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FORT COLLINS - LOVELAND WATER DISTRICT

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2021 and 2020

FORT COLLINS - LOVELAND WATER DISTRICT

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As of and for the years ended December 31, 2021 and 2020

Independent Auditors' Report

To the Board of Directors of
Fort Collins - Loveland Water District

Opinion

We have audited the accompanying financial statements of the Fort Collins - Loveland Water District (District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The financial statements of the District as of and for the year ended December 31, 2020, were audited by other auditors whose report dated June 6, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that rise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis), 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 2021 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended December 31, 2021 is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the year ended December 31, 2020, were audited by other auditors whose reports expressed an unqualified opinion on the respective financial statements of the financial statements. Their report on the 2020 Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2020, as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
September 30, 2022

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, 2021. 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 16 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, 2021 by $430.4 million (net position). Of the net position balance, $126.3 million is unrestricted and is available to meet the District's ongoing obligations.

- The District's net position increased by $40.5 million (10.4%).

- The District's revenues from metered water sales were $15.2 million.

- The District sold 555 taps in 2021, generating $31.9 million in infrastructure investment fees and raw water cash-in-lieu. This is an increase from 2020 tap sales of 238 (an increase of 75.1%). The District served a total of 19,151 taps at year end.

- The District accepted 12 new water line extension projects for the year ended December 31, 2021, representing $3.9 million in contributions in aid of construction.

- The District did not need to impose watering restrictions in 2021. As of January 1, 2021, 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.

- As of December 31, 2021, the District owned 13,078 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 a C-BT unit was approximately $58,000 at 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 16. 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 infrastructure investment fees or are contributed by the developer of new subdivisions.
6. Acquisition of new assets that are related to the operations of the District, 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, infrastructure investment fees and monthly service fees are reviewed annually. Raw water charges are subject to the changes in the market price of raw water. The current level of these fees has been determined to be sufficient at this time to provide the necessary revenues to sustain operations, water purchases and capital construction. The District also requires developers to oversize connections where applicable, with reimbursements made to the developer with fees collected by the District as additional subdivisions attach to the line.

Day-To-Day Operational Control of the District

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

The general governmental activity was funded in 2021 by a 1.50 total mill levy.

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, 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.

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,		
	2021	2020	2019
Current Assets	$ 129,925,511	$ 103,217,966	$ 88,462,193
Restricted Cash	1,127,500	1,127,500	1,127,500
Capital Assets	305,358,126	293,235,259	281,945,597
Other Assets	3,517	3,517	3,517
Total Assets	$ 436,414,654	$ 397,584,242	$ 371,538,807
Current Liabilities	$ 2,847,169	$ 3,448,604	$ 2,663,894
Long-Term Debt	1,550,471	2,755,625	3,841,922
Total Liabilities	$ 4,397,640	$ 6,204,229	$ 6,505,816
Deferred Inflows of Resources	$ 1,649,578	$ 1,524,835	$ 1,493,840
Net Position			
Net Investment in Capital Assets	$302,911,257	$289,583,216	$277,302,503
Restricted for Debt Service	1,127,500	1,127,500	1,127,500
Restricted Emergency Reserve	45,200	38,400	38,400
Unrestricted	126,283,479	99,106,062	85,070,748
Total Net Position	$430,367,436	$389,855,178	$363,539,151

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

	December 31,		
	2021	2020	2019
Total Operating Revenues	$ 16,985,970	$ 15,931,963	$ 13,483,281
Total Operating Expenses, excluding depreciation	11,281,368	10,055,331	9,516,199
Net Operating Income before Depreciation	5,704,602	5,879,632	3,967,082
Depreciation	2,627,655	2,627,303	2,664,006
Income from Operations	3,076,947	3,249,329	1,303,076
Non-Operating Revenues	1,961,639	2,524,279	5,798,143
Non-Operating Expenses	405,436	199,794	333,067
Net Income	4,633,150	5,573,814	6,768,152
Capital Contributions	35,879,108	20,742,213	19,252,432
Changes in Net Position	40,512,258	26,316,027	26,020,584
Total Net Position - Beginning of Year	389,855,178	363,539,151	337,518,567
Total Net Position - End of Year	$430,367,436	$389,855,178	$363,539,151

Operating activities increased the District's net position by $3.1 million. Key elements of this change are due to the following:

- Service charges for metered water sales were $15.2 million which is a $1.1 million increase from 2020.

- There was an overall increase in operating expenses of $1.2 million, not including depreciation, (12.2%). The increase is composed of:

  - Source and Treatment had an increase of $963 thousand, attributable to treatment costs at Soldier Canyon Water Treatment Authority and the City of Fort Collins and the amount of water purchased from each entity.

  - Distribution and Engineering costs increased by $172 thousand, attributable to consulting and wage related expenses.

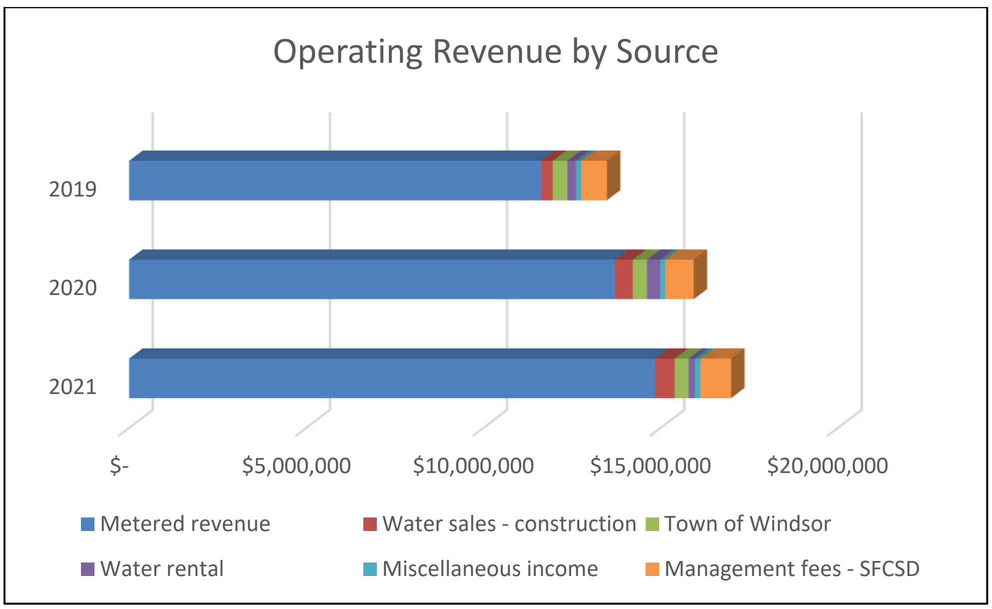
- Office increased $54 thousand due to increased online bill payment processing and IT costs.

Non-operating activities increased the District's net position by $1.6 million. The key components of this change are due to the following:

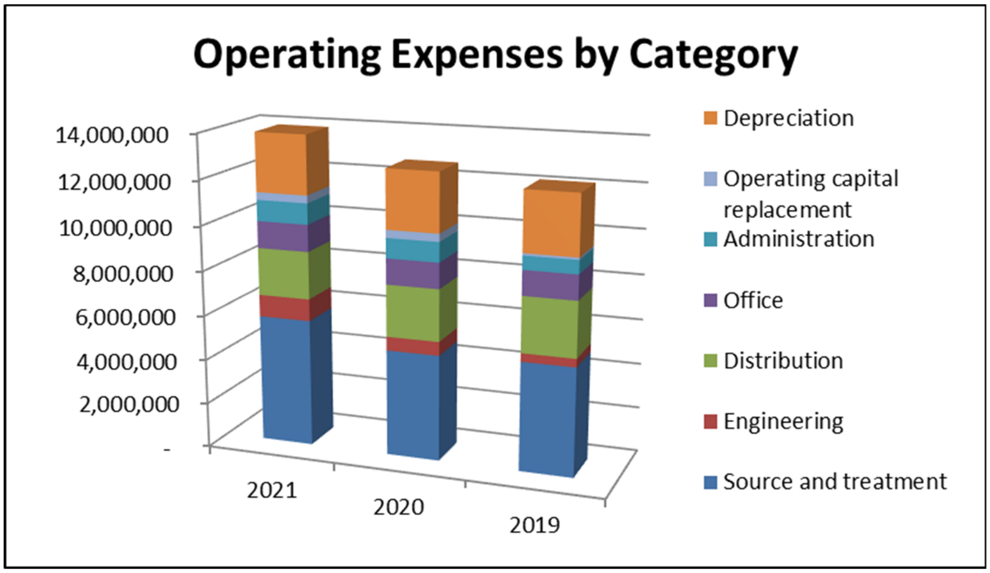
- Property tax revenue of $1.5 million.
- Interest income of $218 thousand.
- Interest expense was $160 thousand.

Operating Activities

Operating revenues increased the District's Net position by $16,985,970

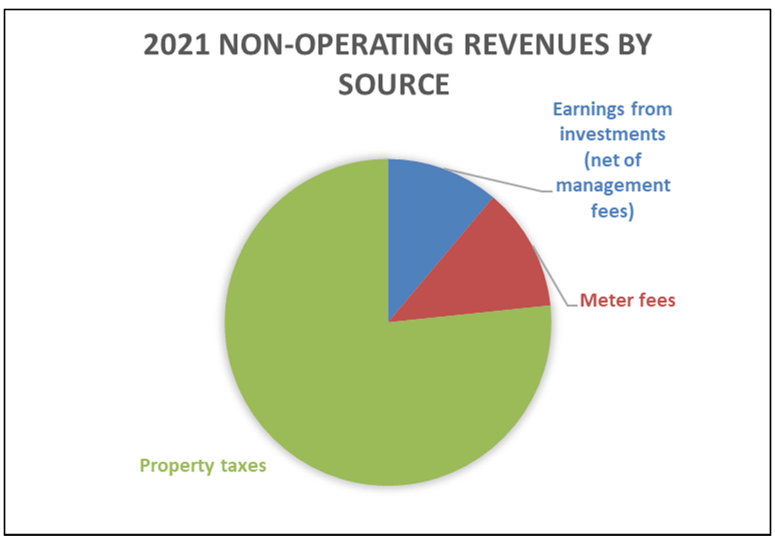


Operating expenses decreased the District's net position by $13,909,023

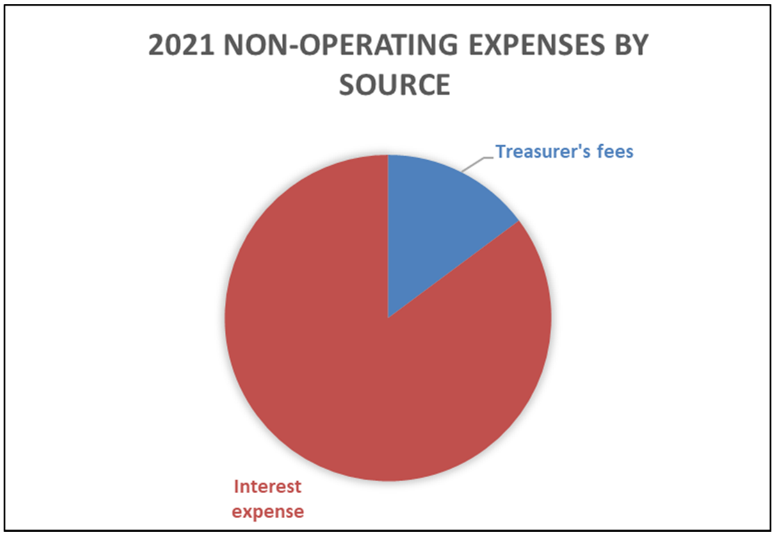


Non-Operating Activities

Non-operating revenues increased the District net position by $1,961,639



Non-operating expenses decreased the District's net position by $187,272

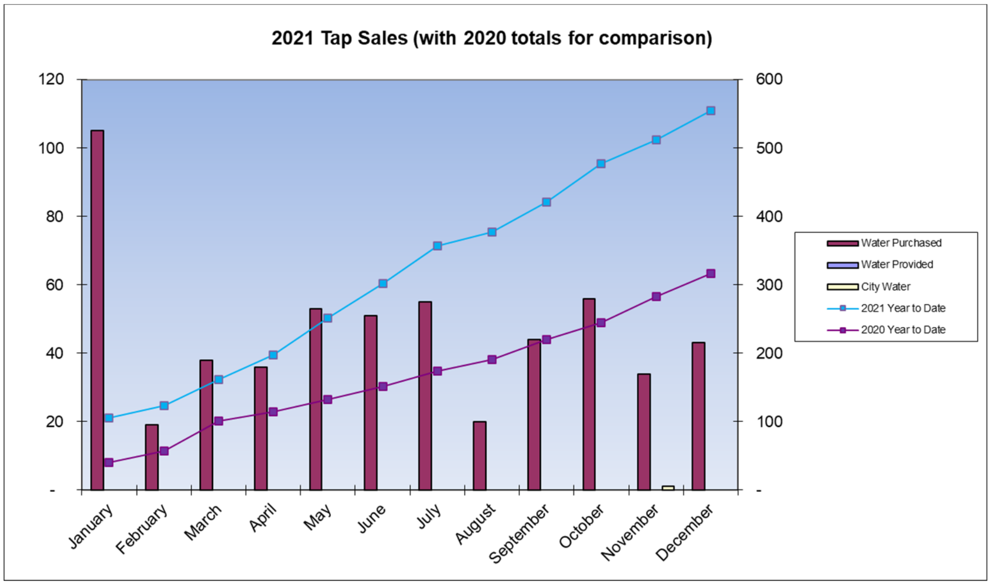


Capital contributions increased by $15.1 million.

- Contributions of capital assets were $3.9 million, an increase from 2020 of 116.7%. These contributions represent new distribution lines in subdivisions that were deeded to the District.

- Tap fees of $31.9 million were received for raw water and plant investment fees, an increase of 68.8% from 2020. These represent new residential and non-residential capital payments to the District for the cost of the investment in raw water stock, treatment plant capacity and distribution system infrastructure. The District increased plant investment fees, raw water costs, and the amount of raw water requirements on January 1, 2021.

Active taps grew by 555 in 2021



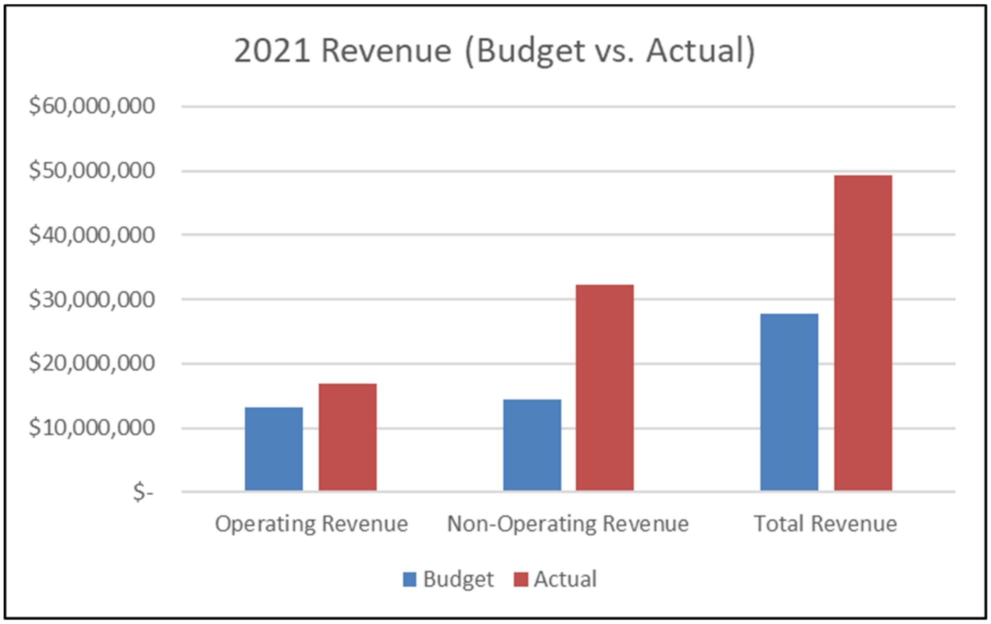
Budgetary Highlights

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 36 of this report.

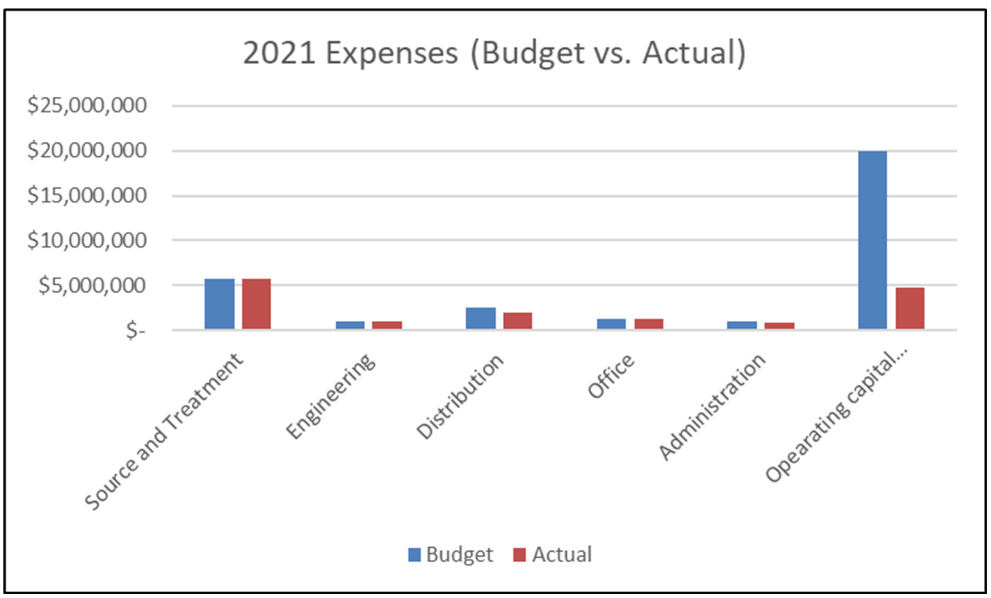
The variance between actual revenue and expenditures and the budgeted amounts is summarized as follows:

- Operating revenue was $3.7 million over budget due to actual metered revenue and new customers.

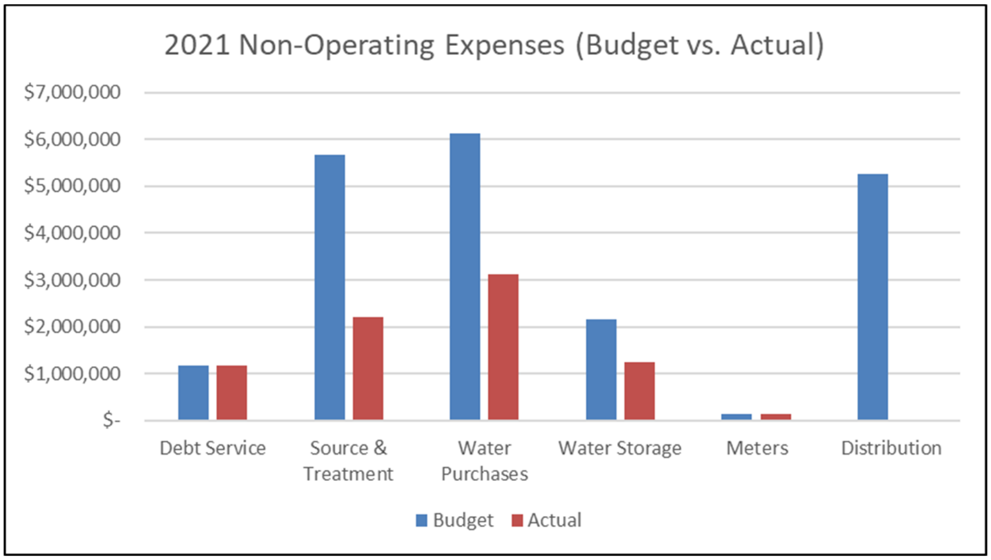
- Non-operating revenue was $17.8 million over budget, primarily due to increased tap sale revenue.



- Operating expenditures were under budget by $16.0 million. The two categories that were significantly under budget were Distribution ($557 thousand) and Operating Capital Replacement ($15.2 million). This is caused by a delays in hiring and delays with construction and replacement projects.



- Non-operating expenditures were $12.6 million under budget, primarily due to the 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, 2021, amounted to $305.4 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:

- Construction at the Solider Canyon Filter Plant for increased water treatment capacity, and addition of taste and odor facilities ($3.7 million).

- Contribution of distribution system lines by developers ($3.9 million).

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $2.2 million.

- Two notes payable to the Colorado Water Conservancy Board ($150 thousand). These notes were assumed as part of the purchase of the Windsor Reservoir and Canal.

- Series 2010 Revenue Bonds ($2.1 million). The revenue bonds were issued to facilitate the Divide purchase in 2010.

Conditions Impacting Future Operations

- The District continues to be mindful of metered water revenue. In 2022 the District will be updating the water efficiency plan which may result in more water conservation programs.

- In 2022 the District plans to continue the process of building out the Snead administration offices and shops. This will build out the site to allow the space for future staffing and equipment needs.

- The District budgeted for the sale of 300 taps in 2022 and has sold 390 through July 31, 2022. The District anticipates a max build out of approximately 60,000 single family home equivalent taps based on current municipal and county planning and zoning projections. Currently the District is at approximately 32% of build out.

- In 2022 several water line construction projects are expected to either continue or be completed.

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

    - Raw water costs continue 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 Pletcher
General Manager
5150 Snead Drive
Ft. Collins, CO 80525

Basic Financial Statements

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets:		
Cash and cash equivalents	**$ 94,218,356**	$ 70,702,439
Investments	**32,583,360**	29,564,060
Accounts receivable	**1,300,526**	1,159,799
Interest receivable	**43,938**	118,805
Prepaid expenses	**129,753**	148,028
Property taxes receivable	**1,649,578**	1,524,835
Total current assets	**129,925,511**	103,217,966
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	**231,419,888**	220,666,949
Capital assets, being depreciated, net	**73,938,238**	72,568,310
Total capital assets	**305,358,126**	293,235,259
Other Assets:		
Deposit	**3,517**	3,517
Total other assets	**3,517**	3,517
Total Assets	**436,414,654**	397,584,242

Continued

The notes are an integral part of these financial statements

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2021	2020
Current Liabilities:		
Accounts payable	**$ 1,171,631**	$ 1,681,284
Accrued interest payable	**19,164**	19,168
Accrued expenses	**231,957**	190,006
Customer deposits	**111,946**	90,658
Customer advances for tap fees	**301,470**	456,950
Current portion of long-term debt	**1,011,001**	1,010,538
Total current liabilities	**2,847,169**	3,448,604
Non-Current Liabilities		
Accrued compensated absences	**114,603**	114,120
Notes and bonds payable, including premium and net of current maturities	**1,435,868**	2,641,505
Total non-current liabilities	**1,550,471**	2,755,625
Total Liabilities	**4,397,640**	6,204,229
Deferred Inflows of Resources		
Unearned revenue, property taxes	**1,649,578**	1,524,835
Total deferred inflows of resources	**1,649,578**	1,524,835
Net Position:		
Net investment in capital assets	**302,911,257**	289,583,216
Restricted for debt service	**1,127,500**	1,127,500
Restricted for emergency, TABOR amendment	**45,200**	38,400
Unrestricted	**126,283,479**	99,106,062
Total Net Position	**$ 430,367,436**	$ 389,855,178

The 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, 2021 and 2020

	2021	2020
Operating Revenues	$ 16,985,970	$ 15,931,963
Operating Expenses		
Source and treatment	5,707,522	4,744,832
Engineering	980,587	612,777
Distribution	2,115,973	2,312,014
Office	1,201,970	1,148,287
Administration	934,145	885,824
Operating capital replacement	341,171	351,597
Depreciation	2,627,655	2,627,303
Total operating expenses	13,909,023	12,682,634
Income from Operations	3,076,947	3,249,329
Non-Operating Revenues (Expenses):		
Earnings from investments (net of management fees)	218,309	936,566
Meter fees	239,571	126,709
Property taxes	1,503,759	1,461,004
Treasurer's fees	(27,729)	(27,064)
Net realized and unrealized (loss) on investments	(399,716)	(36,965)
Interest expense	(159,543)	(201,720)
Bond premium amortization	194,635	65,955
(Loss) on disposal of capital assets	(13,083)	-
Total non-operating revenues (expenses)	1,556,203	2,324,485
Net Income	4,633,150	5,573,814
Capital Contributions	35,879,108	20,742,213
Increase in Net Position	40,512,258	26,316,027
Total Net Position - Beginning of Year	389,855,178	363,539,151
Total Net Position - End of Period	$ 430,367,436	$ 389,855,178

The notes are an integral part of these financial statements

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash received from customers	$ 16,866,531	$ 15,731,480
Cash paid to suppliers	(9,133,361)	(6,062,648)
Cash paid to employees	(2,596,951)	(2,549,847)
Net cash flows from operating activities	5,136,219	7,118,985
Cash flows from noncapital financing activities		
Property taxes	1,511,679	1,461,004
Property tax collection fees	(27,729)	(27,064)
Net cash flows from noncapital financing activities	1,483,950	1,433,940
Cash flows from capital and related financing activities		
Contributed capital	31,863,332	18,964,382
Acquisition of capital assets	(10,911,229)	(12,139,134)
Principal paid on notes and bonds payable	(1,010,539)	(925,095)
Interest paid on notes and bonds payable	(159,547)	(205,939)
Meter fees	239,571	126,709
Net cash flows from capital and related financing activities	20,021,588	5,820,923
Cash flows from investing activities		
Earnings on investments	(106,540)	971,943
Purchases of investments	(35,917,505)	(18,494,096)
Proceeds from sale of investments	32,898,205	27,483,941
Net cash flows from investing activities	(3,125,840)	9,961,788
Net change in cash and cash equivalents	23,515,917	24,335,636
Cash and cash equivalents at beginning of year	70,702,439	46,366,803
Cash and cash equivalents at end of year	$ 94,218,356	$ 70,702,439

Continued

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

		2021		2020
Reconciliation of operating income to net cash flows from operating activities:				
Income from operations	**$**	**3,076,947**	$	3,249,329
Adjustments to reconcile operating (loss) to cash flows from operating activities:				
Depreciation		**2,627,655**		2,627,303
Changes in assets and liabilities:				
Accounts receivables		**(140,727)**		(203,771)
Prepaid expenses		**18,275**		752,442
Accounts payable		**(509,653)**		687,377
Accrued expenses		**41,951**		12,820
Accrued compensated absences		**483**		(9,803)
Customer deposits		**21,288**		3,288
Net cash flows from operating activities	**$**	**5,136,219**	$	7,118,985
Noncash capital and related financing transactions				
Capital assets contributed	**$**	**3,852,376**	$	1,777,831
Activation of prepaid tap sales	**$**	**163,400**	$	-
Accretion of bond premium	**$**	**(194,635)**	$	(65,955)

The 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 entities. 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	$ 53,450	$ -	$ 53,450
Enterprise function	$ 51,912,426	$ -	$51,912,426

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.

	2021	2020
Change in net position	**$40,512,258**	$26,316,027
Depreciation	**2,627,655**	2,627,303
Non-cash capital contributions	**(3,852,376)**	(1,777,831)
Debt service	**(1,010,539)**	(925,095)
Bond premium amortization	**194,635**	**-**
Acquisition of capital assets	**(10,911,229)**	(12,139,134)
Change in customer advances for tap fees	**(163,400)**	-
Realized and unrealized loss on securities	**399,716**	36,965
Loss on disposal of capital assets	**13,083**	-
Excess revenues over expenditures, budgetary basis	**$27,809,803**	$14,138,235

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, 2021 or 2020, 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 acquisition value at the date of donation, 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 acquisition cost 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 infrastructure fee ("PIF") and raw water cost per single-family unit ("SFE"). As of January 1, 2020, the connection fees were $11,304 for the PIF and a raw water cost that is based on $36,000 per unit of CBT, but varies depending on residential lot size or tap size for commercial and irrigation customers. As of January 1, 2021, the connection fees were $11,756 for the PIF and a raw water cost that is based on $40,000 per unit of CBT, 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 2021 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2021.

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.

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.

Customer Advances

Amounts received in advance of connection for tap fees.

Long-Term Debt

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 87, *Leases,* No. 91, *Conduit Debt Obligations,* Statement No. 94, *Public-private and Public-Public Partnerships and Availability Payment Arrangements,* Statement No. 96, *Subscription Based Information Technology Arrangements,* Statement No. 99, *Omnibus 2022,* Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 and Statement No. 101, Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

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, 2021, the District had deposits with financial institutions with a carrying amount of $7,491,415. The bank balances with the financial institutions were $7,463,714, of which, $250,000 was covered by federal depository insurance. The remaining balance of $7,213,714 was collateralized with securities held by the financial institutions' agents but not in the District's name. At December 31, 2020, the District had deposits with financial institutions with a carrying amount of $4,928,395. The bank balances with the financial institutions were $5,583,875, of which, $250,000 was covered by federal depository insurance. The remaining balance of $5,333,875 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, 2021 and 2020, were as follows:

	2021	2020
Petty cash	**$ 100**	$ 100
Cash on deposit with financial institutions	**7,491,415**	4,928,395
Local government investment pools	**86,726,841**	65,773,944
Total cash and cash equivalents	**$94,218,356**	$70,702,439

Local Government Investment Pools

As of December 31, 2021 and 2020, the District had invested balances of $36,100,321and $33,072,271, 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, 2021 and 2020, the District had invested balances of $50,626,520 and $32,701,673, 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 July 13, 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, 2021, were as follows:

Investments	**S & P Rating**	**Moody Rating**	**Fair Value**	**Weighted Average Days to Maturity**	**Concentration of Credit Risk**
US Treasury	**AAA**	**Aaa**	**$19,789,600**	**722**	**58.7%**
US Instrumentality	**AAA**	**Aaa**	**11,924,640**	**690**	**35.4%**
Commercial Paper	**AA-/AA+**	**Aa**	**1,996,620**	**70**	**5.9%**
Total investments			**$33,710,860***		

The following individual issuers were over 5%:

Federal Home Loan Mortgage Corporation	6.3%
Federal National Mortgage Association	12.5%
Federal Home Loan Bank	12.6%
Federal Farm Credit Bureau	12.6%

Investments held by the District at December 31, 2020, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
US Treasury	AAA	Aaa	$ 4,070,375	352	13.3%
US Instrumentality	AAA	Aaa	23,621,110	448	77.0%
Corporate Bonds	AA-/AA+	Aa	3,000,075	134	9.8%
Total investments			$30,691,560*		

*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, 2021 and 2020, 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, 2021 and 2020, was $1,127,500.

3. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2021:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 12,446,418	$ 6,571,302	$ (13,083)	$ 19,004,637
Land and easements	460,137	-	-	460,137
Water rights	166,785,630	2,953,720	-	169,739,350
Water storage and capacity	40,974,764	1,241,000	-	42,215,764
Total capital assets, not being depreciated	220,666,949	10,766,022	(13,083)	231,419,888
Capital assets, being depreciated:				
Office building	2,351,208	-	(2,769)	2,348,439
Transmission and distribution system	106,795,290	3,864,763	(4,193)	110,655,860
Equipment	2,338,309	132,820	(86,778)	2,384,351
Total capital assets, being depreciated	111,484,807	3,997,583	(93,740)	115,388,650
Less accumulated depreciation for:				
Office building	(1,087,389)	(63,316)	2,769	(1,147,936)
Transmission and distribution system	(36,083,258)	(2,436,750)	4,193	(38,515,815)
Equipment	(1,745,850)	(127,589)	86,778	(1,786,661)
Total accumulated depreciation	(38,916,497)	(2,627,655)	93,740	(41,450,412)
Total capital assets, being depreciated, net	72,568,310	1,369,928	-	73,938,238
Capital assets, net	$293,235,259	$ 12,135,950	$ (13,083)	$305,358,126

The following is a summary of capital asset activity for the year ended December 31, 2020:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 3,353,279	$ 9,093,139	$ -	$ 12,446,418
Land and easements	460,137	-	-	460,137
Water rights	166,785,630	-	-	166,785,630
Water storage and capacity	38,018,562	2,956,202	-	40,974,764
Total capital assets, not being depreciated	208,617,608	12,049,341	-	220,666,949
Capital assets, being depreciated:				
Office building	2,352,403	-	(1,195)	2,351,208
Transmission and distribution system	105,200,713	1,777,831	(183,254)	106,795,290
Equipment	2,362,141	89,793	(113,625)	2,338,309
Total capital assets, being depreciated	109,915,257	1,867,624	(298,074)	111,484,807
Less accumulated depreciation for:				
Office building	(1,024,784)	(63,800)	1,195	(1,087,389)
Transmission and distribution system	(33,868,319)	(2,398,193)	183,254	(36,083,258)
Equipment	(1,694,165)	(165,310)	113,625	(1,745,850)
Total accumulated depreciation	(36,587,268)	(2,627,303)	298,074	(38,916,497)
Total capital assets, being depreciated, net	73,327,989	(759,679)	-	72,568,310
Capital assets, net	$281,945,597	$ 11,289,662	$ -	$293,235,259

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 2021, 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, 2021 and 2020, is as follows:

	2021	2020
Revenue Bonds		
$11,275,000 April 14, 2010, water revenue bonds, Series 2010 due in principal installments of $850,000 in 2020 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 $12,704 and $12,708 at December 31, 2021 and 2020, respectively.	**$2,050,000**	$3,050,000
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 2020 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 $3,053, December 31, 2021 and 2020.	**69,158**	74,013
$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 2020 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 $3,407, December 31, 2021 and 2020.	**80,752**	86,436
Total Bonds and Loans Payable	**$2,199,910**	$3,210,449

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2010	$ 3,050,000	$ -	$ (1,000,000)	$ 2,050,000	$1,000,000
Loan Payable					
2006 CWCB	74,012	-	(4,854)	69,158	5,073
2006 CWCB	86,436	-	(5,684)	80,752	5,928
Compensated Absences	114,120	130,314	(129,831)	114,603	-
Total	3,324,568	$ 130,314	$(1,140,369)	2,314,513	$1,011,001
Current portion of long term debt	(1,010,538)			(1,011,001)	
Net bond premiums	441,595			246,959	
Noncurrent portion of long term debt	$2,755,625			$1,550,471	

The annual requirements to amortize all debt outstanding as of December 31, 2021, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2022	$ 1,011,001	$ 109,084	$ 1,120,085
2023	1,061,484	32,351	1,093,835
2024	11,989	5,596	17,585
2025	12,515	5,070	17,585
2026	13,065	4,521	17,585
2027-2031	74,454	13,473	87,927
2032	15,402	676	16,078
Totals	$2,199,910	$ 170,771	$2,370,680

The loans payable are directly placed. The market bonds have remaining debt service of $1,102,500 in each 2022 and 2023.

6. Contingency

Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool ("CSDPLP"). The CSDPLP is an organization composed of approximately 1,400 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability, and boiler and machinery coverage to its members. The CSDPLP provides coverage for property claims up to the values declared and liability and public official's coverage for claims up to $1,000,000.

At December 31, 2020, CSDPLP has assets of $55,602,023, liabilities of $33,163,342 and surplus of $22,438,681. The liability includes no long-term debt. Total underwriting revenues for 2020 amounted to $22,436,944 and total underwriting expenses were $25,355,739 resulting in an excess of underwriting expenses over revenues of $2,918,795. 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, 2021 and 2020, was $863,385 and $802,728, respectively. As of December 31, 2021 and 2020, SFCSD owed the District $97,099 and $167,830, 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, 2021, 2020 and 2019 were $64,804, $81,129 and $83,049, 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 ($19,500, for the calendar years 2021 and 2020). Catch-up contributions of up to $6,000 for calendar years 2021 and 2020, 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, 2021 and 2020, the Plan members' contributions were $40,209 and $33,727, 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 $45,200 and $38,400 as of December 31, 2021 and 2020, 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. Covid-19 and CARES Act

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 Outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of national, regional, or statewide economic slowdown. This situation has not depressed State or Federal funding during fiscal year 2021, but these funding sources may depress in the future.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security ("CARES") Act." The CARES Act, among other things, includes provisions appropriating funds from programs of the United States Department of the Treasury and Department of Education to be used to make payments for specified uses to states and certain local governments.

The District continues to examine the impact that the CARES Act may have on its operations. As of December 31, 2021, the District had not received any federal funding awards under the CARES Act.

12. Subsequent Events

The District evaluated subsequent events through September 30, 2022, 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, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2020 Actual
Enterprise Function:					
Revenue					
Operating Revenue					
Metered revenue	$ 11,500,000	$ 11,500,000	$ 14,845,254	$ 3,345,254	$ 13,713,101
Water sales - construction	200,000	200,000	548,203	348,203	503,149
Town of Windsor	412,500	412,500	395,886	(16,614)	401,276
Water rental	175,000	175,000	172,307	(2,693)	368,372
Miscellaneous income	125,000	125,000	160,935	35,935	143,337
Management fees - SFCSD	863,385	863,385	863,385	-	802,728
Total operating revenue	13,275,885	13,275,885	16,985,970	3,710,085	15,931,963
Non-Operating Revenue					
Earnings from investments	300,000	300,000	218,309	(81,691)	936,566
Tap fees (water)	10,918,050	10,918,050	23,375,159	12,457,109	13,815,920
Tap fees (PIF)	3,232,900	3,232,900	8,488,174	5,255,274	5,148,462
Meter fees	89,375	89,375	239,571	150,196	126,709
Total non-operating revenue	14,540,325	14,540,325	32,321,213	17,780,888	20,027,657
Operating transfer in	-	-	1,445,227	1,445,227	1,413,699
Total revenue	27,816,210	27,816,210	50,752,410	22,936,200	37,373,319
Expenditures - Operating					
Source and Treatment					
Assessments	1,500,000	1,500,000	1,251,034	248,966	1,170,475
Soldier Canyon	1,800,000	1,800,000	2,154,121	(354,121)	1,746,281
City of Loveland	5,000	5,000	9,192	(4,192)	5,568
FTC - Water Sale IGA	2,295,500	2,295,500	2,281,172	14,328	1,811,445
Water resource consulting	60,000	60,000	12,003	47,997	-
Total source and treatment	5,660,500	5,660,500	5,707,522	(47,022)	4,733,769

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2020 Actual
Engineering					
Engineering wages	$ 545,000	$ 545,000	$ 494,960	$ 50,040	$ 364,735
Payroll taxes	43,600	43,600	38,340	5,260	34,370
Medical insurance	94,000	94,000	94,000	-	48,000
Life insurance	2,700	2,700	3,724	(1,024)	3,962
Retirement	25,000	25,000	20,502	4,498	14,724
Worker's compensation insurance	2,000	2,000	1,007	993	1,641
Cell phone service	3,000	3,000	3,749	(749)	2,155
Consulting	175,000	175,000	258,404	(83,404)	61,803
Dues and subscriptions	1,500	1,500	396	1,104	874
Education & training	5,000	5,000	3,297	1,703	2,490
Fuel	3,250	3,250	7,300	(4,050)	2,409
Miscellaneous	2,000	2,000	4,526	(2,526)	880
R & M - equipment	500	500	367	133	-
R & M - vehicles	1,300	1,300	5,229	(3,929)	1,100
Software maintenance	30,000	30,000	40,693	(10,693)	71,004
Supplies	2,500	2,500	4,093	(1,593)	2,630
Total engineering	936,350	936,350	980,587	(44,237)	612,777
Distribution					
Wages	1,057,000	1,057,000	677,486	379,514	784,433
Overtime & on-call pay	55,000	55,000	36,683	18,317	46,553
Payroll taxes	89,000	89,000	55,043	33,957	64,639
Medical insurance	192,000	192,000	192,000	-	255,000
Life insurance	11,000	11,000	7,693	3,307	7,644
Retirement	58,000	58,000	29,403	28,597	45,790
Worker's compensation insurance	22,000	22,000	9,980	12,020	20,583
R & M - lines & equipment	375,000	375,000	409,781	(34,781)	360,893
R & M - tank maintenance	150,000	150,000	106,471	43,529	645
Cell phone service	16,000	16,000	12,020	3,980	17,698
Education & training	22,000	22,000	12,572	9,428	5,176
Fuel	37,000	37,000	28,902	8,098	26,127
Meter hosting service	50,000	50,000	40,890	9,110	39,883
Office supplies	1,500	1,500	428	1,072	3,277
R & M - vehicles	33,000	33,000	24,610	8,390	38,289
Safety program	16,000	16,000	26,204	(10,204)	25,139
Supplies	3,000	3,000	3,155	(155)	1,976
Telemetry	12,000	12,000	15,243	(3,243)	60,714
Uniforms	13,000	13,000	7,781	5,219	8,117
Utilities	230,000	230,000	233,147	(3,147)	246,929
Utility locates	30,000	30,000	19,082	10,918	24,758
Water quality testing	65,000	65,000	31,936	33,064	35,451
Total distribution	2,537,500	2,537,500	1,980,510	556,990	2,119,714

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2020 Actual
Office					
Wages	$ 477,000	$ 477,000	$ 443,370	$ 33,630	$ 433,890
Payroll taxes	38,160	38,160	34,191	3,969	35,214
Medical insurance	75,000	75,000	75,000	-	85,518
Life insurance	5,000	5,000	4,089	911	4,769
Retirement	26,000	26,000	19,582	6,418	23,929
Worker's compensation insurance	1,000	1,000	1,271	(271)	941
Education & training	10,000	10,000	4,405	5,595	1,014
Bank service charges	50,000	50,000	30,750	19,250	37,831
Miscellaneous expense	500	500	730	(230)	100
On-line bill processing	80,000	80,000	119,151	(39,151)	101,265
Payroll processing	8,200	8,200	8,620	(420)	8,205
Postage	46,000	46,000	47,337	(1,337)	42,849
Printing	29,000	29,000	32,967	(3,967)	30,371
Publications & notices	500	500	591	(91)	823
R & M - equipment	11,000	11,000	7,211	3,789	7,397
Software maintenance	60,000	60,000	43,281	16,719	29,856
Supplies	20,000	20,000	16,783	3,217	17,001
Telephone	15,650	15,650	15,515	135	15,407
Travel	500	500	-	500	17
Consulting services	266,000	266,000	258,899	7,101	239,279
Customer relations	6,000	6,000	3,977	2,023	2,048
Water conservation	72,000	72,000	34,250	37,750	30,563
Total office	1,297,510	1,297,510	1,201,970	95,540	1,148,287
Administration					
Wages	431,129	431,129	283,982	147,147	277,712
Payroll taxes	34,000	34,000	19,841	14,159	19,894
Medical insurance	26,000	26,000	26,012	(12)	18,000
Life insurance	2,000	2,000	1,358	642	1,980
Retirement	16,400	16,400	10,810	5,590	15,846
Worker's compensation insurance	1,600	1,600	644	956	1,372
Audit & consulting fees	15,000	15,000	10,875	4,125	14,000
Consulting services	30,000	30,000	94,562	(64,562)	65,337
Contingency	15,000	15,000	16,047	(1,047)	14,561
Dues & subscriptions	10,900	10,900	12,727	(1,827)	10,953
Education & training	4,000	4,000	1,118	2,882	710
Insurance - liability	59,000	59,000	57,894	1,106	58,642
Insurance - property	31,000	31,000	35,281	(4,281)	28,584
Janitorial service	13,000	13,000	13,180	(180)	11,791
Legal	250,000	250,000	262,087	(12,087)	228,848
Miscellaneous expenses	500	500	502	(2)	-
R & M - land and building	75,000	75,000	35,797	39,203	77,448
Trash removal service	1,800	1,800	1,749	51	1,706

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2020 Actual
Travel - manager	$ 600	$ 600	$ 460	$ 140	$ 458
Utility - electricity	12,000	12,000	10,602	1,398	10,515
Utility - gas	5,500	5,500	3,781	1,719	3,519
Utility - sewer	1,100	1,100	1,065	35	628
Utility - storm water	2,200	2,200	1,386	814	961
Utility - water	1,800	1,800	1,582	218	2,118
Total administration	1,039,529	1,039,529	903,342	136,187	865,583
Operating Capital Replacement					
Source & treatment	12,624,480	12,624,480	1,479,404	11,145,076	3,491,506
Meters	59,000	59,000	60,619	(1,619)	50,959
Distribution	4,906,600	4,906,600	2,967,541	1,939,059	75,984
Operations equipment	257,000	257,000	62,333	194,667	96,629
Office and engineering equipment	34,500	34,500	51,858	(17,358)	38,983
Building improvements	2,047,000	2,047,000	66,420	1,980,580	15,327
Total operating capital replacement	19,928,580	19,928,580	4,688,175	15,240,405	3,769,388
Total operating expenses	31,399,969	31,399,969	15,462,106	15,937,863	13,249,518
Debt Service - Non-Operating					
Interest on bonds (2010 issue)	152,500	152,500	152,496	4	128,274
Debt service - 2010 issue	1,000,000	1,000,000	1,000,000	-	915,000
Interest on CWCB notes	7,050	7,050	7,047	3	7,491
Debt service - CWCB notes	10,600	10,600	10,538	62	10,095
Capital Expenditures - Non-Operating					
Source & treatment	5,656,732	5,656,732	2,198,521	3,458,211	5,279,266
Water purchases	6,137,600	6,137,600	3,109,008	3,028,592	-
Water storage	2,146,475	2,146,475	1,241,000	905,475	3,125,738
Meters	130,000	130,000	135,463	(5,463)	192,300
Distribution	5,271,500	5,271,500	15,698	5,255,802	327,402
Total non-operating expenses	20,512,457	20,512,457	7,869,771	12,642,686	9,985,566
Enterprise Gain (Loss)	(24,096,216)	(24,096,216)	27,420,533	51,516,749	14,138,235

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2020 Actual
Government Function:					
Revenues					
Property taxes	$ 1,386,657	$ 1,386,657	$ 1,503,759	$ 117,102	$ 1,461,004
Expenditures					
Collection fees	26,900	26,900	27,729	(829)	27,064
Directors fees	14,400	14,400	14,424	(24)	8,100
Directors payroll taxes	1,150	1,150	1,073	77	644
Directors expenses	11,000	11,000	15,306	(4,306)	11,497
Operating transfer out	-	-	1,445,227	(1,445,227)	1,413,699
Total expenditures	53,450	53,450	1,503,759	(1,450,309)	1,461,004
Excess revenues over expenditures	1,333,207	1,333,207	-	(1,333,207)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	$ (22,763,009)	$ (22,763,009)	$ 27,420,533	$ 50,183,542	$ 14,138,235