



East Larimer County Water District

**Financial Statements and Supplementary
Information**

For the Years Ended December 31, 2017 and 2016



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July 28, 2018

East Larimer County Water District

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Independent Auditor's Report

Board of Directors
East Larimer County Water District
Fort Collins, Colorado

We have audited the accompanying basic financial statements of the East Larimer County Water District (the "District") as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Larimer County Water District as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6, Schedule of the District's Proportionate Share of the Net Pension Liability on page 33, and Schedule of District Contributions on pages 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on page 36 is 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
July 24, 2018

**East Larimer County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017 and 2016**

The East Larimer County ("ELCO") Water District (the "District") is hereby submitting its Annual Financial Report for the fiscal year ending December 31, 2017. The report has been prepared in compliance with Statements of the Governmental Accounting Standards Board No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis - For State and Local Governments" (hereafter "GASB 34"), and related standards. The accuracy, completeness and fairness of the report, including all disclosures, are the responsibility of the District. The District believes the report is complete and accurate in all material respects.

District History

East Larimer County Water District provides drinking water to homes and businesses located north and east of Fort Collins, Colorado. The District was created by court decree on January 15, 1962 after voters in Larimer and Weld Counties approved formation of the District.

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on District financial issues and activities.

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the District's basic financial statements (beginning on page 7).

2017 Highlights - Business-Type Activities

- At December 31, 2017, net position was \$64,661,814 or an increase of \$6,999,919, or an increase of 12% when compared to December 31, 2016;
- Total operating revenues decreased to \$5,275,704 during 2017, which was \$63,954, or 1% less than 2016;
- Total operating expenses were \$5,539,699, an increase of \$1,114,020, or 25% in 2017 compared to 2016;
- Net capital assets were \$61,365,261 at December 31, 2017 compared to \$55,716,158 at December 31, 2016 for an increase of \$5,649,103, or 10% over 2016;
- Long-term debt decreased to \$5,020,000 at December 31, 2017, which was \$365,000 or 6% lower when compared to the balance at December 31, 2016.

Using this Annual Report

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

Statements of Net Position - report the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See page 7).

Statements of Revenues, Expenses and Changes in Net Position - report the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 8).

Statements of Cash Flows - report the District's cash flows from operating, investing, capital and non-capital activities. (See page 9).

**East Larimer County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017 and 2016**

Statements of Net Position

	2017	2016
Assets		
Current assets	\$ 10,870,855	\$ 9,755,998
Capital assets, net	61,365,261	55,716,158
Other non-current assets	-	(133,215)
	72,236,116	65,338,941
Deferred outflows of resources		
Unamortized deferred loss on refunding of bonds	2,161	6,376
Deferred outflows of resources relating to pension	595,637	530,103
	597,798	536,479
Liabilities		
Current liabilities	1,179,963	1,101,073
Long-term liabilities	6,904,753	7,054,901
	8,084,716	8,155,974
Deferred inflows of resources		
Deferred inflows of resources relating to pensions	87,384	57,551
	87,384	56,704
Net position		
Net investment in capital assets	56,342,430	50,328,803
Unrestricted	8,319,384	7,333,092
	\$ 64,661,814	\$ 57,661,895
Total net position at December 31,	\$ 64,661,814	\$ 57,661,895

The long-term debt decrease was due to the payment of \$355,000 principal on the 2009 water enterprise revenue refunding bond.

**East Larimer County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017 and 2016**

Review of Revenues

	2017	2016
<u>Revenues</u>		
Operating revenues		
Water service revenue	\$ 5,275,704	\$ 5,339,658
<u>Subtotal</u>	5,275,704	5,339,658
Non-operating revenues		
Earnings on investments	16,236	9,298
Gain on disposition of capital assets	6,336	96,000
Unrealized gain on investments	40,470	31,416
<u>Subtotal</u>	63,042	136,714
Total revenues	\$ 5,338,746	\$ 5,476,372

Operating revenue was \$5,275,704 or 107% of the budget. Earnings on investments were up in 2017 at \$56,706 compared with \$40,714 in 2016. The total revenues were down approximately 2.5% from 2016 primarily due to a decrease in water sales.

Review of Expenses

	2017	2016
<u>Expenses</u>		
Operating expenses		
Administrative and general	\$ 1,440,305	\$ 1,225,876
Field operating	3,261,270	2,220,907
Depreciation	838,124	978,896
Total operating expenses	\$ 5,539,699	\$ 4,425,679

Field operating expenditures were 16% over budget.

Administrative and general expenditures increased by approximately \$214,429 or 17% compared to 2016 due primarily increased costs of administrative and management service costs.

Depreciation decreased by \$140,772 during 2017.

Capital Contribution and Transfers

	2017	2016
Year Ending December 31		
Capital contributions	\$ 7,414,977	\$ 4,323,357

Cash capital contributions were \$1,340,284 (not including noncash contributions of \$6,074,693) or 164% of the budget and total contributions were up \$3,091,720 from 2016.

**East Larimer County Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017 and 2016**

Capital Assets (Net of Depreciation)

Year Ending December 31	2017	2016
Water rights	\$ 19,907,724	\$19,595,073
Water rights pending change of use	9,646,167	4,981,674
Land and right of way	291,150	291,150
Construction in progress	157,605	127,717
Filter plant	-	8,737,064
Building and improvements	1,500,318	1,483,019
Transmission and distribution system	36,385,586	34,988,972
Transportation equipment	448,178	439,907
Water Storage	2,721,537	2,677,827
Office furniture and equipment	599,780	599,780
Other equipment	683,311	683,311
SCWTA Treatment Capacity	4,745,183	-
Total	\$ 77,086,539	\$ 74,605,494

During 2017 the District expended approximately \$131,559 to continue construction of acquisition of storage reservoirs including the Overland Trail Ponds and River Bluffs project. Also, approximately \$252,598 was expended to replace aging infrastructure in the District. Further capital asset information is available in the notes (see pages 18-19).

Debt and Other Financial Obligations

The District long-term debt was \$5,020,000 and \$5,385,000 in 2017 and 2016, respectively. The long-term debt decrease was due to principal payments on the 2009 and 2009A water enterprise revenue bonds totaling \$365,000. Further debt information is available in the notes (see pages 20-21).

Contracts and Agreements

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Larimer County Water District, 232 South Link Lane, Fort Collins, Colorado 80524

Basic Financial Statements

East Larimer County Water District

Statements of Net Position

<i>December 31,</i>	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 258,957	\$ 513,992
Investments	10,191,644	8,913,891
Receivables, net	237,382	192,482
Prepaid expenses	182,872	135,633
Total current assets	10,870,855	9,755,998
Non-current assets		
Capital assets		
Property, plant and equipment, net	61,365,261	55,716,158
Other non-current assets		
Investment in joint venture accounted for using the equity method	-	(133,215)
Total non-current assets	61,365,261	55,582,943
Total assets	72,236,116	65,338,941
Deferred outflows of resources		
Deferred loss on refunding of bonds	2,161	6,376
Deferred outflows of resources relating to pensions	595,637	530,103
Total deferred outflows of resources	597,798	536,479
Liabilities		
Current liabilities		
Current portion of long-term debt	375,000	365,000
Accounts payable	253,502	254,742
Accrued interest payable	16,863	17,852
HRA liability	534,598	463,479
Total current liabilities	1,179,963	1,101,073
Non-current liabilities		
Accrued compensated absences	26,066	23,935
Long-term debt (net of current maturities and unamortized discount and premium)	4,649,992	5,028,731
Net pension liability	2,228,695	2,002,235
Total non-current liabilities	6,904,753	7,054,901
Total liabilities	8,084,716	8,155,974
Deferred inflows of resources		
Deferred inflows of resources relating to pensions	87,384	57,551
Total deferred inflows of resources	87,384	57,551
Net position		
Net investment in capital assets	56,342,430	50,328,803
Unrestricted	8,319,384	7,333,092
Total net position	\$ 64,661,814	\$ 57,661,895

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

East Larimer County Water District

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended December 31,</i>	2017	2016
Operating revenues		
Water service revenue	\$ 5,275,704	\$ 5,339,658
Operating expenses		
Operating expenses	4,701,575	3,446,783
Depreciation	838,124	978,896
Total operating expenses	5,539,699	4,425,679
Operating (loss) income	(263,995)	913,979
Non-operating revenues (expenses)		
Earnings from investments	56,706	40,714
Interest expense	(213,705)	(225,631)
Bonds service fees	(400)	(200)
Gain on disposal of capital assets	6,336	96,000
Equity in net loss of joint venture	-	(53,565)
Total non-operating revenues (expenses)	(151,063)	(142,682)
Net (loss) income before contributions	(415,058)	771,297
Capital contributions	7,414,977	4,323,357
Change in net position	6,999,919	5,094,654
Net position at beginning of year	57,661,895	52,567,241
Net position at end of year	\$ 64,661,814	\$ 57,661,895

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

East Larimer County Water District

Statements of Cash Flows

<i>For the years ended December 31,</i>	2017	2016
Cash flows from operating activities		
Cash received from customers	\$ 5,230,804	\$ 5,398,093
Cash paid to suppliers	(3,069,872)	(1,889,221)
Cash paid to employees	(1,501,728)	(1,399,334)
Net cash flows from operating activities	659,204	2,109,538
Cash flows from capital and related financing activities		
System development fees	1,342,134	2,182,357
Proceeds from sale of capital assets	6,336	10,000
Acquisition and construction of capital assets	(461,568)	(1,406,438)
Principal paid on long-term debt	(365,000)	(350,000)
Interest paid on long-term debt	(214,694)	(226,506)
Fees paid for revenue bonds	(400)	(200)
Net cash flows from capital and related financing activities	306,808	209,213
Cash flows from investing activities		
Purchase of investments	(6,980,453)	(8,612,460)
Proceeds from redemption of investments	5,702,700	5,947,072
Cash invested in joint venture	-	(150,878)
Cash received from earnings on investments	56,706	40,714
Net cash flows from investing activities	(1,221,047)	(2,775,552)
Net change in cash and cash equivalents	(255,035)	(456,801)
Cash and cash equivalents at beginning of year	513,992	970,793
Cash and cash equivalents at end of year	\$ 258,957	\$ 513,992
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating (loss) income	\$ (263,995)	\$ 913,979
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	838,124	978,896
Amortization	476	1,788
Change in accounts receivable allowance	-	(88,811)
Change in assets and liabilities:		
Receivables	(44,900)	147,246
Prepaid expenses	(47,239)	(17,082)
Accounts payable and HRA liability	(16,152)	31,921
Accrued compensated absences	2,131	835
Net pension liability and related items	190,759	140,766
Net cash flows from operating activities	\$ 659,204	\$ 2,109,538
Non-cash investing, capital and financing activities:		
Contributed capital assets	\$ 6,072,843	\$ 2,141,000
Noncash addition of SCWTA Treatment Capacity	\$ 4,780,130	\$ -
Contribution of Filter Plant to SCWTA for treatment capacity	\$ (4,780,130)	\$ -
Trade-in value of water asset exchanged	\$ -	\$ 176,000
Capital assets acquired with accounts payable	\$ 86,031	\$ 10,546

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

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

1. Summary of Significant Accounting Policies

Form of Organization

East Larimer County Water District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“C.R.S.”). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

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

Reporting Entity

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 are 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, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for 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 statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and become measurable. Total net position is segregated into net investment in capital assets, and unrestricted net position.

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

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 (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.

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

The total appropriated expenditures, original and final, for the District were \$11,774,897 for the year ended December 31, 2017.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less, which are available for operating expenditures, to be cash equivalents. Cash and cash equivalents held in custodial accounts for investment purposes are treated as investments.

Investments

Investments, consisting of funds invested in marketable debt and equity securities and certificates of deposit, are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in a local government investment pool are measured at net asset value (“NAV”).

Allowance for Doubtful Accounts

The District’s receivables are due from commercial and residential customers within the District service area. The District’s policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2017 or 2016, based on historical collection experience, and the ability to place liens on property.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses, an asset, in the accompanying financial statements.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

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:

	Estimated Lives
Building and improvements	10 - 40 years
Transmission and distribution system	5 - 50 years
Transportation equipment	5 - 7 years
Water Storage	10 - 50 years
Office furniture and equipment	5 - 20 years
Other equipment	5 - 10 years
Water rights, treatment capacity, land and right of way, and construction in progress	n/a

Joint Venture

Prior to February 1, 2017, the District was a participant with North Weld County Water District ("NWCWD") 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, NWCWD 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, NWCWD and FLWD. The District's net investment and its share of the operating results of the Plant were reported in the accompanying Statements of Net Position, and Statements of Revenues, Expenses and Changes in Net Position. The District's deficit interest in the Plant was \$0 and (\$133,215) at December 31, 2017 and 2016, respectively.

On February 1, 2017, the District transferred all of the Filter Plant assets to a new entity, Solider Canyon Water Treatment Authority (the "Authority"). In exchange for the District's share of the Plant assets, the District received treatment capacity share of 12.179 MGD or 28.264%. The treatment capacity is considered an intangible asset with an indefinite life and is included in capital assets. Complete financial statements for the Authority may be obtained from the Authority's administrative office at 4424 LaPorte Avenue, Ft. Collins, Colorado 80521. See additional disclosures in Note 13.

Debt Issuance Costs

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

Debt Related Deferrals

Debt 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 deferred loss on refunding is reported as a deferred outflow of resources in the accompanying statements of net position. The net premiums and discounts are presented as an adjustment to the face amount of the debt.

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expense and 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 \$26,066 and \$23,935 at December 31, 2017 and 2016, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources relating to the bond refunding and pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources relate to pensions (see note 8).

Pensions

The District participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments at PERA are reported at fair value.

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.

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30 day cycles. Unbilled water charges are accrued for the period from the last meter reading through year-end and are included in receivables. At December 31, 2017 and 2016, there were no unbilled accounts receivable.

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.

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.

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, 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 and could be material.

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, C.R.S. 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 federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2017 and 2016, the District had deposits with a financial institution with a carrying amount of \$258,557 and \$513,592, respectively. The bank balances with the financial institution were \$308,889 and \$557,717, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$58,889 and \$307,717 respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

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

	2017	2016
Cash on hand	\$ 400	\$ 400
Cash on deposit with financial institutions	258,557	513,592
Total cash and cash equivalents	\$ 258,957	\$ 513,992

Investments

C.R.S. specifies 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.

Custodial Credit Risk - Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017 and 2016, none of the District’s investments were exposed to custodial credit risk.

At December 31, 2017, the District had the following investments and quality ratings:

Investments	S&P Rating	Moody Rating	Value	Weighted Average Maturity in years	Concentration of Credit Risk
Cash and cash equivalents	Not rated	Not rated	\$ 3,248,237	n/a	31.8%
Government agency bonds	AA+	AAA to Aaa	851,030	2.9	8.4%
U.S. Treasury notes	AA+	AAA	2,658,770	2.3	26.1%
Certificates of deposit	Not rated	Not rated	2,443,400	2.2	24.0%
ColoTrust	Aaa	AAAAm	990,207	n/a	9.7%
Total			\$ 10,191,644		

East Larimer County Water District Notes to Financial Statements

December 31, 2017 and 2016

At December 31, 2016, the District had the following investments and quality ratings:

Investments	S&P Rating	Moody Rating	Value	Weighted Average Maturity in years	Concentration of Credit Risk
Cash and cash equivalents	Not rated	Not rated	\$ 2,360,868	n/a	26.5%
Government agency bonds	AA+	AAA to Aaa	209,346	1.3	2.3%
U.S. Treasury notes	AA+	AAA	2,653,086	3.0	29.8%
Corporate debt	AAA to A	AA3 to A2	100,025	0.8	1.1%
Certificates of deposit	Not rated	Not rated	2,037,643	1.0	22.9%
ColoTrust	Aaa	AAAm	1,552,923	n/a	17.4%
Total			\$ 8,913,891		

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.

The value of investments at December 31, 2017 was:

Description	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 3,248,237	\$ 3,248,237	\$ -	\$ -
Government agency bonds	851,030	-	851,030	-
U.S. Treasury notes	2,658,770	-	2,658,770	-
Certificates of deposit	2,443,400	-	2,443,400	-
	<u>\$ 9,201,437</u>	<u>\$ 3,248,237</u>	<u>\$ 5,953,200</u>	<u>\$ -</u>
Investments measured at NAV	990,207			
	<u>\$ 10,191,644</u>			

The value of investments at December 31, 2016 was:

Description	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,360,868	\$ 2,360,868	\$ -	\$ -
Government agency bonds	209,346	-	209,346	-
U.S. Treasury notes	2,653,086	-	2,653,086	-
Corporate debt	100,025	-	100,025	-
Certificates of deposit	2,037,643	-	2,037,643	-
	<u>\$ 7,360,968</u>	<u>\$ 2,360,868</u>	<u>\$ 5,000,100</u>	<u>\$ -</u>
Investments measured at NAV	1,552,923			
	<u>\$ 8,913,891</u>			

The fair values of cash and cash equivalents are equal to the sum of the account balances.

The fair values of government and corporate bonds and U.S. Treasury notes are based on current interest rates for instruments with similar characteristics, as estimated by the custodians of the securities. Certificates of deposit are valued at cost plus accrued interest, which approximates fair value. Management has determined that the pricing models utilized by the custodians provide reasonable estimations of the fair values of the securities.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

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. C.R.S. limits investment maturities to five years or less from the date of purchase. This limit on investments is a means of limiting exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pools

At December 31, 2017 and 2016, the District had invested \$990,207 and 1,552,923, 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.

3. Receivables

Receivables consist of the following at December 31:

	2017	2016
Water service	\$ 214,109	\$ 170,294
Accrued interest	18,556	18,556
Miscellaneous	4,717	3,632
Total	\$ 237,382	\$ 192,482

East Larimer County Water District
Notes to Financial Statements

December 31, 2017 and 2016

4. Capital Assets

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

	Beginning Balance	Additions	Deletions and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
SCWTA treatment capacity	\$ -	\$ 4,745,183	\$ -	\$ 4,745,183
Water rights	19,595,073	312,651	-	19,907,724
Water rights pending change of use	4,981,674	4,664,493	-	9,646,167
Land and right of way	291,150	-	-	291,150
Construction in progress	127,717	134,065	(104,177)	157,605
Total capital assets, not being depreciated	24,995,614	9,856,392	(104,177)	34,747,829
Capital assets, being depreciated:				
Filter plant	8,737,064	-	(8,737,064)	-
Buildings and improvements	1,483,019	17,299	-	1,500,318
Transmission and distribution system	34,988,972	1,487,879	(91,265)	36,385,586
Transportation equipment	439,907	28,123	(19,852)	448,178
Water Storage	2,677,827	43,710	-	2,721,537
Office furniture and equipment	599,780	-	-	599,780
Other equipment	683,311	-	-	683,311
Total capital assets, being depreciated	49,609,880	1,577,011	(8,848,181)	42,338,710
Less accumulated depreciation for:				
Filter plant	(3,942,267)	(14,667)	3,956,934	-
Buildings and improvements	(1,011,233)	(62,631)	-	(1,073,864)
Transmission and distribution system	(12,352,544)	(695,347)	29,396	(13,018,495)
Transportation equipment	(299,504)	(36,836)	19,852	(316,488)
Water storage	(17,514)	(20,050)	-	(37,564)
Office furniture and equipment	(590,589)	(6,339)	-	(596,928)
Other equipment	(675,685)	(2,254)	-	(677,939)
Total accumulated depreciation	(18,889,336)	(838,124)	4,006,182	(15,721,278)
Total capital assets, being depreciated, net	30,720,544	738,887	(4,841,999)	26,617,432
Capital assets, net	\$ 55,716,158	\$ 10,595,279	\$ (4,946,176)	\$ 61,365,261

East Larimer County Water District
Notes to Financial Statements

December 31, 2017 and 2016

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions and Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Water rights	\$ 17,718,090	\$ 1,936,000	\$ (59,017)	\$ 19,595,073
Water rights pending change of use	4,502,490	510,167	(30,983)	4,981,674
Land and right of way	291,150	-	-	291,150
Construction in progress	89,980	117,030	(79,293)	127,717
Total capital assets, not being depreciated	22,601,710	2,563,197	(169,293)	24,995,614
Capital assets, being depreciated:				
Filter plant	8,737,064	-	-	8,737,064
Buildings and improvements	1,483,019	-	-	1,483,019
Transmission and distribution system	34,192,550	855,398	(58,976)	34,988,972
Transportation equipment	401,379	52,267	(13,739)	439,907
Water storage	2,276,436	380,152	21,239	2,677,827
Office furniture and equipment	599,780	-	-	599,780
Other equipment	686,826	-	(3,515)	683,311
Total capital assets, being depreciated	48,377,054	1,287,817	(54,991)	49,609,880
Less accumulated depreciation for:				
Filter plant	(3,766,269)	(175,998)	-	(3,942,267)
Buildings and improvements	(947,904)	(63,329)	-	(1,011,233)
Transmission and distribution system	(11,678,459)	(674,085)	-	(12,352,544)
Transportation equipment	(282,813)	(30,430)	13,739	(299,504)
Water storage	(2,700)	(14,814)	-	(17,514)
Office furniture and equipment	(583,237)	(7,352)	-	(590,589)
Other equipment	(666,312)	(12,888)	3,515	(675,685)
Total accumulated depreciation	(17,927,694)	(978,896)	17,254	(18,889,336)
Total capital assets, being depreciated, net	30,449,360	308,921	(37,737)	30,720,544
Capital assets, net	\$ 53,051,070	\$ 2,872,118	\$ (207,030)	\$ 55,716,158

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

5. Long-Term Debt

A summary of the District's long-term debt was as follows as of December 31:

	2017	2016
\$3,610,000 - 2009A water enterprise revenue bonds were issued to finance improvements to the District's distribution system. Interest, with rates ranging from 2.0% to 4.5%, is payable semiannually through December 1, 2028. The obligations are secured by net revenues of the system.	\$3,540,000	\$3,550,000
\$4,315,000 - 2009B water enterprise revenue refunding bonds were issued to refund the 1998 water refunding bonds. Interest, with rates ranging from 3.0% to 4.0%, is payable semiannually through December 1, 2028. The obligations are secured by net revenues of the system.	1,480,000	1,835,000
Total long-term debt	\$5,020,000	\$5,385,000

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

Year Ending December 31,	Principal	Interest	Total
2018	\$ 375,000	\$ 202,355	\$ 577,355
2019	385,000	189,230	574,230
2020	400,000	175,755	575,755
2021	420,000	161,755	581,755
2022	435,000	144,955	579,955
2023 - 2027	2,450,000	445,130	2,895,130
2028	555,000	24,975	579,975
Total	\$ 5,020,000	\$ 1,344,155	\$ 6,364,155

The 2009 bond resolutions require that the reserve fund be funded in an amount equal to the least of (1) 100% of the maximum annual payment of principal and interest, (2) 125% of the average payment of principal and interest, or (3) 10% of the outstanding principal amount of the principal amount of the bonds. On June 9, 2009 the District purchased two insurance policies from Assured Guaranty Corp. to meet these requirements of the 2009 bond issues; therefore, no balances have been placed in reserve.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

A summary of changes in debt for December 31, 2017, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2009A water enterprise revenue bonds	\$3,550,000	\$ -	\$ 10,000	\$3,540,000	\$ 10,000
2009B water enterprise revenue refunding bonds	1,835,000	-	355,000	1,480,000	365,000
Accrued compensated absences	23,935	532,229	530,098	26,066	-
Totals	5,408,935	\$ 532,229	\$ 895,098	5,046,066	\$ 375,000
Current portion of long-term debt	(365,000)			(375,000)	
Net bond premium	13,003			8,794	
Net bond discount	(4,272)			(3,802)	
Noncurrent portion of long-term debt	<u>\$5,052,666</u>			<u>\$4,676,058</u>	

6. Reconciliation of Budget Basis Accounting to GAAP Financial Statements

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

	2017	2016
Revenues per non-GAAP budgetary statement	\$ 6,674,544	\$ 7,562,729
Expenditures per non-GAAP budgetary statement	(5,741,772)	(6,473,942)
Excess of budgeted revenues over budgeted expenditures	932,772	1,088,787
Non-GAAP revenues/expenditures:		
Bond principal	365,000	350,000
Capital expenditures	461,568	2,302,238
Contribution to joint venture	-	150,878
GAAP revenue/expense - adjustments:		
Depreciation expense	(838,124)	(978,896)
Amortization of debt deferrals	(476)	(1,788)
Equity in net loss of joint venture	-	(53,565)
Non-cash contributed capital assets	6,072,843	2,141,000
Gain on disposition of capital assets	6,336	96,000
Change in net position	\$ 6,999,919	\$ 5,094,654

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or natural disasters. The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool"). The Pool is an organization composed of approximately 1,100 members created by an intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to \$1,000,000.

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

At December 31, 2016 (the most current audited financial statements) CSDPLP has total admitted assets of \$52,645,796, liabilities of \$28,757,242 and unassigned surplus of \$23,888,554. The liability amount includes no long-term debt. Total revenue for 2016 amounted to \$19,338,769 and total expenses were \$14,100,230 resulting in net income of \$5,238,539. The amount of the District's share of these amounts is less than 1%.

8. Public Employees' Retirement Association of Colorado

Plan description

Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit;
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W") for the prior calendar year.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (“AIR”) for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF¹	12.68%

¹Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$136,680 and \$126,850 respectively, for the years ended December 31, 2017 and 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017 and 2016, the District reported a net pension liability of \$2,228,695 and \$2,002,235, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2017 and 2016, respectively. The District’s proportion of the net pension liability was based on District contributions to the LGDTF for the calendar years 2016 and 2015 relative to the total contributions of participating employers to the LGDTF.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

At December 31, 2016, the District's proportion was 0.16505 percent, which was a decrease of 0.01671 percent from its proportion measured as of December 31, 2015. At December 31, 2015, the District's proportion was 0.18176 percent, which was a decrease of 0.00784 percent from its proportion measured as of December 31, 2014.

For the years ended December 31, 2016 and 2015, the District recognized pension expense of \$316,688 and \$267,026, respectively.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,661	\$ -
Changes of assumptions or other inputs	151,640	-
Net difference between projected and actual earnings on pension plan investments	267,656	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		87,384
District contributions subsequent to the measurement date	136,680	-
Total	\$ 595,637	\$ 87,384

The \$136,680 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2018	\$ 187,970
2019	112,355
2020	75,164
2021	(3,916)
	\$ 371,573

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,950	\$ -
Changes of assumptions or other inputs	-	36,674
Net difference between projected and actual earnings on pension plan investments	388,303	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	20,877
District contributions subsequent to the measurement date	126,850	-
Total	\$ 530,103	\$ 57,551

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 - 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses;
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year;
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses;
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

East Larimer County Water District

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In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016;
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%;
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members;
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions;
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate;
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections;
- Benefit payments and contributions were assumed to be made at the end of the month.

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Notes to Financial Statements

December 31, 2017 and 2016

Based on the above assumptions and methods, LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District’s proportionate share of the net pension liability	\$ 3,286,109	\$ 2,228,695	\$ 1,353,041

Pension plan fiduciary net position

Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

9. Postemployment Healthcare Benefits

Plan description

The District contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy

The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ended December 31, 2017, 2016, and 2015, the District’s contributions to the HCTF were \$12,489, \$10,204 and \$10,529, respectively, equal to their required contributions for each year.

East Larimer County Water District

Notes to Financial Statements

December 31, 2017 and 2016

10. Voluntary Investment Program

Plan description

Employees of the Authority that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from other contributions made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the CRS, as amended. In addition, the Authority has agreed to match employee contributions up to 3 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. The District did not make a contribution on behalf of eligible members during the year ended December 31, 2017 and 2016.

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. Water Bank

During 2001, the District implemented a process whereby owners of water rights can irrevocably transfer shares of water to the District in exchange for a holding receipt for such water. Transferors can assign raw water as measured by a formula set out in the water bank agreement either to the District to meet raw water requirements or to others for remuneration in exchange for a part or all of the holding receipts.

Change of use fees are to be applied to defray the cost of changing the use of the underlying water from agriculture to municipal use. The value of the shares subject to the change of use is reflected in capital assets under the category, “water rights pending change in use,” until such change has been approved.

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

13. Joint Venture

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

The District's share of the Plant's net position, shown in the following table, is reflected in the accompanying Statements of Net Position under the caption "Investment in joint venture accounted for using the equity method." This amount was further adjusted by amounts contributed for the construction of assets controlled by the Plant, and owned jointly and severally by each of the investors in the joint venture, net of the related depreciation expense until February 1, 2017.

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

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

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

**East Larimer County Water District
Notes to Financial Statements**

December 31, 2017 and 2016

15. Subsequent Events

The District evaluated subsequent events through July 24, 2018 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Required Supplementary Information

East Larimer County Water District
Schedule of the District's Proportionate Share of the Net Pension
Liability Last Ten Years

	2017	2016	2015	2014
District's proportion of the net pension liability	0.16505%	0.18176%	0.18960%	0.17053%
District's proportionate share of the net pension liability	\$ 2,228,695	\$ 2,002,235	\$ 1,699,410	\$ 1,271,625
District's covered-employee payroll	\$ 1,026,024	\$ 1,038,532	\$ 1,048,599	\$ 926,523
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.22%	192.79%	162.06%	137.25%
Plan fiduciary net position as a percentage of the total pension	73.60%	76.90%	80.70%	77.66%

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

**East Larimer County Water District
Schedule of District Contributions
Last Ten Years**

	2017	2016	2015
Statutorily Required Contribution	\$ 136,680	\$ 126,850	\$ 130,890
Contributions in Relation to the Statutorily Required Contribution	136,680	126,850	130,890
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 1,093,447	\$ 1,026,024	\$ 1,038,532
Contributions as a Percentage of Covered Employee Payroll	12.50%	12.36%	12.60%

2014	2013	2012	2011	2010	2009	2008
\$ 131,736	\$ 115,364	\$ 109,681	\$ 105,492	\$ 105,915	\$ 96,759	\$ 91,100
131,736	115,364	109,681	105,492	105,915	96,759	91,100
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,048,599	\$ 926,523	\$ 871,425	\$ 859,502	\$ 859,427	\$ 884,540	\$ 837,316
12.56%	12.45%	12.59%	12.27%	12.32%	10.94%	10.88%

See accompanying Independent Auditor's Report.

Other Supplementary Information

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

	2017					2016
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)		
	Original	Final				
Revenues						
Operating revenues	\$ 4,886,393	\$ 4,886,393	\$ 5,275,704	\$ 389,311		\$ 5,339,658
System development fees	3,203,790	3,203,790	1,342,134	(1,861,656)		2,182,357
Earnings on investments	55,000	55,000	56,706	1,706		40,714
Miscellaneous income	271,909	271,909	-	(271,909)		-
Total revenues	8,417,092	8,417,092	6,674,544	(1,742,548)		7,562,729
Expenditures						
Field operating expenditures						
Source of supply	512,474	512,474	500,068	12,406		433,988
Water treatment	760,350	760,350	1,418,225	(657,875)		637,386
Transmission and distribution	1,523,490	1,523,490	1,342,977	180,513		1,149,533
Total field operating	2,796,314	2,796,314	3,261,270	(464,956)		2,220,907
Administrative and general expenditures						
Accounting and finance	13,000	13,000	12,914	86		15,874
Administrative and management services	358,990	358,990	307,031	51,959		241,528
Billing and collection	58,697	58,697	76,185	(17,488)		71,903
Customer service	4,000	4,000	1,926	2,074		2,397
Personnel and training	854,396	854,396	1,042,249	(187,853)		894,174
Total administrative and general	1,289,083	1,289,083	1,440,305	(151,222)		1,225,876
Total operational expenditures	4,085,397	4,085,397	4,701,575	(616,178)		3,446,783
Non-operating expenditures						
Debt service, interest and paying agent fees	579,618	579,618	578,629	989		574,043
Capital expenditures	5,502,087	5,502,087	461,568	5,040,519		2,302,238
Contribution to joint venture	1,607,795	1,607,795	-	1,607,795		150,878
Total non-operating expenditures	7,689,500	7,689,500	1,040,197	6,649,303		3,027,159
Total expenditures	11,774,897	11,774,897	5,741,772	6,033,125		6,473,942
Excess (deficiency) of budgeted revenues over budgeted expenditures	\$ (3,357,805)	\$ (3,357,805)	\$ 932,772	\$ 4,290,577		\$ 1,088,787

See accompanying Independent Auditor's Report.