FORT COLLINS - LOVELAND WATER DISTRICT

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2023 and 2022

FORT COLLINS - LOVELAND WATER DISTRICT

TABLE OF CONTENTS
As of and for the years ended December 31, 2023 and 2022

Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19
Notes to Financial Statements	21
Supplemental Information	
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)	37

bakertilly

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 years ended December 31, 2023 and 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 raise 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 opinion. 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) as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 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 is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
June 18, 2024

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, 2023. 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, 2023 by $529.6 million (net position). Of the net position balance, $250.6 million is unrestricted and is available to meet the District's ongoing obligations.

- The District's net position increased by $60.3 million (12.9%).

- The District's revenues from metered water sales were $15.1 million.

- The District sold 461 taps in 2023, generating $47.9 million in infrastructure investment fees and raw water cash-in-lieu. This is a decrease from 2022 tap sales of 561 (decrease of 17.8%). The District served a total of 20,157 taps at year end.

- The District accepted 16 new water line extension projects for the year ended December 31, 2023, representing $5.2 million in contributions in aid of construction.

- The District did not need to impose watering restrictions in 2023. As of January 1, 2023, 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, 2023, the District owned 13,209 units of C-BT, 1,200 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 $60,000 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 2023 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,		
	2023	2022	2021
Current Assets	$ 256,688,929	$ 154,785,421	$ 130,062,682
Restricted Cash	-	1,127,500	1,127,500
Capital Assets	354,535,206	320,380,060	305,358,126
Other Assets	189,443	319,184	438,710
Total Assets	$ 611,413,578	$ 476,612,165	$ 436,987,018
Current Liabilities	$ 7,003,835	$ 4,910,740	$ 2,847,169
Long-Term Debt	72,636,615	353,911	1,550,471
Total Liabilities	$ 79,640,450	$ 5,264,651	$ 4,397,640
Deferred Inflows of Resources	$ 2,217,546	$ 2,117,587	$ 2,221,942
Net Position			
Net Investment in Capital Assets	$278,948,905	$319,068,322	$302,911,257
Restricted for Debt Service	-	1,127,500	1,127,500
Restricted Emergency Reserve	48,650	48,300	45,200
Unrestricted	250,558,027	148,985,805	126,283,479
Total Net Position	$529,555,582	$469,229,927	$430,367,436

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

	December 31,		
	2023	2022	2021
Total Operating Revenues	$ 16,418,724	$ 19,883,505	$ 16,985,970
Total Operating Expenses, excluding depreciation	14,929,711	13,082,751	11,281,368
Net Operating Income before Depreciation	1,489,013	6,800,754	5,704,602
Depreciation	2,868,665	2,734,162	2,627,655
(Loss) Income from Operations	(1,379,652)	4,066,592	3,076,947
Non-Operating Revenues	9,451,370	3,772,503	1,961,639
Non-Operating Expenses	833,327	1,410,838	405,436
Net Income	7,238,391	6,428,257	4,633,150
Capital Contributions	53,087,264	32,434,234	35,879,108
Changes in Net Position	60,325,655	38,862,491	40,512,258
Total Net Position - Beginning of Year	469,229,927	430,367,436	389,855,178
Total Net Position - End of Year	$529,555,582	$469,229,927	$430,367,436

Operating activities decreased the District's net position by $1.4 million. Key elements of this change are due to the following:

- Service charges for metered water sales were $15.1 million which is a $1.6 million decrease from 2022. This was mainly due to summer weather patterns being cooler and wetter in 2023.

- There was an overall increase in operating expenses of $1.8 million, not including depreciation. The increase is composed of:

  - Source and Treatment had an increase of $231 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.

  - Personnel costs had an increase of $592 thousand due to the hiring of additional staff to maintain the water system and keep up with regulatory pressures.

- Operations and Engineering costs decreased by $252 thousand, attributable to repairs and maintenance costs.

- Business office increased $105 thousand due to the field service crew expenses transferring departments.

- IT and data and Human Resources were new departments in 2023.

- Administration costs increased by $481 thousand due to increased legal costs, leased office space costs, and costs related to an architect for exploration of a building expansion.

Non-operating activities increased the District's net position by $8.6 million. The key components of this change are due to the following:

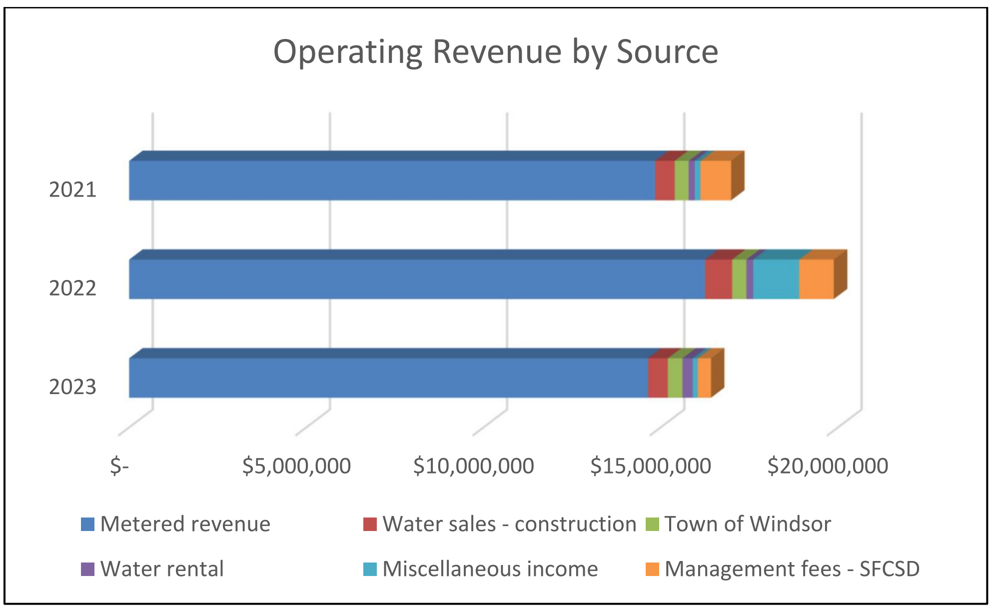
- ❖ Property tax revenue of $1.6 million.

- ❖ Interest income of $6.2 million, due to increase market interest rates.

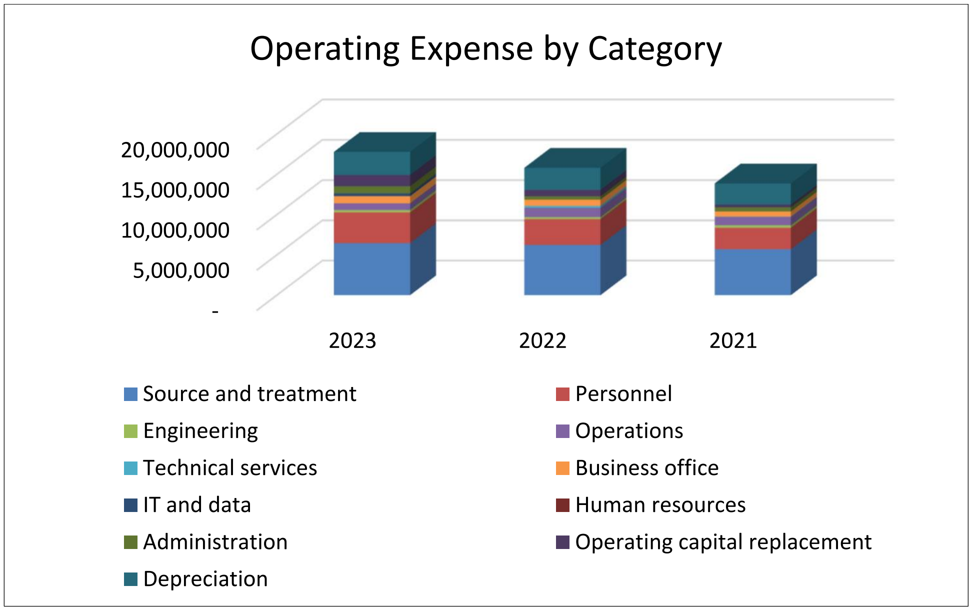
- ❖ Interest expense was $344 thousand.

Operating Activities

Operating revenues increased the District's Net position by $16,418,724

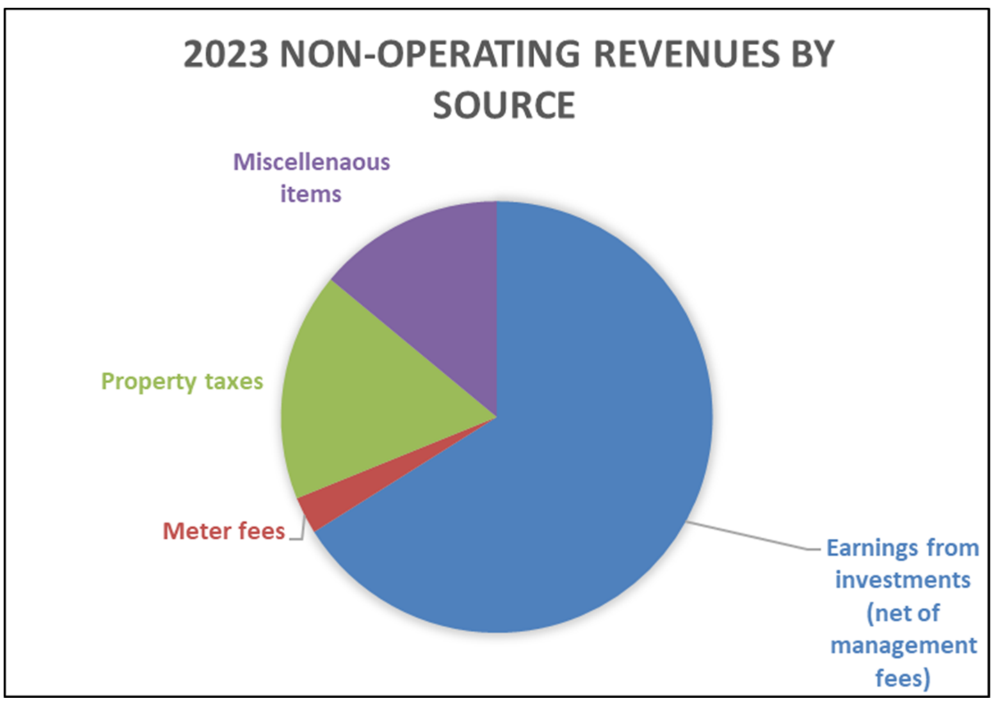


Operating expenses decreased the District's net position by $17,798,376

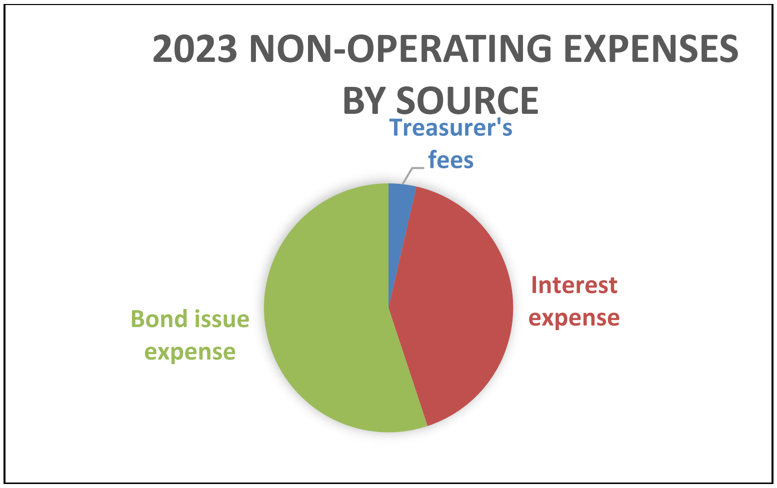


Non-Operating Activities

Non-operating revenues increased the District net position by $9,451,370



Non-operating expenses decreased the District's net position by $833,327

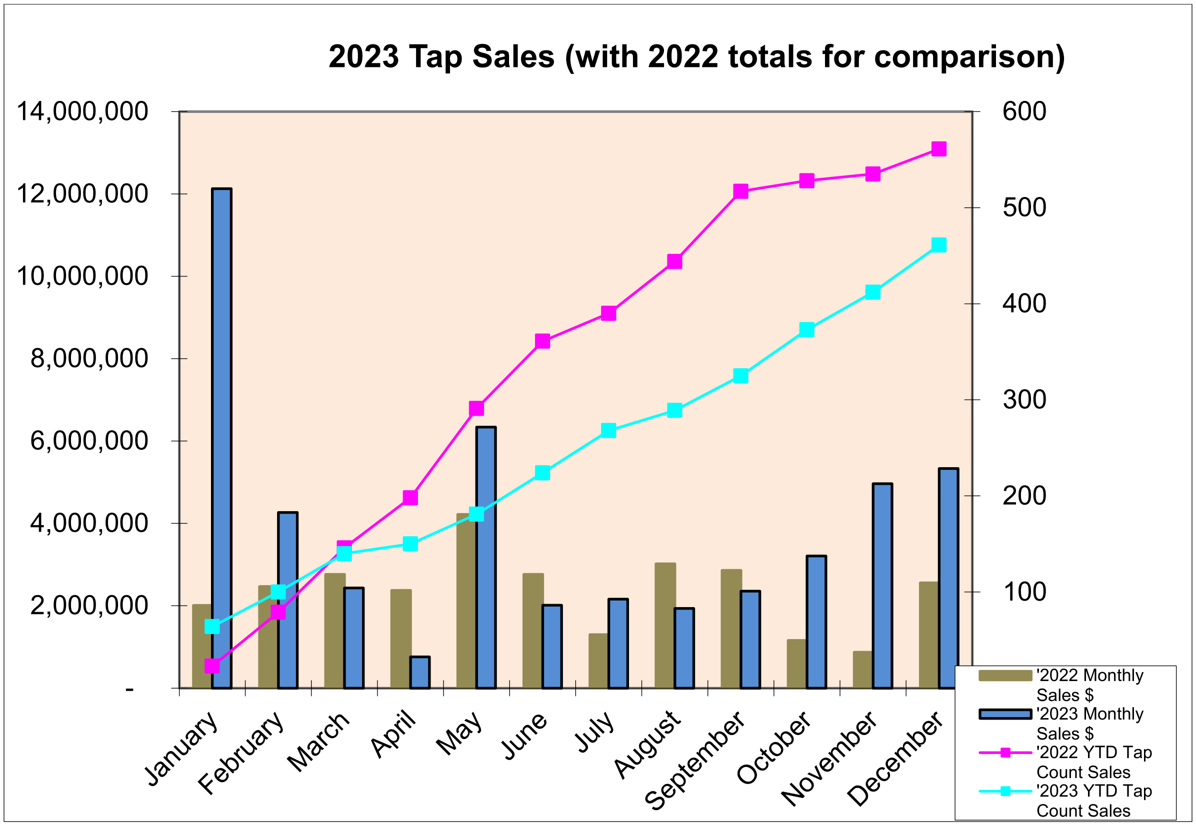


Capital contributions increased by $20.7 million.

- Contributions of capital assets were $5.2 million, an increase from 2022 of 26.6%. These contributions represent new distribution lines in subdivisions that were deeded to the District.

- Tap fees of $47.9 million were received for raw water and plant investment fees, an increase of 69.0% from 2022. 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, 2023.

Active taps grew by 461 in 2023

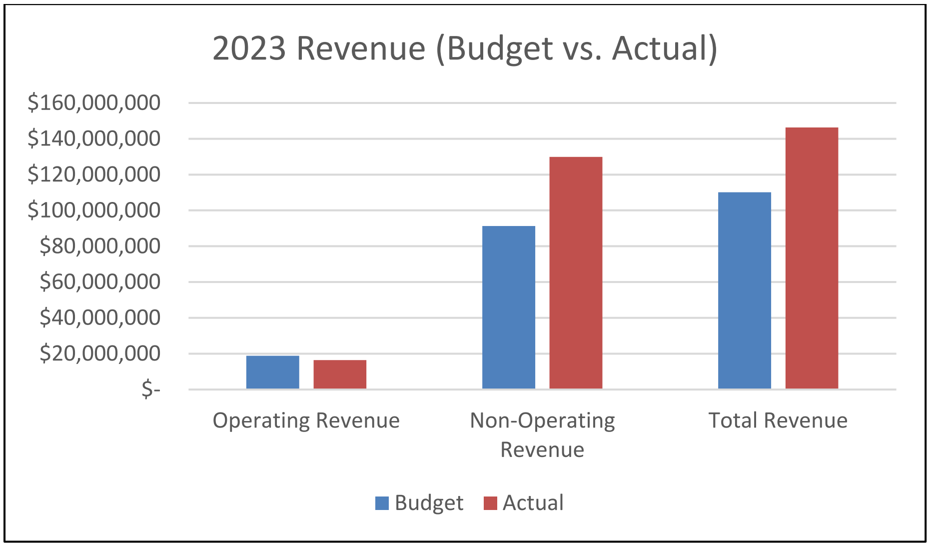


Budgetary Highlights

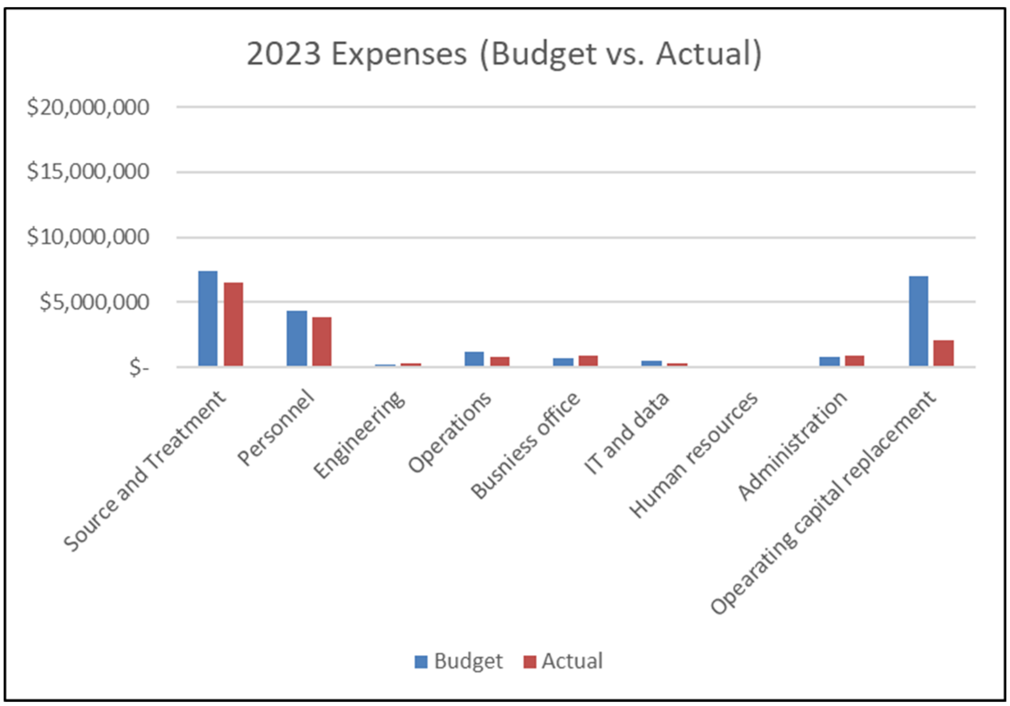
The District prepares its budget on a modified accrual basis, which is a non-GAAP basis of accounting. The modified accrual basis reports capital contributions as revenue, capital purchases as charges, and does not report depreciation as an expense. A schedule of revenue and expenditures -- actual and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

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

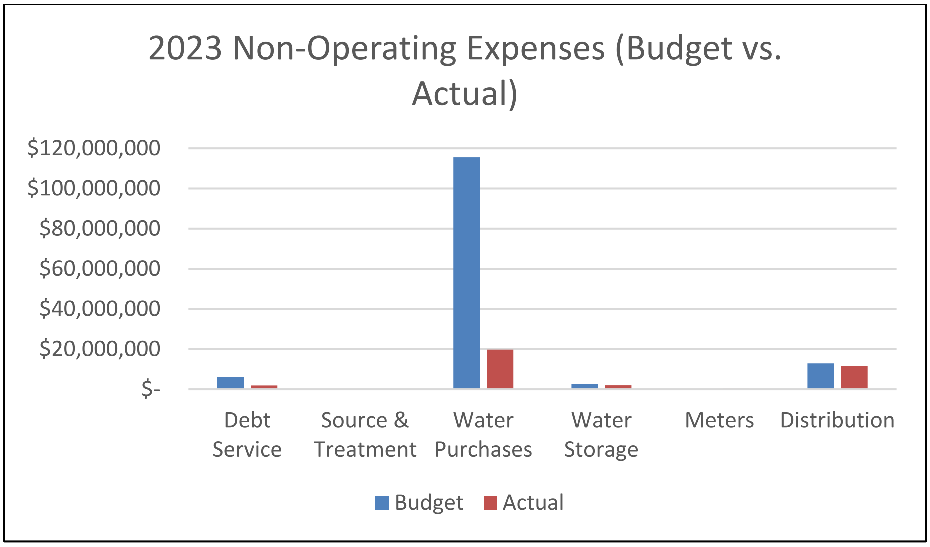
- Operating revenue was $2.4 million under budget due to cool and wet weather patterns.
- Non-operating revenue was $38.6 million over budget, primarily due to tap sale revenue.



- Operating expenditures were under budget by $6.7 million. The two categories that were significantly under budget were Source and Treatment ($893 thousand) and Operating Capital Replacement ($5.0 million). This is caused by a delays with construction and replacement projects.



- Non-operating expenditures were $101.9 million under budget, primarily due to a raw water purchase which did not close until January 2024.



Capital Assets, Other Investments and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2023, amounted to $354.5 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:

- Raw water purchases ($19.7 million).
- Contribution of distribution system lines by developers ($5.2 million).

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $75.6 million.

- Two notes payable to the Colorado Water Conservancy Board ($127 thousand). These notes were assumed as part of the purchase of the Windsor Reservoir and Canal.
- Series 2010 Revenue Bonds ($1.1 million) was paid in full during 2023.
- Series 2023 Revenue Bonds ($69.0) were issued in 2023 to fund raw water purchases.

Conditions Impacting Future Operations

- The District continues to be mindful of metered water revenue. The District will be updating rate study financial projections in 2024 to determine any rate increases and the timing of such increases.
- In 2024 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. This project is anticipated to take 18-24 months to complete.

- The District budgeted for the sale of 400 single family equivalent taps in 2024 and has sold 110 through March 31, 2024. 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 33% of build out.

- At the end of 2023, the estimated population served is approximately 63,000 people.

- In 2024 several water line construction projects are expected to either continue or be completed.

- In 2024 the District plans to enter an agreement with other entities to start planning the construction of a new water treatment plant on the north east side of the District boundaries.

- 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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	**$ 139,387,324**	$ 37,374,777
Investments	**110,579,708**	113,303,585
Accounts receivable	**1,207,212**	1,381,095
Interest receivable	**922,096**	593,812
Prepaid expenses	**2,560,969**	330,232
Property taxes receivable	**1,886,095**	1,660,634
Lessor revenue receivable - short term	**145,525**	141,286
Total current assets	**256,688,929**	154,785,421
Restricted Investments:		
Investments restricted for debt service	**-**	1,127,500
Total restricted investments	**-**	1,127,500
Capital Assets		
Capital assets, not being depreciated	**272,830,080**	244,386,920
Capital assets, being depreciated, net	**81,705,126**	75,993,140
Total capital assets	**354,535,206**	320,380,060
Other Assets:		
Deposit	**3,517**	3,517
Lessor revenue receivable - long term	**185,926**	315,667
Total other assets	**189,443**	319,184
Total Assets	**611,413,578**	476,612,165

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
Current Liabilities:		
Accounts payable	**3,113,305**	3,087,814
Accrued interest payable	**304,696**	7,780
Accrued expenses	**131,282**	360,116
Customer deposits	**101,243**	92,076
Customer advances for tap fees	**271,320**	301,470
Current portion of long-term debt	**3,081,989**	1,061,484
Total current liabilities	**7,003,835**	4,910,740
Non-Current Liabilities		
Accrued compensated absences	**132,303**	103,657
Notes and bonds payable, including premium and net of current maturities	**72,504,312**	250,254
Total non-current liabilities	**72,636,615**	353,911
Total Liabilities	**79,640,450**	5,264,651
Deferred Inflows of Resources		
Unearned revenue, property taxes	**1,886,095**	1,660,634
Lessor deferred revenue	**331,451**	456,953
Total deferred inflows of resources	**2,217,546**	2,117,587
Net Position:		
Net investment in capital assets	**278,948,905**	319,068,322
Restricted for debt service	**-**	1,127,500
Restricted for emergency, TABOR amendment	**48,650**	48,300
Unrestricted	**250,558,027**	148,985,805
Total Net Position	**$ 529,555,582**	$ 469,229,927

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, 2023 and 2022

		2023		2022
Operating Revenues	**$**	**16,418,724**	$	19,883,505
Operating Expenses				
Source and treatment		**6,466,131**		6,235,389
Personnel		**3,806,924**		3,214,551
Engineering		**307,576**		241,333
Operations		**834,141**		1,152,311
Technical services		**-**		240,228
Business office		**879,212**		774,221
IT and Data		**333,736**		-
Human resources		**181**		-
Administration		**897,633**		416,586
Operating capital replacement		**1,404,177**		808,132
Depreciation		**2,868,665**		2,734,162
Total operating expenses		**17,798,376**		15,816,913
(Loss) Income from Operations		**(1,379,652)**		4,066,592
Non-Operating Revenues (Expenses):				
Earnings from investments (net of management fees)		**6,244,472**		1,902,450
Meter fees		**263,693**		262,778
Property taxes		**1,620,896**		1,607,275
Treasurer's fees		**(30,016)**		(29,793)
Net realized and unrealized gain (loss) on investments		**1,171,980**		(1,527,258)
Interest expense		**(344,435)**		(97,700)
Bond premium amortization		**122,829**		124,130
Bond issue expense		**(458,876)**		-
Gain on disposal of capital assets		**27,500**		119,783
Total non-operating revenues (expenses)		**8,618,043**		2,361,665
Net Income		**7,238,391**		6,428,257
Capital Contributions		**53,087,264**		32,434,234
Increase in Net Position		**60,325,655**		38,862,491
Total Net Position - Beginning of Year		**469,229,927**		430,367,436
Total Net Position - End of Period	**$**	**529,555,582**	$	469,229,927

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from customers	$ 16,601,774	$ 19,783,066
Cash paid to suppliers	(11,891,278)	(8,032,440)
Cash paid to employees	(3,770,625)	(3,217,394)
Net cash flows from operating activities	939,871	8,533,232
Cash flows from noncapital financing activities		
Property taxes	1,620,896	1,607,275
Property tax collection fees	(30,016)	(29,793)
Net cash flows from noncapital financing activities	1,590,880	1,577,482
Cash flows from capital and related financing activities		
Contributed capital	47,889,322	28,083,896
Acquisition of capital assets	(33,529,261)	(13,405,758)
Proceeds from sale of capital assets	27,500	119,783
Issuance of bonds payable	75,458,876	-
Release of restricted cash	1,127,500	-
Interest paid on notes and bonds payable	(47,519)	(109,084)
Bond issue expense	(458,876)	-
Principal paid on notes and bonds payable	(1,061,484)	(1,011,001)
Meter fees	263,693	262,778
Net cash flows from capital and related financing activities	89,669,751	13,940,614
Cash flows from investing activities		
Earnings on investments	5,916,188	1,352,576
Purchases of investments	(41,609,116)	(90,756,965)
Proceeds from sale of investments	45,504,973	8,509,482
Net cash flows from investing activities	9,812,045	(80,894,907)
Net change in cash and cash equivalents	102,012,547	(56,843,579)
Cash and cash equivalents at beginning of year	37,374,777	94,218,356
Cash and cash equivalents at end of year	$ 139,387,324	$ 37,374,777

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, 2023 and 2022

		2023		2022
Reconciliation of operating income to net cash flows from operating activities:				
Income from operations	**$**	**(1,379,652)**	$	4,066,592
Adjustments to reconcile operating (loss) income to cash flows from operating activities:				
Depreciation		**2,868,665**		2,734,162
Changes in assets and liabilities:				
Accounts receivables		**173,883**		(80,569)
Prepaid expenses and other assets		**(2,230,737)**		(200,479)
Accounts payable		**1,567,451**		1,916,183
Accrued expenses		**(123,162)**		22,487
Accrued compensated absences		**28,646**		(10,946)
Accrued payroll		**25,610**		105,672
Customer deposits		**9,167**		(19,870)
Net cash flows from operating activities	**$**	**939,871**	$	8,533,232
Noncash capital and related financing transactions				
Capital assets contributed	**$**	**5,167,792**	$	4,082,929
Capital asset additions included in accounts payable	**$**	**1,673,242**	$	-
Activation of prepaid tap sales	**$**	**30,150**	$	-
Accretion of bond premium	**$**	**122,829**	$	124,130
Unrealized gain/loss on investments	**$**	**1,171,980**	$	1,527,258

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 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	$ 28,350	$ -	$ 28,350
Enterprise function	$54,776,782	$104,802,760	$159,579,542

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.

	2023	2022
Change in net position	**$60,325,655**	$38,862,491
Depreciation	**2,868,665**	2,734,162
Non-cash capital contributions	**(5,167,792)**	(4,082,929)
Debt service	**(1,061,484)**	(1,011,001)
Bond premium amortization	**(122,829)**	(124,130)
Bond proceeds	**75,458,876**	-
Acquisition of capital assets	**(34,241,321)**	(13,687,369)
Realized and unrealized loss on securities	**(1,171,980)**	1,527,258
(Gain) loss on disposal of capital assets	**(27,500)**	(119,783)
Excess revenues over expenditures, budgetary basis	**$96,860,290**	$24,098,699

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 on December 31, 2023 or 2022, based on historical collection experience.

Prepaid Expenses

Prepaid expenses represent expenditures that have not yet been recorded by the District as an expense or capital asset, but have been paid for in advance. The following table provides a general understanding of items classified as a prepaid expense at year end.

	2023	2022
Prepaid software	**$ 38,041**	$ 37,075
Prepaid insurance	**219,367**	193,157
Escrow payments for water purchases	**2,303,561**	100,000
	$2,560,969	$330,232

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 distribution systems and 3 to 20 years for equipment.

Lease Receivable

Lease receivables are measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources are measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

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, 2022, the connection fees were $12,226 for the PIF and a raw water cost that is based on $44,000 per unit of CBT, but varies depending on residential lot size or tap size for commercial and irrigation customers. As of January 1, 2023, the connection fees were $13,021 for the PIF and a raw water cost that is based on $60,000 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 and Weld County Treasurers to bill and collect its property taxes. Taxes levied in December 2023 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2023.

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.

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 Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62, Statement No. 101, Compensated Absences and GASB Statement No, 102, *Certain Risk Disclosures*. 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, 2023, the District had deposits with financial institutions with a carrying amount of $5,007,357. The bank balances with the financial institutions were $4,990,831, of which, $250,000 was covered by federal depository insurance. The remaining balance of $4,740,831 was collateralized with securities held by the financial institutions' agents but not in the District's name. At December 31, 2022, the District had deposits with financial institutions with a carrying amount of $4,637,499. The bank balances with the financial institutions were $4,949,548, of which, $250,000 was covered by federal depository insurance. The remaining balance of $4,699,548 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, 2023 and 2022, were as follows:

	2023	2022
Petty cash	**$ 100**	$ 100
Cash on deposit with financial institutions	**5,007,357**	4,637,499
Local government investment pools	**134,379,867**	32,737,178
Total cash and cash equivalents	**$139,387,324**	$37,374,777

Local Government Investment Pools

As of December 31, 2023 and 2022, the District had invested balances of $43,617,317 and $12,642,764, 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, 2023 and 2022, the District had invested balances of $90,762,550 and $20,094,414 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 March 22, 2023, 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, 2023, were as follows:

Investments	**S & P Rating**	**Moody Rating**	**Fair Value**	**Weighted Average Days to Maturity**	**Concentration of Credit Risk**
US Treasury	**AAA**	**Aaa**	**$104,458,245**	**428**	**94.5%**
US Instrumentality	**AAA**	**Aaa**	**6,121,463**	**346**	**5.5%**
Total investments			**$110,579,708**		

There were no individual investments that exceeded 5% of the investment portfolio.

Investments held by the District at December 31, 2022, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
US Treasury	AAA	Aaa	$100,281,020	535	87.7%
US Instrumentality	AAA	Aaa	11,659,465	499	10.2%
Corporate Bonds	AA-/AA+	Aa	2,490,600	46	2.2%
Total investments			$114,431,085*		

There were no individual investments that exceeded 5% of the investment portfolio.

*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, 2023 and 2022, 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, 2023 and 2022, was $-0- and $1,127,500, respectively.

3. Lease Receivables

As a lessor, the District has entered into antenna placement agreements which provide for the leasing of antenna space on its water towers. These agreements generally include original terms of five years with renewal options for the lessee to extend the term for a period of five years each. The District has included in the lease term the remaining renewal terms which seem likely for renewal, as provided for in the lease. The payment terms generally include a fixed annual payment paid in advance that escalates by a fixed percentage each year of the term. During 2022, the District recognized total lease-related revenues of $71,821 related to the antenna placement agreements. During 2023, the District recognized total lease-related revenues of $121,266 related to the antenna placement agreements.

The lease contracts may include other payments, such as termination penalties, that are not included in the lease receivable. During 2023 and 2022, the District recognized revenues of $0, for other payments not included in the measurement of the lease receivables.

The District used 5% as the discount rate to measure lease receivables. The District has established that 5% provided an appropriate base rate for the purpose of establishing the incremental borrowing rate used to measure leases at transition and leases commencing during the current report year based on market averages for municipal bonds issued. Certain required adjustments were then made to the rate to arrive at an estimated incremental borrowing rate.

The District included the current and noncurrent portions of the lease receivables in accounts receivable, net and accrued utility revenues and other noncurrent assets, respectively. At December 31, 2023, and 2022, the District included $145,525 and $141,286 for the current portions and $185,926 and $315,667 for the noncurrent portions of the lease receivables in accounts receivable, respectively.

4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2023:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 21,644,969	$ 11,845,676	$ (17,630,504)	$ 15,860,141
Land and easements	460,137	-	-	460,137
Water rights	178,451,050	17,227,500	-	195,678,550
Water storage and capacity	43,830,764	17,000,488	-	60,831,252
Total capital assets, not being depreciated	244,386,920	46,073,664	(17,630,504)	272,830,080
Capital assets, being depreciated:				
Office building	2,609,284	-	-	2,609,284
Transmission and distribution system	114,853,675	8,048,759	-	122,902,434
Equipment	2,486,155	531,892	(106,799)	2,911,248
Total capital assets, being depreciated	119,949,114	8,580,651	(106,799)	128,422,966
Less accumulated depreciation for:				
Office building	(1,214,901)	(87,874)	-	(1,302,775)
Transmission and distribution system	(41,025,314)	(2,282,866)	-	(43,308,180)
Equipment	(1,715,759)	(497,925)	106,799	(2,106,885)
Total accumulated depreciation	(43,955,974)	(2,868,665)	106,799	(46,717,840)
Total capital assets, being depreciated, net	75,993,140	5,711,986	-	81,705,126
Capital assets, net	$320,380,060	$ 51,785,650	$ (17,630,504)	$354,535,206

The following is a summary of capital asset activity for the year ended December 31, 2022:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 19,004,637	$ 2,907,741	$ (267,409)	$ 21,644,969
Land and easements	460,137	-	-	460,137
Water rights	169,739,350	8,711,700	-	178,451,050
Water storage and capacity	42,215,764	1,615,000	-	43,830,764
Total capital assets, not being depreciated	231,419,888	13,234,441	(267,409)	244,386,920
Capital assets, being depreciated:				
Office building	2,348,439	263,344	(2,499)	2,609,284
Transmission and distribution system	110,655,860	4,210,760	(12,945)	114,853,675
Equipment	2,384,351	314,960	(213,156)	2,486,155
Total capital assets, being depreciated	115,388,650	4,789,064	(228,600)	119,949,114
Less accumulated depreciation for:				
Office building	(1,147,936)	(69,464)	2,499	(1,214,901)
Transmission and distribution system	(38,515,815)	(2,522,444)	12,945	(41,025,314)
Equipment	(1,786,661)	(142,254)	213,156	(1,715,759)
Total accumulated depreciation	(41,450,412)	(2,734,162)	228,600	(43,955,974)
Total capital assets, being depreciated, net	73,938,238	2,054,902	-	75,993,140
Capital assets, net	$305,358,126	$ 15,289,343	$ (267,409)	$320,380,060

5. 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.

6. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2023 and 2022, is as follows:

	2023	2022
Revenue Bonds		
$11,275,000 April 14, 2010, water revenue bonds, Series 2010 due in principal installments of $1,000,000 in 2022 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 $-0- and $2,188 at December 31, 2023 and 2022, respectively. These bonds were defeased in 2023.	**$ -**	$1,050,000
$69,020,000 November 7, 2023, water revenue bonds, Series 2023 due in annual principal installments starting in 2024 with additional increases through 2038; interest at 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 will be used for a contract based raw water purchase; this purchase will close in 2024. Accrued interest on these bonds is $299,566 and $-0- at December 31, 2023 and 2022, respectively.	**69,020,000**	-
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 2023 were $5,302 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 $2,425 and $2,643, December 31, 2023 and 2022, respectively.	**58,783**	64,084

$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 2023 were $6,182 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 $2,706 and $2,949, December 31, 2023 and 2022, respectively.	**68,642**	74,825
Total Bonds and Loans Payable	**$69,147,425**	$1,188,909

A summary of changes in debt in 2023 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2010	**$ 1,050,000**	**$ -**	**$(1,050,000)**	**$ -**	**$ -**
2023	**-**	**69,020,000**	**-**	**69,020,000**	**3,070,000**
Loan Payable					
2006 CWCB	**64,085**	**-**	**(5,302)**	**58,783**	**5,540**
2006 CWCB	**74,824**	**-**	**(6,182)**	**68,642**	**6,449**
Compensated Absences	**103,657**	**179,428**	**(150,782)**	**132,303**	**-**
Total	**$ 1,292,566**	**$ 69,199,428**	**$(1,212,266)**	**$69,279,728**	**$3,081,989**
Current portion of long term debt	**(1,061,484)**			**(3,081,989)**	
Net bond premiums	**122,829**			**6,438,876**	
Noncurrent portion of long term debt	**$ 353,911**			**$72,636,615**	

A summary of changes in debt in 2022 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2010	$ 2,050,000	$ -	$ (1,000,000)	$ 1,050,000	$1,050,000
Loan Payable					
2006 CWCB	69,158	-	(5,073)	64,085	5,302
2006 CWCB	80,752	-	(5,928)	74,824	6,182
Compensated Absences	114,603	163,227	(174,173)	103,657	-
Total	$2,314,513	$ 163,227	$(1,185,174)	$1,292,566	$1,061,484
Current portion of long term debt	(1,011,001)			(1,061,484)	
Net bond premiums	246,959			122,829	
Noncurrent portion of long term debt	$1,550,471			$ 353,911	

The annual requirements to amortize all debt outstanding as of December 31, 2023, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2024	$ 3,081,989	$ 3,600,389	$ 6,682,378
2025	3,377,515	3,302,570	6,680,085
2026	3,548,065	3,133,771	6,681,836
2027	3,723,638	2,956,447	6,680,085
2028	3,909,238	2,770,348	6,679,586
2029-2033	22,661,980	10,718,105	33,380,085
2034-2038	28,845,000	4,467,500	33,312,500
Totals	$69,147,425	$ 30,949,130	$100,096,555

7. 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 1,150 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, 2022, CSDPLP has assets of $69,212,177, liabilities of $45,329,704 and surplus of $23,882,473. The liability includes no long-term debt. Total underwriting revenues for 2022 amounted to $27,064,468 and total underwriting expenses were $25,447,966 resulting in an excess of underwriting expenses over revenues of $1,616,502. The amount of the District's share of these amounts is less than 1%.

8. 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, 2023 and 2022, was $374,819 and $974,282, respectively. As of December 31, 2023 and 2022, SFCSD owed the District $-0- and $79,400, respectively, which is reported in accounts receivable on the Statement of Net Position.

The SFCSD Board of Directors voted on June 8, 2022, to pursue a separation of the administrative management of SFCSD from the District. On March 31, 2023, both Districts signed an Intergovernmental Agreement to end all administrative management items at various schedules and timeframes with the latest deadline being December 31, 2023.

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".

9. 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, 2023, 2022 and 2021 were $145,609, $93,239 and $64,804, respectively.

10. 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 ($22,500 and $20,500, for the calendar years 2023 and 2022, respectively). Catch-up contributions of up to $6,000 for calendar years 2023 and 2022, 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, 2023 and 2022, the Plan members' contributions were $76,030 and $50,512, respectively.

11. 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 $48,650 and $48,300 as of December 31, 2023 and 2022, 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.

12. Subsequent Events

In January 2024, the District closed on a contract raw water purchase in the amount of $81,300,000. The District utilized bond proceeds and cash on hand to complete the purchase.

The District evaluated subsequent events through June 18, 2024, 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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2022 Actual
Enterprise Function:					
Revenue					
Operating Revenue					
Metered revenue	$ 16,546,750	$ 16,546,750	$ 14,640,910	$ (1,905,840)	$ 16,251,693
Water sales - construction	450,000	450,000	561,161	111,161	762,284
Town of Windsor	445,500	445,500	410,655	(34,845)	400,995
Water rental	180,000	180,000	291,362	111,362	192,899
Miscellaneous income	150,000	150,000	139,817	(10,183)	1,301,352
Management fees - SFCSD	1,092,854	1,092,854	374,819	(718,035)	974,282
Total operating revenue	18,865,104	18,865,104	16,418,724	(2,446,380)	19,883,505
Non-Operating Revenue					
Earnings from investments	900,000	900,000	6,244,472	5,344,472	1,902,450
Tap fees (water)	12,000,000	12,000,000	37,440,084	25,440,084	20,323,160
Tap fees (PIF)	3,255,250	3,255,250	10,479,388	7,224,138	8,028,145
Meter fees	95,000	95,000	263,693	168,693	262,778
Bond proceeds	-	75,000,000	75,458,876	458,876	-
Total non-operating revenue	16,250,250	91,250,250	129,886,513	38,636,263	30,516,533
Operating transfer in	-	-	1,563,628	1,563,628	1,554,815
Total revenue	35,115,354	110,115,354	147,868,865	37,753,511	51,954,853
Expenditures - Operating					
Source and Treatment					
Assessments	1,600,000	1,600,000	1,331,072	268,928	1,348,896
Soldier Canyon	3,147,591	3,147,591	3,003,453	144,138	2,465,157
City of Loveland	30,000	30,000	2	29,998	-
FTC - Water Sale IGA	2,506,686	2,506,686	2,080,720	425,966	2,395,408
Other water districts	15,000	15,000	-	15,000	9,143
Water resource consulting	60,000	60,000	50,884	9,116	16,785
Total source and treatment	7,359,277	7,359,277	6,466,131	893,146	6,235,389

 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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2022 Actual
Personnel					
Wages	3,230,000	3,230,000	2,943,370	286,630	2,353,296
Overtime & on-call pay	64,000	64,000	104,608	(40,608)	58,371
Payroll taxes	263,520	263,520	227,686	35,834	181,944
Medical insurance	431,000	431,000	234,797	196,203	390,600
Life insurance	41,000	41,000	47,762	(6,762)	19,354
Retirement	182,700	182,700	145,609	37,091	93,239
Worker's compensation insurance	15,000	15,000	12,537	2,463	25,864
Education & training	60,000	60,000	18,983	41,017	33,916
Cell phone service	20,000	20,000	10,147	9,853	12,014
Safety	36,000	36,000	23,575	12,425	14,567
Uniforms	10,500	10,500	12,383	(1,883)	8,735
Employee awards & recognition	6,500	6,500	16,089	(9,589)	7,315
Recruiting & onboarding	5,000	5,000	6,649	(1,649)	12,835
Dues and subscriptions	2,000	2,000	2,212	(212)	2,218
Travel	1,100	1,100	517	583	283
Total personnel	4,368,320	4,368,320	3,806,924	561,396	3,214,551
Engineering					
Consulting	125,000	125,000	232,109	(107,109)	180,298
Fuel	2,500	2,500	5,391	(2,891)	5,337
Miscellaneous	1,000	1,000	2,124	(1,124)	2,816
R & M - equipment	1,000	1,000	9,075	(8,075)	486
R & M - vehicles	2,500	2,500	8,418	(5,918)	6,776
Software maintenance	43,000	43,000	38,176	4,824	38,023
Supplies	5,000	5,000	12,283	(7,283)	7,597
Total engineering	180,000	180,000	307,576	(127,576)	241,333
Operations					
R & M - lines & equipment	400,000	400,000	242,866	157,134	376,487
R & M -tank maintenance	150,000	150,000	20,897	129,103	50,152
Fuel	37,000	37,000	35,635	1,365	37,806
Meter hosting service	-	-	-	-	46,343
Office supplies	2,000	2,000	355	1,645	1,552
R & M - vehicles	35,000	35,000	31,850	3,150	40,074
Supplies	3,500	3,500	12,112	(8,612)	4,520
Utilities	241,500	241,500	256,156	(14,656)	239,995
Utility locates	-	-	-	-	21,867
Water quality testing	-	-	-	-	33,007
R & M - remote facilities	220,000	220,000	43,044	176,956	-
Telemetry	30,000	30,000	157,693	(127,693)	-
Consulting	20,000	20,000	-	20,000	-
Software renewal & maintenance	21,000	21,000	33,533	(12,533)	-
Total operations	1,160,000	1,160,000	834,141	325,859	851,803

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2022 Actual
Technical Services					
R & M - remote facilities	-	-	-	-	116,983
Telemetry	-	-	-	-	20,267
R & M - admin building	-	-	-	-	50,540
Security	-	-	-	-	25,800
Consulting	-	-	-	-	7,548
Software renewal & maintenance	-	-	-	-	19,090
Total technical services	-	-	-	-	240,228
Business Office					
Bank service charges	45,000	45,000	32,328	12,672	40,700
Miscellaneous expense	500	500	190	310	77
On-line bill processing	120,000	120,000	131,080	(11,080)	138,450
Payroll processing	12,000	12,000	11,173	827	10,603
Postage	47,000	47,000	79,312	(32,312)	45,865
Printing	36,000	36,000	54,970	(18,970)	31,821
Publications & notices	1,000	1,000	334	666	310
R & M - equipment	11,000	11,000	13,730	(2,730)	7,504
Software maintenance	90,000	90,000	125,982	(35,982)	66,655
Supplies	19,000	19,000	17,748	1,252	18,506
Telephone	-	-	-	-	17,640
Consulting	100,000	100,000	251,113	(151,113)	349,189
Customer relations	6,000	6,000	9,648	(3,648)	4,191
Water conservation	100,000	100,000	16,183	83,817	42,710
Meter hosting service	50,000	50,000	47,740	2,260	-
Water quality testing	45,000	45,000	34,483	10,517	-
Utility locates	25,000	25,000	36,336	(11,336)	-
Fuel	5,200	5,200	13,347	(8,147)	-
R & M - vehicles	4,000	4,000	3,515	485	-
Total business office	716,700	716,700	879,212	(162,512)	774,221
IT and Data					
Consulting	447,000	447,000	282,513	164,487	-
Security	11,000	11,000	14,968	(3,968)	-
Telephone	33,000	33,000	22,550	10,450	-
Software renewal & maintenance	17,100	17,100	12,623	4,477	-
Supplies	1,000	1,000	1,082	(82)	-
Total IT and data	509,100	509,100	333,736	175,364	-

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2022 Actual
Human Resources					
Consulting	67,000	67,000	-	67,000	-
Software renewal & maintenance	1,200	1,200	-	1,200	-
Supplies	6,000	6,000	181	5,819	-
Total human resources	74,200	74,200	181	74,019	-
Administration					
Audit & consulting fees	27,500	27,500	26,561	939	28,803
Consulting services	100,000	100,000	67,850	32,150	74,113
Contingency	15,000	15,000	13,160	1,840	8,777
Dues & subscriptions	13,750	13,750	15,312	(1,562)	14,680
Insurance - liability	72,000	72,000	94,642	(22,642)	61,869
Insurance - property	73,000	73,000	107,334	(34,334)	63,754
Janitorial service	15,000	15,000	19,131	(4,131)	13,584
Legal	250,000	250,000	258,067	(8,067)	96,062
Miscellaneous expenses	1,000	1,000	74	926	313
R & M - admin building	100,000	100,000	96,763	3,237	-
Utilities - admin building	30,000	30,000	30,664	(664)	31,964
Fuel	5,500	5,500	3,733	1,767	-
R & M - vehicles	2,500	2,500	2,308	192	-
Leased office space	-	127,000	134,782	(7,782)	-
Total administration	705,250	832,250	870,381	(38,131)	393,919
Operating Capital Replacement					
Source & treatment	1,860,000	1,860,000	129,910	1,730,090	2,945
Meters	181,000	181,000	271,276	(90,276)	44,673
Distribution	4,258,000	4,258,000	1,229,671	3,028,329	885,614
Operations equipment	178,500	178,500	363,221	(184,721)	280,052
Office and engineering equipment	46,600	46,600	28,577	18,023	153,695
Building improvements	470,000	470,000	13,089	456,911	119,050
Total operating capital replacement	6,994,100	6,994,100	2,035,744	4,958,356	1,486,029
Total operating expenses	22,066,947	22,193,947	15,534,026	6,659,921	13,437,473
Debt Service - Non-Operating					
Interest on bonds (2010 issue)	26,250	26,250	38,768	(12,518)	91,115
Debt service - 2010 issue	1,050,000	1,050,000	1,050,000	-	1,000,000
Interest on CWCB notes	6,101	6,101	6,101	-	6,585
Debt service - CWCB notes	11,484	11,484	11,484	-	11,001
Interest on bonds (2023 issue)	-	-	299,566	(299,566)	-
Bond issue expense	-	5,000,000	458,876	4,541,124	-

FORT COLLINS - LOVELAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2022 Actual
Capital Expenditures - Non-Operating					
Source & treatment	250,000	250,000	62,240	187,760	-
Water purchases	15,808,500	115,484,260	19,705,261	95,778,999	8,771,515
Water storage	2,562,500	2,562,500	1,970,376	592,124	1,705,301
Meters	95,000	95,000	269,865	(174,865)	300,508
Distribution	12,900,000	12,900,000	11,602,012	1,297,988	2,532,656
Total non-operating expenses	32,709,835	137,385,595	35,474,549	101,911,046	14,418,681
Enterprise Gain (Loss)	(19,661,428)	(49,464,188)	96,860,290	146,324,478	24,098,699
Government Function:					
Revenues					
Property taxes	1,501,064	1,501,064	1,620,896	119,832	1,607,275
Expenditures					
Collection fees	300	300	30,016	(29,716)	29,793
Directors fees	14,400	14,400	8,392	6,008	9,392
Directors payroll taxes	1,150	1,150	652	498	691
Directors expenses	12,500	12,500	18,208	(5,708)	12,584
Operating transfer out	-	-	1,563,628	(1,563,628)	1,554,815
Total expenditures	28,350	28,350	1,620,896	(1,592,546)	1,607,275
Excess revenues over expenditures	1,472,714	1,472,714	-	(1,472,714)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	$ (18,188,714)	$ (47,991,474)	$ 96,860,290	$ 144,851,764	$ 24,098,699

 See accompanying Independent Auditor's Report.