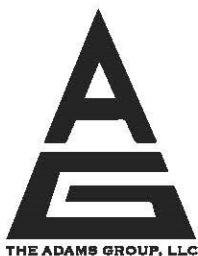


LITTLE THOMPSON WATER DISTRICT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022
AND DECEMBER 31, 2021

LITTLE THOMPSON WATER DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Little Thompson Water District
Berthoud, Colorado

Opinion

We have audited the accompanying financial statements of the Little Thompson Water District (the District) as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Prior Period Financial Statements

We did not audit the financials for the year ended December 31, 2021. The financial statements of the District as of December 31, 2021 were audited by other auditors whose report dated September 1, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 management's discussion and analysis 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) is presented for purposes of additional analysis and are 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 Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

Denver, Colorado
July 5, 2023

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Introduction

The discussion and analysis is a narrative and analysis of the financial condition and operating results of Little Thompson Water District (“District”). The water system is owned and operated by the District, and it provides treated water services to properties located in Larimer, Weld, and Boulder Counties.

Management’s Discussion and Analysis (“MD&A”) is intended to provide the reader and user of our financial statements with:

- an understanding of the financial issues of the District,
- an overview of the District’s financial activities,
- an explanation of the changes in the District’s financial position,
- an explanatory analysis of the variation of the annual, approved budget, and
- an assessment of any future financial or operating issues of the District.

The MD&A is intended to focus on the 2022 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with the District’s basic financial statements.

Financial Highlights 2022 compared to 2021

- Total operating revenues were \$11,701,390, an increase of \$587,442.
- Total operating expenses were \$11,729,101, an increase of \$1,835,936. The significant increase was a result of a \$1,155,000 payment for purposes of the Windy Gap Firing project which was recorded as operating costs.
- Total debt service principal and interest were \$2,337,306 a decrease of \$1,932.
- Total non-operating revenues and cash capital contributions were \$6,802,566, a decrease of \$1,261,866 due directly to a decrease in cash capital contributions.
- Total capital improvement, including water right purchases were \$6,152,889, a decrease of \$1,632,395.
- The total expenditures were \$17,973,848, an increase of \$54,868.
- Principal paid on long term debt was \$1,281,619, an increase of \$155,055.
- Long-term debt decreased to \$1,525,929.
- Net capital assets were \$196,520,719, an increase of \$4,966,079.

Overview of the Financial Statements

The financial statements included in this annual report are those of a political subdivision of the State of Colorado, governed by Colorado Revised Statutes Title 32 Special District engaged only in a business-type activity. As an enterprise fund, the District’s basic financial statements are comprised of two components: 1) the financial statements; and 2) notes to financial statements used to explain in more detail some of the information in the financial statements.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Required Financial Statements

The District's financial statements report information using accounting methods that conform with U.S. generally accepted accounting principles and similar to those used by the private sector. These statements provide both long-term and short-term information about the District's overall financial status. The audited financial statements and related notes are shown on pages 10 – 28.

Statements of Net Position

Reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. The statements provide information about the nature and the amounts of investments (assets) and the obligations owed to the District (liabilities). It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. However, other non-financial factors should be considered, such as changes in economic conditions and the effects of new or changed governmental legislation.

Statements of Revenues, Expenses and Changes in Net Position

Reports the District's operating and nonoperating revenues and expenses. Operating expenses include all operational costs of the District including depreciation. Non-operating expenses include the net loss from joint venture and debt interest expense.

Statements of Cash Flows

Reports the District's cash flows from operating activities, investing, capital and non-capital activities.

Notes to Financial Statements

Provide additional, required disclosures about the District, including its accounting policies and practices, its financial positions and operating activities, and other required information. The information included in the notes is essential to a full understanding of the information contained in the financial statements.

Other Supplementary Information

Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

Provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. Though this schedule is not required as part of the audited financial statements, it is added for review as other supplementary information.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Condensed Comparative of Financial Information

The following tables of condensed comparative financial information offer summaries of the financial information contained in the District's financial statements.

Condensed Comparative of Financial Information
Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Current assets	\$ 5,844,353	\$ 14,809,728	\$ 15,761,243
Restricted assets	39,386,190	29,116,202	27,937,676
Capital assets, net	196,520,719	191,554,640	154,322,476
Other assets	2,912,750	3,090,654	3,269,178
Total assets	<u>244,664,012</u>	<u>238,571,224</u>	<u>201,290,573</u>
<u>Deferred Outflows of Resources</u>			
Deferred loss on bond refunding	28,048	39,785	53,506
<u>Liabilities</u>			
Current liabilities	2,999,872	2,109,664	2,835,312
Long-term liabilities	29,595,576	31,162,096	32,689,058
Total liabilities	<u>32,595,448</u>	<u>33,271,760</u>	<u>35,524,370</u>
<u>Net Position</u>			
Net investment in capital assets	188,088,119	186,008,604	147,124,920
Restricted	2,930,010	2,589,662	937,676
Unrestricted	21,078,483	16,740,983	17,757,113
Total Net Position	<u>\$ 212,096,612</u>	<u>\$ 205,339,249</u>	<u>\$ 165,819,709</u>

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Condensed Comparative of Financial Information
Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Operating revenues</u>			
Water sales and other revenue	\$ 11,701,390	\$ 11,113,948	\$ 10,584,619
Total operating revenues	11,701,390	11,113,948	10,584,619
<u>Operating expenses</u>			
Operating expenses	11,729,101	9,893,165	9,614,933
Operating income (loss)	(27,711)	1,220,783	969,686
<u>Nonoperating revenues (expenses)</u>			
Grant revenue	-	68,091	3,500
Earnings on investments	237,258	91,593	213,969
Gain on sale of capital assets	13,620	12,594	33,642
Mineral lease revenue	1,537	1,542	987
Miscellaneous	166,491	136,364	257,060
Equity in net loss from joint venture	(177,904)	(178,524)	(127,615)
Interest expense	(898,226)	(949,076)	(208,722)
Debt issuance costs	-	-	(277,549)
Total nonoperating revenues (expenses)	(657,224)	(817,416)	(104,728)
<u>Net income before contributions</u>	(684,935)	403,367	864,958
<u>Capital contributions</u>	7,442,298	39,116,173	7,832,190
Net position, beginning of year	205,339,249	165,819,709	157,122,561
Net position, end of year	<u>\$ 212,096,612</u>	<u>\$ 205,339,249</u>	<u>\$ 165,819,709</u>

Analysis of Financial Position and Operating Results

Tap sales and water rights were \$6,383,660, which is 60% more than budgeted. Capital assets increased by \$4,966,079 in 2022, due to more system upgrades, water right purchases, contributed capital and the contribution of water rights. Operating revenue was \$11,701,390, which is 6.1% more than budget due to water sales higher than projected. Earnings on investments increased by \$145,665 as a result of increased rates in 2022.

Total expenditures were less than the final budget amount by \$6,291,693; which includes capital expenditures which were \$6,152,889 of the total. Additional explanations to follow with the changes from 2021 to 2022:

- Distribution costs decreased in 2022 by \$167,571 which is a direct result of less maintenances costs.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

- Administration and general expenses increased in 2022 by \$156,958 which can be attributed to an increase in buildings and grounds expense and computer expenses.
- Engineering expenses increased in 2022 by \$4,668,
- Employee costs increased in 2022 by \$335,998 as a result of increased salaries and benefits mainly related to distribution and engineering.
- Carter Lake Filter Plant and Dry Creek Reservoir joint operations increased by \$234,823.
- Water assessments and rentals increased by \$1,116,212 due to \$1,155,000 in costs incurred related to Windy Gap Firing pass through expenses which are reported as operating costs at December 31, 2022.
- Total capital expenditures decreased from 2021 by \$1,632,395. See Note 5 for additional information.

Major additions in 2022:

- The District purchased \$1,590,000 in water rights during the year ended December 31, 2022.
- The District received \$238,030 in Tap Installation Revenue and we expended \$179,129 on new service connections.
- The District spent \$221,734 on vehicle replacements and equipment purchases.
- As of December 31, 2022, the District placed the Beacon Meter Upgrade Project into service for a total asset value of \$3,129,603.
- The District spent \$1,516,607 on the 5MG Twin Mounds Tank during 2022

Contracts and Agreements

The District is party to several contracts and cooperative agreements concerning the transfer and sale of water and providing emergency assistance as requested. The District has agreements with the cities of Loveland, Johnstown, Berthoud, and Greeley, and the Central Weld County, Fort Collins/Loveland, Long's Peak, North Carter Lake Water Districts and St. Vrain Water Authority.

Economic and Other Factors

Overall, retail water revenues increased in 2022 primarily due to higher customer numbers and continued warm summer temperatures resulting in more outdoor water usage. District management utilizes a forecasting program to develop rates and fees that will ensure the District remains a financially sound entity. There was a significant amount of growth throughout the District and in Larimer, Weld, and Boulder counties in 2022. Operating expenses have increased because of a conscious decision to be proactive with more repairs and maintenance of our aging system.

The annual rate and extent of future growth and development within the District will be materially affected by the economy but also by management, zoning and land use procedures and policies established by Town of Mead, Loveland, Larimer, Weld, and Boulder Counties. Each of these governmental entities control growth in the areas under their government and the policies and procedures are outside the control or influence of the District.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Financial Contact

The District's financial statements are designed to present users (customers, citizens, creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the District Business Manager, Little Thompson Water District, 835 E. Hwy. 56, Berthoud, CO 80513 or at (970)532-2096.

BASIC FINANCIAL STATEMENTS

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF NET POSITION

<i>December 31,</i>	2022	2021
<u>Assets</u>		
<u>Current assets</u>		
Cash and investments	\$ 4,421,074	\$ 13,593,817
Receivables	951,881	938,200
Prepaid items	25,656	24,703
Inventories	445,742	253,008
Total current assets	5,844,353	14,809,728
 <u>Noncurrent assets</u>		
<u>Restricted assets</u>		
Cash and investments	39,386,190	29,116,202
<u>Capital assets</u>		
Distribution system	81,958,708	78,061,585
Carter Lake Filter Plant improvements	11,197,297	11,190,325
Dry Creek reservoir dam	7,442,973	7,432,221
Buildings and improvements	1,547,633	1,547,633
Vehicles and equipment	3,038,372	2,918,025
Intangible assets	202,012	202,012
Total depreciable assets	105,386,995	101,351,801
Less: accumulated depreciation and amortization	(37,965,469)	(35,821,408)
Total depreciable assets, net	67,421,526	65,530,393
Land, easements and reservoir	7,892,644	7,322,437
Water rights	108,692,679	107,102,679
Construction in progress	12,513,870	11,599,131
Total capital assets, net	196,520,719	191,554,640
<u>Other assets</u>		
Investment in joint venture	2,912,750	3,090,654
Total non-current assets	238,819,659	223,761,496
Total assets	244,664,012	238,571,224
 <u>Deferred outflows of resources</u>		
Unamortized deferred loss on refunding	28,048	39,785
Total deferred outflows of resources	28,048	39,785

(Continued)

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF NET POSITION
(CONTINUED)

<i>December 31,</i>	2022	2021
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable and retainage	802,477	682,686
Other accrued liabilities	584,850	-
Accrued wages payable	205,758	133,376
Accrued interest expense	84,577	11,983
Current portion of bonds and notes payable	1,322,210	1,281,619
Total current liabilities	2,999,872	2,109,664
 <u>Noncurrent liabilities</u>		
Accrued compensated absences	328,836	331,354
Bonds and notes payable, net of current portion	29,266,740	30,830,742
Total noncurrent assets	29,595,576	31,162,096
 Total liabilities	 32,595,448	 33,271,760
 <u>Net Position</u>		
Net investment in capital assets	188,088,119	186,008,604
Restricted	2,930,010	2,589,662
Unrestricted	21,078,483	16,740,983
Total Net Position	\$ 212,096,612	\$ 205,339,249

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

<i>For the Years Ended December 31,</i>	2022	2021
<u>Operating revenues</u>		
Water sales - treated	\$ 11,568,120	\$ 10,991,800
Service and other revenue	133,270	122,148
Total operating revenues	11,701,390	11,113,948
<u>Operating expenses</u>		
Distribution	931,060	1,098,631
Administration and general	873,580	716,622
Engineering	79,511	74,843
Employee costs	4,129,618	3,793,620
Carter Lake Filer Plant and Dry Creek		
Reservoir operating expenses	1,501,763	1,266,940
St. Vrain Authority	10,016	1,909
Water assessments and rentals	1,958,105	841,893
Depreciation	2,245,448	2,098,707
Total operating expenses	11,729,101	9,893,165
Operating income	(27,711)	1,220,783
<u>Nonoperating revenues (expenses)</u>		
Grant revenue	-	68,091
Earnings on investments, net	237,258	91,593
Gain on sale of capital assets	13,620	12,594
Mineral lease revenue	1,537	1,542
Miscellaneous	166,491	136,364
Equity in net loss from joint venture	(177,904)	(178,524)
Interest expense	(898,226)	(949,076)
Total nonoperating revenues (expenses)	(657,224)	(817,416)
Net income before contributions	(684,935)	403,367
Capital contributions	7,442,298	39,116,173
Change in net position	6,757,363	39,519,540
Net position, beginning of year	205,339,249	165,819,709
Net position, end of year	\$ 212,096,612	\$ 205,339,249

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF CASH FLOWS

<i>For the Years Ended December 31,</i>	2022	2021
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 11,687,709	\$ 10,844,567
Cash paid to suppliers	(4,843,081)	(4,866,985)
Cash paid to employees	(4,059,754)	(3,793,620)
Net cash provided by operating activities	2,784,874	2,183,962
<u>Cash flows from noncapital financing activities</u>		
Mineral lease revenue	1,537	1,542
Other non-operating revenues	166,491	136,364
Federal and state grant revenue	-	68,091
Net cash provided by noncapital financing activities	168,028	205,997
<u>Cash flows from capital and related financing activities</u>		
Contributed capital	6,383,660	7,754,248
Acquisition and construction of capital assets	(6,152,889)	(7,974,164)
Proceeds from disposition of capital assets	13,620	12,594
Principal paid on long-term debt	(1,281,619)	(1,126,564)
Interest paid	(1,055,687)	(1,212,674)
Net cash used in capital and related financing activities	(2,092,915)	(2,546,560)
<u>Cash flows from investing activities</u>		
Interest and dividends	289,827	45,947
Purchase of investments	(8,230,207)	(17,171,184)
Proceeds from sale of investments	10,799,641	26,396
Net change in cash and cash equivalents restricted for debt service and loan reserves	-	17,190,434
Net cash provided by investing activities	2,859,261	91,593
Net increase (decrease) in cash and cash equivalents	3,719,248	(65,008)
Cash and cash equivalents, beginning of year	11,201,854	11,266,862
Cash and cash equivalents, end of year	\$ 14,921,102	\$ 11,201,854

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF CASH FLOWS
(CONTINUED)

<i>For the Years Ended December 31,</i>	2022	2021
Reconciliation of loss from operations to net cash used in operating activities:		
Operating income (loss)	\$ (27,711)	\$ 1,220,783
Adjustments to reconcile loss from operations to net cash flows used in operating activities:		
Depreciation expense	2,245,448	2,098,707
(Increase) decrease in accounts receivable	(13,681)	(269,381)
(Increase) decrease in prepaid items	(953)	(45)
(Increase) decrease in inventories	(192,734)	(22,593)
Increase (decrease) in accounts payable	581,392	(883,857)
Increase (decrease) in other liabilities	123,249	-
Increase (decrease) in accrued wages	72,382	8,372
Increase (decrease) in compensated absences	(2,518)	31,976
Net cash provided by operating activities	\$ 2,784,874	\$ 2,183,962

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Form of Organization

The Little Thompson Water District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“CRS”). 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.

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 government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s board, and either, a) the ability to impose its will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based on the above criteria, there are no other organizations that would be considered component units of the District.

Financial Statements Basic

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Basis of Accounting (continued)

Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included in 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. Net position is segregated into net investment in capital assets, restricted for debt service and loan reserves, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) then decreases (e.g., expenses) in total 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 (the “Board”) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues. The budget process timeline is as follows:

- 1) On or about October 15, the District staff submits to the Board 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.
- 4) Unused appropriations lapse at the end of each year.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents. Short term investments, consisting of funds invested in a local government investment pool (Note 2) are considered to be cash equivalents and are measured at net asset value, which approximates fair value.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Investments

Investments consisting of local government investment pools, money markets, and certificates of deposit are measured in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. See Note 2 for additional information.

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2022 or 2021, based on historical collection experience, and the ability to place liens on property.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed three times a month on 30-day cycles. Unbilled water charges are accrued for the period from the last meter reading through year-end and are included in receivables. Unbilled accounts receivable, included in receivables, amounted to \$198,579 and \$194,067, at December 31, 2022 and 2021, in the accompanying statements of net position, respectively.

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installation and supplies for repairs and maintenance of water mains, valves, and fire hydrants, have been valued at cost, using the average cost method of accounting.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. The District's intangible assets are software which is being amortized over its estimated useful life as shown below.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Capital Assets (continued)

<u>Description</u>	<u>Estimated Useful Lives</u>
Distribution system	10 - 50 years
Carter Lake Filter Plant improvements	20 - 50 years
Dry Creek Reservoir Dam	100 years
Buildings and improvements	20 - 50 years
Vehicles and equipment	3 - 20 years
Intangible assets - software	10 years

Joint Venture

The District is a participant with Central Weld County Water District (“CWCWD”), in a joint venture to operate Carter Lake Filter Plant (the “Plant”), the filter plant from which the District and CWCWD purchase 100% of their water. The Plant is governed by a six-member board of directors composed of three appointees from the District and three from CWCWD. The District and CWCWD are each charged for their respective share of the water purchased from the Plant and may be assessed for capital improvements made at the Plant on a periodic basis. Beginning in 2008, the District and CWCWD revised the joint venture agreement in order to change the way that major improvements to the Plant are funded. Major capital improvements to the Plant are no longer funded by the Plant, with assessments issued to each district; but rather, they are funded by the individual districts independently, and included in each of the district’s capital assets. As such, the depreciation expense for these assets has also been reflected in the financial statements of the District and CWCWD. The District’s net investment and its share of the operating results of the District are reported in the accompanying statements of net position, and revenues, expenses, and changes in net position. The District’s equity interest in the Plant was \$2,912,750 and \$3,090,654 at December 31, 2022 and 2021, respectively. Complete financial statements for the Plant may be obtained from the Plant’s administrative office at 7100 W. County Road 8-E, Berthoud, Colorado 80521.

Debt Related Deferrals

Premiums, discounts, and losses on refunding are deferred and amortized to interest expense over the life of the debt using the effective interest method. The net premiums and discounts are presented as an adjustment to the face amount of the debt. Deferred losses on refunding are reflected as a deferred outflow of resources in the accompanying statements of net position. Bond issuance costs are recognized as an expense during the period of issuance.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Accrued Compensated Absences Payable

Obligations associated with the District’s vacation policy are recorded as a liability and expense when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a long-term liability.

Contributions in Aid of Construction

Contributions of cash, distribution lines, transmission lines and water rights 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.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position – This category presents 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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities 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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are 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, 2022 and 2021, the District had deposits with financial institutions with a carrying amount of \$14,921,102 and \$11,201,454, respectively. The bank balances with the financial institution were \$15,051,711 and \$11,201,454, respectively. All balances were either covered by FDIC or PDPA.

At December 31, 2022 and 2021, the District had cash and cash equivalents balances as follows (includes restricted cash):

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 400	\$ 400
Bank deposits	14,920,702	11,201,454
Investments	<u>28,886,162</u>	<u>31,508,165</u>
Total cash and investments	<u>\$ 43,807,264</u>	<u>\$ 42,710,019</u>

Cash and cash equivalents balances are reflected on the statement of net position at December 31, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 4,421,074	\$ 13,593,817
Restricted cash and investments	<u>39,386,190</u>	<u>29,116,202</u>
Total	<u>\$ 43,807,264</u>	<u>\$ 42,710,019</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which special districts may invest which include:

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities and lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Local government investment pools

District policy is to match maturity of investments with cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than three (3) years from the date of purchase or in accordance with state and local statutes and ordinances.

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 2,116,352	AAAm
Certificates of Deposit	Less than 1 year to 3 years	23,149,832	N/A
Money Markets	Less than 1 year	3,331,195	AAAm
Government Agency Bonds	1 - 5 years	288,783	AA+
		<u>\$ 28,886,162</u>	

Local Government Investment Pool

At December 31, 2022 and 2021, the District had invested \$2,116,352 and \$2,079,960, 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+.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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 is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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. At December 31, 2022 and 2021, the District's certificates of deposit and money markets with balances of \$26,481,027 and \$22,060,429, respectively, are measured at amortized cost. At December 31, 2022, the District's investment in government agency bonds is measured at Level 2 with a fair value of \$288,783.

Interest Rate Risk

The District has a formal written investment policy that limits the type and maturities of permitted securities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District investments adhere to Colorado Revised Statutes which limit investment maturities to five years or less from the date of purchase.

NOTE 3 – RESTRICTED ASSETS

Amounts shown as restricted cash and investments have been restricted by bond indentures or by the Board of Directors to be used for specified purposes. The balance restricted as of December 31, 2022 and 2021, was \$39,386,190 and \$29,116,202, respectively, for operations and maintenance, unspent bond proceeds, and other reserve accounts set aside by the Board of Directors.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – RECEIVABLES

Receivables at December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Water service	\$ 494,301	\$ 463,600
Unbilled accounts receivable	198,579	194,067
Miscellaneous	259,001	280,533
Total	<u>\$ 951,881</u>	<u>\$ 938,200</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Water rights	\$ 107,102,679	\$ 1,590,000	\$ -	\$ 108,692,679
Land and easements	1,028,821	570,207	-	1,599,028
Dry Creek Reservoir	6,293,616	-	-	6,293,616
Construction in progress	11,599,131	4,034,726	(3,119,987)	12,513,870
Total capital assets, not being depreciated	<u>126,024,247</u>	<u>6,194,933</u>	<u>(3,119,987)</u>	<u>129,099,193</u>
Capital assets, being depreciated				
Distribution system	78,061,585	3,897,123	-	81,958,708
Carter Lake Filter Plant improvements	11,190,325	6,972	-	11,197,297
Dry Creek Reservoir Dam	7,432,221	10,752	-	7,442,973
Buildings and improvements	1,547,633	-	-	1,547,633
Vehicles and equipment	2,918,025	221,734	(101,387)	3,038,372
Intangible assets	202,012	-	-	202,012
Total capital assets, being depreciated	<u>101,351,801</u>	<u>4,136,581</u>	<u>(101,387)</u>	<u>105,386,995</u>
Less accumulated depreciation				
Distribution system	(29,795,492)	(1,545,404)	-	(31,340,896)
Carter Lake Filter Plant improvements	(2,502,783)	(295,679)	-	(2,798,462)
Dry Creek Reservoir Dam	(966,189)	(74,322)	-	(1,040,511)
Buildings and improvements	(569,675)	(42,823)	-	(612,498)
Vehicles and equipment	(1,840,185)	(267,280)	101,387	(2,006,078)
Intangible assets	(147,084)	(19,940)	-	(167,024)
Total accumulated depreciation	<u>(35,821,408)</u>	<u>(2,245,448)</u>	<u>101,387</u>	<u>(37,965,469)</u>
Total capital assets, being depreciated, net	<u>65,530,393</u>	<u>1,891,133</u>	<u>-</u>	<u>67,421,526</u>
Total capital assets	<u>\$ 191,554,640</u>	<u>\$ 8,086,066</u>	<u>\$ (3,119,987)</u>	<u>\$ 196,520,719</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated				
Water rights	\$ 78,724,946	\$ 28,377,733	\$ -	\$ 107,102,679
Land and easements	1,028,821	-	-	1,028,821
Dry Creek Reservoir	6,293,616	-	-	6,293,616
Construction in progress	7,285,438	4,497,355	(183,662)	11,599,131
Total capital assets, not being depreciated	<u>93,332,821</u>	<u>32,875,088</u>	<u>(183,662)</u>	<u>126,024,247</u>
Capital assets, being depreciated				
Distribution system	72,370,026	5,507,897	183,662	78,061,585
Carter Lake Filter Plant improvements	10,416,818	773,507	-	11,190,325
Dry Creek Reservoir Dam	7,432,221	-	-	7,432,221
Buildings and improvements	1,547,633	-	-	1,547,633
Vehicles and equipment	2,688,643	157,249	72,133	2,918,025
Intangible assets	184,882	17,130	-	202,012
Total capital assets, being depreciated	<u>94,640,223</u>	<u>6,455,783</u>	<u>255,795</u>	<u>101,351,801</u>
Less accumulated depreciation				
Distribution system	(28,366,451)	(1,429,041)	-	(29,795,492)
Carter Lake Filter Plant improvements	(2,245,779)	(257,004)	-	(2,502,783)
Dry Creek Reservoir Dam	(891,867)	(74,322)	-	(966,189)
Buildings and improvements	(526,852)	(42,823)	-	(569,675)
Vehicles and equipment	(1,492,197)	(275,855)	(72,133)	(1,840,185)
Intangible assets	(127,422)	(19,662)	-	(147,084)
Total accumulated depreciation	<u>(33,650,568)</u>	<u>(2,098,707)</u>	<u>(72,133)</u>	<u>(35,821,408)</u>
Total capital assets, being depreciated, net	<u>60,989,655</u>	<u>4,357,076</u>	<u>183,662</u>	<u>65,530,393</u>
Total capital assets	<u>\$ 154,322,476</u>	<u>\$ 37,232,164</u>	<u>\$ -</u>	<u>\$ 191,554,640</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bonds					
2020	\$ 22,515,000	\$ -	\$ 405,000	\$ 22,110,000	\$ 425,000
Notes Payable					
2017A	3,346,521	-	525,700	2,820,821	538,106
2017B	2,033,255	-	350,919	1,682,336	359,104
Bond premiums	4,217,585	-	241,792	3,975,793	-
Compensated absences	331,354	228,022	230,540	328,836	-
Total long-term obligations	<u>\$ 32,443,715</u>	<u>\$ 228,022</u>	<u>\$ 1,753,951</u>	<u>\$ 30,917,786</u>	<u>\$ 1,322,210</u>

A summary of changes in long-term obligations for the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bonds					
2020	\$ 22,785,000	\$ -	\$ 270,000	\$ 22,515,000	\$ 405,000
Notes Payable					
2017A	3,860,100	-	513,579	3,346,521	525,700
2017B	2,376,240	-	342,985	2,033,255	350,919
Bond premiums	4,494,904	-	277,319	4,217,585	-
Compensated absences	299,378	437,151	405,175	331,354	-
Total long-term obligations	<u>\$ 33,815,622</u>	<u>\$ 437,151</u>	<u>\$ 1,809,058</u>	<u>\$ 32,443,715</u>	<u>\$ 1,281,619</u>

The annual requirements and future payments on debt outstanding as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,322,210	\$ 432,019	\$ 1,754,229
2024	1,363,462	403,055	1,766,517
2025	1,409,721	370,725	1,780,446
2026	1,451,722	334,786	1,786,508
2027	1,281,042	294,967	1,576,009
2028 - 2032	2,860,000	294,967	3,154,967
2033 - 2037	3,570,000	294,967	3,864,967
2038 - 2042	4,355,000	294,967	4,649,967
2043 - 2047	5,290,000	294,967	5,584,967
2048 - 2050	3,710,000	131,354	3,841,354
Total	<u>\$ 26,613,157</u>	<u>\$ 3,146,774</u>	<u>\$ 29,759,931</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020, Water Revenue Bonds

On September 29, 2020, the District issued \$22,785,000 of Water Revenue Bonds, Series 2020. 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 System, or any part thereof less all reasonable and necessary current expenses of the District, paid or accrued, for operating, maintain and repairing the System. The bonds carry an interest rate of 4 to 5% with principal payments due December 1st of each fiscal year through 2050. At December 31, 2022, the bonds have \$75,975 of accrued interest.

2017A and 2017B Notes Payable

On March 14, 2017, the District issued \$5,873,339 of Water Revenue Refunding Notes, Series 2017A. The note is a special revenue obligation of the District, payable from all income and revenues directly or indirectly derived by the District from the operation and use of the 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 notes carry an interest rate of 2.36% with principal payments due June 1st and December 1st each year through 2027.

On December 7, 2017, the District issued \$3,360,638 of Water Revenue Refunding Notes, Series 2017B. The note is a special revenue obligation of the District, payable from all income and revenues directly or indirectly derived by the District from the operation and use of the 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 notes carry an interest rate of 2.30% with principal payments due June 1st and December 1st each year through 2027.

At December 31, 2022, the notes had accrued interest of \$8,602.

NOTE 7 – RATE MAINTENANCE

The 2017 loan resolutions and the 2020 bond resolution requires the District to establish, maintain, enforce, and collect rates, fees, District investment fees, availability fees, tolls, and charges for services furnished by or from the use of the system to generate gross revenue each fiscal year sufficient to pay operation and maintenance expenses, as defined, and to create Net Revenue, as defined, in an amount equal to not less than 110% of the amount necessary to pay when due, the principal of and interest on the First Lien Bond, the Bonds, and any Parity Lien Bonds, as defined, coming due during such fiscal year.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 – RATE MAINTENANCE (CONTINUED)

2022 principal paid	\$	1,281,619
2022 interest paid		1,055,687
Subtotal		2,337,306
		110%
Required net revenue as defined in 2020, 2017A, and 2017B resolutions	\$	2,571,037

The following calculation shows the District’s compliance with these bond and loan agreements:

<u>Net revenue as defined in 2020 and 2017 Agreements</u>		
Operating revenues	\$	11,701,390
Tap fees / water rights		5,350,179
Subtotal		17,051,569
Operating expenses (less depreciation expense)		(9,483,656)
Required net revenue	\$	7,567,913

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN

The District has adopted a defined contribution pension plan administered by Colorado Retirement Association (“CRA”) which provides pension benefits for all full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The covered payroll was \$2,552,480 and \$2,426,720 for the years ended December 31, 2022 and 2021, respectively. All employees are eligible to participate in the plan immediately that worked for a minimum 20 hours per week or 1,040 hours per year.

The District and its employees each contribute an amount equal to 5% of the employees’ annual base salary or wage. Employees become vested in District contributions at the rate of 20% per year and are fully vested after five years. The benefit terms are established and may be amended by the District’s Board of Directors. The District contributed \$127,624 and \$121,336 to the plan for covered employees during the years ended December 31, 2022 and 2021, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance covering specific and general risks of loss, including worker’s compensation and employee health and accident insurance.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management (continued)

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

NOTE 10 – TABOR COMPLIANCE

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and fiscal year spending include allowable annual increases tied to inflation and local growth in construction valuation.

Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in 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.

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 is an enterprise fund and has no TABOR revenues and therefore has not set aside any monies for emergencies as defined by TABOR.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

NOTE 11 – SUBSEQUENT EVENTS

The District evaluated subsequent events through July 5, 2023, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure.

SUPPLEMENTARY INFORMATION

LITTLE THOMPSON WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)

<i>For the Years Ended December 31,</i>	2022			2021	
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)	Actual Amounts Budget Basis
	Original	Final			
Revenues					
Operating revenues					
Water sales	\$ 10,761,697	\$ 10,761,697	\$ 11,330,090	\$ 568,393	\$ 10,678,805
Tap installation	216,000	216,000	238,030	22,030	312,995
Miscellaneous	55,985	55,985	133,270	77,285	122,148
Total operating revenues	<u>11,033,682</u>	<u>11,033,682</u>	<u>11,701,390</u>	<u>667,708</u>	<u>11,113,948</u>
Non-operating revenues (expenses)					
Earnings on investments	150,000	150,000	237,258	87,258	91,593
Mineral lease revenue	-	-	1,537	1,537	1,542
Miscellaneous	398,350	398,350	166,491	(231,859)	136,364
Grant revenue	732,600	732,600	-	(732,600)	68,091
Gain on sale of capital assets	7,500	7,500	13,620	6,120	12,594
Total non-operating revenues	<u>1,288,450</u>	<u>1,288,450</u>	<u>418,906</u>	<u>(869,544)</u>	<u>310,184</u>
Contributions					
Tap fees / water rights	6,025,000	6,025,000	6,383,660	358,660	7,754,248
Total revenues	<u>18,347,132</u>	<u>18,347,132</u>	<u>18,503,956</u>	<u>156,824</u>	<u>19,178,380</u>
Expenditures					
Distribution					
Maintenance and operation	810,950	810,950	768,440	42,510	994,716
Vehicle expense	120,000	120,000	144,602	(24,602)	103,915
Water quality	29,400	29,400	18,018	11,382	-
Total distribution	<u>960,350</u>	<u>960,350</u>	<u>931,060</u>	<u>29,290</u>	<u>1,098,631</u>
Administration and general					
Building and grounds expense	77,400	77,400	108,078	(30,678)	62,682
Computer expense	165,480	165,480	176,689	(11,209)	129,593
Farm expense	2,800	2,800	2,820	(20)	2,740
Insurance	112,000	112,000	112,797	(797)	120,165
Memberships	14,990	14,990	28,684	(13,694)	13,135
Miscellaneous	77,400	77,400	13,115	64,285	23,626
Office service contracts	134,220	134,220	141,540	(7,320)	127,319
Office expense	74,392	74,392	71,978	2,414	61,375
Professional fees	54,050	54,050	55,782	(1,732)	35,815
Public relations	19,000	19,000	53,431	(34,431)	41,627
Safety and training expense	23,350	23,350	22,753	597	16,114
Telephone and communications	68,200	68,200	69,271	(1,071)	65,899
Uniforms	19,400	19,400	16,642	2,758	16,532
Total administration and general	<u>842,682</u>	<u>842,682</u>	<u>873,580</u>	<u>(30,898)</u>	<u>716,622</u>
Engineering					
Engineering/CAD/professional fees	115,000	115,000	32,396	82,604	40,904
Water conservation	61,210	61,210	23,833	37,377	18,927
Soil amendments rebates	10,000	10,000	6,211	3,789	6,504
Landscaping incentives	8,000	8,000	12,503	(4,503)	2,112
Engineering department expenses	6,000	6,000	4,568	1,432	6,396
Total engineering	<u>200,210</u>	<u>200,210</u>	<u>79,511</u>	<u>120,699</u>	<u>74,843</u>

(Continued)

LITTLE THOMPSON WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)

<i>For the Years Ended December 31,</i>	2022			2021	
	Budget Amounts			Variance with Final Budget Positive (Negative)	Actual Amounts Budget Basis
	Original	Final	Actual		
<u>Expenditures (continued)</u>					
<u>Employee costs</u>					
Administration	914,818	914,818	955,242	(40,424)	905,960
Board	15,825	15,825	8,606	7,219	8,935
Distribution	1,826,604	1,826,604	1,871,313	(44,709)	1,700,906
Engineering	1,268,450	1,268,450	1,294,457	(26,007)	1,177,819
Total employee costs	<u>4,025,697</u>	<u>4,025,697</u>	<u>4,129,618</u>	<u>(103,921)</u>	<u>3,793,620</u>
<u>Carter Lake Filter Plant and Dry Creek</u>					
<u>Reservoir joint operating costs</u>					
Filter plan operating expense	1,488,322	1,488,322	1,475,487	12,835	1,244,973
Dry creek reservoir operating expense	26,275	26,275	26,276	(1)	21,967
Total Carter Lake Filter Plant and Dry Creek Reservoir joint operating costs	<u>1,514,597</u>	<u>1,514,597</u>	<u>1,501,763</u>	<u>12,834</u>	<u>1,266,940</u>
<u>St. Vrain Authority</u>					
Start up costs	60,000	60,000	10,016	49,984	1,909
Total St. Vrain Authority	<u>60,000</u>	<u>60,000</u>	<u>10,016</u>	<u>49,984</u>	<u>1,909</u>
<u>Water assessment and rentals</u>					
Purchased water expense	1,998,000	1,998,000	1,958,105	39,895	841,893
Total water assessments and rentals	<u>1,998,000</u>	<u>1,998,000</u>	<u>1,958,105</u>	<u>39,895</u>	<u>841,893</u>
<u>Debt service</u>					
Principal retired	1,281,618	1,281,618	1,281,619	(1)	1,126,564
Interest	1,055,687	1,055,687	1,055,687	-	1,212,674
Total debt service	<u>2,337,305</u>	<u>2,337,305</u>	<u>2,337,306</u>	<u>(1)</u>	<u>2,339,238</u>
<u>Capital improvement</u>					
Plant and equipment	12,326,700	12,326,700	6,152,889	6,173,811	7,785,284
Total capital improvement	<u>12,326,700</u>	<u>12,326,700</u>	<u>6,152,889</u>	<u>6,173,811</u>	<u>7,785,284</u>
Total expenditures	<u>24,265,541</u>	<u>24,265,541</u>	<u>17,973,848</u>	<u>6,291,693</u>	<u>17,918,980</u>
Excess (deficiency) of revenues over (under) expenditures	(5,918,409)	(5,918,409)	530,108	6,448,517	1,259,400
<u>Reconciling items to GAAP basis</u>					
Capital improvements			6,152,889		7,785,284
Principal paid on debt			1,281,619		1,126,564
Debt proceeds			-		-
Depreciation			(2,245,448)		(2,098,707)
Contributed capital assets			1,058,638		31,361,925
Joint venture income (loss)			(177,904)		(178,524)
Change in accrued interest expense			(72,594)		-
Amortization of deferred loss and premiums			230,055		263,598
Change in net position			<u>\$ 6,757,363</u>		<u>\$ 39,519,540</u>