Fort Collins-Loveland Water District

Financial Statements and Supplementary Information

For the Years Ended December 31, 2018 and 2017

Fort Collins-Loveland Water District

Contents

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, 2018 and 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 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, 2018 and 2017, 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 audits were 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.

ACM LLP

Greeley, Colorado
May 21, 2019

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, 2018. 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, 2018 by $337.5 million (net position). Of the net position balance, $81.1 million is unrestricted and is available to meet the District’s ongoing obligations.

- The District’s net position increased by $33.6 million (11.1%).

- The District’s revenues from metered water sales increased from $11.6 million to $12.6 million (a 8.6% increase).

- The District sold 584 taps in 2018, generating $27.1 million in system development fees, impact fees and raw water cash-in-lieu. This is an increase from 2017 tap sales of 432 (an increase of 35.2%). The District served a total of 18,023 taps at year end.

- The District accepted 11 new water line extension projects for the year ended December 31, 2018, representing $1.9 million in contributions in aid of construction.

- The District did not need to impose watering restrictions in 2018. As of September 1, 2018, the District increased water fees for all customer classes. The District’s management continually monitors revenue from metered sales and its impact on the District’s financial position.

- In 2018, the water portfolio was increased by 56 units of C-BT and 2.5 credits in the City of Loveland water bank. As of December 31, 2018, the District owned 13,089 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 $31,000 / 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2018 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,		
	2018	2017	2016
Current Assets	$ 83,529,811	$ 54,061,111	$ 43,253,618
Restricted Cash	1,127,500	1,127,500	1,127,500
Capital Assets	269,252,269	267,185,703	259,211,508
Other Assets	3,517	3,517	656,295
Total Assets	$ 353,913,097	$ 322,377,831	$ 304,248,921
Current Liabilities	$ 2,231,470	$ 3,215,704	$ 2,768,773
Long-Term Debt	12,874,260	14,189,990	15,496,293
Total Liabilities	$ 15,105,730	$ 17,405,694	$ 18,265,066
Deferred Inflows of Resources	$ 1,288,800	$ 1,100,000	$ 1,056,170
Net Position			
Net Investment in Capital Assets	$255,247,376	$251,890,481	$242,666,193
Restricted for Debt Service	1,127,500	1,127,500	1,127,500
Restricted Emergency Reserve	37,900	34,500	31,500
Unrestricted	81,105,791	50,819,656	41,102,492
Total Net Position	$337,518,567	$303,872,137	$284,927,685

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

	December 31,		
	2018	2017	2016
Total Operating Revenues	$ 13,459,510	$ 12,349,409	$ 12,589,478
Total Operating Expenses	9,091,293	9,472,713	6,880,256
Net Operating Income before Depreciation	4,368,217	2,876,696	5,709,222
Depreciation	2,494,264	2,436,637	2,604,678
Income from Operations	1,873,953	440,059	3,104,544
Non-Operating Revenues	2,608,825	1,734,354	1,689,482
Non-Operating Expenses	660,725	843,780	838,223
Net Income	3,822,053	1,330,633	3,955,803
Capital Contributions	29,824,377	17,613,819	22,422,863
Changes in Net Position	33,646,430	18,944,452	26,378,666
Total Net Position - Beginning of Year	303,872,137	284,927,685	258,549,019
Total Net Position - End of Year	$337,518,567	$303,872,137	$284,927,685

Operating activities increased the District's net position by $1.9 million, accounting for 5.6% 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 $12.6 million, up from $11.6 million in 2017. The increase is due to increased customer base, precipitation patterns, and a rate increase on September 1, 2018.

- There was an overall decrease in operating expenses of $381 thousand, not including depreciation, (4.0%). The increase is composed of:

  - Source and Treatment had a decrease of $155 thousand, attributable to treatment costs at Soldier Canyon Water Treatment Authority.

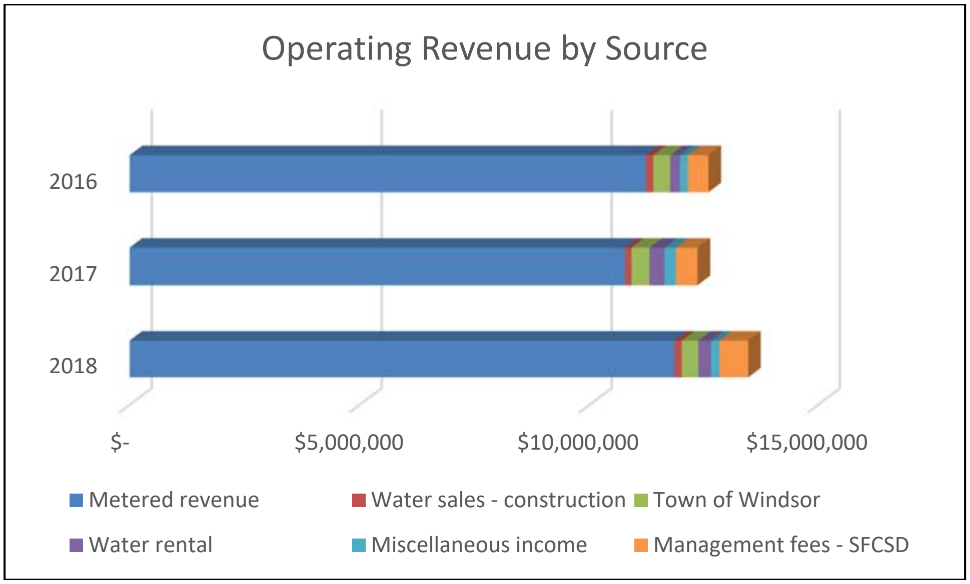
  - Distribution and Engineering costs decreased by $375 thousand, attributable to the maintenance of water tanks.
.
  - Operating capital replacement increased $90 thousand due to classifying all capital asset replacements that are related to normal District operations.

Non-operating activities increased the District's net position by $1.9 million, accounting for 5.8% of the District's overall increase in net position. The key components of this change are due to the following:

- Property tax revenue of $1.3 million.
- Interest income of $1.1 million.
- Interest expense was $638 thousand.

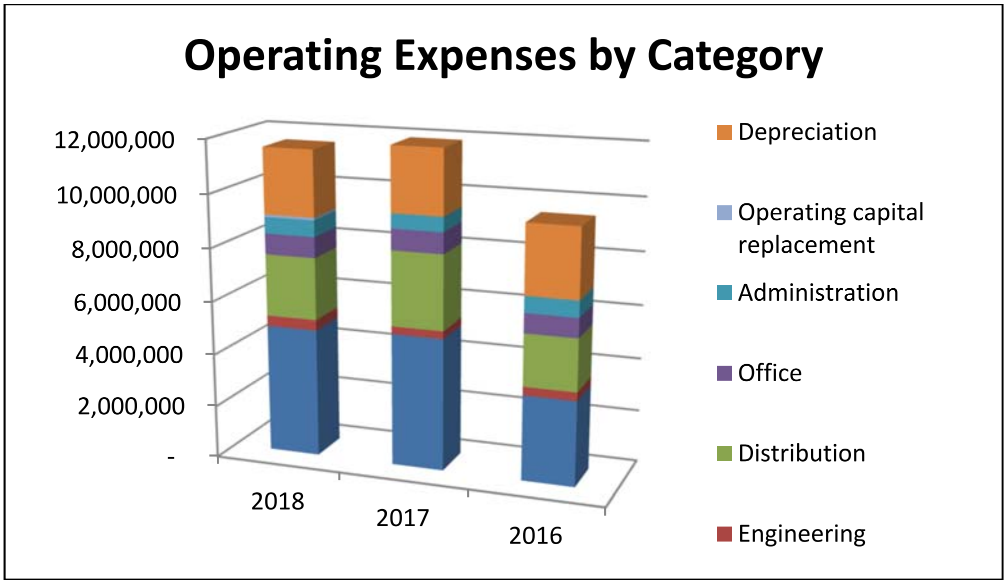
Operating Activities

Operating revenues increased the District's Net position by $13,459,510



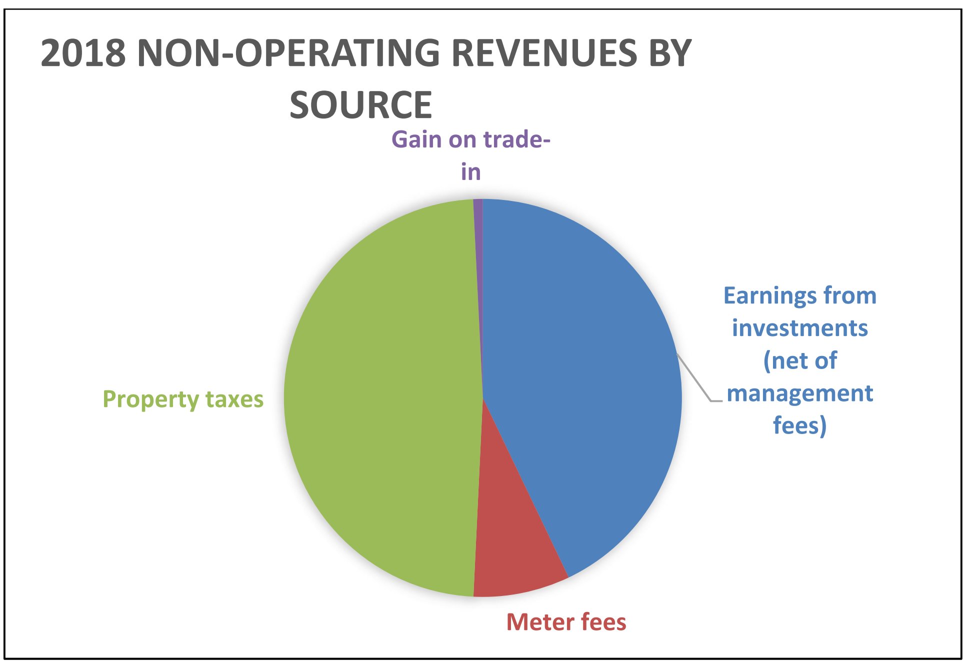
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating expenses decreased the District's net position by $11,585,557

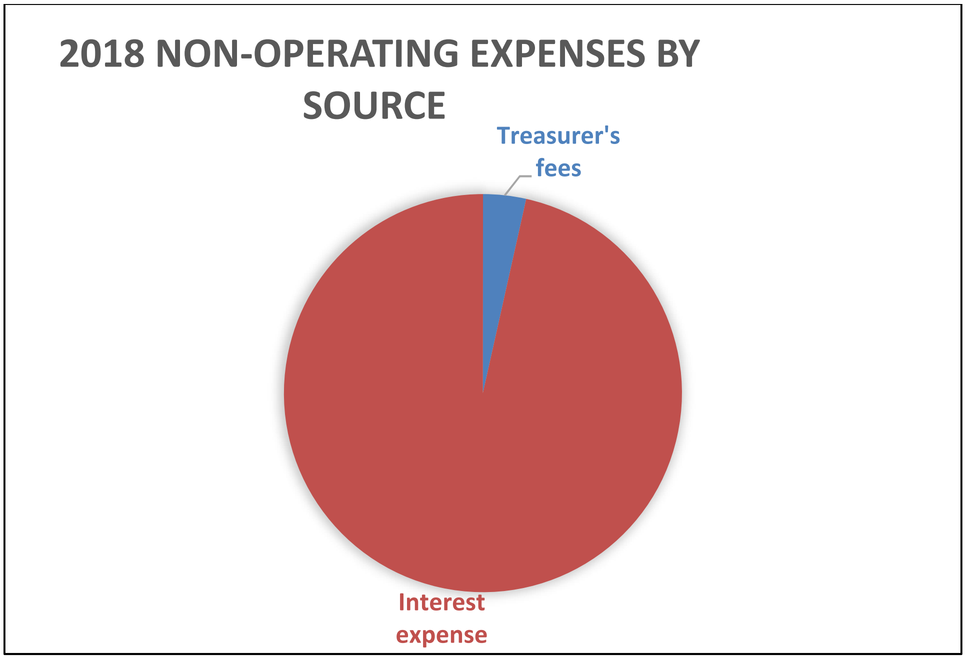


Non-Operating Activities

Non-operating revenues increased the District net position by $2,608,825



Non-operating expenses decreased the District's net position by $660,725



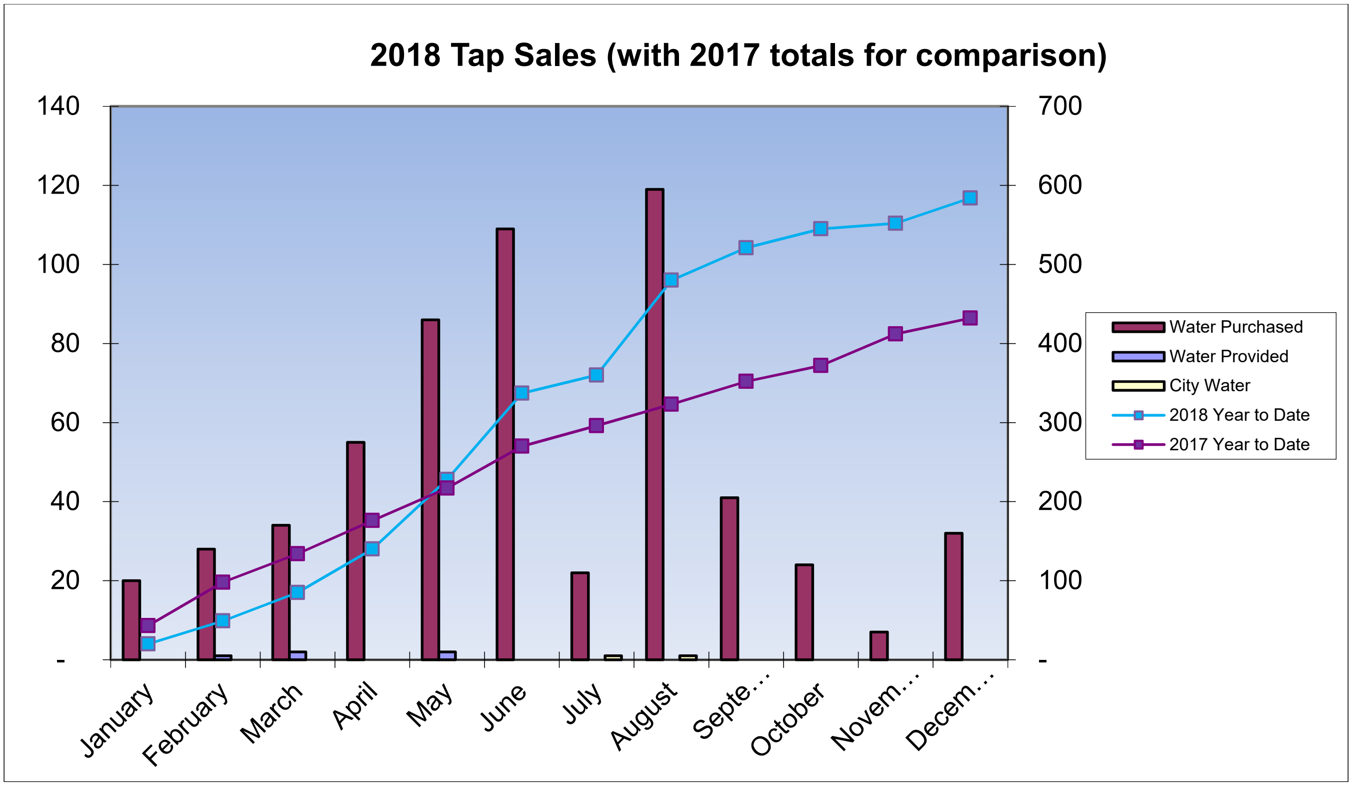
Capital contributions increased the District's net position by $29.8 million, accounting for 88.6% of the District's overall increase in net position.

- Contributions of capital assets were $2.1 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 $27.7 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 increased plant investment fees, raw water costs, and the amount of raw water requirements on September 1, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Active taps grew by 584 in 2018



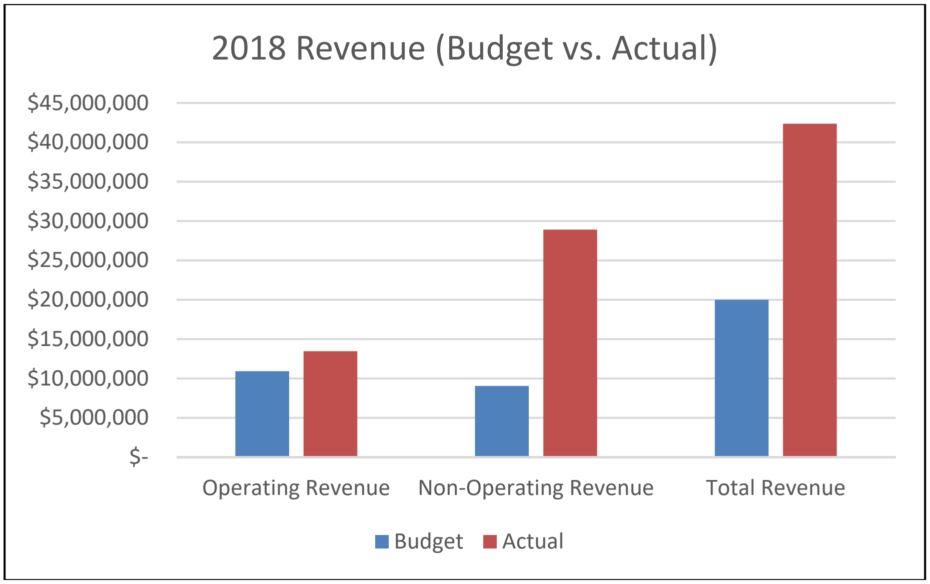
Budgetary Highlights

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.

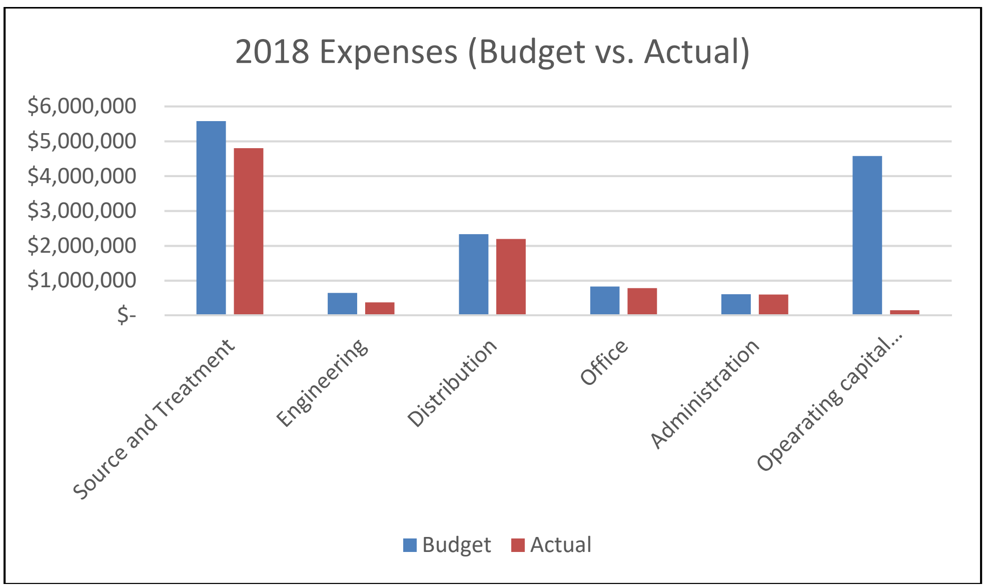
The variance between actual revenue and expenditures and the budget amounted to a favorable $42.2 million and is summarized as follows:

- Operating revenue was $2.5 million over budget due to actual metered revenue, $160 thousand from water sales – construction, $164 thousand from water rental.

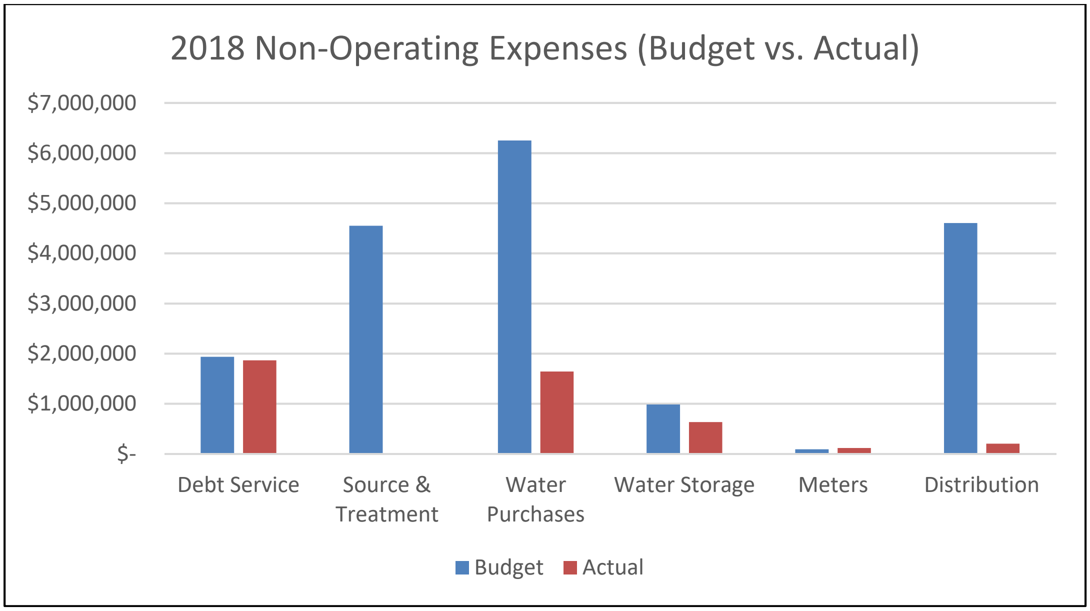
- Non-operating revenue was $19.9 million over budget, primarily due to increased tap sales and an increase in investment earnings.



- Operating expenditures were under budget by $5.6 million, with savings in source and treatment of $774 thousand, engineering of $273 thousand, distribution of $139 thousand, office of $45 thousand, administration expenses of $7 thousand, and operating capital replacement of $4.4 million.



- Non-operating expenditures were $14.0 million under budget, primarily due to the delayed expenditures for source & treatment related to the expansion of Solider Canyon Filter Plant, delayed construction of distribution lines and delayed purchases of water purchases.



Capital Assets, Other Investments and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2018 amounted to $269.3 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 ($2.4 million), purchasing 56 units of C-BT and 2.5 credits in the City of Loveland water bank.

- Contribution of distribution system lines by developers ($2.0 million).

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $13.4 million.

- Two notes payable to the Colorado Water Conservancy Board ($180 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 ($4.8 million). The revenue bonds were issued to facilitate the Divide purchase.

- Note payable to the City of Fort Collins ($8.4 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 2019 and has sold 63 through March 31, 2019. The remaining growth area for the District is principally in the Town of Timnath, where an additional 4,000 to 6,000 housing units are expected to be built.

- In 2019 several construction projects are expected to either start or be completed, including: the expansion of the Solider Canyon Filter Plant, two pressure reducing vaults, a water line bore under I-25, and various water line projects.

- The District continues to look for ways to increase water stock ownership and storage.

    - Raw water costs increased to $31,000 per unit of C-BT during 2018 and continues to rise. The District is actively looking to expand the water portfolio with native water shares.

    - 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.

- On February 19, 2019, the Board approved an amendment to the intergovernmental agreement with City of Fort Collins to prepay the note payable. Payment of the obligation is anticipated in April of 2019.

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, 2018 and 2017

ASSETS

	2018	2017
Current Assets:		
Cash and cash equivalents	**$ 41,985,695**	$ 17,677,669
Investments	**39,089,628**	34,182,035
Accounts receivable	**884,561**	879,028
Interest receivable	**137,025**	83,075
Prepaid expenses	**134,746**	131,319
Property taxes receivable	**1,298,156**	1,107,985
Total current assets	**83,529,811**	54,061,111
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	**199,902,065**	197,373,648
Capital assets, being depreciated, net	**69,350,204**	69,812,055
Total capital assets	**269,252,269**	267,185,703
Other Assets:		
Deposit	**3,517**	3,517
Total other assets	**3,517**	3,517
Total Assets	**353,913,097**	322,377,831

Continued

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2018 and 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2018	2017
Current Liabilities:		
Accounts payable	**229,387**	1,201,950
Accrued interest payable	**26,693**	29,723
Accrued expenses	**171,042**	189,095
Customer deposits	**77,885**	60,236
Customer advances for tap fees	**456,950**	509,325
Current portion of long-term debt	**1,269,513**	1,225,375
Total current liabilities	**2,231,470**	3,215,704
Non-Current Liabilities		
Accrued compensated absences	**138,880**	120,143
Notes and bonds payable, net of current maturities	**12,735,380**	14,069,847
Total non-current liabilities	**12,874,260**	14,189,990
Total Liabilities	**15,105,730**	17,405,694
Deferred Inflows of Resources		
Unearned revenue, property taxes	**1,288,800**	1,100,000
Total deferred inflows of resources	**1,288,800**	1,100,000
Net Position:		
Net investment in capital assets	**255,247,376**	251,890,481
Restricted for debt service	**1,127,500**	1,127,500
Restricted for emergency, TABOR amendment	**37,900**	34,500
Unrestricted	**81,105,791**	50,819,656
Total Net Position	**$ 337,518,567**	$ 303,872,137

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, 2018 and 2017

	2018	2017
Operating Revenues	$ 13,459,510	$ 12,349,409
Operating Expenses		
Source and treatment	4,879,904	5,035,390
Engineering	375,981	294,154
Distribution	2,337,543	2,794,099
Office	785,264	792,528
Administration	623,459	556,542
Operating capital replacement	89,142	-
Depreciation	2,494,264	2,436,637
Total operating expenses	11,585,557	11,909,350
Income from Operations	1,873,953	440,059
Non-Operating Revenues (Expenses):		
Earnings from investments (net of management fees)	1,042,332	440,303
Meter fees	205,121	139,305
Property taxes	1,264,021	1,154,746
Treasurer's fees	(23,089)	(20,992)
Unrealized gain (loss) on investments	76,944	(140,040)
Interest expense	(637,636)	(682,748)
Gain on trade-in of capital assets	20,407	-
Total non-operating revenues (expenses)	1,948,100	890,574
Net Income	3,822,053	1,330,633
Capital Contributions	29,824,377	17,613,819
Increase in Net Position	33,646,430	18,944,452
Total Net Position - Beginning of Year	303,872,137	284,927,685
Total Net Position - End of Period	$ 337,518,567	$ 303,872,137

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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash received from customers	$ 13,471,626	$ 12,444,958
Cash paid to suppliers	(7,596,318)	(6,540,021)
Cash paid to employees	(2,470,281)	(2,442,852)
Net cash flows from operating activities	3,405,027	3,462,085
Cash flows from noncapital financing activities		
Property taxes	1,262,650	1,154,135
Property tax collection fees	(23,089)	(20,992)
Net cash flows from noncapital financing activities	1,239,561	1,133,143
Cash flows from capital and related financing activities		
Contributed capital	27,663,498	15,682,200
Acquisition of capital assets	(2,431,919)	(7,853,860)
Principal paid on notes and bonds payable	(1,226,900)	(1,172,165)
Interest paid on notes and bonds payable	(704,095)	(756,427)
Meter fees	205,121	139,305
Net cash flows from capital and related financing activities	23,505,705	6,039,053
Cash flows from investing activities		
Earnings on investments	1,065,326	442,684
Purchases of investments	(20,328,378)	(34,024,243)
Proceeds from sale of investments	15,420,785	2,500,000
Net cash flows from investing activities	(3,842,267)	(31,081,559)
Net change in cash and cash equivalents	24,308,026	(20,447,278)
Cash and cash equivalents at beginning of year	17,677,669	38,124,947
Cash and cash equivalents at end of year	$ 41,985,695	$ 17,677,669

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, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash flows from operating activities:		
Income from operations	**$ 1,873,953**	$ 440,059
Adjustments to reconcile operating (loss) to cash flows from operating activities:		
Depreciation	**2,494,264**	2,436,637
Changes in assets and liabilities:		
Receivables	**(5,533)**	112,965
Prepaid expenses	**(3,427)**	64,697
Accounts payable	**(972,563)**	339,141
Accrued expenses	**(18,053)**	90,454
Accrued compensated absences	**18,737**	(4,452)
Customer deposits	**17,649**	(17,416)
Net cash flows from operating activities	**$ 3,405,027**	$ 3,462,085
Noncash capital and related financing transactions		
Capital assets contributed	**$ 2,108,504**	$ 1,904,191
Trade-in of equipment	**$ 88,000**	$ 91,861
Activation of prepaid tap sales	**$ 52,375**	$ 27,425
Accretion of bond premium	**$ 63,429**	$ 77,928
Capital assets transferred to SCWTA	**$ -**	$ (11,321,909)
Treatment capacity in SCWTA	**$ -**	$ 11,321,909

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

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.

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	$32,988,064	$ -	$32,988,064

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.

	2018	2017
Change in net position	**$33,646,430**	$18,944,452
Depreciation	**2,494,264**	2,436,637
Non-cash capital contributions	**(2,108,504)**	(1,904,191)
Debt service	**(1,226,900)**	(1,172,165)
Acquisition of capital assets (cash and non-cash)	**(2,431,919)**	(7,945,729)
Change in customer advances for tap fees	**(52,375)**	(27,425)
Unrealized (loss) gain on securities	**(76,944)**	140,040
(Gain) on trade-in of capital assets	**(20,407)**	-
Excess revenues over expenditures, budgetary basis	**$30,223,645**	$10,471,619

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.

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, 2018 or 2017, 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"). As of September 1, 2018, the connection fees were increased to $10,869 PIF and a raw water cost that is based on $31,000 but varies depending on residential lot size or tap size for commercial and irrigation customers.

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 2018 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2018.

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
2018	$ 120,143	$100,803	$ (82,066)	$ 138,880
2017	$ 124,595	$ 96,287	$ (100,739)	$ 120,143

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.

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, 2018, the District had deposits with financial institutions with a carrying amount of $5,957,145. The bank balances with the financial institutions were $6,771,371, of which, $250,000 was covered by federal depository insurance. The remaining balance of $6,521,371 was collateralized with securities held by the financial institutions' agents but not in the District's name. 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.

Cash deposits and cash equivalents held by the District at December 31, 2018 and 2017, were as follows:

	2018	2017
Petty cash	**$ 100**	$ 100
Cash on deposit with financial institutions	**5,957,145**	2,406,354
Local government investment pools	**36,028,450**	15,271,215
Total cash and cash equivalents	**$41,985,695**	$17,677,669

Local Government Investment Pools

As of December 31, 2018 and 2017, the District had invested balances of $17,339,223 and $5,117,532, in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE is a highly liquid fund operating similarly to a money market-like fund and each share is equal in value to $1.00. CSAFE measures all of its investment at amortized cost in accordance with GASB Statement No.

79, *Certain External Investment Pools and Pool Participants*. CSAFE invests primarily in United States Treasuries, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, AAAm rated money market funds, highly rated corporate bonds and Colorado Depositories. The weighted 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, 2018 and 2017, the District had invested balances of $18,689,227 and $10,153,683, 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 adheres to FASB and reports its investments in accordance with ASC 820, *Fair Value Measurement*. 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.

Interest Rate Risk

The District's investment policy, updated June 19, 2018 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, 2018, were as follows:

Investments	**S & P Rating**	**Moody Rating**	**Fair Value**	**Weighted Average Days to Maturity**	**Concentration of Credit Risk**
US Treasury	**AAA**	**Aaa**	**$ 4,950,350**	**744**	**12.3%**
US Instrumentality	**AAA**	**Aaa**	**24,866,935**	**503**	**61.8%**
Corporate Bonds	**AA-/AA+**	**Aa**	**10,399,843**	**288**	**25.9%**
Total investments			**$40,217,128***		

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			$35,309,535*		

*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, 2018 and 2017, 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, 2018 and 2017, was $1,127,500.

3. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2018:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 22,022	$ 176,567	$ -	$ 198,589
Land and easements	460,137	-	-	460,137
Water rights	160,260,880	1,749,750	-	162,010,630
Water storage and capacity	36,630,609	602,100	-	37,232,709
Total capital assets, not being depreciated	197,373,648	2,528,417	-	199,902,065
Capital assets, being depreciated:				
Office building	2,376,857	-	(17,155)	2,359,702
Transmission and distribution system	96,824,926	2,007,580	(740)	98,831,766
Equipment	2,356,897	92,427	(114,900)	2,334,424
Total capital assets, being depreciated	101,558,680	2,100,007	(132,795)	103,525,892
Less accumulated depreciation for:				
Office building	(920,120)	(65,226)	17,155	(968,191)
Transmission and distribution system	(29,253,944)	(2,207,583)	740	(31,460,787)
Equipment	(1,572,561)	(221,455)	47,306	(1,746,710)
Total accumulated depreciation	(31,746,625)	(2,494,264)	65,201	(34,175,688)
Total capital assets, being depreciated, net	69,812,055	(394,257)	(67,594)	69,350,204
Capital assets, net	$267,185,703	$ 2,134,160	$ (67,594)	$269,252,269

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

	Beginning	Additions	Deletions	Ending
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

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 it 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.

5. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2018 and 2017, is as follows:

	2018	2017
Revenue Bonds		
$11,275,000 April 14, 2010, water revenue bonds, Series 2010 due in principal installments of $850,000 in 2018 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 4). Accrued interest on these bonds is $19,437 and $22,094 at December 31, 2018 and 2017, respectively.	**$4,840,000**	$5,690,000
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 2018 were $4,255 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 $3,428 and $3,604, December 31, 2018 and 2017, respectively.	**83,105**	87,360

$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 2018 were $5,009 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 $3,828 and $4,025, December 31, 2018 and 2017, respectively.	**97,109**	102,118
$10,080,000 January 2, 2015, loan payable to the City of Fort Collins, due in principal installments of $367,638 in 2018 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, 2018 or 2017.	**8,413,701**	8,781,339
Total Bonds and Loans Payable	**$13,433,915**	$14,660,817

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2010	$ 5,690,000	$ -	$ (850,000)	$ 4,840,000	$ 875,000
Loan Payable					
2006 CWCB	87,360	-	(4,255)	83,105	4,446
2006 CWCB	102,118	-	(5,009)	97,109	5,224
2015 City of Fort Collins	8,781,339	-	(367,638)	8,413,701	384,843
Compensated Absences	120,143	100,803	(82,066)	138,880	-
Total	$14,780,960	$ 100,803	$(1,308,968)	$13,572,795	$1,269,513
Current portion of long term debt	(1,225,375)			(1,269,513)	
Net bond premiums	634,405			570,978	
Noncurrent portion of long term debt	$14,189,990			$12,874,260	

The annual requirements to amortize all debt outstanding as of December 31, 2018, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
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	1,531,337	360,781	1,892,118
2024-2028	2,800,856	1,278,492	4,079,348
2029-2033	3,608,830	488,041	4,096,871
Totals	$13,433,915	$4,374,394	$17,808,309

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 composted 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, 2017, CSDPLP has assets of $56,602,888, liabilities of $30,815,521 and surplus of $25,787,367. The liability includes no long-term debt. Total revenues for 2017 amounted to $20,713,694 and total expenses were $18,721,378 resulting in an excess of revenues over expenses of $1,992,316. The amount of the District's share of these amounts is less than 1%.

7. Transactions with Other Governmental Entities

The District bills South Fort Collins Sanitation District ("SFCSD"), which has a 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, 2018 and 2017, was $632,941 and $468,871, respectively. As of December 31, 2018 and 2017, SFCSD owed the Fort Collins – Loveland Water District $-0- and $39,541, 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").

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 three 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, 2018, 2017 and 2016 were $99,747, $93,828 and $102,036, 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 ($18,500 and $18,000, for the calendar years 2018 and 2017, respectively). Catch-up contributions of up to $6,000 for calendar years 2018 and 2017, 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, 2018 and 2017, the Plan members' contributions were $47,840 and $52,194, 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.

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 $37,900 and $34,500 as of December 31, 2018 and 2017, 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 May 21, 2019, the date these financial statements were available to be issued.

On April 18, 2019, the District paid off the loan with City of Fort Collins.

Supplementary Information

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2017 Actual
Enterprise Function:					
Revenue					
Operating Revenue					
Metered revenue	$ 9,700,000	$ 9,700,000	$ 11,850,845	$ 2,150,845	$ 10,780,501
Water sales - construction	-	-	160,004	160,004	133,860
Town of Windsor	381,000	381,000	359,550	(21,450)	391,037
Water rental	110,000	110,000	274,879	164,879	326,910
Miscellaneous income	100,000	100,000	181,291	81,291	248,230
Management fees - SFCSD	632,941	632,941	632,941	-	468,871
Total operating revenue	10,923,941	10,923,941	13,459,510	2,535,569	12,349,409
Non-Operating Revenue					
Earnings from investments	260,000	260,000	1,042,332	782,332	440,303
Tap fees (water)	6,875,000	6,875,000	20,752,983	13,877,983	11,787,503
Tap fees (PIF)	1,841,000	1,841,000	6,352,815	4,511,815	3,419,500
Meter fees	80,000	80,000	205,121	125,121	139,305
Impact fees	-	-	557,700	557,700	475,200
Total non-operating revenue	9,056,000	9,056,000	28,910,951	19,854,951	16,261,811
Operating transfer in	-	-	1,219,327	1,219,327	1,118,981
Total revenue	19,979,941	19,979,941	43,589,788	23,609,847	29,730,201
Expenditures - Operating					
Source and Treatment					
Assessments	1,500,000	1,500,000	1,116,443	383,557	1,203,079
Soldier Canyon	2,193,000	2,193,000	2,068,633	124,367	2,394,595
City of Loveland	50,000	50,000	48,528	1,472	-
FTC - Water Sale IGA	1,000,000	1,000,000	949,133	50,867	870,139
FTC - Transmission charges	150,000	150,000	-	150,000	175,811
FTC - Water Exchange IGA	123,000	123,000	18,140	104,860	114,381
FTC - Water purchase	500,000	500,000	600,918	(100,918)	204,753
Water resource consulting	60,000	60,000	-	60,000	72,632
Total source and treatment	5,576,000	5,576,000	4,801,795	774,205	5,035,390

continued.

See accompanying Independent Auditor's Report.

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2017 Actual
Engineering					
Engineering wages	240,000	240,000	269,369	(29,369)	193,525
Payroll taxes	20,000	20,000	20,357	(357)	16,866
Medical insurance	36,000	36,000	34,589	1,411	30,898
Life insurance	2,700	2,700	2,086	614	2,018
Retirement	15,000	15,000	13,394	1,606	12,645
Worker's compensation insurance	3,000	3,000	1,030	1,970	1,162
Cell phone service	1,200	1,200	554	646	555
Consulting	285,000	285,000	-	285,000	-
Dues and subscriptions	1,200	1,200	85	1,115	240
Education & training	6,000	6,000	1,459	4,541	1,438
Fuel	2,000	2,000	1,340	660	1,238
Miscellaneous	2,000	2,000	100	1,900	1,561
R & M - equipment	2,000	2,000	-	2,000	144
R & M - vehicles	1,500	1,500	240	1,260	47
Software maintenance	28,000	28,000	27,982	18	29,935
Supplies	3,000	3,000	3,396	(396)	1,882
Total engineering	648,600	648,600	375,981	272,619	294,154
Distribution					
Wages	975,000	975,000	932,811	42,189	954,595
Overtime & on-call pay	86,100	86,100	64,180	21,920	84,922
Payroll taxes	86,000	86,000	75,875	10,125	79,210
Medical insurance	192,000	192,000	192,000	-	192,000
Life insurance	8,300	8,300	9,152	(852)	9,529
Retirement	58,500	58,500	55,122	3,378	43,939
Worker's compensation insurance	30,000	30,000	15,399	14,601	16,655
R & M - lines & equipment	375,000	375,000	370,023	4,977	324,596
R & M -tank maintenance	20,000	20,000	-	20,000	302,955
Cell phone service	14,000	14,000	9,957	4,043	11,346
Education & training	12,000	12,000	8,164	3,836	7,784
Fuel	50,000	50,000	33,077	16,923	32,282
Internet hosting	7,500	7,500	38,315	(30,815)	25,853
Meter hosting service	60,000	60,000	58,900	1,100	32,491
Office supplies	2,000	2,000	1,264	736	547
R & M - vehicles	40,000	40,000	32,172	7,828	25,968
Safety program	8,000	8,000	13,654	(5,654)	5,908
Supplies	2,500	2,500	2,959	(459)	3,651
Telemetry	12,000	12,000	4,764	7,236	10,460
Uniforms	10,000	10,000	8,602	1,398	9,183
Utilities	205,000	205,000	225,348	(20,348)	196,628
Utility locates	18,000	18,000	14,661	3,339	17,736
Water quality testing	63,500	63,500	29,195	34,305	36,191
Total distribution	2,335,400	2,335,400	2,195,594	139,806	2,424,429

continued.

See accompanying Independent Auditor's Report.

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2017 Actual
Office					
Wages	460,000	460,000	414,495	45,505	445,975
Payroll taxes	36,800	36,800	32,049	4,751	34,374
Medical insurance	84,000	84,000	84,000	-	84,000
Life insurance	4,000	4,000	3,582	418	3,861
Retirement	27,600	27,600	21,196	6,404	22,068
Worker's compensation insurance	850	850	247	603	299
Education & training	5,000	5,000	1,544	3,456	3,911
Miscellaneous expense	2,500	2,500	1,144	1,356	182
On-line bill processing	12,000	12,000	72,745	(60,745)	29,355
Payroll processing	7,800	7,800	7,426	374	7,054
Postage	58,000	58,000	40,582	17,418	43,274
Printing	32,000	32,000	26,613	5,387	26,307
Publications & notices	1,000	1,000	537	463	564
R & M - equipment	26,000	26,000	7,607	18,393	21,646
Software maintenance	41,700	41,700	38,129	3,571	34,425
Supplies	15,000	15,000	18,505	(3,505)	20,593
Telephone	15,000	15,000	14,684	316	14,292
Travel	700	700	179	521	348
Total office	829,950	829,950	785,264	44,686	792,528
Administration					
Wages	147,000	147,000	154,154	(7,154)	146,897
Payroll taxes	11,760	11,760	10,530	1,230	10,581
Medical insurance	14,000	14,000	14,000	-	12,000
Life insurance	1,200	1,200	989	211	1,049
Retirement	8,820	8,820	13,572	(4,752)	15,176
Worker's compensation insurance	2,500	2,500	960	1,540	1,077
Audit & consulting fees	12,100	12,100	13,600	(1,500)	10,250
Bank service charges	27,000	27,000	50,767	(23,767)	37,634
Consulting services	-	-	73,912	(73,912)	105,614
Contingency	15,000	15,000	15,160	(160)	12,079
Customer relations	2,500	2,500	36,664	(34,164)	1,118
Dues & subscriptions	8,000	8,000	7,839	161	7,918
Education & training	6,000	6,000	3,046	2,954	494
Insurance - liability	45,000	45,000	44,926	74	41,412
Insurance - property	35,000	35,000	29,417	5,583	28,997
Janitorial service	10,500	10,500	10,912	(412)	10,203
Legal	150,000	150,000	55,308	94,692	46,471
Miscellaneous expenses	500	500	-	500	248
R & M - land and building	30,000	30,000	39,531	(9,531)	20,472
Trash removal service	1,800	1,800	1,612	188	1,440
Travel - manager	11,400	11,400	309	11,091	3,637
Utility - electricity	10,000	10,000	9,034	966	9,367

continued.

See accompanying Independent Auditor's Report.

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2017 Actual
Utility - gas	7,000	7,000	4,783	2,217	4,021
Utility - sewer	1,600	1,600	1,089	511	1,070
Utility - storm water	2,500	2,500	1,997	503	1,989
Utility - water	2,000	2,000	1,443	557	1,555
Water conservation	46,000	46,000	6,300	39,700	9,000
Total administration	609,180	609,180	601,854	7,326	541,769
Operating Capital Replacement					
Source & treatment	2,074,000	2,074,000	-	2,074,000	-
Meters	216,000	216,000	28,758	187,242	-
Distribution	1,963,000	1,963,000	78,366	1,884,634	-
Operations equipment	250,000	250,000	33,270	216,730	-
Office and engineering equipment	62,000	62,000	8,500	53,500	-
Building improvements	10,000	10,000	-	10,000	-
Total operating capital replacement	4,575,000	4,575,000	148,894	4,426,106	-
Total operating expenses	14,574,130	14,574,130	8,909,382	5,664,748	9,088,270
Debt Service - Non-Operating					
Interest on bonds (2010 issue)	266,000	266,000	198,669	67,331	224,046
Debt service - 2010 issue	850,000	850,000	850,000	-	815,000
Interest on CWCB notes	8,400	8,400	8,322	78	8,712
Debt service - CWCB notes	9,300	9,300	9,263	37	8,873
Interest on FTC 20 year note	434,000	434,000	430,645	3,355	449,990
Debt service - FTC 20 year note	367,000	367,000	367,637	(637)	348,292
Capital Expenditures - Non-Operating					
Source & treatment	4,551,000	4,551,000	-	4,551,000	1,391,032
Water purchases	6,250,000	6,250,000	1,641,012	4,608,988	5,448,600
Water storage	983,234	983,234	632,697	350,537	463,451
Meters	90,000	90,000	116,394	(26,394)	369,670
Distribution	4,605,000	4,605,000	202,123	4,402,877	438,059
Operations equipment	-	-	-	-	153,774
Office and engineering equipment	-	-	-	-	41,547
Building improvements	-	-	-	-	9,266
Total non-operating expenses	18,413,934	18,413,934	4,456,762	13,957,172	10,170,312
Enterprise Gain (Loss)	(13,008,123)	(13,008,123)	30,223,644	43,231,767	10,471,619

continued.

See accompanying Independent Auditor's Report.

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2017 Actual
Government Function:					
Revenues					
Property taxes	1,100,000	1,100,000	1,264,021	164,021	1,154,746
Expenditures					
Collection fees	21,000	21,000	23,089	(2,089)	20,992
Directors fees	8,000	8,000	9,931	(1,931)	6,785
Directors payroll taxes	640	640	779	(139)	525
Directors expenses	10,000	10,000	10,895	(895)	7,463
Operating transfer out	-	-	1,219,327	(1,219,327)	1,118,981
Total expenditures	39,640	39,640	1,264,021	(1,224,381)	1,154,746
Excess revenues over expenditures	1,060,360	1,060,360	-	(1,060,360)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	$ (11,947,763)	$ (11,947,763)	$ 30,223,644	$ 42,171,407	$ 10,471,619

See accompanying Independent Auditor's Report.