FORT COLLINS - LOVELAND WATER DISTRICT

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2025 and 2024

FORT COLLINS - LOVELAND WATER DISTRICT

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As of and for the years ended December 31, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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 17, 2026

The Fort Collins – Loveland Water District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2025. In addition to this overview and analysis based on currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District's financial statements, which begin on page 15 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal year ended December 31, 2025 by $606.1 million (net position). Of the net position balance, $272.9 million is unrestricted and is available to meet the District's ongoing obligations.

- The District's net position increased by $37.5 million (6.6%).

- The District's revenues from metered water sales were $23.6 million.

- The District sold 264 taps in 2025, generating $31.0 million in infrastructure investment fees and raw water cash-in-lieu. This is a decrease from 2024 tap sales of 349 (decrease of 24.4%). The District served a total of 20,752 taps at year end.

- The District accepted 15 new water line extension projects for the year ended December 31, 2025, representing $1.8 million in contributions in aid of construction.

- As of December 31, 2025, the District owned 13,209 units of C-BT, 1,257 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 of the 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 charges are sufficient to cover operating costs.

- The statement of cash flows presents information concerning the District's cash receipts and cash payments during the year. The statement reports the cash receipts, cash payments, and net cash from operations, non-capital financing and capital and investing activities.

FINANCIAL ANALYSIS OF THE FORT COLLINS – LOVELAND WATER DISTRICT

The financial statements of the District begin on page 15. The true picture of the financial health of the District must be tempered with the operational theory and financial control that is practiced on a daily basis by the District.

Financial Policy and Priorities

The financial goal of the District is to operate as cost efficiently as possible and similar to the practices of private enterprise. The District annually reviews its financial policies to assess their impact on financial activities. Policies that affected financial activities are as follows:

1. Growth within the District pays its own way to the extent it is possible.
2. District administration and operations are funded from metered water sales.
3. Raw water purchases are funded by raw water fees charged to new tap holders.
4. Capital improvements to existing District assets are funded from metered water sales.
5. Acquisition of new assets such as new lines, pump stations, etc. are funded from 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 2025 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, and 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 financial position remains strong. 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,		
	2025	2024	2023
Current Assets	$ 281,864,922	$ 121,625,985	$ 256,688,929
Capital Assets	583,013,866	526,265,317	354,535,206
Other Assets	3,517	95,586	189,443
	$ 864,882,305	$ 647,986,888	$ 611,413,578
Current Liabilities	$ 16,558,863	$ 7,723,586	$ 7,003,835
Long-Term Liabilities	239,943,171	69,429,405	72,636,615
	$256,502,034	$ 77,152,991	$ 79,640,450
Deferred Inflows of Resources	$ 2,271,856	$ 2,178,249	$ 2,217,546
Net Position			
Net Investment in Capital Assets	$513,125,838	$453,807,778	$278,948,905
Restricted Emergency Reserve	57,352	57,120	48,650
Unrestricted	92,925,225	114,790,750	250,558,027
Total Net Position	$606,108,415	$568,655,648	$529,555,582

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

	December 31,		
	2025	2024	2023
Total Operating Revenues	$ 25,011,492	$ 20,416,922	$ 16,418,724
Total Operating Expenses, excluding Depreciation	19,595,739	18,011,204	14,929,711
Net Operating Income before Depreciation	5,415,753	2,405,718	1,489,013
Depreciation	3,395,588	3,027,168	2,868,665
Income (Loss) from Operations	2,020,165	(621,450)	(1,379,652)
Non-Operating Revenues	7,574,152	8,798,192	9,451,370
Non-Operating Expenses	4,930,431	3,839,142	833,327
Net Income	4,663,886	4,337,600	7,238,391
Capital Contributions	32,788,881	34,762,466	53,087,264
Changes in Net Position	37,452,767	39,100,066	60,325,655
Total Net Position - Beginning of Year	568,655,648	529,555,582	469,229,927
Total Net Position - End of Year	$606,108,415	$568,655,648	$529,555,582

Operating activities increased the District's net position by $2.0 million from 2024 to 2025. Key elements of this change are due to the following:

- Operating revenue increased by $4.6 million. This was due to an approximate 10% increase in monthly water rates and additional tiers added to residential and irrigation customers.

- There was an overall increase in operating expenses of $1.6 million, not including depreciation. The increase is composed of:

    - Source and Treatment had an increase of $886 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 $210 thousand due to the hiring of additional staff to maintain the water system and keep up with regulatory pressures.

- Operations and Engineering costs increased by $485 thousand, attributable to repairs and maintenance costs.

- Business Office, IT and Data, and Human Resources increased $104 thousand due to increased third party IT costs and cybersecurity measures.

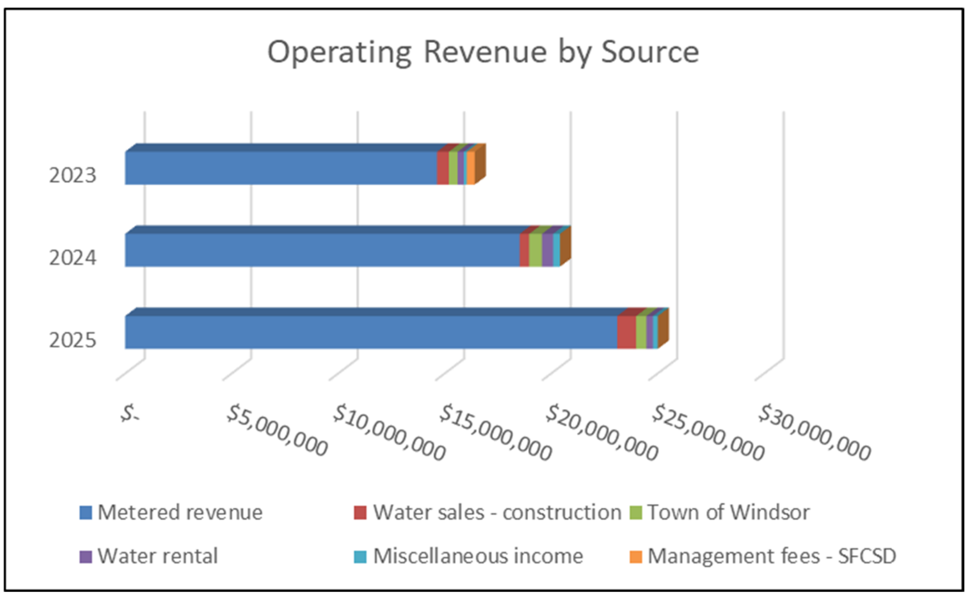
- Administration costs decreased by $15 thousand, primarily due to lower facility maintenance expenditures compared to the prior year.

Non-operating activities increased the District's net position by $2.6 million from 2024 to 2025. The key components of this change are due to the following:

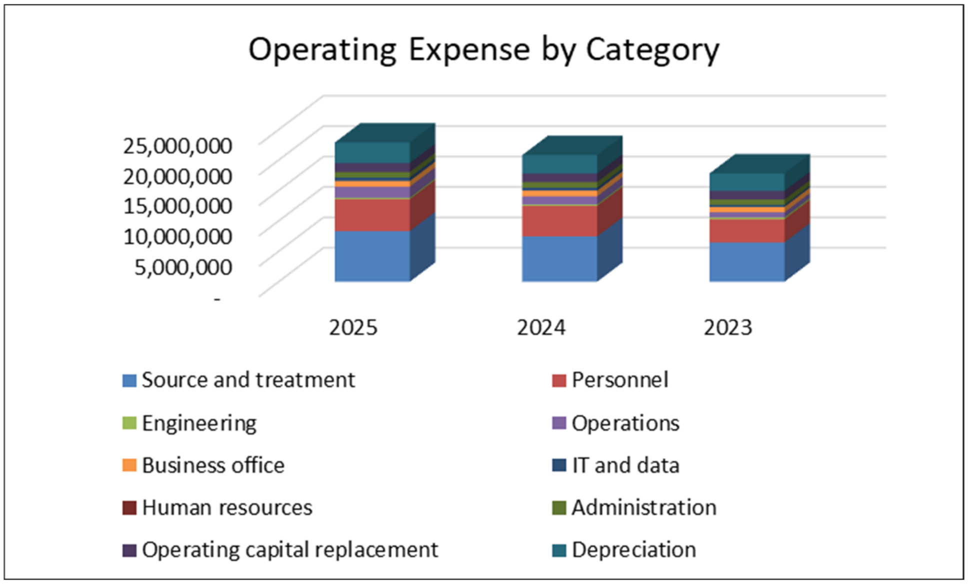
- Property tax revenue of $1.9 million.
- Interest income of $5.0 million.
- Interest expense was $4.0 million.
- Bond issue expense was $915 thousand.

Operating Activities

Operating revenues increased the District's Net position by $25,011,492

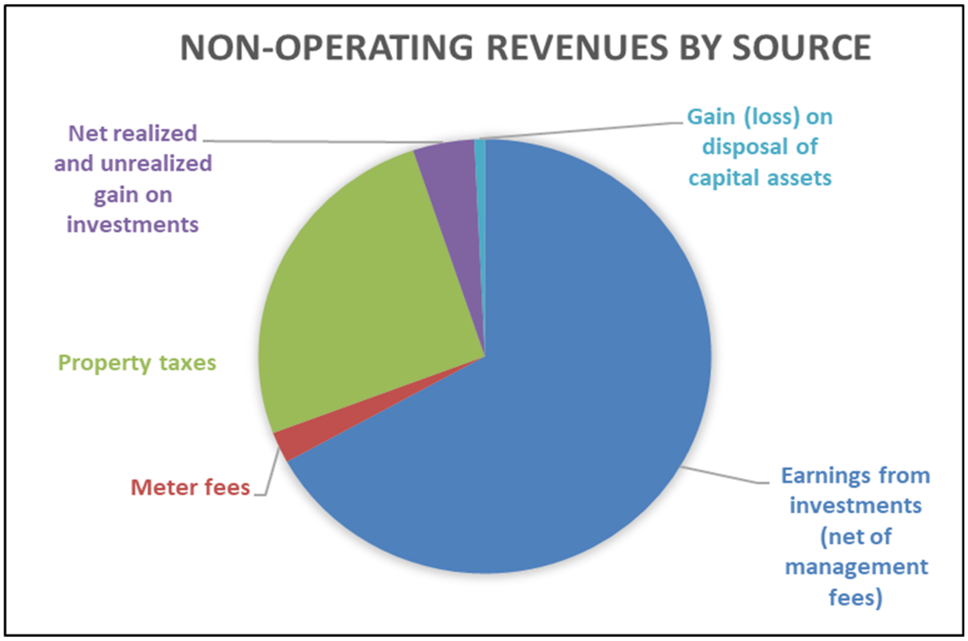


Operating expenses decreased the District's net position by $22,991,327

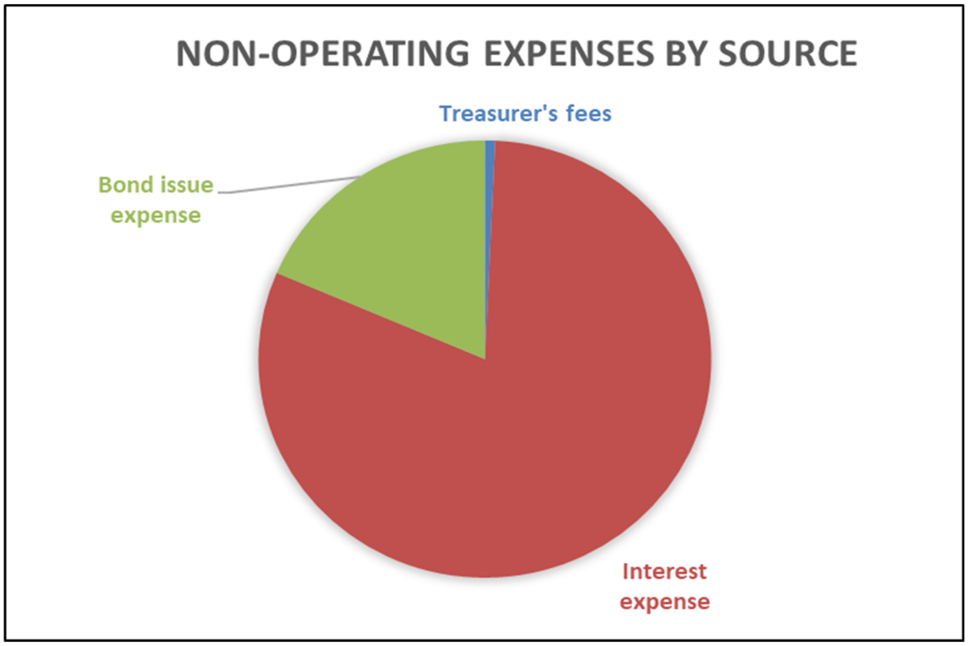


Non-Operating Activities

Non-operating revenues increased the District net position by $7,574,152



Non-operating expenses decreased the District's net position by $4,930,431

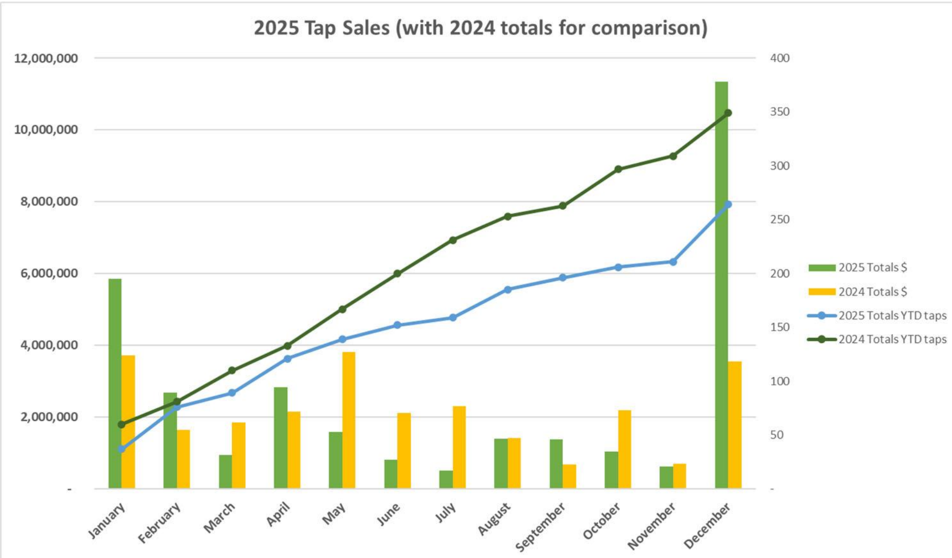


Capital contributions decreased by $2.0 million.

- Contributions of capital assets were $1.8 million, a decrease from 2024 of 78.8%. These contributions represent new distribution lines in subdivisions that were deeded to the District.

- Tap fees of $31.0 million were received for raw water and plant investment fees, an increase of 18.8% from 2024. 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 tap fees on January 1, 2025.

Active taps grew by 264 in 2025



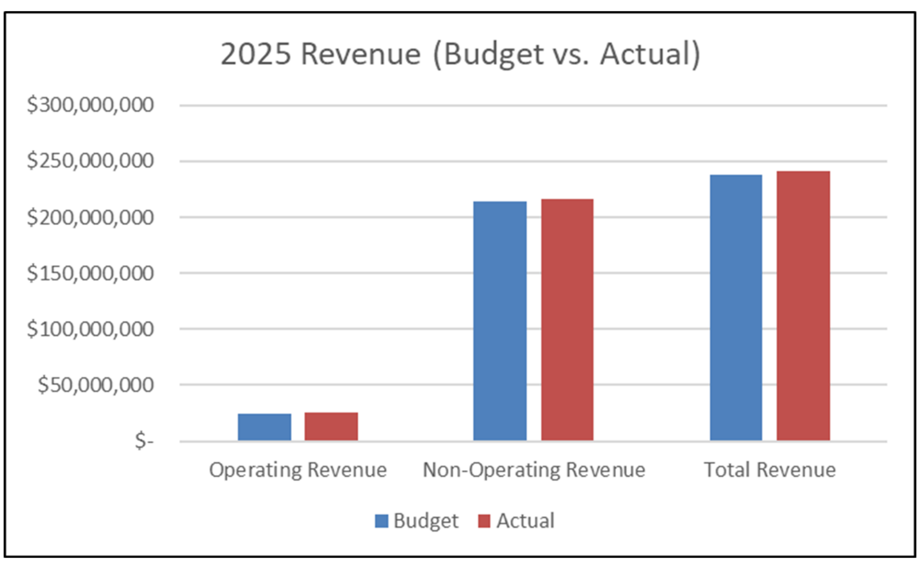
Budgetary Highlights

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.

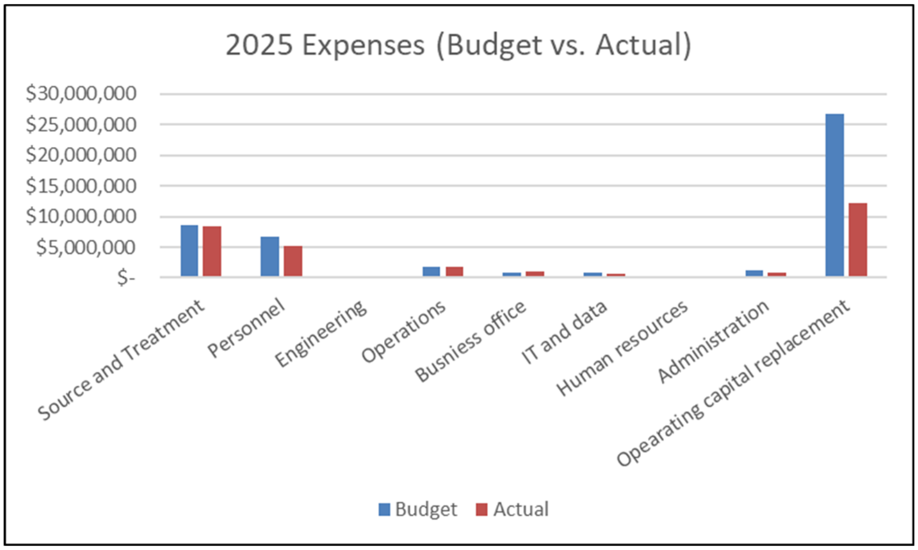
The variance between actual revenue and expenditures and the budgeted amounts is summarized as follows:

- Operating revenue was $972 thousand over budget due to customer watering patterns and rates.

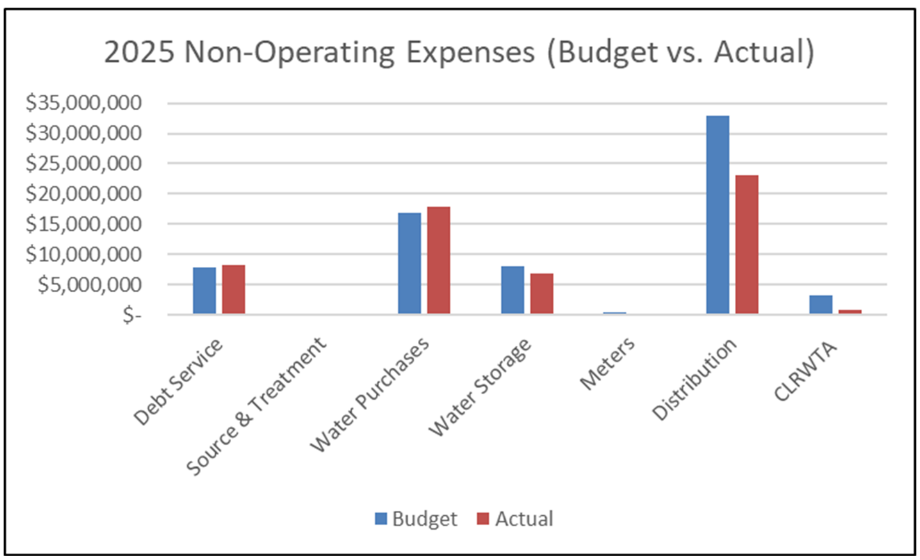
- Non-operating revenue was $2,066 thousand over budget, primarily due to tap sale revenue.



- Operating expenditures were under budget by $16.5 million. Operating Capital Replacement was significantly under budget by $14.6 million. This is caused by delays with construction and replacement projects.



- Non-operating expenditures were $12.9 million under budget. Distribution was under budget by $10.0 million. Delays in construction projects was the primary cause.



Capital Assets, Other Investments and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2025, amounted to $583.0 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 ($17.0 million).
- Construction projects in progress ($33.1 million).
- The sale of land to a local school district ($961 thousand).

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $224.1 million.

- Two notes payable to the Colorado Water Conservancy Board ($103 thousand). These notes were assumed as part of the purchase of the Windsor Reservoir and Canal.
- Series 2023 Revenue Bonds ($62.6 million) were issued to fund raw water purchases.
- Series 2025 Revenue Bonds ($161.4 million) were issued to fund raw water purchases and transmission pipeline construction.

Conditions Impacting Future Operations

- The District continues to be mindful of metered water revenue. In 2026 the District increased metered revenue prices by approximately 10% and modified tier water usage amounts to residential and irrigation customers.
- In 2026 the District plans to continue the process of expanding the Snead facility. 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 375 single family equivalent taps in 2026 and has sold 118 through March 31, 2026. 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 approximately 36% of build out.
- At the end of 2025, the estimated population served is approximately 65,000 people.
- In 2026 the District will complete the construction on an additional water tank by the Larimer County Landfill. The District will also complete the rehab and replacement of two water pump stations.
- 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, groundwater, or a combination of available sources.
- As the District grows, the District will need to expand water treatment facilities with current providers or participate in building a new water treatment facility. Due to rising construction costs, the District may need to explore debt options to fund either option.

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, 2025 and 2024

ASSETS

	2025	2024
Current Assets:		
Cash and cash equivalents	**$ 108,064,196**	$ 24,049,791
Investments	**165,890,000**	92,812,480
Accounts receivable	**3,823,842**	1,434,257
Interest receivable	**1,455,986**	933,334
Prepaid expenses	**359,042**	309,943
Property taxes receivable	**2,170,350**	1,987,630
Lessor revenue receivable - short term	**101,506**	98,550
Total current assets	**281,864,922**	121,625,985
Capital Assets		
Capital assets, not being depreciated	**487,112,616**	438,570,558
Capital assets, being depreciated, net	**95,901,250**	87,694,759
Total capital assets	**583,013,866**	526,265,317
Other Assets:		
Deposit	**3,517**	3,517
Lessor revenue receivable - long term	**-**	92,069
Total other assets	**3,517**	95,586
Total Assets	**864,882,305**	647,986,888

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

FORT COLLINS - LOVELAND WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2025	2024
Current Liabilities:		
Accounts payable	**4,347,286**	3,131,525
Accrued interest payable	**956,955**	279,439
Accrued payroll liabilities	**154,516**	150,021
Customer deposits	**175,021**	135,496
Customer advances for tap fees	**637,020**	649,590
Current portion of long-term debt	**10,288,065**	3,377,515
Total current liabilities	**16,558,863**	7,723,586
Non-Current Liabilities		
Accrued compensated absences	**343,208**	349,381
Notes and bonds payable, including premium and net of current maturities	**239,599,963**	69,080,024
Total non-current liabilities	**239,943,171**	69,429,405
Total Liabilities	**256,502,034**	77,152,991
Deferred Inflows of Resources		
Unearned revenue, property taxes	**2,170,350**	1,987,630
Lessor deferred revenue	**101,506**	190,619
Total deferred inflows of resources	**2,271,856**	2,178,249
Net Position:		
Net investment in capital assets	**513,125,838**	453,807,778
Restricted for emergency, TABOR amendment	**57,352**	57,120
Unrestricted	**92,925,225**	114,790,750
Total Net Position	**$ 606,108,415**	$ 568,655,648

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, 2025 and 2024

	2025	2024
Operating Revenues	$ 25,011,492	$ 20,416,922
Operating Expenses		
Source and treatment	8,330,453	7,444,727
Personnel	5,227,257	5,017,357
Engineering	247,453	240,470
Operations	1,815,765	1,338,172
Business office	938,793	937,404
IT and Data	586,708	483,847
Human resources	33	196
Administration	895,851	910,989
Operating capital replacement	1,453,400	1,411,337
CLRWTA expenses	100,026	226,705
Depreciation	3,395,588	3,027,168
Total operating expenses	22,991,327	21,038,372
Gain (loss) from Operations	2,020,165	(621,450)
Non-Operating Revenues (Expenses):		
Earnings from investments (net of management fees)	4,998,685	5,872,178
Meter fees	173,230	189,835
CLRWTA partner reimbursements	-	106,576
Property taxes	1,911,738	1,903,995
Treasurer's fees	(35,739)	(35,795)
Net realized and unrealized gain on investments	328,387	725,608
Interest expense	(3,980,085)	(3,575,637)
Bond premium amortization	106,603	47,278
Bond issue expense	(914,607)	-
Gain (loss) on disposal of capital assets	55,509	(274,988)
Total non-operating revenues (expenses)	2,643,721	4,959,050
Net Income	4,663,886	4,337,600
Capital Contributions	32,788,881	34,762,466
Increase in Net Position	37,452,767	39,100,066
Total Net Position - Beginning of Year	568,655,648	529,555,582
Total Net Position - End of Period	$ 606,108,415	$ 568,655,648

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, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Cash received from customers	$ 22,661,432	$ 20,224,130
Cash paid to suppliers	(15,922,519)	(8,245,289)
Cash paid to employees	(5,106,063)	(5,144,579)
Net cash flows from operating activities	1,632,850	6,834,262
Cash flows from noncapital financing activities		
Property taxes	1,911,738	1,903,995
Property tax collection fees	(35,739)	(35,795)
Net cash flows from noncapital financing activities	1,875,999	1,868,200
Cash flows from capital and related financing activities		
Contributed capital	30,968,308	26,118,080
Acquisition of capital assets	(56,699,254)	(168,164,364)
Proceeds from sale of capital assets	1,016,456	50,500
Issuance of bonds payable	180,914,607	-
Interest paid on notes and bonds payable	(3,302,569)	(3,506,338)
Bond issue expense	(914,607)	-
Principal paid on notes and bonds payable	(3,377,515)	(3,081,484)
Meter fees	173,230	189,835
Net cash flows from capital and related financing activities	148,778,656	(148,393,771)
Cash flows from investing activities		
Earnings on investments	4,476,033	5,860,940
Purchases of investments	(117,999,133)	(24,507,164)
Proceeds from sale of investments	45,250,000	43,000,000
Net cash flows from investing activities	(68,273,100)	24,353,776
Net change in cash and cash equivalents	84,014,405	(115,337,533)
Cash and cash equivalents at beginning of year	24,049,791	139,387,324
Cash and cash equivalents at end of year	$ 108,064,196	$ 24,049,791

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, 2025 and 2024

	2025	2024
Reconciliation of operating income to net cash flows from operating activities:		
Income from operations	**$ 2,020,165**	$ (621,450)
Adjustments to reconcile operating (loss) income to cash flows from operating activities:		
Depreciation	**3,395,588**	3,027,168
Changes in assets and liabilities:		
Accounts receivables	**(2,389,585)**	(227,045)
Prepaid expenses and other assets	**(49,099)**	2,251,026
Accounts payable	**(1,382,066)**	2,134,493
Accrued compensated absences	**(6,173)**	217,078
Accrued payroll	**4,495**	18,739
Customer deposits	**39,525**	34,253
Net cash flows from operating activities	**$ 1,632,850**	$ 6,834,262
Noncash capital and related financing transactions		
Capital assets contributed	**$ 1,808,003**	$ 9,034,676
Trade-in of equipment	**$ 961,206**	$ -
Capital asset additions included in accounts payable	**$ 2,597,827**	$ 2,116,273
Activation of prepaid tap sales	**$ 12,570**	$ 173,430
Accretion of bond premium	**$ 106,603**	$ 47,278
Unrealized gain/loss on investments	**$ 328,387**	$ 725,608

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, proprietary (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 public 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	$ 71,450	$ -	$ 71,450
Enterprise function	$ 115,201,967	$ 11,060,300	$104,141,667

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.

	2025	2024
Change in net position	**$ 37,452,767**	$39,100,066
Depreciation	**3,395,588**	3,027,168
Non-cash capital contributions	**(1,820,573)**	(9,034,676)
Debt service	**(3,377,515)**	(3,081,484)
Bond premium amortization	**(106,603)**	(47,278)
Bond proceeds, less expenses	**180,000,000**	-
Acquisition of capital assets	**(59,241,833)**	(165,304,107)
Realized and unrealized loss on securities	**(328,387)**	(725,608)
(Gain) loss on disposal of capital assets	**(55,509)**	274,988
Excess (deficit) revenues over expenditures, budgetary basis	**$155,917,935**	$(135,790,931)

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*. Some investments are recorded at amortized cost, in relation to the local government investment pools.

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, 2025 or 2024, 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.

	2025	2024
Prepaid software	**$ 38,631**	$ 13,954
Prepaid insurance	**320,411**	295,989
	$359,042	$309,943

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, 2024, the connection fees were $17,000 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. As of January 1, 2025, the connection fees were $27,175 for the PIF and a raw water cost that is based on $120,000 per acre foot of raw water, 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 2025 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2025.

Accrued Compensated Absences Payable

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Contributions in Aid of Construction

Contributions of cash, water lines, or other water transmission assets 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, which approximates effective interest 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 Statement No. 102, *Certain Risk Disclosures* (GASB 102) establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 is effective in fiscal year 2025 for the District. GASB 102 was evaluated and no additional disclosures were needed.

GASB has approved Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosures of Certain Capital Assets* and Statement No. 105, *Subsequent Events*. 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, 2025, the District had deposits with financial institutions with a carrying amount of $11,018,205. The bank balances with the financial institutions were $11,885,860, of which, $250,000 was covered by federal depository insurance. The remaining balance of $11,635,860 was collateralized with securities held by the financial institutions' agents but not in the District's name. At December 31, 2024, the District had deposits with financial institutions with a carrying amount of $3,048,147. The bank balances with the financial institutions were $4,269,753, of which, $250,000 was covered by federal depository insurance. The remaining balance of $4,019,753 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, 2025 and 2024, were as follows:

	2025	2024
Petty cash	**$ 100**	$ 100
Cash on deposit with financial institutions	**11,018,205**	3,048,147
Local government investment pools	**97,045,891**	21,001,544
Total cash and cash equivalents	**$ 108,064,196**	$24,049,791

Local Government Investment Pools

As of December 31, 2025 and 2024, the District had invested balances of $66,346,462 and $20,143,357, 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, 2025 and 2024, the District had invested balances of $30,699,429 and $858,187 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, 2025, were as follows:

Investments	**S & P Rating**	**Moody Rating**	**Fair Value**	**Weighted Average Days to Maturity**	**Concentration of Credit Risk**
US Treasury	**AA+**	**Aa1**	**$129,827,970**	**336**	**78.3%**
Corporate Bonds	**AA-/AA+/AA/AAA**	**Aaa/A1/Aa2/Aa3**	**36,062,030**	**501**	**21.7%**
Total investments			**$165,890,000**		

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

Investments held by the District at December 31, 2024, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
US Treasury	AAA	Aaa	$82,777,360	320	89.2%
US Instrumentality	AAA	Aaa	2,239,200	31	2.4%
Corporate Bonds	AA-/AA+	Aaa	7,795,920	649	8.4%
Total investments			$92,812,480		

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

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, 2025 and 2024, 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.

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 that management believes are reasonably certain to be exercised. The payment terms generally include a fixed annual payment paid in advance that escalates by a fixed percentage each year of the term. During 2024, the District recognized total lease-related revenues of $279,732 related to the antenna placement agreements. During 2025, the District recognized total lease-related revenues of $78,999 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 2025 and 2024, 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. On December 31, 2025, and 2024, the District included $101,506 and $98,550 for the current portions and $-0- and $92,069 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, 2025:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 36,699,430	$ 33,057,051	$ (9,102,686)	$ 60,653,795
Land and easements	460,137	1,783,984	-	2,244,121
Water rights	320,046,739	17,001,156	(960,947)	336,086,948
Water storage and capacity	81,364,252	6,763,500	-	88,127,752
Total capital assets, not being depreciated	438,570,558	58,605,691	(10,063,633)	487,112,616
Capital assets, being depreciated:				
Office building	2,594,866	-	(1,683)	2,593,183
Transmission and distribution system	131,450,649	10,910,689	(100,549)	142,260,789
Equipment	3,076,856	691,390	(349,275)	3,418,971
Total capital assets, being depreciated	137,122,371	11,602,079	(451,507)	148,272,943
Less accumulated depreciation for:				
Office building	(1,374,670)	(85,952)	1,683	(1,458,939)
Transmission and distribution system	(45,927,755)	(2,992,740)	100,549	(48,819,946)
Equipment	(2,125,187)	(316,896)	349,275	(2,092,808)
Total accumulated depreciation	(49,427,612)	(3,395,588)	451,507	(52,371,693)
Total capital assets, being depreciated, net	87,694,759	8,206,491	-	95,901,250
Capital assets, net	$526,265,317	$ 66,812,182	$ (10,063,633)	$583,013,866

The following is a summary of capital asset activity for the year ended December 31, 2024:

	Beginning	Additions	Deletions	Ending
Capital assets, not being depreciated:				
Construction in progress	$ 15,860,141	$ 21,164,777	$ (325,488)	$ 36,699,430
Land and easements	460,137	-	-	460,137
Water rights	195,678,550	124,368,189	-	320,046,739
Water storage and capacity	60,831,252	20,533,000	-	81,364,252
Total capital assets, not being depreciated	272,830,080	166,065,966	(325,488)	438,570,558
Capital assets, being depreciated:				
Office building	2,609,284	-	(14,418)	2,594,866
Transmission and distribution system	122,902,434	8,645,475	(97,260)	131,450,649
Equipment	2,911,248	371,326	(205,718)	3,076,856
Total capital assets, being depreciated	128,422,966	9,016,801	(317,396)	137,122,371
Less accumulated depreciation for:				
Office building	(1,302,775)	(86,313)	14,418	(1,374,670)
Transmission and distribution system	(43,308,180)	(2,716,835)	97,260	(45,927,755)
Equipment	(2,106,885)	(224,020)	205,718	(2,125,187)
Total accumulated depreciation	(46,717,840)	(3,027,168)	317,396	(49,427,612)
Total capital assets, being depreciated, net	81,705,126	5,989,633	-	87,694,759
Capital assets, net	$354,535,206	$ 172,055,599	$ (325,488)	$526,265,317

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 its 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, 2025 and 2024, is as follows:

	2025	2024
Revenue Bonds		
$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 closed in 2024. Accrued interest on these bonds is $260,771 and $274,792 at December 31, 2025 and 2024, respectively.	**$62,585,000**	$65,950,000
$161,400,000 November 13, 2025, water revenue bonds, Series 2025 due in annual principal installments starting in 2026 with additional increases through 2045; 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 and constructing a transmission pipeline. Accrued interest on these bonds is $692,040 and $-0- at December 31, 2025 and 2024, respectively.	**161,400,000**	-0-
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 2024 were $5,790 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 $1,957 and $2,196, December 31, 2025 and 2024, respectively.	**47,691**	53,481

	2025	2024
$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 2024 were $6,726 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 $2,186 and $2,451, December 31, 2025 and 2024, respectively.	$**55,735**	$62,460
Total Bonds and Loans Payable	**$224,088,426**	$66,065,941

A summary of changes in debt in 2025 is as follows:

	Beginning Balance	**Additions**	**Retirements**	**Ending Balance**	**Due Within One Year**
Revenue Bonds					
2023	**$65,950,000**	**$ -**	**$ (3,365,000)**	**$ 62,585,000**	**$ 3,535,000**
2025	**-**	**161,400,000**	**-**	**161,400,000**	**6,740,000**
Loan Payable					
2006 CWCB	**53,481**	**-**	**(5,790)**	**47,691**	**6,050**
2006 CWCB	**62,460**	**-**	**(6,725)**	**55,735**	**7,015**
Compensated Absences	**349,381**	**338,237**	**(344,410)**	**343,208**	**-**
Total	**$66,415,322**	**$161,738,237**	**$(3,721,925)**	**$224,431,634**	**$10,288,065**
Current portion of long term debt	**(3,377,515)**			**(10,288,065)**	
Net bond premiums	**6,391,598**			**25,799,602**	
Noncurrent portion of long term debt	**$69,429,405**			**$239,943,171**	

A summary of changes in debt in 2024 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue Bonds					
2024	$69,020,000	$ -	$ (3,070,000)	$65,950,000	$3,365,000
Loan Payable					
2006 CWCB	58,783	-	(5,302)	53,481	5,790
2006 CWCB	68,642	-	(6,182)	62,460	6,725
Compensated Absences	132,303	517,955	(300,877)	349,381	-
Total	$69,279,728	$ 517,955	$(3,382,361)	$66,415,322	$3,377,515
Current portion of long term debt	(3,081,989)			(3,377,515)	
Net bond premiums	6,438,876			6,391,598	
Noncurrent portion of long term debt	$72,636,615			$69,429,405	

The annual requirements to amortize all debt outstanding as of December 31, 2025, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2026	$ 10,288,065	$ 11,438,253	$ 21,726,318
2027	11,193,638	10,528,479	21,722,117
2028	11,754,238	9,968,879	21,723,117
2029	12,339,863	9,381,253	21,721,116
2030	12,960,516	8,764,351	21,724,867
2031-2035	74,907,104	33,650,199	108,557,303
2036-2040	81,245,000	13,966,500	95,211,500
2041-2045	9,399,999	1,456,251	10,856,250
Totals	$224,088,425	$ 99,154,165	$323,242,590

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 2,200 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, 2024, CSDPLP has assets of $86,648,039, liabilities of $57,746,885 and surplus of $28,901,154. The liability includes no long-term debt. Total underwriting revenues for 2024 amounted to $32,245,532 and total underwriting expenses were $30,236,676 resulting in an excess of underwriting revenues over expenses of $2,008,856. The amount of the District's share of these amounts is less than 1%.

8. Transactions with Other Governmental Entities

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, Soldier 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".

In 2024, Cobb Lake Regional Water Treatment Authority (CLRWTA) was created. CLRWTA is a forward-thinking regional collaboration created to meet the long-term water treatment needs of the Fort Collins-Loveland Water District and the Towns of Eaton, Severance and Windsor. CLRWTA's mission is to treat and deliver clean, safe, and affordable water to the four entities involved–Fort Collins-Loveland Water District, Town of Windsor, Town of Severance and Town of Eaton. The District provides certain services to CLRWTA for a nominal annual amount. In 2024, the District not only provided certain services but also covered CLRWTA expenses until CLRWTA had its formation documents and cash accounts. The total of those expenses was $157,782. The District was repaid $106,576 from CLRWTA partners for the expenses. In 2025, the District provided certain services and received $1.

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, 2025, 2024 and 2023 were $298,829, $181,527 and $145,609, 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 ($23,500 and $23,000, for the calendar years 2025 and 2024, respectively). Catch-up contributions of up to $7,500 for calendar years 2025 and 2024, 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, 2025 and 2024, the Plan members' contributions were $119,258 and $83,100, 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 $57,352 and $57,120 as of December 31, 2025 and 2024, 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

On April 21, 2026, the Board of Directors voted to decline participation in the 22nd interim agreement for Northern Integrated Supply Project and indicate zero participation units moving forward and forfeiting 8,100 Units, at zero cost. This will impact capital assets by an approximate decrease of $19,900,000 and resulting in a loss on disposal of capital assets in 2026.

The District evaluated subsequent events through June 17, 2026, 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, 2025
With Comparative Actual Amounts for the Year Ended December 31, 2024

	2025				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2024 Actual
Enterprise Function:					
Revenue					
Operating Revenue					
Metered revenue	$ 22,713,841	$ 22,713,841	$ 23,104,646	$ 390,805	$ 18,524,511
Water sales - construction	475,000	475,000	890,662	415,662	449,364
Town of Windsor	475,300	475,300	482,133	6,833	596,605
Water rental	200,000	200,000	305,094	105,094	524,590
Miscellaneous income	175,000	175,000	228,957	53,957	321,852
Total operating revenue	24,039,141	24,039,141	25,011,492	972,351	20,416,922
Non-Operating Revenue					
Earnings from investments	2,000,000	2,000,000	4,998,685	2,998,685	5,872,178
Tap fees (water)	21,000,000	21,000,000	22,204,035	1,204,035	18,855,085
Tap fees (PIF)	10,870,000	10,870,000	8,764,273	(2,105,727)	7,250,976
Meter fees	204,000	204,000	173,230	(30,770)	189,835
Bond proceeds	-	180,000,000	180,000,000	-	-
CLRWTA partner reimbursements	-	-	-	-	106,576
Total non-operating revenue	34,074,000	214,074,000	216,140,223	2,066,223	32,274,650
Operating transfer in	-	-	1,843,306	1,843,306	1,834,007
Total revenue	58,113,141	238,113,141	242,995,021	4,881,880	54,525,579
Expenditures - Operating					
Source and Treatment					
Assessments	1,650,000	1,650,000	1,709,934	(59,934)	1,416,578
Soldier Canyon	3,412,521	3,412,521	3,486,557	(74,036)	3,196,322
City of Loveland	30,000	30,000	-	30,000	1,743
FTC - Water Sale IGA	3,343,282	3,343,282	3,012,737	330,545	2,697,205
Other water districts	15,000	15,000	-	15,000	30,163
Water resource consulting	30,000	30,000	45,925	(15,925)	19,326
Utilities - farm	-	1,700	1,734	(34)	3,898
R & M - farm	-	-	-	-	79,492
Water resource facility maintenance	10,000	45,000	73,566	(28,566)	-
Total source and treatment	8,490,803	8,527,503	8,330,453	197,050	7,444,727
Personnel					
Wages	4,783,000	4,786,000	3,654,939	1,131,061	3,601,112
Overtime & on-call pay	120,000	120,000	158,418	(38,418)	147,478
Payroll taxes	382,000	382,000	289,657	92,343	266,837
Medical insurance	807,000	807,000	727,059	79,941	622,689
Life insurance	82,500	82,500	37,512	44,988	62,739
Retirement	260,000	260,000	196,095	63,905	181,527
Worker's compensation insurance	35,000	35,000	44,061	(9,061)	26,380

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, 2025
With Comparative Actual Amounts for the Year Ended December 31, 2024

	2025				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2024 Actual
Education & training	$ 60,000	$ 60,000	$ 16,205	$ 43,795	$ 25,046
Cell phone service	23,000	23,000	23,196	(196)	21,410
Safety	32,000	32,000	27,621	4,379	23,018
Uniforms	15,000	15,000	11,175	3,825	10,295
Employee awards & recognition	25,000	25,000	27,852	(2,852)	20,572
Recruiting & onboarding	6,000	6,000	9,867	(3,867)	5,381
Dues and subscriptions	4,000	4,000	2,948	1,052	2,510
Travel	1,000	1,000	652	348	363
Total personnel	6,635,500	6,638,500	5,227,257	1,411,243	5,017,357
Engineering					
Consulting	235,000	235,000	179,650	55,350	168,830
Fuel	8,400	8,400	8,087	313	7,663
Miscellaneous	1,500	1,500	316	1,184	2,008
R & M - equipment	1,000	1,000	33	967	1,815
R & M - vehicles	4,400	4,400	2,798	1,602	7,247
Software maintenance	60,700	60,700	51,749	8,951	43,058
Supplies	5,000	5,000	4,820	180	9,849
Total engineering	316,000	316,000	247,453	68,547	240,470
Operations					
R & M - lines & equipment	475,000	475,000	656,902	(181,902)	600,915
R & M -tank maintenance	165,000	165,000	15,477	149,523	16,733
Fuel	42,000	42,000	40,477	1,523	30,228
Meter hosting service	60,000	60,000	45,022	14,978	-
Office supplies	2,000	2,000	290	1,710	252
R & M - vehicles	47,000	47,000	39,079	7,921	52,057
Supplies	15,000	15,000	15,706	(706)	37,538
Utilities	280,000	280,000	362,647	(82,647)	324,535
Utility locates	60,000	60,000	41,787	18,213	-
Water quality testing	45,000	45,000	44,707	293	-
Potholing	50,000	50,000	94,140	(44,140)	52,910
R & M - remote facilities	220,000	220,000	46,294	173,706	33,090
Telemetry	167,100	167,100	312,828	(145,728)	166,197
Consulting	50,000	50,000	16,162	33,838	-
Software renewal & maintenance	28,000	28,000	84,247	(56,247)	23,717
Total operations	1,706,100	1,706,100	1,815,765	(109,665)	1,338,172
Business Office					
Bank service charges	40,000	40,000	62,359	(22,359)	34,898
Miscellaneous expense	500	500	122	378	-
On-line bill processing	132,000	132,000	187,670	(55,670)	148,684
Payroll processing	14,000	14,000	12,487	1,513	10,977
Postage	82,000	82,000	118,601	(36,601)	88,468
Printing	55,000	55,000	69,412	(14,412)	60,163
Publications & notices	1,000	1,000	435	565	281

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, 2025
With Comparative Actual Amounts for the Year Ended December 31, 2024

	2025				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2024 Actual
R & M - equipment	$ 11,000	$ 11,000	$ 2,645	$ 8,355	$ 9,566
Software maintenance	150,000	150,000	182,500	(32,500)	69,789
Supplies	19,000	19,000	15,820	3,180	18,826
Consulting	194,600	194,600	244,379	(49,779)	307,051
Customer relations	6,000	6,000	7,678	(1,678)	5,808
Water conservation	100,000	100,000	32,043	67,957	36,214
Meter hosting service	-	-	-	-	49,182
Water quality testing	-	-	-	-	40,861
Utility locates	-	-	-	-	42,749
Fuel	2,100	2,100	1,208	892	11,354
R & M - vehicles	1,500	1,500	1,434	66	2,533
Total business office	808,700	808,700	938,793	(130,093)	937,404
IT and Data					
Consulting	633,000	633,000	489,451	143,549	417,488
Security	50,475	50,475	47,566	2,909	28,731
Telephone	30,000	30,000	22,161	7,839	28,830
Software renewal & maintenance	20,000	20,000	25,999	(5,999)	7,889
Supplies	1,000	1,000	1,531	(531)	909
Total IT and data	734,475	734,475	586,708	147,767	483,847
Human Resources		-			
Consulting	30,000	30,000	-	30,000	-
Software renewal & maintenance	1,200	1,200	-	1,200	-
Supplies	1,500	1,500	33	1,467	196
Total human resources	32,700	32,700	33	32,667	196
Administration					
Audit & consulting fees	30,000	30,000	31,790	(1,790)	27,633
Consulting services	50,000	50,000	22,650	27,350	14,671
Contingency	15,000	15,000	8,606	6,394	13,836
Dues & subscriptions	15,000	15,000	18,790	(3,790)	14,698
Insurance - liability	136,000	136,000	117,587	18,413	139,542
Insurance - cyber	50,000	50,000	36,674	13,326	-
Insurance - property	110,000	110,000	117,237	(7,237)	106,770
Janitorial service	25,000	25,000	22,785	2,215	23,292
Legal	250,000	250,000	324,124	(74,124)	315,198
Miscellaneous expenses	1,000	1,000	626	374	-
R & M - admin building	250,000	250,000	32,745	217,255	95,616
Utilities - admin building	40,000	40,000	33,116	6,884	31,019
Fuel	7,000	7,000	2,965	4,035	4,097
R & M - vehicles	4,000	4,000	657	3,343	975
Leased office space	180,000	180,000	92,806	87,194	89,449
Total administration	1,163,000	1,163,000	863,158	299,842	876,796

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, 2025
With Comparative Actual Amounts for the Year Ended December 31, 2024

	2025				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2024 Actual
Operating Capital Replacement					
Source & treatment	$ 910,000	$ 110,000	$ 4,841	$ 105,159	$ 201,375
Meters	600,000	600,000	504,517	95,483	486,260
Distribution	19,448,000	12,448,000	10,488,570	1,959,430	2,152,570
Operations equipment	400,500	400,500	290,965	109,535	313,440
Office and engineering equipment	285,000	285,000	294,548	(9,548)	163,652
Building improvements	5,125,000	2,125,000	612,478	1,512,522	-
Total operating capital replacement	26,768,500	15,968,500	12,195,919	3,772,581	3,317,297
Total operating expenses	46,655,778	35,895,478	30,205,539	5,689,939	19,656,266
Debt Service - Non-Operating					
Interest on CWCB notes	5,070	5,070	5,070	-	6,102
Debt service - CWCB notes	12,515	12,515	12,516	(1)	11,484
Interest on bonds (2023 issue)	3,297,500	3,297,500	3,297,500	-	3,522,257
Debt service - bond principal (2023 issue)	3,365,000	3,365,000	3,365,000	-	3,070,000
Interest on bonds (2025 issue)	-	-	677,515	(677,515)	-
Bond issue expense	-	1,200,000	914,607	285,393	-
Capital Expenditures - Non-Operating					
Source & treatment	50,000	50,000	-	50,000	-
Water projects / acquisitions	16,916,250	16,916,250	17,923,761	(1,007,511)	142,188,301
Water storage	8,123,100	8,123,100	6,763,500	1,359,600	2,320,500
Meters	500,000	500,000	70,467	429,533	449,469
Distribution	32,979,000	32,979,000	23,002,677	9,976,323	18,660,185
CLRWTA - Non-Operating					
Contract support	-	-	-	-	78,603
Legal	-	-	-	-	37,632
Marketing & public relations no cost share	-	-	-	-	41,206
Dues & subscriptions	-	-	-	-	341
CLRWTA operating expenses	97,754	97,754	100,026	(2,272)	68,923
Water plant design & construction	1,500,000	-	-	-	-
Water line trans. design & construction	1,700,000	1,700,000	738,908	961,092	205,241
Total non-operating expenses	68,546,189	68,246,189	56,871,547	11,374,642	170,660,244
Enterprise Gain (Loss)	(57,088,826)	133,971,474	155,917,935	21,946,461	(135,790,931)
Government Function:					
Revenues					
Property taxes	1,790,042	1,790,042	1,911,738	121,696	1,903,995
Expenditures					
Collection fees	35,900	35,900	35,739	161	35,795
Directors fees	14,400	14,400	8,100	6,300	10,200

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, 2025
With Comparative Actual Amounts for the Year Ended December 31, 2024

	2025				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)	2024 Actual
Directors payroll taxes	$ 1,150	$ 1,150	$ 636	$ 514	$ 801
Directors expenses	20,000	20,000	23,957	(3,957)	23,192
Operating transfer out	-	-	1,843,306	(1,843,306)	1,834,007
Total expenditures	71,450	71,450	1,911,738	(1,840,288)	1,903,995
Excess revenues over expenditures	1,718,592	1,718,592	-	(1,718,592)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	$ (55,370,234)	$ 135,690,066	$ 155,917,935	$ 20,227,869	$ (135,790,931)

See accompanying Independent Auditor's Report.