | - | - | - | - |
| Miscellaneous | 34,963 | 34,963 | (4,250) | (39,213) | 5,000 |
| Total capital contributions | 1,982,882 | 1,982,882 | 7,134,545 | 5,190,876 | 6,641,282 |
| Total revenues | 56,638,681 | 56,638,681 | 64,484,626 | 7,885,158 | 23,590,160 |
| Expenditures | | | | | |
| Administrative: | | | | | |
| Personnel - Administrative | 511,192 | 511,192 | 547,332 | (36,140) | 622,713 |
| Payroll Taxes | 107,702 | 107,702 | 139,672 | (31,970) | 134,584 |
| Health Insurance | 49,359 | 49,359 | 56,389 | (7,030) | 57,840 |
| Office Utilities | 359,367 | 359,367 | 243,112 | 116,255 | 190,370 |
| Office Expense | 196,570 | 196,570 | 267,816 | (71,246) | 248,832 |
| Professional Fees | 584,853 | 584,853 | 865,616 | (280,763) | 571,070 |
| Miscellaneous | 7,577 | 7,577 | 113,406 | (105,829) | - |
| Total administrative | 1,816,620 | 1,816,620 | 2,233,343 | (416,723) | 1,825,409 |

(Continued)

North Weld County Water District

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

| For the Years Ended December 31, | 2022 | | 2021 | | |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | Budget Basis | Positive (Negative) | Budget Basis |
| Distribution | | | | | |
| Water | 4,145,255 | 4,145,255 | 3,066,466 | 1,078,789 | 3,038,683 |
| Personnel operations | 1,571,940 | 1,571,940 | 1,678,276 | (106,336) | 1,199,098 |
| Operation and maintenance | 718,367 | 718,367 | 1,327,931 | (609,564) | 1,632,456 |
| Engineering | 250,000 | 250,000 | - | 250,000 | - |
| Electricity | 313,000 | 313,000 | 189,117 | 123,883 | 210,192 |
| Communications | 50,000 | 50,000 | 9,764 | 40,236 | 3,146 |
| Insurance | 82,461 | 82,461 | 170,022 | (87,561) | 85,760 |
| Miscellaneous | 3,714 | 3,714 | 1,295,471 | (1,291,757) | 925,394 |
| Total distribution | 7,134,737 | 7,134,737 | 7,737,047 | (602,310) | 7,094,729 |
| Debt service | | | | | |
| Interest expense | - | - | 1,117,378 | (1,117,378) | 689,673 |
| Principal paid | 3,238,288 | 3,238,288 | 1,915,000 | 1,323,288 | 1,870,000 |
| Total debt service | 3,238,288 | 3,238,288 | 3,032,378 | 205,910 | 2,559,673 |
| Capital improvements | | | | | |
| Soldier Canyon Filter Plant | - | - | - | - | 4,719,198 |
| Storage tanks | 5,900,000 | 5,900,000 | 83,361 | 5,816,639 | - |
| Pump stations | - | - | 50,761 | (50,761) | - |
| Equipment | 109,260 | 109,260 | 422,858 | (313,598) | 69,848 |
| System | 14,426,440 | 14,426,440 | 1,223,874 | 13,202,566 | 1,045,221 |
| Water rights, storage, infrastructure | 6,000,000 | 6,000,000 | 9,370,787 | (3,370,787) | 7,734,957 |
| Land and easements | 180,000 | 180,000 | 126,900 | 53,100 | 100,311 |
| Construction in progress | - | - | 22,713 | (22,713) | 2,774,206 |
| Total capital improvements | 26,615,700 | 26,615,700 | 11,301,254 | 15,314,446 | 16,443,741 |
| Total budgeted expenditures | 38,805,345 | 38,805,345 | 24,304,022 | 14,501,323 | 27,923,552 |
| Excess (deficiency) of budgeted | | | | | |
| revenues over budgeted | | | | | |
| expenditures | \$ 17,833,336 | \$ 17,833,336 | \$ 40,180,604 | \$ 22,386,481 | \$ (4,333,392) |

See accompanying Independent Auditor's Report.