Fort Collins-Loveland Water District

Financial Statements and Supplementary Information

For the Years Ended December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matters

The COVID-19 outbreak in 2020, see Note 11, has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

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 38 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
July 30, 2020

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, 2019. 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, 2019 by $363.5 million (net position). Of the net position balance, $85.1 million is unrestricted and is available to meet the District’s ongoing obligations.

- The District’s net position increased by $26.0 million (7.7%).

- The District’s revenues from metered water sales remained a flat $12.6 million.

- The District sold 256 taps in 2019, generating $14.5 million in system development fees, impact fees and raw water cash-in-lieu. This is a decrease from 2018 tap sales of 584 (a decrease of 56.2%). The District served a total of 18,279 taps at year end.

- The District accepted 17 new water line extension projects for the year ended December 31, 2019, representing $4.8 million in contributions in aid of construction.

- The District did not need to impose watering restrictions in 2019. 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 2019, the water portfolio was increased by 2.1682 of New Mercer Ditch Company and 85 shares of Divide Canal and Reservoir Company. As of December 31, 2019, the District owned 13,024 units of C-BT, 1,199 shares of NPI, 1,323 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 $58,000 / 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.
7. Acquisition for replacement of existing facilities such as lines, pump stations, etc. 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 2019 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,		
	2019	2018	2017
Current Assets	$ 88,462,193	$ 83,529,811	$ 54,061,111
Restricted Cash	1,127,500	1,127,500	1,127,500
Capital Assets	281,945,597	269,252,269	267,185,703
Other Assets	3,517	3,517	3,517
Total Assets	$ 371,538,807	$ 353,913,097	$ 322,377,831
Current Liabilities	$ 2,663,894	$ 2,231,470	$ 3,215,704
Long-Term Debt	3,841,922	12,874,260	14,189,990
Total Liabilities	$ 6,505,816	$ 15,105,730	$ 17,405,694
Deferred Inflows of Resources	$ 1,493,840	$ 1,288,800	$ 1,100,000
Net Position			
Net Investment in Capital Assets	$277,302,503	$255,247,376	$251,890,481
Restricted for Debt Service	1,127,500	1,127,500	1,127,500
Restricted Emergency Reserve	38,400	37,900	34,500
Unrestricted	85,070,748	81,105,791	50,819,656
Total Net Position	$363,539,151	$337,518,567	$303,872,137

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	December 31,		
	2019	2018	2017
Total Operating Revenues	$ 13,483,281	$ 13,459,510	$ 12,349,409
Total Operating Expenses, Excluding Depreciation	9,516,199	9,091,293	9,472,713
Net Operating Income Before Depreciation	3,967,082	4,368,217	2,876,696
Depreciation	2,664,006	2,494,264	2,436,637
Income from Operations	1,303,076	1,873,953	440,059
Non-Operating Revenues	5,798,143	2,608,825	1,734,354
Non-Operating Expenses	333,067	660,725	843,780
Net Income	6,768,182	3,822,053	1,330,633
Capital Contributions	19,252,432	29,824,377	17,613,819
Changes in Net Position	26,020,584	33,646,430	18,944,452
Total Net Position - Beginning of Year	337,518,567	303,872,137	284,927,685
Total Net Position - End of Year	$363,539,151	$337,518,567	$303,872,137

Operating activities decreased the District's net position by $571 thousand. Key elements of this change are due to the following:

- Service charges for metered water sales were $12.6 million with no change from 2018.
- There was an overall increase in operating expenses of $425 thousand, not including depreciation, (4.0%). The increase is composed of:
  - Source and Treatment had a decrease of $16 thousand, attributable to treatment costs at Soldier Canyon Water Treatment Authority and the City of Fort Collins.
  - Distribution and Engineering costs increased by $132 thousand, attributable to the maintenance of water tanks.
.
  - Office increased $318 thousand due to increased IT consulting costs and increased marketing efforts.

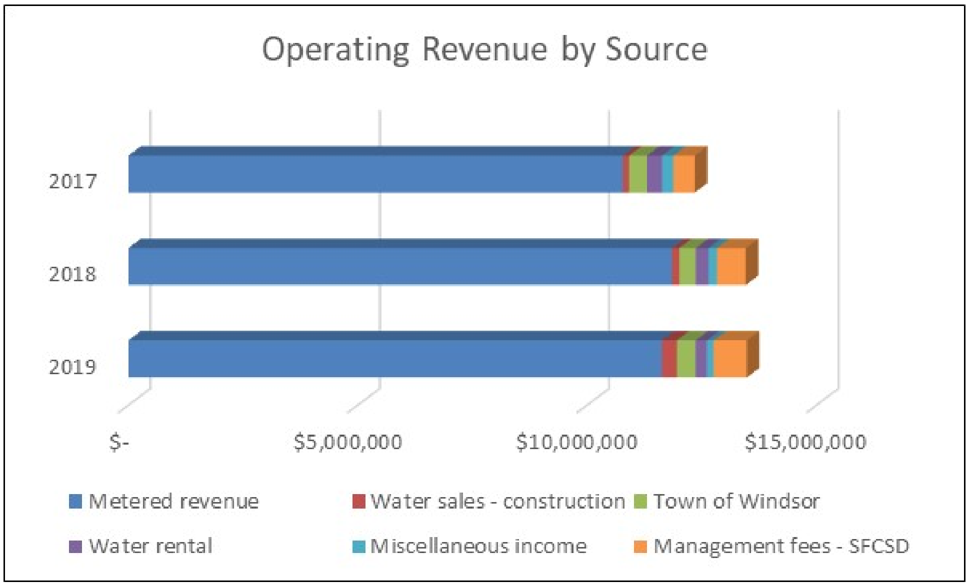
MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating activities increased the District's net position by $3.5 million. The key components of this change are due to the following:

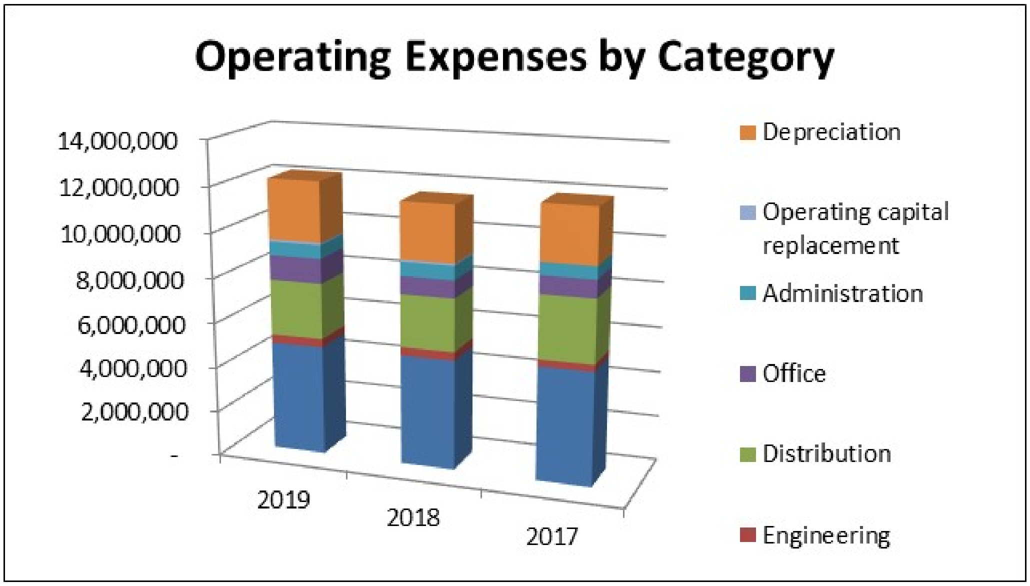
- Property tax revenue of $1.3 million.
- Interest income of $1.6 million.
- Interest expense was $309 thousand.

Operating Activities

Operating revenues increased the District's Net position by $13,483,281

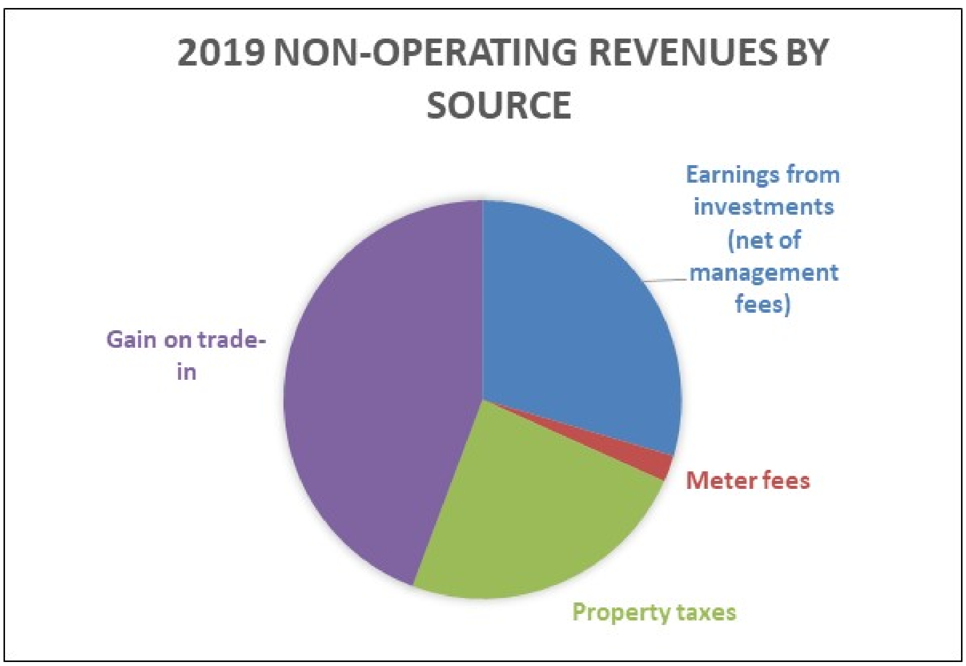


Operating expenses decreased the District's net position by $12,183,205



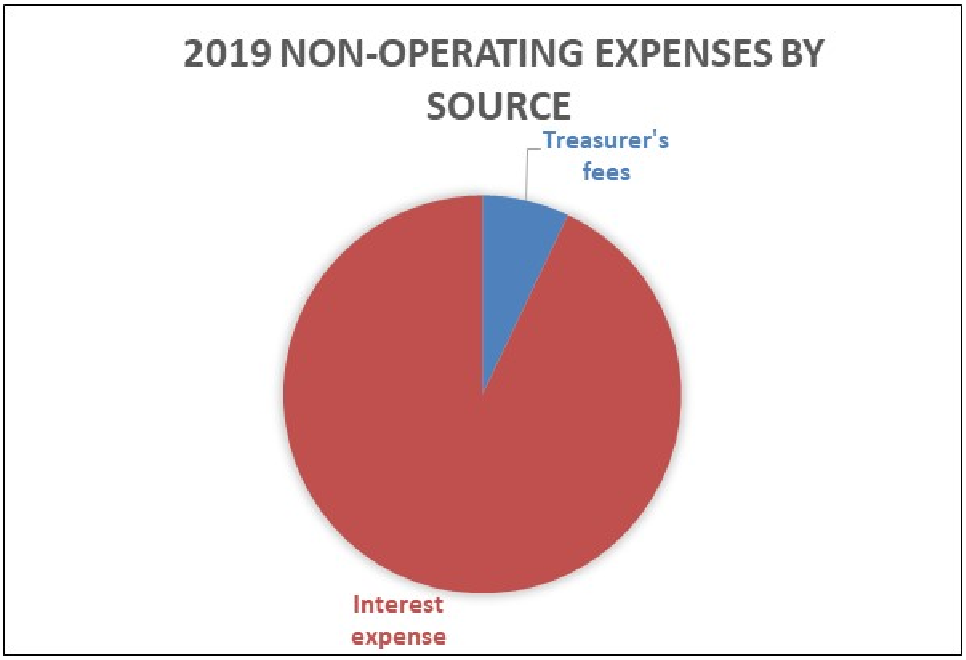
Non-Operating Activities

Non-operating revenues increased the District net position by $5,328,534



MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-operating expenses decreased the District's net position by $333,067



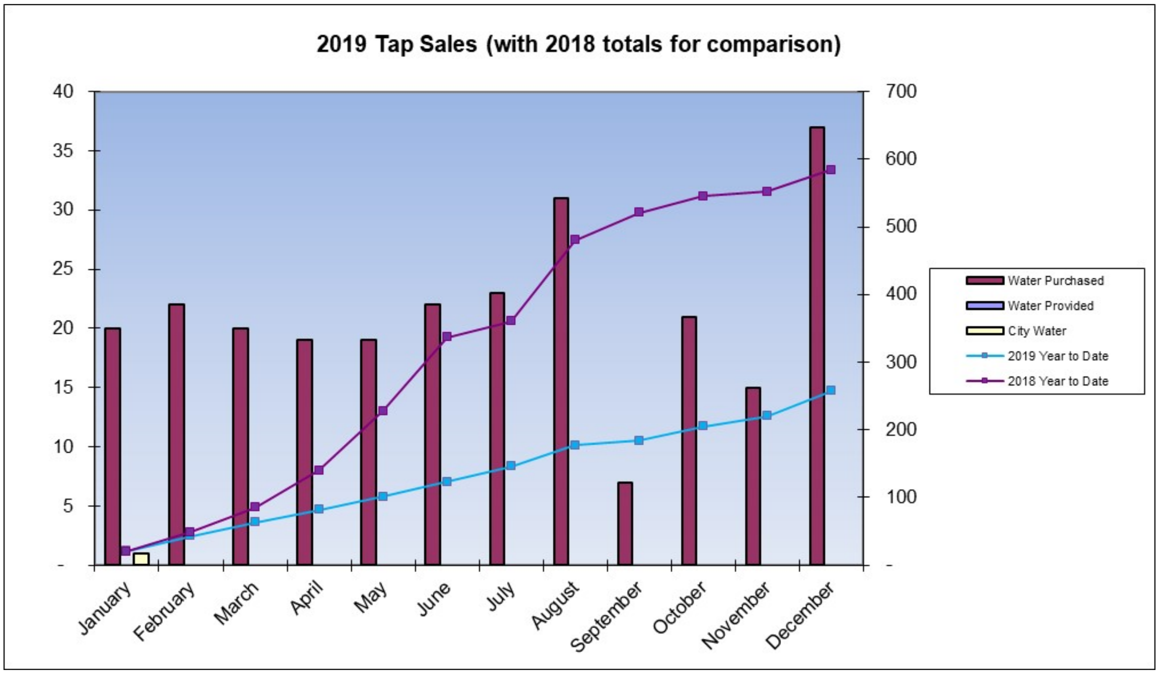
Capital contributions decreased the District's net position by $10.6 million.

- Contributions of capital assets were $4.8 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 $14.5 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, and on January 1, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Active taps grew by 256 in 2019



Budgetary Highlights

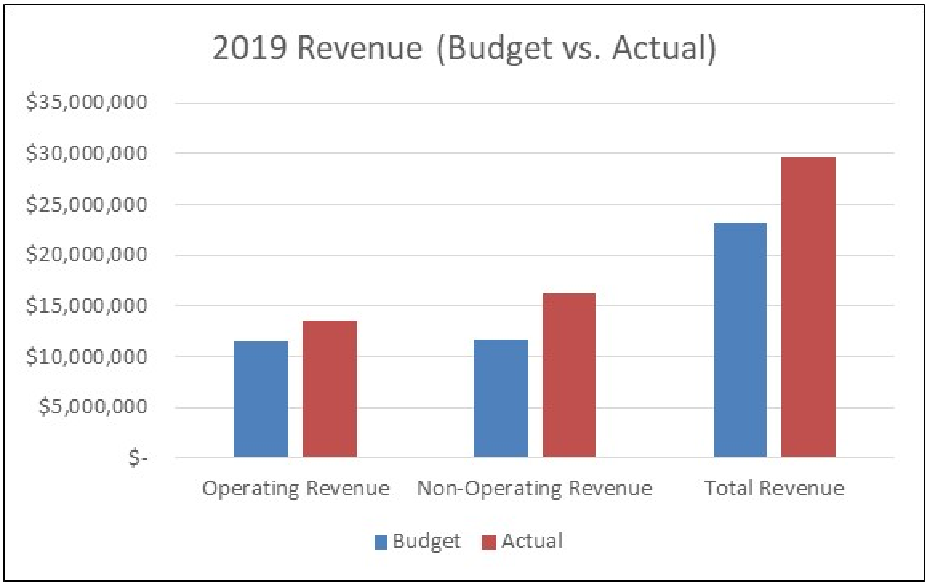
The District prepares its budget on a modified accrual basis, which is a non-GAAP basis of accounting. The modified accrual basis reports capital contributions as revenue, capital purchases as charges and does not report depreciation as an expense. A schedule of revenue and expenditures -- actual and budget (non-GAAP budgetary basis) begins on page 37 of this report.

The variance between actual revenue and expenditures and the budget amounted to a favorable $6.5 million and is summarized as follows:

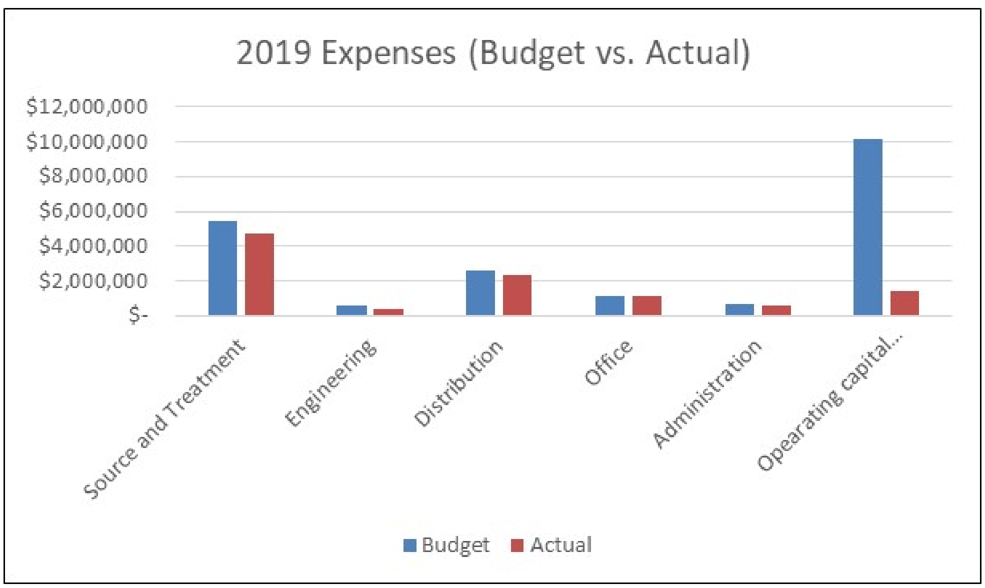
- Operating revenue was $2.0 million over budget due to actual metered revenue, $1.5 million and $251 thousand from water sales – construction.

- Non-operating revenue was $4.5 million over budget, primarily due to increased tap sale revenue and an increase in investment earnings.

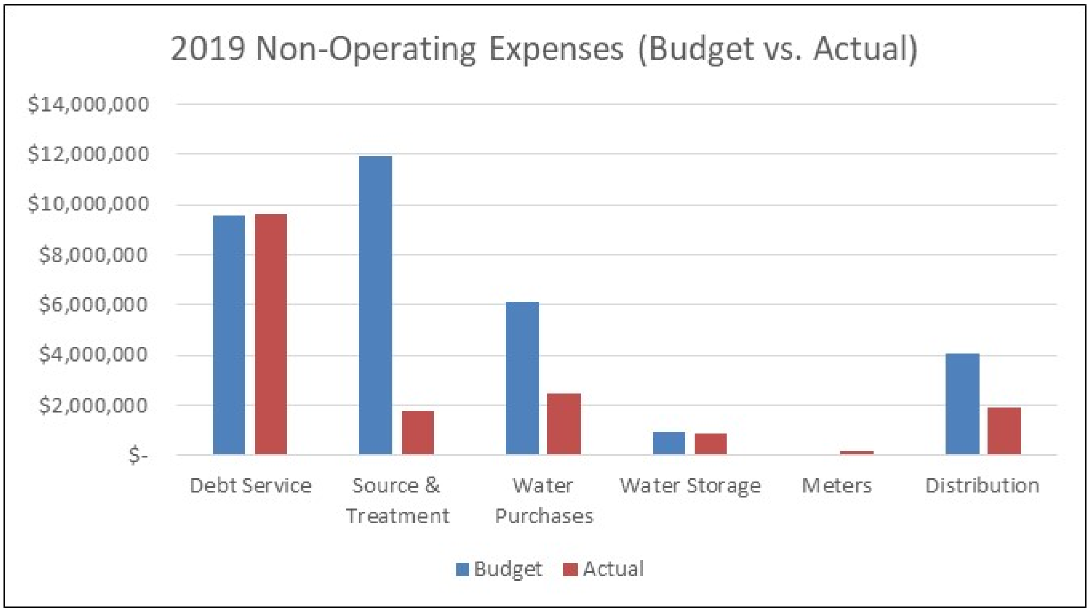
MANAGEMENT'S DISCUSSION AND ANALYSIS



❖ Operating expenditures were under budget by $10.1 million, with savings in source and treatment of $706 thousand, engineering of $250 thousand, distribution of $337 thousand, office of $23 thousand, administration expenses of $48 thousand, and operating capital replacement of $8.8 million caused by a construction delay.



❖ Non-operating expenditures were $15.9 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, 2019, amounted to $281.9 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 ($5.6 million), purchasing New Mercer Ditch Company and Divide Canal and Reservoir Company.

- Contribution of distribution system lines by developers ($4.8 million).

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $4.6 million.

- Two notes payable to the Colorado Water Conservancy Board ($170 thousand). These notes were assumed as part of the purchase of the Windsor Reservoir and Canal.

- Series 2010 Revenue Bonds ($4.0 million). The revenue bonds were issued to facilitate the Divide purchase in 2010.

Conditions Impacting Future Operations

- The District budgeted for the sale of 275 taps in 2020 and has sold 129 through May 31, 2020. The remaining growth area for the District is principally in the Town of Timnath, where an additional 3,000 to 4,000 housing units are expected to be built.

- In 2020 several construction projects are expected to either continue or be completed, including: the expansion of the Solider Canyon Filter Plant and various water line projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

  - Raw water costs increased to $58,000 per unit of C-BT during 2019 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.

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
General Manager
5150 Snead Drive
Ft. Collins, CO 80525

Basic Financial Statements

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

ASSETS

	2019	2018
Current Assets:		
Cash and cash equivalents	**$ 46,366,803**	$ 41,985,695
Investments	**38,553,905**	39,089,628
Accounts receivable	**956,028**	884,561
Interest receivable	**191,147**	137,025
Prepaid expenses	**900,470**	134,746
Property taxes receivable	**1,493,840**	1,298,156
Total current assets	**88,462,193**	83,529,811
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	**208,617,608**	199,902,065
Capital assets, being depreciated, net	**73,327,989**	69,350,204
Total capital assets	**281,945,597**	269,252,269
Other Assets:		
Deposit	**3,517**	3,517
Total other assets	**3,517**	3,517
Total Assets	**371,538,807**	353,913,097

Continued

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2019	2018
Current Liabilities:		
Accounts payable	**993,907**	229,387
Accrued interest payable	**23,387**	26,693
Accrued expenses	**177,186**	171,042
Customer deposits	**87,370**	77,885
Customer advances for tap fees	**456,949**	456,950
Current portion of long-term debt	**925,095**	1,269,513
Total current liabilities	**2,663,894**	2,231,470
Non-Current Liabilities		
Accrued compensated absences	**123,923**	138,880
Notes and bonds payable, including premium and net of current maturities	**3,717,999**	12,735,380
Total non-current liabilities	**3,841,922**	12,874,260
Total Liabilities	**6,505,816**	15,105,730
Deferred Inflows of Resources		
Unearned revenue, property taxes	**1,493,840**	1,288,800
Total deferred inflows of resources	**1,493,840**	1,288,800
Net Position:		
Net investment in capital assets	**277,302,503**	255,247,376
Restricted for debt service	**1,127,500**	1,127,500
Restricted for emergency, TABOR amendment	**38,400**	37,900
Unrestricted	**85,070,748**	81,105,791
Total Net Position	**$ 363,539,151**	$ 337,518,567

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, 2019 and 2018

	2019	2018
Operating Revenues	**$ 13,483,281**	$ 13,459,510
Operating Expenses		
Source and treatment	**4,864,705**	4,879,904
Engineering	**372,437**	375,981
Distribution	**2,472,284**	2,337,543
Office	**1,103,257**	785,264
Administration	**604,663**	623,459
Operating capital replacement	**98,853**	89,142
Depreciation	**2,664,006**	2,494,264
Total operating expenses	**12,180,205**	11,585,557
Income from Operations	**1,303,076**	1,873,953
Non-Operating Revenues (Expenses):		
Earnings from investments (net of management fees)	**1,575,286**	1,042,332
Meter fees	**114,656**	205,121
Property taxes	**1,280,467**	1,264,021
Treasurer's fees	**(23,592)**	(23,089)
Net realized and unrealized gain on investments	**469,609**	76,944
Interest expense	**(309,475)**	(637,636)
Gain on trade-in of capital assets	**2,358,125**	20,407
Total non-operating revenues (expenses)	**5,465,076**	1,948,100
Net Income	**6,768,152**	3,822,053
Capital Contributions	**19,252,432**	29,824,377
Increase in Net Position	**26,020,584**	33,646,430
Total Net Position - Beginning of Year	**337,518,567**	303,872,137
Total Net Position - End of Period	**$ 363,539,151**	$ 337,518,567

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Cash received from customers	$ 13,421,299	$ 13,471,626
Cash paid to suppliers	(7,035,839)	(7,596,318)
Cash paid to employees	(2,490,377)	(2,470,281)
Net cash flows from operating activities	3,895,083	3,405,027
Cash flows from noncapital financing activities		
Property taxes	1,289,823	1,262,650
Property tax collection fees	(23,592)	(23,089)
Net cash flows from noncapital financing activities	1,266,231	1,239,561
Cash flows from capital and related financing activities		
Contributed capital	14,484,240	27,663,498
Acquisition of capital assets	(8,231,017)	(2,431,919)
Principal paid on notes and bonds payable	(9,298,372)	(1,226,900)
Interest paid on notes and bonds payable	(376,209)	(704,095)
Meter fees	114,656	205,121
Net cash flows from capital and related financing activities	(3,306,702)	23,505,705
Cash flows from investing activities		
Earnings on investments	1,990,773	1,065,326
Purchases of investments	(22,094,667)	(20,328,378)
Proceeds from sale of investments	22,630,390	15,420,785
Net cash flows from investing activities	2,526,496	(3,842,267)
Net change in cash and cash equivalents	4,381,108	24,308,026
Cash and cash equivalents at beginning of year	41,985,695	17,677,669
Cash and cash equivalents at end of year	$ 46,366,803	$ 41,985,695

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, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash flows from operating activities:		
Income from operations	**$ 1,303,076**	$ 1,873,953
Adjustments to reconcile operating (income) to cash flows from operating activities:		
Depreciation	**2,664,006**	2,494,264
Changes in assets and liabilities:		
Accounts receivables	**(71,467)**	(5,533)
Prepaid expenses	**(765,724)**	(3,427)
Accounts payable	**764,520**	(972,563)
Accrued expenses	**6,144**	(18,053)
Accrued compensated absences	**(14,957)**	18,737
Customer deposits	**9,485**	17,649
Net cash flows from operating activities	**$ 3,895,083**	$ 3,405,027
Noncash capital and related financing transactions		
Capital assets contributed	**$ 4,768,192**	$ 2,108,504
Trade-in of equipment	**$ 94,608**	$ 88,000
Activation of prepaid tap sales	**$ -**	$ 52,375
Accretion of bond premium	**$ (63,428)**	$ 63,427
Non cash water share trade	**$ 2,293,590**	$ -

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	$ 46,960	$ -	$ 46,960
Enterprise function	$ 53,346,971	$ -	$53,346,970

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.

	2019	2018
Change in net position	**$26,020,584**	$33,646,430
Depreciation	**2,664,006**	2,494,264
Non-cash capital contributions	**(4,768,192)**	(2,108,504)
Debt service	**(9,298,372)**	(1,226,900)
Acquisition of capital assets	**(8,231,017)**	(2,431,919)
Change in customer advances for tap fees	**-**	(52,375)
Realized and unrealized gain on securities	**(469,609)**	(76,944)
(Gain) on trade-in of capital assets	**(2,358,125)**	(20,407)
Excess revenues over expenditures, budgetary basis	**$ 3,559,275**	$30,223,645

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, 2019 or 2018, 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 2019 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2019.

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
2019	$ 138,880	$ 124,195	$(139,152)	$ 123,923
2018	$ 120,143	$ 100,803	$ (82,066)	$ 138,880

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, 2019, the District had deposits with financial institutions with a carrying amount of $4,173,193. The bank balances with the financial institutions were $5,240,258, of which, $250,000 was covered by federal depository insurance. The remaining balance of $4,990,258 was collateralized with securities held by the financial institutions' agents but not in the District's name. 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.

Cash deposits and cash equivalents held by the District at December 31, 2019 and 2018, were as follows:

	2019	2018
Petty cash	**$ 100**	$ 100
Cash on deposit with financial institutions	**4,173,193**	5,957,145
Local government investment pools	**42,193,510**	36,028,450
Total cash and cash equivalents	**$46,366,803**	$41,985,695

Local Government Investment Pools

As of December 31, 2019 and 2018, the District had invested balances of $16,892,750 and $17,339,223, 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, 2019 and 2018, the District had invested balances of $25,300,760 and $18,689,227, 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, 2019, were as follows:

Investments	**S & P Rating**	**Moody Rating**	**Fair Value**	**Weighted Average Days to Maturity**	**Concentration of Credit Risk**
US Treasury	**AAA**	**Aaa**	**$ 7,028,560**	**365**	**17.7%**
US Instrumentality	**AAA**	**Aaa**	**27,656,840**	**397**	**69.7%**
Corporate Bonds	**AA-/AA+**	**Aa**	**4,996,005**	**290**	**12.6%**
Total investments			**$39,681,405***		

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			$40,217,128*		

*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, 2019 and 2018, 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, 2019 and 2018, was $1,127,500.

3. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2019:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 198,589	$ 4,875,401	$ (1,720,711)	$ 3,353,279
Land and easements	460,137	-	-	460,137
Water rights	162,010,630	4,775,000	-	166,785,630
Water storage and capacity	37,232,709	785,853	-	38,018,562
Total capital assets, not being depreciated	199,902,065	10,436,254	(1,720,711)	208,617,608
Capital assets, being depreciated:				
Office building	2,359,702	-	(7,299)	2,352,403
Transmission and distribution system	98,831,766	6,488,903	(119,956)	105,200,713
Equipment	2,334,424	182,961	(155,244)	2,362,141
Total capital assets, being depreciated	103,525,892	6,671,864	(282,499)	109,915,257
Less accumulated depreciation for:				
Office building	(968,191)	(63,892)	7,299	(1,024,784)
Transmission and distribution system	(31,460,787)	(2,407,532)	-	(33,868,319)
Equipment	(1,746,710)	(192,582)	245,127	(1,694,165)
Total accumulated depreciation	(34,175,688)	(2,664,006)	252,426	(36,587,268)
Total capital assets, being depreciated, net	69,350,204	4,007,858	(30,073)	73,327,989
Capital assets, net	$269,252,269	$ 14,444,112	$ (1,750,784)	$281,945,597

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

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.

In June 2019, the District purchased an additional interest, 85 shares, in the Divide Canal and Reservoir Company (a not-for-profit mutual ditch company, 501(c) 12 organization). The total purchase price was $4,250,000. The purchase was a combination of $1,956,410 in cash and water shares held by the District valued at $2,293,590.

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, 2019 and 2018, is as follows:

	2019	2018
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 $15,896 and $19,437 at December 31, 2019 and 2018, respectively.	**$3,965,000**	$4,840,000
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 $4,254 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 $3,540 and $3,428, December 31, 2019 and 2018, respectively.	**78,659**	83,105
$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 $3,951 and $3,828, December 31, 2019 and 2018, respectively.	**91,885**	97,109

$10,080,000 January 2, 2015, loan payable to the City of Fort Collins, due in principal installments of $367,637 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, 2019 or 2018. In 2019 the loan was paid in full.	-	8,413,701
Total Bonds and Loans Payable	**$4,135,544**	$13,433,915

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2010	$ 4,840,000	$ -	$ (875,000)	$ 3,965,000	$ 915,000
Loan Payable					
2006 CWCB	83,105	-	(4,447)	78,659	4,646
2006 CWCB	97,109	-	(5,224)	91,885	5,449
2015 City of Fort Collins	8,413,701	-	(8,413,701)	-	-
Compensated Absences	138,880	124,195	(139,152)	123,923	-
Total	$13,572,795	$ 124,195	$(9,437,524)	$4,259,467	$925,095
Current portion of long term debt	(1,269,513)			(925,095)	
Net bond premiums	570,978			507,550	
Noncurrent portion of long term debt	$12,874,260			$3,841,922	

The annual requirements to amortize all debt outstanding as of December 31, 2019, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2020	$ 925,095	$ 205,741	$ 1,130,836
2021	1,010,538	159,547	1,170,085
2022	1,011,001	109,084	1,120,085
2023	1,061,484	32,351	1,093,835
2024	11,989	5,597	17,586
2025-2029	68,320	19,607	87,927
2030-2033	47,117	4,132	51,249
Totals	$4,135,544	$ 536,059	$4,671,603

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, 2018, CSDPLP has assets of $63,918,422, liabilities of $39,345,647 and net position of $24,572,775. The liability includes no long-term debt. Total revenues for 2018 amounted to $20,983,559 and total expenses were $22,973,705 resulting in an excess of expenses over revenues of $1,990,146. The amount of the District's share of these amounts is less than 1%.

Litigation

The District and SFCSD are the subjects of a legal proceeding regarding water and sewer tap fees. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Districts.

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, 2019 and 2018, was $722,840 and $632,941, respectively. As of December 31, 2019 and 2018, SFCSD owed the District $3,435 and $-0-, 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, 2019, 2018 and 2017 were $83,049, $99,747 and $93,828, 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 ($19,000 and $18,500, for the calendar years 2019 and 2018, respectively). Catch-up contributions of up to $6,000 for calendar years 2019 and 2018, 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, 2019 and 2018, the Plan members' contributions were $54,139 and $47,840, 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 $38,400 and $37,900 as of December 31, 2019 and 2018, 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 COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the District's operational and financial performance will be affected is also uncertain. Therefore, while the District expects this matter to impact their business, results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

The District evaluated subsequent events through July 30, 2020, the date these financial statements were available to be issued. There were no other material subsequent events that required recognition or additional disclosure.

Supplementary Information

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Budget - Original	**Budget - Final**	**Actual Amounts (Budgetary Basis)**	**Variance Favorable (Unfavorable)**	**2018 Actual**
Enterprise Function:					
Revenue					
Operating Revenue					
Metered revenue	$ 10,100,000	$ 10,100,000	$ 11,629,518	$ 1,529,518	$ 11,850,845
Water sales - construction	75,000	75,000	325,679	250,679	160,004
Town of Windsor	392,000	392,000	412,424	20,424	359,550
Water rental	150,000	150,000	242,393	92,393	274,879
Miscellaneous income	85,000	85,000	150,427	65,427	181,291
Management fees - SFCSD	722,840	722,840	722,840	-	632,941
Total operating revenue	11,524,840	11,524,840	13,483,281	1,958,441	13,459,510
Non-Operating Revenue					
Earnings from investments	300,000	300,000	1,575,286	1,275,286	1,042,332
Tap fees (water)	8,460,100	8,460,100	10,447,187	1,987,087	20,752,983
Tap fees (PIF)	2,827,595	2,827,595	4,037,053	1,209,458	6,352,815
Meter fees	78,100	78,100	114,656	36,556	205,121
Impact fees	-	-	-	-	557,700
Total non-operating revenue	11,665,795	11,665,795	16,174,182	4,508,387	28,910,951
Operating transfer in	-	-	1,238,569	1,238,569	1,219,327
Total revenue	23,190,635	23,190,635	30,896,032	7,705,397	43,589,788
Expenditures - Operating					
Source and Treatment					
Assessments	1,440,000	1,440,000	1,137,719	302,281	1,116,443
Soldier Canyon	2,193,000	2,193,000	1,627,106	565,894	2,068,633
City of Loveland	15,000	15,000	-	15,000	48,528
FTC - Water Sale IGA	950,000	950,000	1,360,334	(410,334)	949,133
FTC - Transmission charges	175,000	175,000	286,735	(111,735)	-
FTC - Water Exchange IGA	123,000	123,000	242	122,758	18,140
FTC - Water purchase	500,000	500,000	337,419	162,581	600,918
Water resource consulting	60,000	60,000	-	60,000	-
Total source and treatment	5,456,000	5,456,000	4,749,555	706,445	4,801,795

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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2018 Actual
Engineering					
Engineering wages	272,000	272,000	201,431	70,569	269,369
Payroll taxes	22,000	22,000	18,876	3,124	20,357
Medical insurance	37,800	37,800	37,800	-	34,589
Life insurance	2,700	2,700	1,581	1,119	2,086
Retirement	16,500	16,500	10,766	5,734	13,394
Worker's compensation insurance	1,400	1,400	872	528	1,030
Cell phone service	700	700	439	261	554
Consulting	230,000	230,000	62,357	167,643	-
Dues and subscriptions	600	600	600	-	85
Education & training	4,000	4,000	1,944	2,056	1,459
Fuel	1,500	1,500	1,103	397	1,340
Miscellaneous	2,000	2,000	756	1,244	100
R & M - equipment	500	500	516	(16)	-
R & M - vehicles	500	500	1,207	(707)	240
Software maintenance	28,300	28,300	27,438	862	27,982
Supplies	2,000	2,000	4,751	(2,751)	3,396
Total engineering	622,500	622,500	372,437	250,063	375,981
Distribution					
Wages	1,061,000	1,061,000	986,086	74,914	932,811
Overtime & on-call pay	43,000	43,000	55,654	(12,654)	64,180
Payroll taxes	88,300	88,300	80,738	7,562	75,875
Medical insurance	206,600	206,600	206,600	-	192,000
Life insurance	10,000	10,000	10,172	(172)	9,152
Retirement	66,200	66,200	56,149	10,051	55,122
Worker's compensation insurance	20,000	20,000	10,866	9,134	15,399
R & M - lines & equipment	375,000	375,000	391,296	(16,296)	370,023
R & M -tank maintenance	300,000	300,000	10,800	289,200	-
Cell phone service	13,000	13,000	12,954	46	9,957
Education & training	20,000	20,000	20,254	(254)	8,164
Fuel	37,000	37,000	31,825	5,175	33,077
Internet hosting	27,500	27,500	22,603	4,897	38,315
Meter hosting service	25,000	25,000	38,954	(13,954)	58,900
Office supplies	1,000	1,000	1,349	(349)	1,264
R & M - vehicles	30,000	30,000	48,117	(18,117)	32,172
Safety program	12,000	12,000	14,269	(2,269)	13,654
Supplies	3,000	3,000	2,901	99	2,959
Telemetry	12,000	12,000	23,575	(11,575)	4,764
Uniforms	12,000	12,000	10,464	1,536	8,602
Utilities	205,000	205,000	219,876	(14,876)	225,348
Utility locates	18,000	18,000	15,703	2,297	14,661
Water quality testing	65,000	65,000	42,164	22,836	29,195
Total distribution	2,650,600	2,650,600	2,313,369	337,231	2,195,594

continued.

See accompanying Independent Auditor's Report.

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2018 Actual
Office					
Wages	441,000	441,000	442,441	(1,441)	414,495
Payroll taxes	35,280	35,280	33,720	1,560	32,049
Medical insurance	88,200	88,200	88,200	-	84,000
Life insurance	4,000	4,000	3,957	43	3,582
Retirement	26,460	26,460	23,767	2,693	21,196
Worker's compensation insurance	400	400	517	(117)	247
Education & training	10,000	10,000	6,848	3,152	1,544
Bank service charges	55,000	55,000	42,271	12,729	-
Miscellaneous expense	2,500	2,500	127	2,373	1,144
On-line bill processing	50,000	50,000	83,217	(33,217)	72,745
Payroll processing	7,800	7,800	7,439	361	7,426
Postage	47,000	47,000	39,607	7,393	40,582
Printing	30,000	30,000	26,216	3,784	26,613
Publications & notices	1,000	1,000	73	927	537
R & M - equipment	22,000	22,000	10,085	11,915	7,607
Software maintenance	80,000	80,000	32,412	47,588	38,129
Supplies	20,000	20,000	17,559	2,441	18,505
Telephone	15,000	15,000	14,692	308	14,684
Travel	500	500	241	259	179
Consulting services	115,000	115,000	210,302	(95,302)	-
Customer relations	15,000	15,000	2,317	12,683	-
Water conservation	60,000	60,000	17,249	42,751	-
Total office	1,126,140	1,126,140	1,103,257	22,883	785,264
Administration					
Wages	212,000	212,000	179,308	32,692	154,154
Payroll taxes	17,000	17,000	12,584	4,416	10,530
Medical insurance	19,000	19,000	18,999	1	14,000
Life insurance	2,000	2,000	1,094	906	989
Retirement	15,000	15,000	12,177	2,823	13,572
Worker's compensation insurance	2,500	2,500	724	1,776	960
Audit & consulting fees	14,500	14,500	13,672	828	13,600
Bank service charges	-	-	-	-	50,767
Consulting services	30,000	30,000	40,740	(10,740)	73,912
Contingency	15,000	15,000	12,019	2,981	15,160
Customer relations	-	-	-	-	36,664
Dues & subscriptions	9,400	9,400	9,435	(35)	7,839
Education & training	4,000	4,000	1,159	2,841	3,046
Insurance - liability	50,000	50,000	49,496	504	44,926
Insurance - property	35,000	35,000	28,943	6,057	29,417
Janitorial service	11,000	11,000	14,169	(3,169)	10,912
Legal	150,000	150,000	141,015	8,985	55,308
Miscellaneous expenses	500	500	140	360	-
R & M - land and building	25,000	25,000	29,001	(4,001)	39,531
Trash removal service	1,800	1,800	1,605	195	1,612

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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2018 Actual
Travel - manager	1,000	1,000	289	711	309
Utility - electricity	10,000	10,000	9,624	376	9,034
Utility - gas	4,500	4,500	5,491	(991)	4,783
Utility - sewer	1,200	1,200	1,094	106	1,089
Utility - storm water	2,300	2,300	2,034	266	1,997
Utility - water	1,800	1,800	1,545	255	1,443
Water conservation	-	-	-	-	6,300
Total administration	634,500	634,500	586,357	48,143	601,854
Operating Capital Replacement					
Source & treatment	7,795,660	7,795,660	1,184,010	6,611,650	-
Meters	277,000	277,000	31,266	245,734	28,758
Distribution	1,762,000	1,762,000	29,556	1,732,444	78,366
Operations equipment	253,000	253,000	41,761	211,239	33,270
Office and engineering equipment	69,000	69,000	110,178	(41,178)	8,500
Building improvements	10,000	10,000	-	10,000	-
Total operating capital replacement	10,166,660	10,166,660	1,396,771	8,769,889	148,894
Total operating expenses	20,656,400	20,656,400	10,521,746	10,134,654	8,909,382
Debt Service - Non-Operating					
Interest on bonds (2010 issue)	234,000	234,000	166,517	67,483	198,669
Debt service - 2010 issue	875,000	875,000	875,000	-	850,000
Interest on CWCB notes	8,000	8,000	7,915	85	8,322
Debt service - CWCB notes	9,700	9,700	9,671	29	9,263
Interest on FTC 20 year note	35,051	35,051	135,043	(99,992)	430,645
Debt service - FTC 20 year note	8,412,250	8,412,250	8,413,701	(1,451)	367,637
Capital Expenditures - Non-Operating					
Source & treatment	11,928,500	11,928,500	1,776,015	10,152,485	-
Water purchases	6,100,000	6,100,000	2,481,410	3,618,590	1,641,012
Water storage	945,570	945,570	901,003	44,567	632,697
Meters	82,500	82,500	158,915	(76,415)	116,394
Distribution	4,060,000	4,060,000	1,895,142	2,164,858	202,123
Total non-operating expenses	32,690,571	32,690,571	16,820,332	15,870,239	4,456,762
Enterprise Gain (Loss)	(30,156,336)	(30,156,336)	3,553,954	33,710,290	30,223,644

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, 2019
With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2018 Actual
Government Function:					
Revenues					
Property taxes	1,180,200	1,180,200	1,280,467	100,267	1,264,021
Expenditures					
Collection fees	24,000	24,000	23,592	408	23,089
Directors fees	12,000	12,000	9,500	2,500	9,931
Directors payroll taxes	960	960	755	205	779
Directors expenses	10,000	10,000	8,051	1,949	10,895
Operating transfer out	-	-	1,238,569	(1,238,569)	1,219,327
Total expenditures	46,960	46,960	1,280,467	(1,233,507)	1,264,021
Excess revenues over expenditures	1,133,240	1,133,240	-	(1,133,240)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	$ (29,023,096)	$ (29,023,096)	$ 3,553,954	$ 32,577,050	$ 30,223,644

See accompanying Independent Auditor's Report.