

Fort Collins-Loveland Water District

**Financial Statements and
Supplementary Information**
For the Years Ended December 31, 2017 and 2016

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July 3 , 2018

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Fort Collins-Loveland Water District

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Independent Auditor's Report

Board of Directors
Fort Collins-Loveland Water District
Fort Collins, Colorado

We have audited the accompanying financial statements of the Fort Collins-Loveland 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 Fort Collins-Loveland 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 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 34 to 37 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
June 19, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Fort Collins – Loveland Water District (the District) offers the readers of the District’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. In addition to this overview and analysis based on currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District’s financial statements, which begin on page 15 of this report.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal year ended December 31, 2017 by \$303.9 million (net position). Of the net position balance, \$50.8 million is unrestricted and is available to meet the District’s ongoing obligations.
- ❖ The District’s net position increased by \$18.9 million (6.6%).
- ❖ The District’s revenues from metered water sales decreased from \$11.6 million to \$11.2 million (a 3.6% decrease).
- ❖ The District sold 433 taps in 2017, generating \$15.2 million in system development fees, impact fees and raw water cash-in-lieu. This is a increase from 2016 tap sales of 384 (an increase of 12.8%). This reflects the stabilization of the economy in Colorado and its direct effect on the new home market in the District service area. The District served a total of 17,446 taps at year end.
- ❖ The District accepted 13 new water line extension projects for the year ended December 31, 2017, representing \$1.9 million in contributions in aid of construction.
- ❖ The District did not need to impose watering restrictions in 2017. There was no increase in water rates. The District’s management continually monitors revenue from metered sales and its impact on the District’s financial position.
- ❖ In 2017, the water portfolio was increased by 165 units of C-BT and 10.5 shares of North Poudre Irrigation (NPI). As of December 31, 2017, the District owned 13,033 units of C-BT, 1,199 shares of NPI, 1,238 shares of Divide Canal and Reservoir Company, 37.5 shares of Windsor Reservoir & Canal Co. and small amounts of other ditch companies. The cost of C-BT shares was approximately \$27,200 / unit by year-end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District operates as a special district under Title 32 Colorado Revised Statutes. Accordingly, the financial statements are prepared to account for operations similar to a business-type enterprise. The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows shown on a comparative basis with the prior year. The notes to the financial statements are considered to be an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided.

- ❖ The statement of net position presents information on all of the District's assets, liabilities and deferred inflows of resources. The difference between assets, liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may provide an indication of whether the District's financial position is improving or deteriorating. The statement also provides the basis for determining the overall financial health of the District including liquidity and financial flexibility.
- ❖ The statement of revenues, expenses and changes in net position presents information reflecting how the District's net position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This statement measures the success of the District's overall operation and can be used to determine the District's user fee, rates and changes are sufficient to cover operating costs.
- ❖ The statement of cash flows presents information concerning the District's cash receipts and cash payments during the year. The statement reports the cash receipts, cash payments, and net cash from operations, non-capital financing and capital and investing activities.

FINANCIAL ANALYSIS OF THE FORT COLLINS – LOVELAND WATER DISTRICT

The financial statements of the District begin on page 15. The true picture of the financial health of the District must be tempered with the operational theory and financial control that is practiced on a daily basis by the District.

Financial Policy and Priorities

The financial goal of the District is to operate as cost efficiently as possible and similar to the practices of private enterprise. The District annually reviews its financial policies to assess their impact on financial activities. Policies that affected financial activities are as follows:

1. Growth within the District pays its own way to the extent it is possible.
2. District administration and operations are funded from metered water sales.
3. Raw water purchases are funded by raw water fees charged to new tap holders.
4. Capital improvements to existing District assets are funded from metered water sales.
5. Acquisition of new assets such as new lines, pump stations, etc. are funded from plant investment fees or are contributed by the developer of new subdivisions.
6. Acquisition of new assets such as vehicles, computers and improvements to district office and maintenance area are funded by metered water sales.

Raw water charges, plant investment fees and monthly service fees are reviewed annually. Raw water charges are subject to the changes in the market price of raw water. The current level of these fees has been determined to be sufficient at this time to provide the necessary revenues to sustain operations, water purchases and capital construction. The District also requires developers to oversize connections where applicable, with reimbursements made to the developer with fees collected by the District as additional subdivisions attach to the line.

Day-To-Day Operational Control of the District

For operational control, the District has classified all operations into two distinct funds: Enterprise and General Government.

The general governmental activity was funded in 2017 by a 1.50 total mill levy. This total levy funds debt incurred by the District in 2010.

The District operates as a self-supporting enterprise. The enterprise fund is funded by revenues received from user fees, tap purchases and other sources that are sufficient to cover the day-to-day operating expenses of the District. There are two segments of the enterprise fund: general operations and non-operating (debt payment / water purchases / new construction).

The general operations segment is funded primarily from monthly user service charges and other miscellaneous revenues received by the District. These revenues cover the daily administration, plant operations and line maintenance expense of the District. The excess of revenue over expenses or expenses over revenue generated by general operations contributes to the non-operating segment.

The non-operating segment of the District can be divided into four categories:

1. Retirement of debt,
2. Raw water purchases,
3. Capital improvements, and
4. New development.

Debt payments are funded with taxes collected via the 1.50 mill levy. Raw water purchases are funded from fees collected for this purpose at the time a tap is purchased. The capital improvements are funded from PIFs (plant investment fees) collected when a tap is purchased. Developers pay for all infrastructures within a new development or subdivision.

The District's day-to-day operational control involves many levels of planning, forecasting and budgeting. Revenues and expenses are allocated to specific District functions. The staff presents monthly financial reports to the board of directors for review. The report contains monthly revenues and expenditures compared to the adopted budget. This report is an essential tool that is critical to the District's long-range financial planning efforts.

Overall Financial Position and Results of Operations

Financial Analysis

A summary of the statement of net position is shown in Table A. The total net position represents the difference between the District's total assets, total liabilities and deferred inflows of resources and is one way to measure the District's health. Increases or decreases in the District's net position are indicators of improving or deteriorating financial health. This information, along with other non-financial information such as population growth or decline, legislative changes or board policy changes, provides an integrated assessment of the District's health.

The table indicates that all of the District's finances are excellent. However, it is important that on a year-to-year basis the District operates within the constraints of its budget.

It is also important to note that in the non-operating portion of the budget, annual expenditures may in some instances exceed the annual revenues when reported during a single year. Because it is the policy of the District that growth funds construction, it is possible that some funds recorded as revenues and received from raw water charges and plant investment fees are received in one year and the expenditures are not incurred until the next or future years. The difference is accounted for in the overall long range financial planning of the District. Also, funds collected from user fees may be used at various times to fund capital improvements, District-required line oversizing of distribution lines and other costs authorized by the board of directors. A summary of the statement of revenues, expenses and changes in net position is shown in Table B.

Table A
Condensed Statement of Net Position

	December 31,		
	2017	2016	2015
Current Assets	\$ 54,061,111	\$ 43,253,618	\$ 41,541,193
Restricted Cash	1,127,500	1,127,500	1,127,500
Capital Assets	267,185,703	259,211,508	235,363,080
Other Assets	3,517	656,295	155,600
Total Assets	\$ 322,377,831	\$ 304,248,921	\$278,187,373
Current Liabilities	\$ 3,215,704	\$ 2,768,773	\$ 1,877,611
Long-Term Debt	14,189,990	15,496,293	16,722,275
Total Liabilities	\$ 17,405,694	\$ 18,265,066	\$ 18,599,886
Deferred Inflows of Resources	\$ 1,100,000	\$ 1,056,170	\$ 1,038,468
Net Position			
Net Investment in Capital Assets	\$251,890,481	\$242,666,193	\$218,001,685
Restricted for Debt Service	1,127,500	1,127,500	1,127,500
Restricted Emergency Reserve	34,500	31,500	31,020
Unrestricted	50,819,656	41,102,492	39,388,814
Total Net Position	\$303,872,137	\$284,927,685	\$258,549,019

Table B
Condensed Statement of Revenues, Expenses and Changes in Net Position

	December 31,		
	2017	2016	2015
Total Operating Revenues	\$ 12,349,409	\$ 12,589,478	\$ 11,173,258
Total Operating Expenses	9,472,713	6,880,256	6,352,452
Net Operating Income before Depreciation	2,876,696	5,709,223	4,820,806
Depreciation	2,436,637	2,604,678	2,474,215
Income from Operations	440,059	3,104,544	2,346,591
Non-Operating Revenues	1,734,354	1,689,482	1,350,610
Non-Operating Expenses	843,780	838,223	854,522
Net Income	1,330,633	3,955,803	2,842,679
Capital Contributions	17,613,819	22,422,863	20,384,012
Changes in Net Position	18,944,452	26,378,666	23,226,691
Total Net Position - Beginning of Year	284,927,685	258,549,019	235,322,328
Total Net Position - End of Year	\$303,872,137	\$284,927,685	\$258,549,019

Operating activities increased the District's net position by \$440 thousand, accounting for 2.3% of the District's overall increase in net position. Key elements of this change are due to the following:

- ❖ Service charges for metered water sales were \$11.2 million, down from \$11.6 million in 2016. The decrease is due to customers using less water due to conditions over the summer months. There were no rate increases for 2017.
- ❖ There was an overall increase in operating expenses of \$2.6 million, not including depreciation, (up 37.7%). The increase is composed of:
 - Source and Treatment had an increase of \$1.8 million, attributable to treatment costs at Soldier Canyon Water Treatment Authority, increased assessments and purchase of treated water from the City of Fort Collins.
 - Distribution and Engineering costs increased by \$800 thousand, attributable to the maintenance of water tanks, repairs in water lines, and increase in meter hosting services.

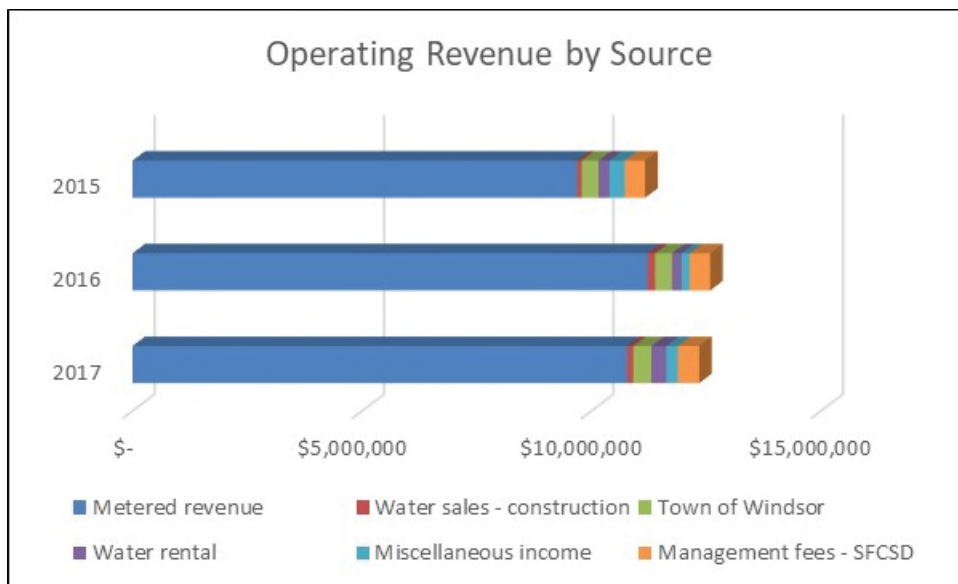
- o Office and administrative costs increased \$12 thousand due to an increase in bank and credit card processing fees.

Non-operating activities increased the District's net position by \$890 thousand, accounting for 4.7% of the District's overall increase in net position. The key components of this change are due to the following:

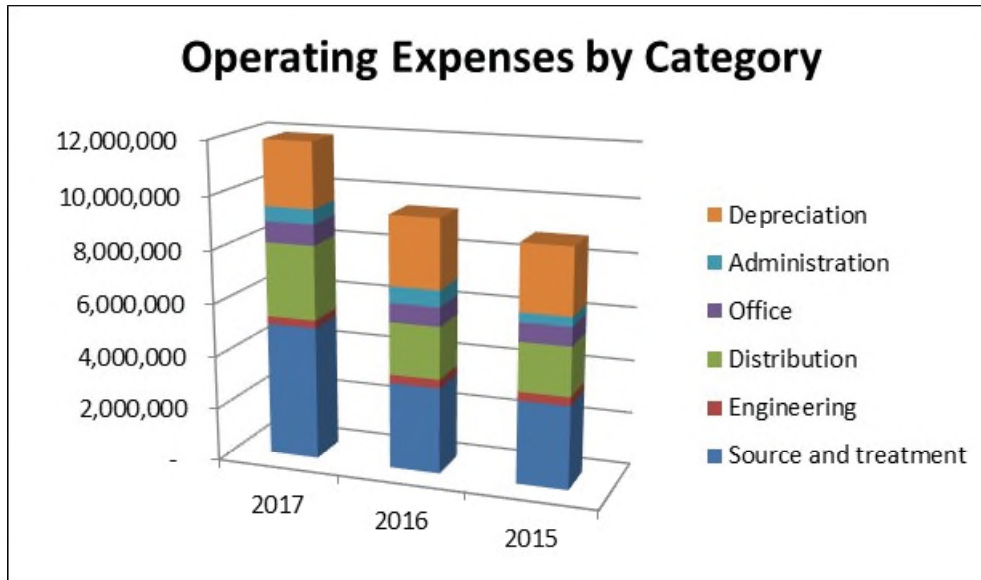
- ❖ Property tax revenue of \$1.2 million.
- ❖ Interest income of \$300 thousand.
- ❖ Interest expense was \$683 thousand.

Operating Activities

Operating revenues increased the District's Net position by \$12,349,409

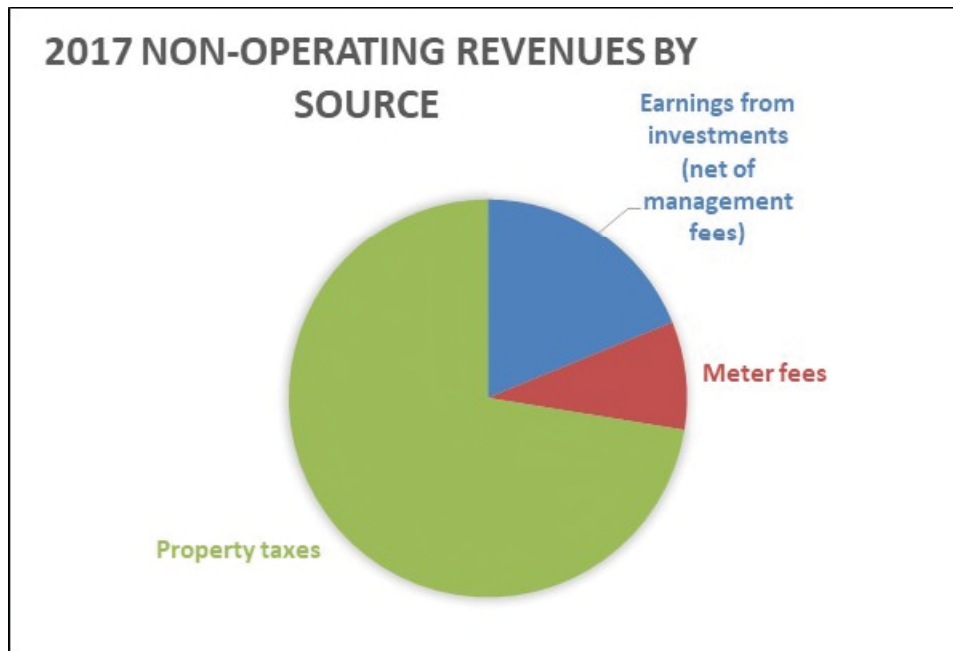


Operating expenses decreased the District's net position by \$11,909,350

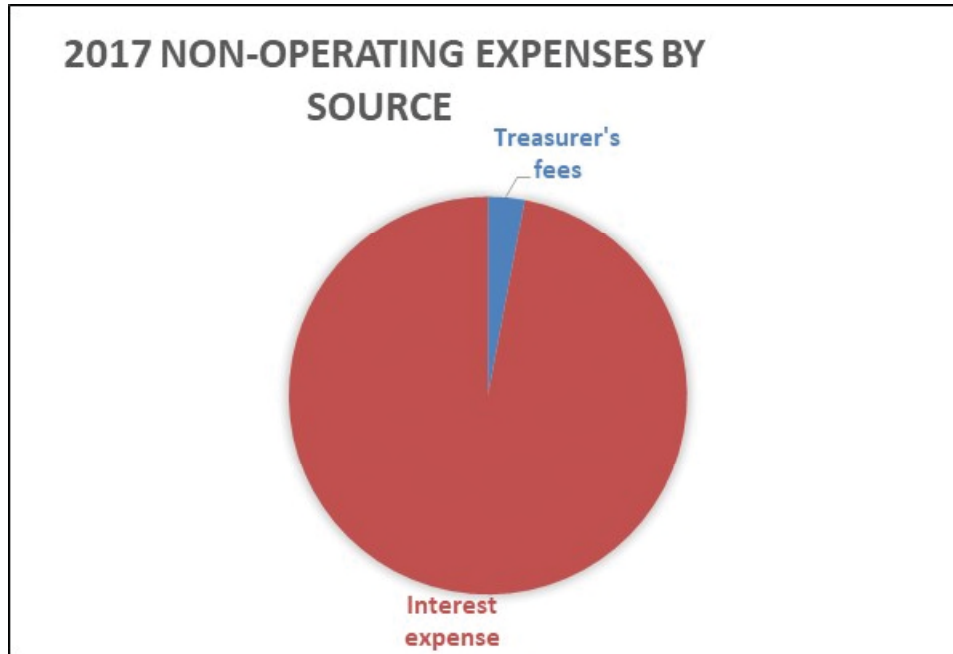


Non-Operating Activities

Non-operating revenues increased the District net position by \$1,734,354



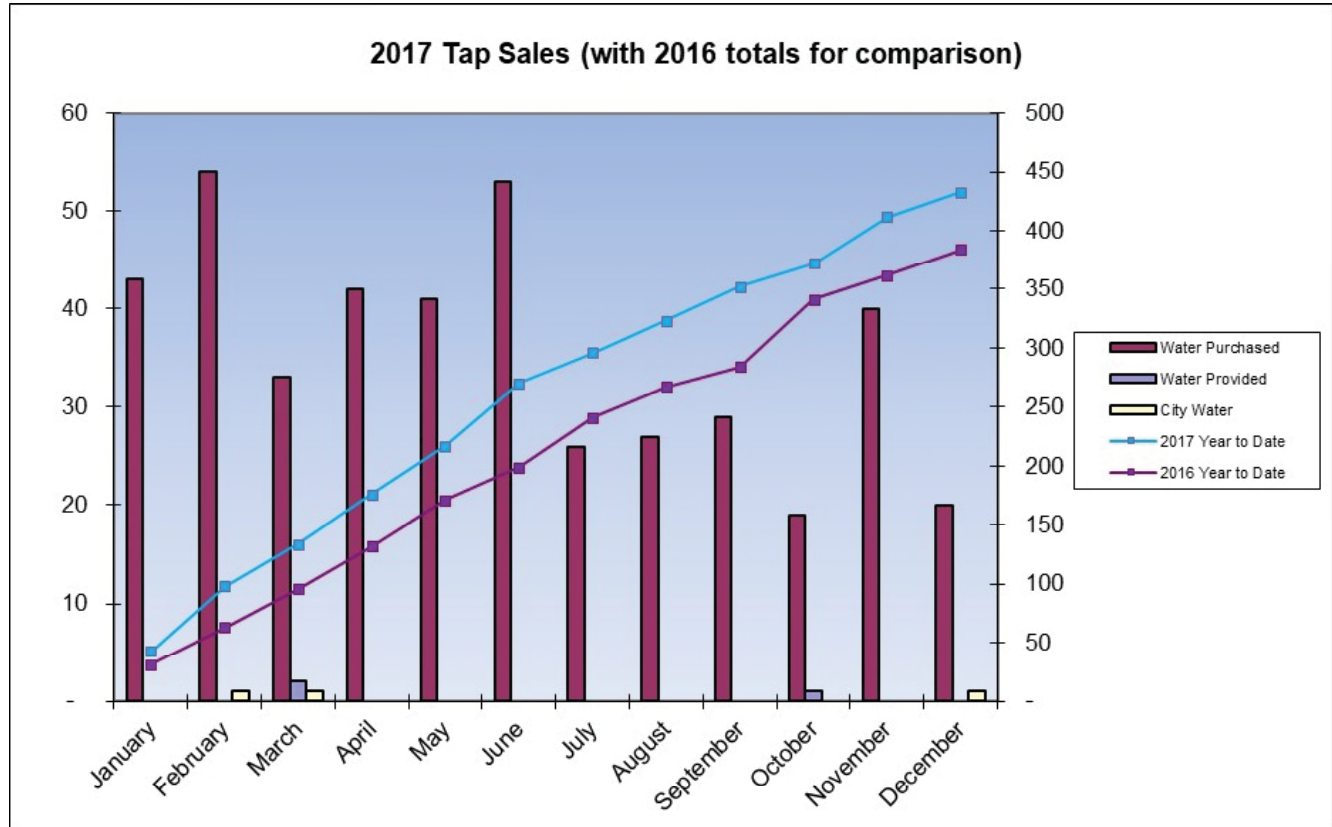
Non-operating expenses decreased the District's net position by \$843,780



Capital contributions increased the District's net position by \$17.6 million, accounting for 93.0% of the District's overall increase in net position.

- ❖ Contributions of capital assets were \$1.9 million of the increase. These contributions represent new distribution lines in subdivisions that were deeded to the District.
- ❖ System development fees (tap and impact fees) of \$15.7 million were received for raw water and plant investment fees. These represent new residential and non-residential capital payments to the District for the cost of the investment in raw water stock, treatment plant and replacement of distribution lines. The District did not increase the fees for tap purchases in 2017.

Active taps grew by 433 in 2017

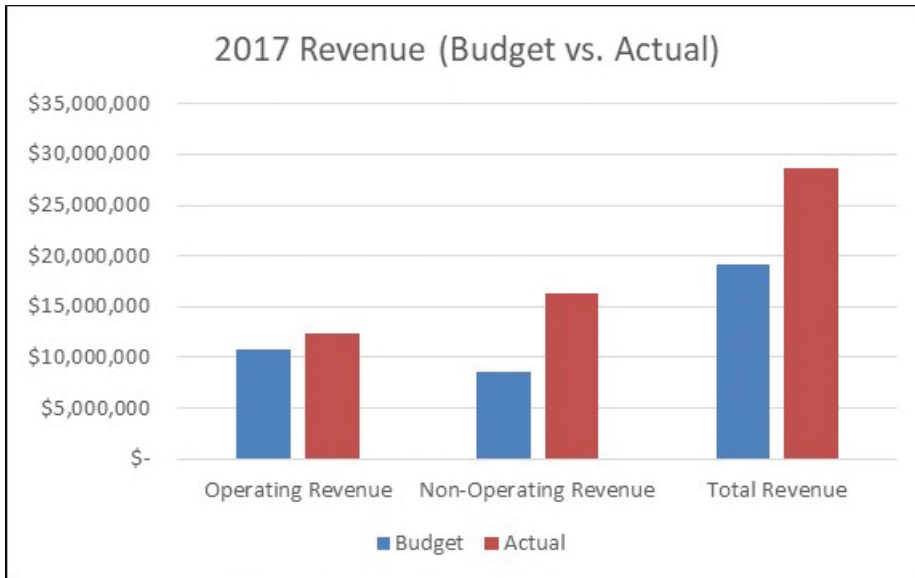


Budgetary Highlights

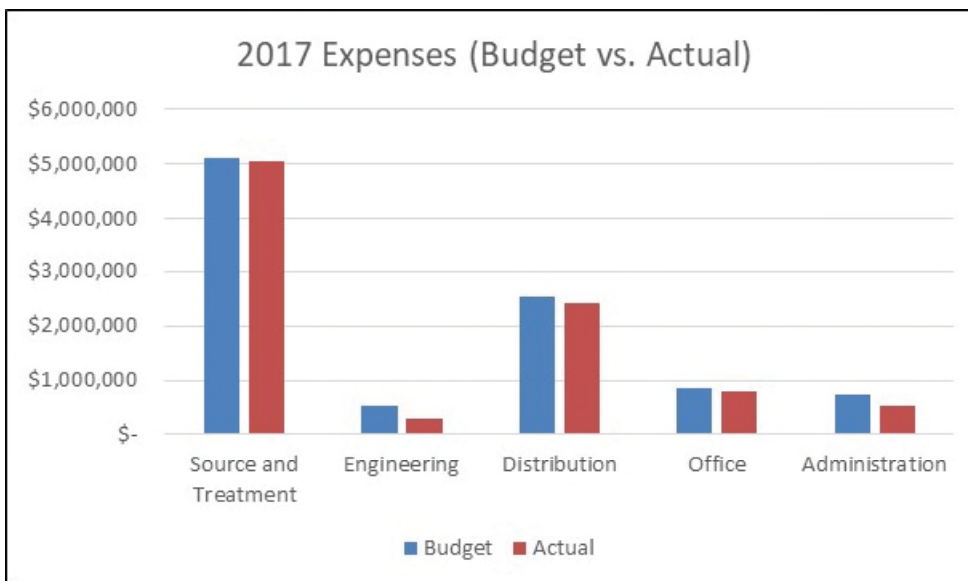
The District prepares its budget on a modified accrual basis, which is a non-GAAP basis of accounting. The modified accrual basis reports capital contributions as revenue, capital purchases as charges and does not report depreciation as an expense. A schedule of revenue and expenditures -- actual and budget (non-GAAP budgetary basis) begins on page 34 of this report.

The variance between actual revenue and expenditures and the budget, for enterprise function, amounted to a favorable \$17.5 million and is summarized as follows:

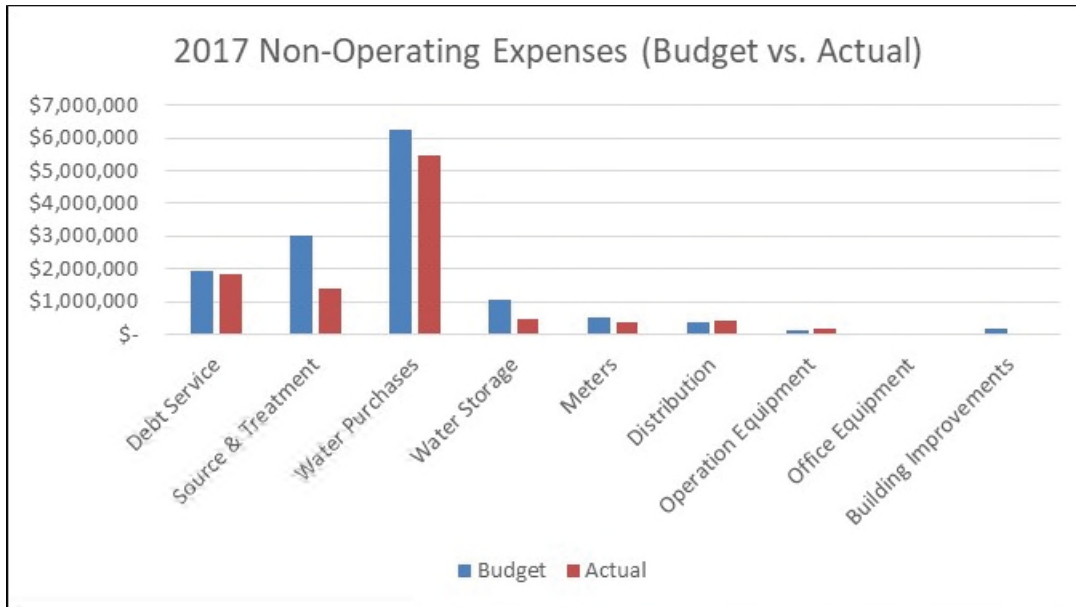
- ❖ Operating revenue was \$1.1 million over budget due to actual metered revenue, \$134 thousand from water sales – construction, \$217 thousand from water rental.
- ❖ Non-operating revenue was \$7.8 million over budget, primarily due to increased tap sales.



- ❖ Operating expenditures were under budget by \$647 thousand, with savings in source and treatment of \$59 thousand, engineering of \$244 thousand, distribution of \$116 thousand, office of \$47 thousand, and administration expenses of \$181 thousand.



- ❖ Non-operating expenditures were \$6.4 million under budget, primarily due to decreased expenditures for source and treatment and delayed construction of distribution lines and delayed purchases of operations equipment and building improvements. Water purchases and water storage purchases were \$1.4 million under budget.



Capital Assets, Other Investments and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2017 amounted to \$267.2 million (net of accumulated depreciation). This investment in capital assets includes water stock, land, transmission and distribution system, buildings and improvements, furniture, equipment and vehicles.

Major capital additions and deletions during the year included the following:

- ❖ Water rights, storage and capacity (\$18.6 million), purchasing 165 units of C-BT and 10.5 shares of North Poudre Irrigation, and converting our investment in the Soldier Canyon Filter Plant and the related water treatment plant into water treatment capacity (an intangible asset).
- ❖ Additions to the transmission and distribution system (\$6.4 million), primarily for the construction of the Crossroads water tank.
- ❖ Contribution of distribution system lines by developers (\$1.9 million).

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$14.6 million.

- ❖ Two notes payable to the Colorado Water Conservancy Board (\$189 thousand). These notes were assumed as part of the purchase of the Windsor Reservoir and Canal. Payments of \$18 thousand are due annually through 2032 and will be paid with operating revenues of the District.
- ❖ Series 2010 Revenue Bonds (\$5.7 million). The revenue bonds were issued to facilitate the Divide purchase.
- ❖ Note payable to the City of Fort Collins (\$8.8 million). The note is to pay for four (4) MGD of treatment capacity at the City water treatment facility. The District bought five (5) MGD and paid cash for one (1) MGD.

Conditions Impacting Future Operations

- ❖ The District budgeted for the sale of 275 taps in 2018 and has sold 228 through May 31, 2018. The remaining growth area for the District is principally in the Town of Timnath, where an additional 4,000 to 6,000 housing unit are expected to be built.
- ❖ The estimated build-out growth of the District is approximately 7,000 additional units.
- ❖ The District continues to look for ways to increase water stock ownership and storage.
 - Raw water costs increased to \$27,200 per unit of C-BT during 2017 and continues to rise. The District has kept the raw water component of a tap purchase (3/4" tap) at \$25,000. If the market price of C-BT increases may be necessary through 2018 to keep even with the market. The District is in the process of a rate study.
 - Current water storage projects are under study. If these projects are found to be feasible, and the District decides to participate with other area utilities, the District may need to explore additional funding methods.
- ❖ In January 2016, the District purchased 5 MGD of treatment capacity from the City of Fort Collins for \$12.6 million. Due to anticipated growth, the District will need to continue finding ways to increase the availability of treated water.

Contact

Questions concerning any of the information presented in this report or requests for additional information should be directed to the District's manager at the following address:

Chris Matkins
District Manager
5150 Snead Drive
Ft. Collins, CO 80525

Basic Financial Statements

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	ASSETS	
	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 17,677,669	\$ 38,124,947
Investments	34,182,035	2,876,290
Accounts receivable	879,028	991,993
Interest receivable	83,075	6,998
Prepaid expenses	131,319	196,016
Property taxes receivable	1,107,985	1,057,374
Total current assets	54,061,111	43,253,618
Restricted Investments:		
Investments restricted for debt service	1,127,500	1,127,500
Total restricted investments	1,127,500	1,127,500
Capital Assets		
Capital assets, not being depreciated	197,373,648	182,794,243
Capital assets, being depreciated, net	69,812,055	76,417,265
Total capital assets	267,185,703	259,211,508
Other Assets:		
Investment in Soldier Canyon Filter Plant, using the equity method	-	652,778
Deposit	3,517	3,517
Total other assets	3,517	656,295
Total Assets	322,377,831	304,248,921
		Continued

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
	2017	2016
Current Liabilities:		
Accounts payable	1,201,950	862,809
Accrued interest payable	29,723	25,474
Accrued expenses	189,095	98,641
Customer deposits	60,236	71,482
Customer advances for tap fees	509,325	536,750
Current portion of long-term debt	1,225,375	1,173,617
Total current liabilities	<u>3,215,704</u>	<u>2,768,773</u>
Non-Current Liabilities		
Accrued compensated absences	120,143	124,595
Notes and bonds payable, net of current maturities	14,069,847	15,371,698
Total non-current liabilities	<u>14,189,990</u>	<u>15,496,293</u>
Total Liabilities	<u>17,405,694</u>	<u>18,265,066</u>
Deferred Inflows of Resources		
Unearned revenue, property taxes	1,100,000	1,050,000
Unearned revenue, budget billing	-	6,170
Total deferred inflows of resources	<u>1,100,000</u>	<u>1,056,170</u>
Net Position:		
Net investment in capital assets	251,890,481	242,666,193
Restricted for debt service	1,127,500	1,127,500
Restricted for emergency, TABOR amendment	34,500	31,500
Unrestricted	50,819,656	41,102,492
Total Net Position	<u>\$ 303,872,137</u>	<u>\$ 284,927,685</u>

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 12,349,409	\$ 12,589,478
Operating Expenses		
Source and treatment	5,035,390	3,254,954
Engineering	294,154	324,747
Distribution	2,794,099	1,963,444
Office	792,528	714,991
Administration	556,542	622,120
Depreciation	2,436,637	2,604,678
Total operating expenses	<u>11,909,350</u>	<u>9,484,934</u>
Income from Operations	440,059	3,104,544
Non-Operating Revenues (Expenses):		
Earnings from investments (net of management fees)	440,303	246,603
Meter fees	139,305	116,105
Property taxes	1,154,746	1,116,199
Treasurer's fees	(20,992)	(20,590)
Unrealized gain (loss) on investments	(140,040)	11,699
Interest expense	(682,748)	(738,003)
Loss on sale of capital assets	-	(79,630)
Equity in net gain of joint venture	-	198,876
Total non-operating revenues (expenses)	<u>890,574</u>	<u>851,259</u>
Net (Loss) Income	1,330,633	3,955,803
Capital Contributions	<u>17,613,819</u>	<u>22,422,863</u>
Increase in Net Position	18,944,452	26,378,666
Total Net Position - Beginning of Year	<u>284,927,685</u>	<u>258,549,019</u>
Total Net Position - End of Period	<u><u>\$ 303,872,137</u></u>	<u><u>\$ 284,927,685</u></u>

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers	\$ 12,444,958	\$ 12,427,441
Cash paid to suppliers	(6,540,021)	(4,219,399)
Cash paid to employees	(2,442,852)	(2,467,574)
Net cash flows from operating activities	<u>3,462,085</u>	<u>5,740,468</u>
Cash flows from noncapital financing activities		
Property taxes	1,154,135	1,116,951
Property tax collection fees	(20,992)	(20,590)
Net cash flows from noncapital financing activities	<u>1,133,143</u>	<u>1,096,361</u>
Cash flows from capital and related financing activities		
Contributed capital	15,682,200	13,423,149
Acquisition of capital assets	(7,853,860)	(17,382,170)
Proceeds from prepaid tap sales	-	(28,649)
Principal paid on notes and bonds payable	(1,172,165)	(766,221)
Interest paid on notes and bonds payable	(756,427)	(789,372)
Meter fees	139,305	116,105
Net cash flows from capital and related financing activities	<u>6,039,053</u>	<u>(5,427,158)</u>
Cash flows from investing activities		
Earnings on investments	442,684	242,502
Purchases of investments	(34,024,243)	(1,497,422)
Proceeds from sale of investments	2,500,000	504,375
Cash invested in joint venture	-	(301,819)
Net cash flows from investing activities	<u>(31,081,559)</u>	<u>(1,052,364)</u>
Net change in cash and cash equivalents	<u>(20,447,278)</u>	<u>357,307</u>
Cash and cash equivalents at beginning of year	<u>38,124,947</u>	<u>37,767,640</u>
Cash and cash equivalents at end of year	<u>\$ 17,677,669</u>	<u>\$ 38,124,947</u>
		Continued

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash flows from operating activities:		
Income from operations	\$ 440,059	\$ 3,104,544
Adjustments to reconcile operating (loss) to cash flows from operating activities:		
Depreciation	2,436,637	2,604,678
Changes in assets and liabilities:		
Receivables	112,965	(169,458)
Prepaid expenses	64,697	(161,565)
Accounts payable	339,141	393,606
Accrued expenses	90,454	(36,252)
Accrued compensated absences	(4,452)	(2,506)
Customer deposits	(17,416)	5,719
Unearned revenue	-	1,702
Net cash flows from operating activities	<u><u>\$ 3,462,085</u></u>	<u><u>\$ 5,740,468</u></u>
Noncash capital and related financing transactions		
Capital assets contributed	<u><u>\$ 1,904,191</u></u>	<u><u>\$ 8,999,714</u></u>
Trade-in of equipment	<u><u>\$ 91,861</u></u>	<u><u>\$ -</u></u>
Equity in net operating gain of joint venture	<u><u>\$ -</u></u>	<u><u>\$ 198,876</u></u>
Capital asset additions included in accounts payable	<u><u>\$ -</u></u>	<u><u>\$ 150,852</u></u>
Activation of prepaid tap sales	<u><u>\$ 27,425</u></u>	<u><u>\$ -</u></u>
Capital assets and investment in Soldier Canyon Filter Plant transferred to SCWTA	<u><u>\$ (11,321,909)</u></u>	<u><u>\$ -</u></u>
Treatment capacity in SCWTA	<u><u>\$ 11,321,909</u></u>	<u><u>\$ -</u></u>

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

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

Form of Organization

The Fort Collins - Loveland 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.

Basis of Accounting

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 governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable GASB pronouncements.

Financial Reporting Entity

For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

Based on the criteria mentioned above, no other entities are considered to be component units of the District, nor is the District a component unit of any other governmental entity.

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 Presentation

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow 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. Total net position is segregated into net investment in capital assets, restricted for debt service and emergencies, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments on debt are budgeted as expenditures, and debt proceeds are budgeted as revenues and depreciation and contributed capital assets are not budgeted.

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 15, the budget is legally adopted by the Board of Directors.
4. Unused appropriations lapse at the end of each year.

Total appropriated expenditures for the District are as follows:

	Original Budget	Total Revision	Revised Budget
Business-Type Fund:			
Governmental function	\$ 39,640	\$ -	\$ 39,640
Enterprise function	\$26,305,170	\$ -	\$26,305,170

Comparison of actual operations on the accrual basis to the annual budget is not meaningful. However, a statement comparing actual (budgetary basis) to the budget is included as other supplementary information. The adjustments necessary to convert the actual revenue and expenditures to the budgetary basis are presented in the following schedule.

	2017	2016
Change in net position	\$18,944,452	\$26,378,666
Depreciation	2,436,637	2,604,678
Non-cash capital contributions	(1,904,191)	(8,999,714)
Debt service	(1,172,165)	(766,221)
Acquisition of capital assets (cash and non-cash)	(7,945,729)	(17,382,170)
Change in customer advances for tap fees	(27,425)	(28,649)
Unrealized (loss) gain on securities	140,040	(11,699)
Excess revenues over expenditures, budgetary basis	\$10,471,619	\$1,794,892

Cash and Cash Equivalents

The District considers all highly liquid investments purchased with an original maturity of three months or less, including local government investment pools, to be cash and cash equivalents.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

Investments

The District's investments consist of U.S. government securities and corporate bonds, with original maturities of greater than three months, and are carried at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Accounts Receivable and Allowance for Doubtful Accounts

Revenues are recognized when earned. Customers are billed monthly on 30-day cycles. Accounts receivable result from the timing of billed accounts and are shown net of an allowance for doubtful accounts. User and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. The District has determined that no allowance is necessary at December 31, 2017 or 2016, based on historical collection experience.

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 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 expense. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses or capital contributions.

Capital Assets

Capital assets purchased or acquired with an original cost or fair value, if donated, of greater than \$5,000 and expected life greater than 12 months are reported at historical cost. Property replacements and improvements, which extend the lives of assets, are capitalized and subsequently depreciated. Contributed assets are reported at their fair market value at the date received. The cost of maintenance and repairs is charged against income as incurred.

Depreciation has been computed using the straight-line method based on lives of 50 years for treatment facilities and distribution systems and 3 to 20 years for equipment.

Connection Fees

Potential customers seeking to connect to the water distribution system must make a formal, written request to the District. If the application is approved, the applicant may purchase a tap by paying a District investment fee ("PIF") of \$7,000 and raw water cost of \$25,000 per single-family unit ("SFE"). District investment fees for non-residential customers are based on the size of the water tap.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

Property Taxes

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on the last day of February and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. Taxes levied in December 2017 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2017.

Accrued Compensated Absences Payable

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability.

The following is a summary of accrued compensated absences for the years ended December 31:

	Beginning	Additions	Deletions	Ending
2017	\$ 124,595	\$ 96,287	\$ (100,739)	\$ 120,143
2016	\$ 127,101	\$ 130,701	\$ (133,207)	\$ 124,595

Contributions in Aid of Construction

Contributions of cash and collection and transmission lines to the District by developers, customers or by agreements with others are treated as capital contributions on the District's statement of revenues, expenses and changes in net position.

Deferred Inflows of Resources

In addition to liabilities, the statements 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 primarily relate to unearned property taxes.

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, if any, that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category represents 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.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

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

Use of Estimates

Preparation of the District's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash Deposits

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The District's deposit policy is in accordance with C.R.S. 11-10.5-101, Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor, and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$2,406,354. The bank balances with the financial institutions were \$2,446,376, of which, \$250,000 was covered by federal depository insurance. The remaining balance of \$2,196,376 was collateralized with securities held by the financial institutions' agents but not in the District's name. At December 31, 2016, the District had deposits with financial institutions with a carrying amount of \$31,414,289. The bank balances with the financial institutions were \$31,547,423 of which \$250,000 was covered by federal depository insurance. The remaining balance of \$31,297,423 was collateralized with securities held by the financial institutions' agents but not in the District's name.

Cash deposits and cash equivalents held by the District at December 31, 2017 and 2016, were as follows:

	2017	2016
Petty cash	\$ 100	\$ 250
Cash on deposit with financial institutions	2,406,354	31,414,289
Local government investment pools	15,271,215	6,710,408
Total cash and cash equivalents	\$17,677,669	\$38,124,947

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

Local Government Investment Pools

As of December 31, 2017 and 2016, the District had invested balances of \$5,117,532 and \$6,695,814, in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE is a highly liquid fund operating similarly to a money market-like fund and each share is equal in value to \$1.00. CSAFE measures all of its investment at amortized cost in accordance with GASB Statement No. 79. CSAFE invests primarily in United States Treasuries, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, AAAM rated money market funds, highly rated corporate bonds and Colorado Depositories. The weighted average maturity of the portfolio shall not exceed 60 days and the weighted average life of the portfolio shall not exceed 120 days. CSAFE is rated AAAM by Standard & Poor's. The District reports this investment value at amortized cost.

As of December 31, 2017 and 2016, the District had invested balances of \$10,153,683 and \$14,594, 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 reports its investments in accordance with Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, issued by Financial Accounting Standards Board ("FASB"). The Trust is rated AAAM by Standard and Poor's and is measured at net asset value.

Investments

Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District 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.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

Interest Rate Risk

The District's investment policy, established January 13, 2009 follows the guidelines and limitations set forth by the C.R.S. The policy limits investment maturities to three years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value fluctuations arising from increasing interest rates.

Investments held by the District at December 31, 2017, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
US Treasury	AAA	Aaa	\$ 7,961,880	490	22.5%
US Instrumentality	AAA	Aaa	17,877,530	692	50.6%
Corporate Bonds	AA-/AA+	Aa	9,470,125	259	26.9%
Total investments			\$35,309,535*		

Investments held by the District at December 31, 2016, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
UST Notes	AA+	Aaa	\$4,003,790	535	100.0%
Total			\$4,003,790*		

*Includes \$1,127,500 reported as restricted investments.

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. As of December 31, 2017 and 2016, all financial instruments held by the District were categorized in Level 2. U. S. Treasury notes and U.S. instrumentalities are valued using quoted prices for identical securities in markets that are not active. Corporate bonds are valued using quoted prices for similar securities in active markets.

Restricted Assets

Amounts shown as restricted investments have been restricted by bond indentures to be used for specified purposes. The balance restricted as of December 31, 2017 and 2016, was \$1,127,500.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

3. Capital Assets

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

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 4,067,601	\$ 22,022	\$ (4,067,601)	\$ 22,022
Land and easements	460,137	-	-	460,137
Water rights	154,812,280	5,448,600	-	160,260,880
Water storage and capacity	23,454,225	13,176,384	-	36,630,609
Total capital assets, not being depreciated	182,794,243	18,647,006	(4,067,601)	197,373,648
Capital assets, being depreciated:				
Water treatment plant	14,087,244	-	(14,087,244)	-
Office building	2,368,238	9,266	(647)	2,376,857
Transmission and distribution system	90,450,914	6,387,829	(13,817)	96,824,926
Equipment	2,653,691	195,321	(492,115)	2,356,897
Total capital assets, being depreciated	109,560,087	6,592,416	(14,593,823)	101,558,680
Less accumulated depreciation for:				
Water treatment plant	(3,372,962)	(49,417)	3,422,379	-
Office building	(855,862)	(64,601)	343	(920,120)
Transmission and distribution system	(27,188,182)	(2,078,455)	12,693	(29,253,944)
Equipment	(1,725,816)	(244,164)	397,419	(1,572,561)
Total accumulated depreciation	(33,142,822)	(2,436,637)	3,832,834	(31,746,625)
Total capital assets, being depreciated, net	76,417,265	4,155,779	(10,760,989)	69,812,055
Capital assets, net	\$259,211,508	\$ 22,802,785	\$ (14,828,590)	\$267,185,703

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

The following is a summary of capital asset activity for the year ended December 31, 2016:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 758,690	\$ 3,628,357	\$ (319,446)	\$ 4,067,601
Land and easements	460,137	-	-	460,137
Water rights	136,806,056	18,006,224	-	154,812,280
Water storage and capacity	22,554,894	899,331	-	23,454,225
Regional transmission and treatment (CIP)	73,281	-	(73,281)	-
Total capital assets, not being depreciated	160,653,058	22,533,912	(392,727)	182,794,243
Capital assets, being depreciated:				
Water treatment plant	13,925,163	162,081	-	14,087,244
Office building	2,365,729	2,509	-	2,368,238
Transmission and distribution system	86,572,771	3,878,143	-	90,450,914
Equipment	2,627,675	395,671	(369,655)	2,653,691
Total capital assets, being depreciated	105,491,338	4,438,404	(369,655)	109,560,087
Less accumulated depreciation for:				
Water treatment plant	(3,076,457)	(296,505)	-	(3,372,962)
Office building	(789,009)	(66,853)	-	(855,862)
Transmission and distribution system	(25,197,572)	(1,990,610)	-	(27,188,182)
Equipment	(1,718,278)	(250,710)	243,172	(1,725,816)
Total accumulated depreciation	(30,781,316)	(2,604,678)	243,172	(33,142,822)
Total capital assets, being depreciated, net	74,710,022	1,833,726	(126,483)	76,417,265
Capital assets, net	\$235,363,080	\$ 24,367,638	\$ (519,210)	\$259,211,508

4. Divide Canal and Reservoir Company

In November 2010, the District purchased a 60% interest in the Divide Canal and Reservoir Company (a not-for-profit mutual ditch company, 501(c) 12 organization). The total purchase price was \$21,251,631. The purchase was a combination of \$9,719,452 in cash (from revenue bond proceeds), water shares held by the District valued at \$11,410,000 and legal and engineering costs capitalized. The acquisition of Divide is expected to provide the District with additional water yield from the 2,300 acre-feet allotment related to the District's 60% ownership in that water right. Water rights given up amounted to 1,239 acre feet and, accordingly, the District increased its water rights by over 1,000 acre feet. There will potentially be legal expenses when a change in use case is brought before the Water Court. The shares of the Company are characterized as ownership of water rights diverted and delivered by the Company; thus this is reflected within water rights in the capital assets of the District.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

5. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Revenue Bonds		
\$11,275,000 April 14, 2010, water revenue bonds, Series 2010 due in principal installments of \$815,000 in 2017 with additional increases through 2023; interest at 2.0% to 5.0%. The bonds are special revenue obligations of the District, payable from all income and revenues directly or indirectly derived by the District from the operation and use of the Water System, or any part thereof less all reasonable and necessary current expenses of the District, paid or accrued, for operating, maintaining and repairing the System. The bond proceeds were used to purchase shares in Divide Canal and Reservoir Company (see Note 5). Accrued interest on these bonds is \$22,094 and \$24,811 at December 31, 2017 and 2016, respectively.	\$5,690,000	\$6,505,000
Loans Payable		
\$126,153 May 6, 2006, loan payable to the Colorado Water Conservation Board ("CWCB"). This loan is held in the name of Tunnel Water Company and this represents the District's portion of the liability. Principal installments in 2017 were \$4,071 with additional increases through December 1, 2032; interest at 4.5%. Revenues of the District are pledged in an amount sufficient to pay the annual amounts due under the loan contract. Accrued interest payable is \$3,604 and \$343, December 31, 2017 and 2016, respectively.	87,360	91,431
\$148,319 May 6, 2006, loan payable to the Colorado Water Conservation Board ("CWCB"). This loan is held in the name of Tunnel Water Company and this represents the District's portion of the liability. Principal installments in 2017 were \$4,802 with additional increases through December 1, 2032, interest at 4.3%. The CWCB loans for the Tunnel are secured by water rights of the Tunnel Water Company and the shareholder assessments. Accrued interest payable is \$4,025 and \$320, December 31, 2017 and 2016, respectively.	102,118	106,920

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

\$10,080,000 January 2, 2015, loan payable to the City of Fort Collins, due in principal installments of \$348,292 in 2017 with additional increases through January 1, 2034, interest at 5%. If the District defaults on payments, the District's capacity in the City's water treatment plant will be reduced to the ratio of the amount paid. The payment is made monthly and there is no interest payable at December 31, 2017 or 2016.

8,781,339 9,129,631

Total Bonds and Loans Payable

\$14,660,817 \$15,832,982

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2010	\$6,505,000	\$ -	\$ (815,000)	\$ 5,690,000	\$ 850,000
Loan Payable					
2006 CWCB	91,431	-	(4,071)	87,360	4,254
2006 CWCB	106,920	-	(4,802)	102,118	5,009
2015 City of Fort Collins	9,129,631	-	(348,292)	8,781,339	366,112
Compensated Absences	124,595	96,287	(100,739)	120,143	-
Total	\$15,957,577	\$ 96,287	\$(1,272,904)	\$14,780,960	\$1,225,375
Current portion of long term debt	(1,173,617)			(1,225,375)	
Net bond premiums	<u>712,333</u>			<u>634,405</u>	
Noncurrent portion of long term debt	<u>\$15,496,293</u>			<u>\$14,189,990</u>	

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

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

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2018	\$1,225,375	\$705,619	\$1,930,994
2019	1,269,513	654,605	1,924,118
2020	1,329,627	599,491	1,929,118
2021	1,435,767	532,601	1,968,368
2022	1,457,985	460,383	1,918,368
2023-2027	3,714,968	1,466,883	5,181,851
2028-2032	3,415,859	661,975	4,077,834
2033	811,723	24,707	836,430
Totals	\$14,660,817	\$5,106,264	\$19,767,081

6. Contingency

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 acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool ("CSDPLP"). The CSDPLP is an organization composed of approximately 1,400 members created by 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 CSDPLP provides coverage for property claims up to the values declared and liability and public official's coverage for claims up to \$1,000,000.

At December 31, 2016, CSDPLP has assets of \$52,645,796, liabilities of \$28,757,242 and surplus of \$23,888,554. The liability includes no long-term debt. Total revenues for 2016 amounted to \$19,338,769 and total expenses were \$14,100,230 resulting in an excess of revenues over expenses of \$5,238,539. The amount of the District's share of these amounts is less than 1%.

7. Transactions with Other Governmental Entities

The District bills another special District with separately elected officers a monthly fee for their management. The two Districts provide water and wastewater services to a service area with similar boundaries. Total amounts received for each of the years ended December 31, 2017 and 2016, was \$468,871 and \$450,189, respectively. As of December 31, 2017 and 2016, the special District owed the Fort Collins – Loveland Water District \$39,541 and \$148,386, respectively, which is reported in accounts receivable on the Statement of Net Position.

Prior to February 1, 2017, the District, along with East Larimer County Water District and North Weld County Water District (collectively known as the Tri-Districts) owned the Soldier Canyon Filter Plant (the "Filter Plant"). The Filter Plant billed the owners monthly for treatment costs, allocated capital (depreciated on the Filter Plant's financial statements) and water resources expenses. The District had an undivided one-third interest in the Plant. The District recorded its respective share of increase (decrease) in net position at the end of each calendar year and reported it as Investment in Soldier Canyon Filter Plant. The investment at December 31, 2017 and 2016, is \$-0- and \$652,778, respectively.

Fort Collins – Loveland Water District
Notes to Financial Statements
December 31, 2017

After February 1, 2017, all of the assets of the Filter Plant were transferred to a new entity, Solider Canyon Water Treatment Authority (the “Authority”). In exchange for the District’s share of assets of the Filter Plant to the Authority, the District received treatment capacity of 16.43 MGD. The treatment capacity is an intangible asset and is included in capital assets and classified as “Water storage and capacity”.

8. Defined Contribution Plan

Effective December 8, 1988, the District established a defined contribution plan, the Fort Collins – Loveland Water District 401 Qualified Plan, under Internal Revenue Code Section 401, covering all full-time employees with service of six months or more. Each participant is required to contribute 3% of base pay when eligible. The District contributes 6% of base pay taxable earnings for the plan year on behalf of each participant. The participants are fully vested in employee contributions immediately, and after five years for employer contributions. Employer contributions are to be invested only in guaranteed funds, and employee contributions are unrestricted.

The District’s contributions to the plan for the years ending December 31, 2017, 2016 and 2015 were \$93,828, \$102,036 and \$93,939, respectively.

9. 457 Deferred Compensation Plan

The District offers its employees a deferred compensation plan (the “Plan”), created in accordance with Internal Revenue Code Section 457. The Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000, for the calendar years 2017 and 2016). Catch-up contributions of up to \$6,000 for calendar years 2017 and 2016, were allowed for participants who had attained age 50 before the close of the plan year. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. For the years ended December 31, 2017 and 2016, the Plan member contributions were \$52,194 and \$58,590, respectively.

10. 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 the fund reserves (balances). The Amendment requires voter approval for an increase in the 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.

On July 18, 1995 the District passed a resolution, “Adopting and Establishing a Water Activity Enterprise.” This resolution was passed after much research by legal counsel regarding the status of the District following the passage of the Amendment. Because the District qualifies as an enterprise fund as defined by paragraph 2 (d), Section 20, Article X of the Colorado Constitution, it was determined that the District’s Water Enterprise Fund is therefore exempt from the requirements and limitations of Section 20, Article X of the Colorado Constitution.

Fort Collins – Loveland Water District
Notes to Financial Statements
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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 has restricted \$34,500 as of December 31, 2017 and 2016, for emergencies as defined by TABOR.

The Amendment is complex and subject to judicial interpretation. However, under C.R.S. 37-45-1-1-3, the District is excluded from the provisions of the Amendment.

11. Subsequent Events

The District evaluated subsequent events through June 19, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Other Supplementary Information

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017					
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2016 Actual	
Enterprise Function:						
Revenue						
Operating Revenue						
Metered revenue	\$ 9,700,000	\$ 9,700,000	\$ 10,780,501	\$ 1,080,501	\$ 11,227,747	
Water sales - construction	-	-	133,860	133,860	161,892	
Town of Windsor	350,000	350,000	391,037	41,037	366,299	
Water rental	110,000	110,000	326,910	216,910	213,815	
Miscellaneous income	100,000	100,000	248,230	148,230	169,536	
Management fees - SFCSD	468,871	468,871	468,871	-	450,189	
Total operating revenue	10,728,871	10,728,871	12,349,409	1,620,538	12,589,478	
Non-Operating Revenue						
Soldier Canyon Income	-	-	-	-	198,876	
Earnings from investments	260,000	260,000	440,303	180,303	246,603	
Tap fees (water)	6,250,000	6,250,000	11,787,503	5,537,503	10,057,500	
Tap fees (PIF)	1,700,000	1,700,000	3,419,500	1,719,500	2,942,100	
Meter fees	80,000	80,000	139,305	59,305	116,105	
Impact fees	220,000	220,000	475,200	255,200	394,900	
Gain (loss) on disposal of capital assets	-	-	-	-	(79,630)	
Total non-operating revenue	8,510,000	8,510,000	16,261,811	7,751,811	13,876,454	
Operating transfer in		-	1,118,981	1,118,981	1,073,508	
Total revenue	19,238,871	19,238,871	29,730,201	10,491,330	27,539,440	
Expenditures - Operating						
Source and Treatment						
Assessments	1,500,000	1,500,000	1,203,079	296,921	931,857	
Soldier Canyon	1,950,000	1,950,000	2,394,595	(444,595)	1,267,569	
City of Loveland	50,000	50,000	-	50,000	14,939	
FTC - Water Sale IGA	824,000	824,000	870,139	(46,139)	816,583	
FTC - Transmission charges	125,000	125,000	175,811	(50,811)	130,322	
FTC - Water Exchange IGA	123,000	123,000	114,381	8,619	8,919	
FTC - Water purchase	437,000	437,000	204,753	232,247	84,765	
North Weld County Water District	25,000	25,000	-	25,000	-	
Water resource consulting	60,000	60,000	72,632	(12,632)	-	
Total source and treatment	5,094,000	5,094,000	5,035,390	58,610	3,254,954	
						continued.

continued.

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016 Actual
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	
Engineering					
Engineering wages	240,000	240,000	193,525	46,475	229,502
Payroll taxes	20,000	20,000	16,866	3,134	19,291
Medical insurance	36,000	36,000	30,898	5,102	36,000
Life insurance	2,700	2,700	2,018	682	2,008
Retirement	14,400	14,400	12,645	1,755	14,951
Worker's compensation insurance	3,000	3,000	1,162	1,838	2,085
Cell phone service	1,200	1,200	555	645	355
Consulting	185,000	185,000	-	185,000	-
Dues and subscriptions	1,200	1,200	240	960	335
Education & training	6,000	6,000	1,438	4,562	936
Fuel	2,000	2,000	1,238	762	1,130
Miscellaneous	1,000	1,000	1,561	(561)	-
R & M - equipment	2,500	2,500	144	2,356	-
R & M - vehicles	1,500	1,500	47	1,453	-
Software maintenance	19,000	19,000	29,935	(10,935)	17,239
Supplies	3,000	3,000	1,882	1,118	915
Total engineering	538,500	538,500	294,154	244,346	324,747
Distribution					
Wages	965,000	965,000	954,595	10,405	932,811
Overtime & on-call pay	86,100	86,100	84,922	1,178	77,867
Payroll taxes	85,000	85,000	79,210	5,790	76,789
Medical insurance	192,000	192,000	192,000	-	192,000
Life insurance	8,000	8,000	9,529	(1,529)	8,205
Retirement	57,900	57,900	43,939	13,961	51,010
Worker's compensation insurance	30,000	30,000	16,655	13,345	24,589
R & M - lines & equipment	375,000	375,000	324,596	50,404	235,109
R & M -tank maintenance	275,000	275,000	302,955	(27,955)	-
Cell phone service	14,000	14,000	11,346	2,654	12,788
Education & training	12,000	12,000	7,784	4,216	4,679
Fuel	50,000	50,000	32,282	17,718	29,240
Internet hosting	7,500	7,500	25,853	(18,353)	16,949
Meter hosting service	60,000	60,000	32,491	27,509	12,717
Office supplies	2,000	2,000	547	1,453	415
R & M - vehicles	40,000	40,000	25,968	14,032	19,765
Safety program	8,000	8,000	5,908	2,092	8,715
Supplies	2,500	2,500	3,651	(1,151)	3,002
Telemetry	12,000	12,000	10,460	1,540	17,885
Uniforms	10,000	10,000	9,183	817	7,280
Utilities	205,000	205,000	196,628	8,372	190,930
Utility locates	18,000	18,000	17,736	264	18,401
Water quality testing	25,000	25,000	36,191	(11,191)	22,298
Total distribution	2,540,000	2,540,000	2,424,429	115,571	1,963,444

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FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016 Actual
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	
Office					
Wages	460,000	460,000	445,975	14,025	419,143
Payroll taxes	36,800	36,800	34,374	2,426	31,420
Medical insurance	84,000	84,000	84,000	-	84,000
Life insurance	4,000	4,000	3,861	139	3,537
Retirement	27,600	27,600	22,068	5,532	23,715
Worker's compensation insurance	850	850	299	551	955
Education & training	5,000	5,000	3,911	1,089	570
Miscellaneous expense	2,500	2,500	182	2,318	415
On-line bill processing	22,000	22,000	29,355	(7,355)	7,158
Payroll processing	7,800	7,800	7,054	746	6,801
Postage	58,000	58,000	43,274	14,726	44,883
Printing	32,000	32,000	26,307	5,693	27,823
Publications & notices	1,000	1,000	564	436	893
R & M - equipment	26,000	26,000	21,646	4,354	13,654
Software maintenance	41,700	41,700	34,425	7,275	21,089
Supplies	15,000	15,000	20,593	(5,593)	14,902
Telephone	15,000	15,000	14,292	708	13,757
Travel	700	700	348	352	276
Total office	839,950	839,950	792,528	47,422	714,991
Administration					
Wages	147,000	147,000	146,897	103	187,488
Payroll taxes	11,760	11,760	10,581	1,179	19,163
Medical insurance	14,000	14,000	12,000	2,000	4,065
Life insurance	1,200	1,200	1,049	151	774
Retirement	11,760	11,760	15,176	(3,416)	12,360
Worker's compensation insurance	2,500	2,500	1,077	1,423	1,955
Audit & consulting fees	11,000	11,000	10,250	750	10,000
Bank service charges	-	-	37,634	(37,634)	-
Consulting services	175,000	175,000	105,614	69,386	-
Contingency	15,000	15,000	12,079	2,921	18,122
Customer relations	2,500	2,500	1,118	1,382	2,642
Dues & subscriptions	8,000	8,000	7,918	82	7,113
Education & training	6,000	6,000	494	5,506	45
Insurance - liability	45,000	45,000	41,412	3,588	36,996
Insurance - property	35,000	35,000	28,997	6,003	32,235
Janitorial service	10,500	10,500	10,203	297	8,430
Legal	150,000	150,000	46,471	103,529	165,546
Miscellaneous expenses	500	500	248	252	420
R & M - land and building	30,000	30,000	20,472	9,528	19,173
Trash removal service	1,800	1,800	1,440	360	1,440
Travel - manager	11,400	11,400	3,637	7,763	8,695
Utility - electricity	10,000	10,000	9,367	633	8,416

continued.

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2016 Actual
Utility - gas	7,000	7,000	4,021	2,979	4,240
Utility - sewer	1,600	1,600	1,070	530	1,339
Utility - storm water	2,500	2,500	1,989	511	1,849
Utility - water	2,000	2,000	1,555	445	1,700
Water conservation	10,000	10,000	9,000	1,000	45,813
Total administration	723,020	723,020	541,769	181,251	600,019
Total operating expenses	9,735,470	9,735,470	9,088,270	647,200	6,858,154
Debt Service - Non-Operating					
Interest on bonds (2010 issue)	295,100	295,100	224,046	71,054	263,399
Debt service - 2010 issue	815,000	815,000	815,000	-	425,000
Interest on CWCBC notes	8,700	8,700	8,712	(12)	9,043
Debt service - CWCBC notes	8,900	8,900	8,873	27	8,500
Interest on FTC 20 year note	449,000	449,000	449,990	(990)	465,561
Debt service - FTC 20 year note	350,000	350,000	348,292	1,708	332,721
Capital Expenditures - Non-Operating					
Source and treatment	3,000,000	3,000,000	1,391,032	1,608,968	162,081
Water purchases	6,250,000	6,250,000	5,448,600	801,400	11,742,533
Water storage	1,057,000	1,057,000	463,451	593,549	899,331
Meters	506,000	506,000	369,670	136,330	551,062
Distribution	3,500,000	3,500,000	438,059	3,061,941	3,628,982
Operation equipment	140,000	140,000	153,774	(13,774)	373,793
Office equipment	40,000	40,000	41,547	(1,547)	21,878
Building improvements	150,000	150,000	9,266	140,734	2,510
Total non-operating expenses	16,569,700	16,569,700	10,170,312	6,399,388	18,886,394
Enterprise Gain (Loss)	(7,066,299)	(7,066,299)	10,471,619	17,537,918	1,794,892
Government Function:					
Revenues					
Property taxes	1,050,000	1,050,000	1,154,746	104,746	1,116,199
Expenditures					
Collection fees	21,000	21,000	20,992	8	20,590
Directors fees	8,000	8,000	6,785	1,215	7,654
Directors payroll taxes	640	640	525	115	644
Directors expenses	10,000	10,000	7,463	2,537	13,803
Operating transfer out	-	-	1,118,981	(1,118,981)	1,073,508
Total expenditures	39,640	39,640	1,154,746	(1,115,106)	1,116,199
Excess revenues over expenditures	1,010,360	1,010,360	-	(1,010,360)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	\$ (6,055,939)	\$ (6,055,939)	\$ 10,471,619	\$ 16,527,558	\$ 1,794,892