Financial Statements
December 31, 2017

Longs Peak Water District

E

RECEIVED
Office of the State Auditor
August 21 , 2018

EideBailly

eidebailly.com

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Longs Peak Water District
Longmont, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of Longs Peak Water District (the District), as of and for the year ended December 31, 2017, 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 audit. We conducted our audit 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 District as of December 31, 2017, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

375 E. Horsetooth Rd. Bldg. 4200 | Fort Collins, CO 80525-3198 | TF 800.408.2929 | T 970.223.8825 | F 970.223.0817 | EOE

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming 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) as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

Eide Bailly LLP

Fort Collins, Colorado
May 16, 2018

Longs Peak Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017

This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended December 31, 2017, through a brief narrative overview and analysis of the financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* has a significant impact on the net position of the District.

- Key to the financial condition of the organization is the strength of the balance sheet disclosing amounts for assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

- The benefits of a strong net position relative to the total balance sheet include the flexibility or liquidity to respond to the changing economic conditions or state legislation which may impact District operations financially and beyond budgeted constraints. For FY2017, Longs Peak Water District (the District) experienced a decrease of $105,050 in net position.

- Total cash, cash equivalents and investments was $4,068,583 at December 31, 2017, as compared to $4,021,076 at December 31, 2016, and represents an increase of $47,507 or 1.2%.

- The District stayed within its operating budget, realizing over 100% of budgeted revenues while spending approximately 90% of budgeted expenditures.

Overview of Financial Statements

This report consists of the following components: management's discussion and analysis, basic financial statements, notes to the basic financial statements, required supplementary information, and other supplementary information.

Basic Financial Statements

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred outflows and inflows of resources, with the net difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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, investments, and related financial activities.
The basic financial statements can be found on pages 7 – 9 of this report.

The District adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

Budgetary comparison schedule can be found on pages 29 – 31 of this report.

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found starting on page 10 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $14,174,130 at the close of the most recent fiscal year.

Table 1 - Condensed Statement of Net Position

	2017	2016
Current assets	$ 4,112,627	$ 4,071,727
Noncurrent assets	10,622,148	10,631,962
Total assets	14,734,775	14,703,689
Deferred outflows	241,476	187,736
Current liabilities	17,517	13,551
Long-term liabilities	782,392	585,448
Total liabilities	799,909	598,999
Deferred inflows	2,212	13,246
Investment in capital assets	10,622,148	10,631,962
Unrestricted	3,551,982	3,647,218
Total net position	$ 14,174,130	$ 14,279,180

Current assets slightly increased due to an increase in cash and investments attributable to water sales during the year. The District rate charged to customers increased from 2016. In addition, dry weather during 2017 resulted in more water usage by customers contributing to increase in water sales revenue.

The District's current liabilities primarily reflect expenses for payroll liabilities which at 2017 year end, the District's payroll liabilities were $14,159 as compared to 2016 payroll liabilities of $13,385. Long-term liabilities increased due to an increase in the net pension liability related to PERA.

Revenues and expenses in 2017 shows that the District has decreased the net position by $105,050, primarily due to decreased contributions from plant investment fees and no sale of water rights during 2017. Key elements of this decrease are as follows:

Table 2 - Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016
Total operating revenue	$ 1,166,496	$ 1,155,570
Total operating expenses	1,485,946	1,309,411
Net operating (loss)	(319,450)	(153,841)
Nonoperating revenues	108,970	570,805
Net revenue (loss) before contributions	(210,480)	416,964
Capital contributions	105,430	178,710
Change in net position	(105,050)	595,674
Net position - beginning	14,279,180	13,683,506
Net position - ending	$ 14,174,130	$ 14,279,180

The District failed to generate sufficient revenue to meet operating expenses. The operating loss of $319,450 is net and includes the cost of treated water, depreciation expense, and pension expense. Pension expense increased significantly from 2016 due to an increase in the net pension liability. The *statement of revenues, expenses, and changes in net position* provides the detail information of the net operating revenue (loss) and the *statement of cash flows* reflects the cash flows from operating activities.

The rate structure is adjusted from year to year at a level approximate to the Denver – Boulder Consumer Price Index. Adjustments to the rate will continue to be made in an effort to keep abreast of inflation.

Budgetary Highlights

The 2017 final fiscal year budget was adopted in December 2016. The schedule of revenues and expenses, actual compared to adopted budget, is included in the supplementary information. The amounts show that the District operated at a loss for the year ended December 31, 2017, due to a decrease in plant investment and customer fees.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of December 31, 2017, amounts to $10,622,148. This investment in capital assets includes office equipment, land, ditch stock and water rights, distribution system, and the interconnect project with Little Thompson Water District. The total decrease in District capital assets was $9,814 (0.1%). This decrease is the net effect of additions in office equipment, distribution system, water rights and maintenance equipment, any retirements and depreciation expense during the year.

Additional information on the District's capital assets can be found in Note 3 on page 15 of this report.

Economic Factors and Next Year's Budget

The Board of Directors and management of the District consider many factors when adopting a budget. Projected user fees (rate structure), growth and plant investment fees are all evaluated and considered before a final budget is adopted. The 2018 budget also attempts to anticipate a large percentage of revenues being utilized for upcoming capital projects, as well as new expense associated with both near-term, little (or no) growth and longer-term little-to-significant growth, of the District. There was a .10 cent increase per 1,000 gallons budgeted for user fees (rates) for 2018, and the billing fee increased from \$15 per month to \$17 per month.

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Manager, Longs Peak Water District, 9875 Vermillion Road, Longmont, Colorado 80504.

Assets	
Cash and cash equivalents	$ 779,003
Investments	3,289,580
Accounts receivable, net of allowance for doubtful accounts of $2,931 at December 31, 2017	44,044
Capital assets not being depreciated:	
Land, ditch stock and water rights	6,226,925
Construction in progress	249,600
Capital assets, net of accumulated depreciation	3,958,453
Capital assets, net of accumulated amortization	187,170
Total assets	14,734,775
Deferred outflows of resources	
Pension plan	241,476
Total deferred outflows of resources	241,476
Liabilities	
Accrued liabilities	17,353
Unearned revenue	164
Net pension liability - due in more than one year	782,392
Total liabilities	799,909
Deferred inflows of resources	
Pension plan	2,212
Total deferred inflows of resources	2,212
Net Position	
Investment in capital assets	10,622,148
Unrestricted	3,551,982
Total net position	$ 14,174,130

Operating Revenues	
Water sales	$ 1,142,327
Miscellaneous water income	24,169
Total operating revenue	1,166,496
Operating Expenses	
Direct cost of treated water	155,346
Direct cost of water - other	80,711
Water operating expenses	781,110
General and administrative expenses	468,779
Total operating expenses	1,485,946
Operating (Loss)	(319,450)
Nonoperating Revenue	
Rental income	63,771
Other revenue	10,014
Interest and dividend income	35,185
Total nonoperating revenue	108,970
(Loss) before capital contributions	(210,480)
Capital Contributions - plant investment and customer fees	105,430
Change in Net Position	(105,050)
Net Position, Beginning of Year	14,279,180
Net Position, End of Year	$ 14,174,130

Cash Flows from Operating Activities	
Cash received from customers	$ 1,169,252
Cash paid to suppliers	(758,547)
Cash paid to employees	(369,193)
Net Cash from Operating Activities	41,512
Cash Flows from Investing Activities	
Purchase of investments	(497,745)
Interest and dividend received	35,185
Net Cash (used for) Investing Activities	(462,560)
Cash Flows from Noncapital Financing Activities	
Cash received from other nonoperating revenue	73,785
Net Cash from Noncapital Financing Activities	73,785
Cash Flows from Capital and Related Financing Activities	
Payments for the purchase of capital assets	(126,155)
Capital contributions - plant investment and customer fees	23,180
Net Cash (used for) Capital and Related Financing Activities	(102,975)
Net Change in Cash and Cash Equivalents	(450,238)
Cash and Cash Equivalents, Beginning of Year	1,229,241
Cash and Cash Equivalents, End of Year	$ 779,003
Reconciliation of Operating (Loss) to Net Cash Flows from Operating Activities	
Operating (loss)	$ (319,450)
Adjustments to reconcile operating (loss) to net cash from operating activities	
Depreciation and amortization	218,219
Changes in assets and liabilities	
Accounts receivable	2,758
Deferred outflows - pension plan	(53,740)
Accrued liabilities	3,968
Unearned revenue	(2)
Net pension liability	196,944
Deferred inflows - pension plan	(11,034)
Net Cash from Operating Activities	$ 41,512
Supplemental Disclosure of Non-cash Financing Activities	
Capital assets donated - water rights	$ 82,250

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Longs Peak Water District (the District) conform to accounting principles generally accepted in the United States of America. The following is a summary of the District's significant accounting policies:

Reporting Entity

The District is organized under the provisions of Section 32-1306(6) C.R.S. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which include the power to levy taxes against property within the District. However, in its original site plan the District agreed not to set a mill levy. The District grants credit to its customers, substantially all of whom are located in Boulder and Weld counties.

For financial reporting purposes, management has considered all potential component units in defining the District. The District meets the criteria of an "other stand-alone government."

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 amendment excludes from its provision enterprise funds. The District qualifies as an enterprise, and is exempt from the requirements and limitations of Section 20, Article X of the Colorado Constitution.

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, all liabilities and deferred inflows associated with the operation of this fund are included in the statement of net position. Revenue 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 amounts invested in capital assets and unrestricted. 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 accounting principles generally accepted in the United States of America (GAAP) except that capital revenues and capital expenditures are treated as operating items, principal retired is budgeted as non-operating expense, and depreciation and amortization are not budgeted.

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

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with an original maturity of three months or less.

Investments

The District's investments include non-negotiable certificates of deposit and investments in a local government investment pool, which are valued at amortized cost and Net Asset Value.

Receivables and Credit Policy

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer for water usage. The District does not assess interest on overdue customer account balances. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The District estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the District's estimate of the allowance for doubtful accounts will change.

Capital Assets

Property and equipment acquisitions in excess of $5,000 are capitalized and recorded at cost except for certain water rights and subdivision water lines which are contributed by developers, subdividers and customers. These contributed assets are recorded at the estimated acquisition value on the date of transfer. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from five to fifty years.

The District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2017.

Pensions

Longs Peak Water 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 are reported at fair value.

Deferred Outflows and Deferred 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, *deferred outflows of resources,* represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category relating to changes in net pension liability not included in pension expense reported in the statement of net position.

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, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until the time. The District has one item that qualifies for reporting in this category. The District reports changes in net pension liability not included in pension expense reported in the statement of net position.

Net Position

Net position is classified in the following categories:

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category. The District has no related debt during the year.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation. The District had no imposed restrictions on net position.

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

Plant Investment and Customer Fees

Fees paid by new customers to access the District's facilities are recorded as capital contributions from customers and developers. Total fees received were $105,430 for the year ended December 31, 2017.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30 day cycles.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statement 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.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Note 2 - Cash, Cash Equivalents, and Investments

Cash Deposits

Colorado statutes govern the District's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized; the eligibility of collateral is determined by PDPA. The institution may create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to one hundred and two percent of the uninsured deposits.

At December 31, 2017, the District's carrying amount of cash deposits was $779,003 and the bank balance was $800,665. All deposits were fully collateralized.

Investments

The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of local government entities.
- Banker's acceptance of certain banks.
- Commercial paper.
- Local government investment pools.
- Obligations of the District.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The District has the following investments:

- Non-negotiable certificates of deposit investments valued at amortized cost with average maturities of eight and a half months. These certificates of deposits had a value of $1,199,624 at December 31, 2017.

- The District participates in a local government investment pool, ColoTrust, an SEC-registered investment pool. The investment pool operates similarly to a money market fund; each share is equal in value to $1.00. The investment in ColoTrust is measured at Net Asset Value. At December 31, 2017, the District had $2,089,956 invested in ColoTrust.

Interest Rate Risk

The District's investment policy follows Colorado State statute limits. As a means of limiting local government exposure to fair value losses arising from interest rates, State statutes limits maturities to five years or less.

Credit Risk

The government investment pool has received a rating of AAAm by Standard & Poor's.

Concentration of Credit Risk

The District's limits credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying their investment portfolio. The District limits their risk by investing in ColoTrust and non-negotiable certificates of deposits.

Custodial Credit Risk

The State Securities Commissioner administers and enforces the requirements of creating and operating the local government investment pools. The pools operating similarly to a money market fund and each share is equal in value to $1. The ColoTrust pool is rated AAAm by Standard & Poor's and has a weighted average maturity of 81 days. Investment of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions.

Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned in the participating governments.

Note 3 - Capital Assets

Capital assets activity for the year ended December 31, 2017, was a follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land, ditch stock and water rights	$ 6,144,675	$ 82,250	$ -	$ 6,226,925
Construction in progress	183,900	65,700	-	249,600
Total capital assets, not being depreciated	6,328,575	147,950	-	6,476,525
Capital assets, being amortized:				
Water exchange (Note 8)	655,000	-	-	655,000
Total capital assets, being amortized	655,000	-	-	655,000
Less accumulated amortization:	(444,866)	(22,964)	-	(467,830)
Total capital assets, being amortized, net	210,134	(22,964)	-	187,170
Capital assets, being depreciated:				
Water treatment plant	1,572,101	46,422	-	1,618,523
Collection, transmission, and distribution system	4,510,920	-	-	4,510,920
Office building	961,374	-	-	961,374
Brown water distribution	19,573	-	-	19,573
Interconnect project - Little Thompson Water District	793,217	-	-	793,217
Maintenance equipment	235,278	-	-	235,278
Office equipment	93,485	14,033	(8,291)	99,227
Total capital assets, being depreciated	8,185,948	60,455	(8,291)	8,238,112
Less accumulated depreciation:				
Water treatment plant	(1,323,147)	(17,202)	-	(1,340,349)
Collection, transmission, and distribution system	(1,946,322)	(105,077)	-	(2,051,399)
Office building	(276,437)	(32,547)	-	(308,984)
Brown water distribution	(3,544)	(391)	-	(3,935)
Interconnect project - Little Thompson Water District	(294,466)	(15,101)	-	(309,567)
Maintenance equipment	(177,236)	(18,710)	-	(195,946)
Office equipment	(71,543)	(6,227)	8,291	(69,479)
Total accumulated depreciation	(4,092,695)	(195,255)	8,291	(4,279,659)
Total capital assets, being depreciated, net	4,093,253	(134,800)	-	3,958,453
Capital assets, net	$ 10,631,962	$ (9,814)	$ -	$ 10,622,148

Depreciation and amortization expense totaled $218,219 for the year ended December 31, 2017.

Note 4 - Board Designated Net Position

The following amounts have been designated by Board resolutions at December 31, 2017 to be used for specific purposes. These amounts have been included in unrestricted net position:

Emergency reserve	$	128,524
Replacement reserve		1,572,347
	$	1,700,871

Note 5 - Ditch Stock and Water Rights

As of December 31, 2017, the District owned the following ditch stock and water rights:

1,467 units of Colorado-Big Thompson Water (C-BT)
4 shares of Supply Irrigation Company
9 shares of Oligarchy Extension Ditch Company
9 shares of Lower Oligarchy Ditch Company
6 shares of Oligarchy Irrigation Ditch Company
4 shares of Highland Ditch Company

The District leases its shares of Supply Irrigation Ditch Company and 4 shares of Oligarchy Irrigation Ditch Company, plus 6 shares of Oligarchy Extension Ditch Company, receiving $1 per year rental plus the annual assessment. The District has a total of unearned revenue of $164 at December 31, 2017.

The District is required to make annual assessment payments to the water and ditch companies. The aggregate payments were $80,711 for the year ended December 31, 2017.

Note 6 - Construction in Progress

In December 2012, the District entered into an agreement with Northern Colorado Water Conservancy District for the development of a second water pipeline, known as the Southern Water Supply Project II (SWSP II) which would deliver additional untreated water from Carter Lake to municipalities and water districts located within the Northern Colorado Water Conservancy District. The construction in progress in the amount of $249,600 at December 31, 2017, is related to the SWSP II project and consists of hiring a consultant to design the following aspects: 1) connection to the existing, original Southern Water Supply Pipeline; 2) the flow control structure of the project; and 3) the project's connection to the Longs Peak Water District, with the Northern Colorado Water Conservancy District overseeing all of these activities. The construction of the SWSP II is expected to take place over the next several years.

Note 7 - Defined Benefit Pension Plans

Plan description. Eligible employees of the Longs Peak Water District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—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 (C.R.S.), 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 C.R.S. § 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 (COLAs), 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. 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 Longs Peak Water District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 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	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund	-1.02%
Amount apportioned to the LGDTF	8.98%
Amortization equalization disbursement	2.20%
Supplemental amortization equalization disbursement	1.50%
Total employer contribution rate to the LGDTF	12.68%

Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and Longs Peak Water District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Longs Peak Water District were $46,714 for the year ended December 31, 2017.

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

At December 31, 2017, Longs Peak Water District reported a liability of $782,392 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016 (measurement date). Longs Peak Water District proportion of the net pension liability was based on Longs Peak Water District contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, Longs Peak Water District proportion was .05794%, which was an increase of .00479% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, Longs Peak Water District recognized pension expense of $178,884. At December 31, 2017, Longs Peak Water 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
Net difference between projected and actual earnings on pension plan investments	$ 98,237	$ -
Changes in assumptions	55,496	2,212
Difference between expected and actual experience	13,746	-
Difference between actual and proportionate share of contribution and changes in allocation percentage	27,283	-
Contributions subsequent to measurement date	46,714	-
	$ 241,476	$ 2,212

$46,714 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:

Years Ending December 31,	
2018	$ 120,944
2019	42,873
2020	25,802
2021	2,931
	$ 192,550

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following 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

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.
- 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 8, 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 Bonds	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%	

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.

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 Longs Peak Water 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:

	Decrease of 1% (6.25%)	Current Discount Rate 7.25%	Increase of 1% (8.25%)
Proportionate share of the net pension liability	$ 1,153,601	$ 782,392	$ 474,990

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.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of Longs Peak Water District 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. Title 24, Article 51, Part 14 of the C.R.S., 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 C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The District does not contribute to this plan on behalf of its employees.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – Longs Peak Water 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 – Longs Peak Water 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 Longs Peak Water District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2017, 2016 and 2015 Longs Peak Water District contributions to the HCTF were $3,806, $3,621 and $3,192, respectively, equal to their required contributions for each year.

Note 8 - Water Exchange Agreements

The District entered into a 30-year agreement with Little Thompson Water District, a major supplier, to furnish the District with treated water effective July 1, 1997. Costs incurred for the purchase of capacity effective July 1, 1997 from Little Thompson Water District (LTWD) in the amount of $565,000 have been capitalized and are being amortized over the term of the initial intergovernmental agreement with LTWD (30 years). On July 1, 1998, the District purchased additional capacity from LTWD in the amount of $90,000. Amortization of these costs totaled $22,964 for the year ended December 31, 2017. Total amount paid for the year ended December 31, 2017 was $155,346 for the cost of treated water.

Note 9 - 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, injuries to employees and natural disasters. Effective January 1, 2001, the District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool provides property, general liability, automobile physical damage and liability, public officials' liability, employee dishonesty and crime, and boiler and machinery coverage to its members.

The District pays annual premiums to the Pool for liability, property and public officials' coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. The amount of settlements has not exceeded insurance coverage for any of the three previous years.

Reinsurance

The Pool has entered into reinsurance contracts that minimize its exposure to both large individual losses as well as a significant frequency of smaller losses.

- *Property and Automobile – Physical Damage*: The Pool is self-insured for losses and loss adjustment expenses up to $300,000 for each occurrence. Property losses have a $2,668,609 annual stop loss aggregate limit. Once the stop loss aggregate limit is met, exclusive of auto physical damage losses, the Pool's self -insured retention declines to $25,000 per occurrence. Property, earthquake, and flood losses which exceed $300,000 per occurrence are covered 100% under excess policies, with a limit per occurrence and annual aggregate of $100,000,000, except a $60,000,000 per occurrence and all member aggregate limit is applied to flood claims which occur within the Special Flood Hazard Areas as defined by the Federal Emergency Management Agency. All claims are subject to a deductible. Member Flood and EQ deductible are subject to 2% of the Insured value with minimum of $5,000 and maximum of $50,000. Longs Peak Water District member deductibles are $250 for Property, $100 for Comprehensive APD, and $500 for Collision APD.

- *Property Terrorism and Third Party Terrorism Liability:* The Pool is self-insured for property, third-party liability and business interruption losses and loss adjustment expenses up to $10,000 for each occurrence to a limit of $10,000,000 in liability per member and a $100,000,000 all-member annual aggregate limit for property damage and business interruption; $2,500,000 for prevention or restriction of access to premises or utilities.

- *Liability – General, Automobile, and Public Officials (Excluding Employment Related):* The Pool is self-insured for the first $600,000 of each occurrence. 100% of claims in excess of $600,000 (not to exceed $400,000) are covered under an excess-of-loss agreement per occurrence, per member. Casualty reinsurance has a maximum limit of $9,000,000; excess of $1,000,000 poll retention per occurrence. Longs Peak Water District member deductibles are $0 for Auto Liability and General Liability, $1,000 for Public Officials Liability, $100,000 for Employment Practices Liability, with an Excess Liablity Limit of $5,000,000.

- *Public Officials Liability – Employment Related*: Employment-related claims are covered the same as all other liability claims.

- *Equipment Breakdowns:* The Pool has entered into arrangements that provide facultative 100% of reinsurance coverage for equipment breakdown claims of excess over a $75,000 deductible on all limits declared on the policy; $100,000,000 limit on any one accident. Longs Peak Water District member deductible set a $1,000. The Pool retains the first $50,000 per claim.

- *Identity Recovery:* The Pool has entered into arrangements which provide 100% facultative reinsurance coverage for identity recovery losses. $25,000 limit annual aggregate per eligible member employee.

- *Pollution Liability:* The Pool is self-insured for the first $100,000 of each occurrence subject to a limit of $1,000,000 per member per occurrence and a $5,000,000 all member annual aggregate coverage limit.

- *Employee Dishonesty and Crime:* The Pool has entered into arrangements which provide 100% facultative reinsurance coverage for employee dishonesty and crime claims. Limits and deductibles are per member.

- *Workers' Compensation*: The reinsurance coverage limit is as defined in Colorado workers' compensation laws and $2,000,000 per occurrence related to employer's liability claims in excess of the Pool's retention of $750,000 per occurrence for all classes of employees other than federal coverage such as defense.

Note 10 - Commitments and Contingencies

Litigation

The District has the potential to be involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

Required Supplementary Information
December 31, 2017

Longs Peak Water District

	2017	2016	2015
District Proportion of the Net Pension Liability	0.05794031%	0.05314610%	0.04845632%
District Proportionate Share of the Net Pension Liability	$ 782,392	$ 585,448	$ 434,319
District Covered Payroll	$ 358,103	$ 312,925	$ 265,519
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	218%	187%	164%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.6%	76.9%	80.7%

Notes to Required Supplementary Information

GASB Statement No. 68 was adopted during fiscal year 2015 and requires disclosure of the District's proportionate share of the net pension liability at the measurement date and contributions to the pension plan for the previous 10-year period. Until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

	2017	2016	2015
Statutorily Required Contribution	$ 50,515	$ 48,635	$ 41,304
Contributions in Relation to the Statutorily Required Contribution	(50,515)	(48,635)	(41,304)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	$ 368,848	$ 358,103	$ 312,925
Contributions as a Percentage of Covered Payroll	13.7%	13.6%	13.2%

Notes to Required Supplementary Information

GASB Statement No. 68 was adopted during fiscal year 2015 and requires disclosure of the District's proportionate share of the net pension liability at the measurement date and contributions to the pension plan for the previous 10-year period. Until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

Other Supplementary Information
December 31, 2017

Longs Peak Water District

	2017 Budget	Actual	Variance Over (Under)
Revenues			
Operating revenues			
Water sales	$ 999,692	$ 1,066,828	$ 67,136
Raw water	10,800	11,300	500
Brown-water system revenue	65,000	63,449	(1,551)
Penalties	10,000	12,090	2,090
Backflow device testing	8,000	7,956	(44)
Transfer fees	3,000	4,123	1,123
Water rental income	-	750	750
Total operating revenues	1,096,492	1,166,496	70,004
Nonoperating revenues			
Rental income	63,500	63,771	271
Interest and dividends	24,000	35,185	11,185
Other revenue	4,000	10,014	6,014
Total nonoperating revenues	91,500	108,970	17,470
Capital contributions - plant investment and customer fees			
Customer tap fees	23,950	16,380	(7,570)
Plant investment fees	-	6,800	6,800
Raw water contribution	-	82,250	82,250
Total capital contributions - plant investment and customer fees	23,950	105,430	81,480
Total revenues	1,211,942	1,380,896	168,954
Expenditures			
Operating expenses			
Salaries	225,000	231,240	6,240
Cost of treated water	180,000	155,346	(24,654)
Supplies - plant	100,000	83,880	(16,120)
Water assessment	80,000	80,711	711
Utilities	55,000	53,198	(1,802)
Repairs and maintenance	47,500	42,932	(4,568)
PERA - employer contribution	32,000	30,951	(1,049)
Vehicle operations	26,000	24,481	(1,519)
Insurance	23,200	21,302	(1,898)
Payroll tax	4,900	7,954	3,054
Water testing	7,000	5,709	(1,291)
Education	3,000	2,923	(77)
Engineering	3,000	2,800	(200)
Sludge hauling	5,000	2,750	(2,250)
Safety, training, and equipment	1,000	835	(165)
Permit	500	150	(350)
Total operating expenses	793,100	747,162	(45,938)

	2017 Budget	Actual	Variance Over (Under)
General and administrative			
PERA - employer contribution	$ 20,500	$ 19,569	$ (931)
Salaries	147,000	145,115	(1,885)
Insurance	22,800	23,179	379
Accounting and auditing	15,000	14,405	(595)
Repairs and maintenance	9,500	11,686	2,186
Telephone	12,000	10,388	(1,612)
Postage	9,500	8,850	(650)
Miscellaneous	10,000	8,740	(1,260)
Office supplies	8,000	7,685	(315)
Directors fees	6,000	5,400	(600)
Legal	7,500	5,239	(2,261)
Credit card fees	6,000	5,162	(838)
Dues and subscriptions	3,000	3,756	756
Information technology	6,000	2,124	(3,876)
Payroll tax	3,200	1,472	(1,728)
Bank charges	3,000	651	(2,349)
Exclusions and tap trades	-	620	620
Newsletter and website	2,500	580	(1,920)
Education and conferences	2,000	250	(1,750)
Total general and administrative expenses	293,500	274,871	(18,629)
Capital improvements			
Plant - treatment	140,000	130,296	(9,704)
Plant - distribution	279,500	77,966	(201,534)
General and administrative	49,000	16,231	(32,769)
Maintenance - system	17,500	15,186	(2,314)
Total capital improvements	486,000	239,679	(246,321)
Total expenditures	1,572,600	1,261,712	(310,888)
Excess of revenues over (under) expenditures	$ (360,658)	$ 119,184	$ 479,842

Reconciliation from GAAP Basis to Budget Basis

Change in net position	$	(105,050)
Less:		
Capital outlay		(126,155)
Add:		
Pension expense		132,170
Depreciation		195,255
Amortization of agreement with LTWD		22,964
Excess of revenues over expenditures (budgetary basis)	$	119,184

EideBailly

CPAs & BUSINESS ADVISORS

To the Board of Directors
Longs Peak Water District
Longmont, Colorado

In planning and performing our audit of the basic financial statements of Longs Peak Water District as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America we considered Longs Peak Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Longs Peak Water District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the entity's internal control to be material weaknesses:

Internal Control over the Preparation of Financial Statements
Management is responsible for establishing and maintaining internal control, and for the fair presentation of the financial statements and related financial statement disclosures being audited. The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Material Adjustments
In conjunction with our audit, we posted audit entries to record current year capital asset activity, including entries related to depreciation expense and intangible assets, and to record the District's proportional share of net pension liability. If these adjustments were not recorded, it would have resulted in a material misstatement of the District's financial statements. Along with the material entries, we also posted immaterial entries to accounts receivable, revenue, prepaids and miscellaneous expenses to properly record accrual basis activity of the District. The need for these adjustments indicates that the District's interim financial information is not materially correct, which may affect management decisions made during the course of the year.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the entity's internal control to be significant deficiency:

Review and Approval of Employee Expenses
The District does not have an internal control system to provide for adequate review and approval of expenses by employees and management. Accordingly, an effective system of internal control should be designed that such expenses by employees, including management, are reviewed and approved. The lack of proper review and approval of employee and management expenses increases the risk of fraud related to misappropriation of assets, financial misstatement, or both. It is the responsibility of both management and those charged with governance to determine whether to accept the degree of risk associated with the condition. We recommend that management and the Board of Directors incorporate into the system of internal controls a review and approval procedure for all expenses by employees and management over a designated dollar threshold.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Eide Bailly LLP

Fort Collins, Colorado
May 16, 2018

May 16, 2018

To the the Board of Directors
Longs Peak Water District
Longmont, Colorado

We have audited the financial statements of Longs Peak Water District (the District) as of and for the year ended December 31, 2017, and have issued our report thereon dated May 16, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated December 18, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies and/or material weaknesses over financial reporting noted during out audit in a separate letter to you dated May 16, 2018.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Distrcit is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is as follows:

> Management's estimate of the net pension liability and deferred inflows/outflows of resources related to the net pension liability is based on actuarial estimates provided by the actuary to PERA and the Schedule of Employer Allocations and Collective Pension Amounts provided by PERA. This schedule was audited by independent auditors. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows/outflows and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to defined benefit pension plan in Note 7 because this footnote supports the assumptions used and other inputs used to determine the net pension liability and related deferred inflows/outflows.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Entries to record capital asset activity:

- To reclassify $149,113 of capital outlay as capital asset additions.
- To record $8,291 of capital asset disposals and remove the related accumulated depreciation.
- To record $195,258 of depreciation expense and accumulated depreciation.
- To record $22,964 of amortization expense and accumulated amortization.
- To record $28,250 of water rights.

Entry to record GASB 68 pension activity:

- To record the current year activity for GASB 68 pension amounts including deferred outflows, deferred inflows and pension expense related to the current year increase in the net pension liability of $196,944.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Accounts Receivable	$17,001	
Revenue		$164
Retained Earnings		$16,846

To record December 2016 revenue not recorded until 2017 and December 2017 revenue not recorded until 2018.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated May 16, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Longs Peak Water District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Longs Peak Water District's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of Longs Peak Water District and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fort Collins, Colorado