



**Little Thompson Water District**

**Financial Statements and Supplementary  
Information**

For the Years Ended December 31, 2018 and 2017



# Little Thompson Water District

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## Independent Auditor's Report

Board of Directors  
Little Thompson Water District  
Berthoud, Colorado

We have audited the accompanying financial statements of the Little Thompson Water District (the "District") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Little Thompson Water District as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 28 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) is fairly stated in all material respects in relation to the financial statements as a whole.

*ACM LLP*

Greeley, Colorado  
April 11, 2019

**Little Thompson Water District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2018 and 2017**

**Introduction**

The discussion and analysis is a narrative and analysis of the financial condition and operating results of Little Thompson Water District (the "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 2018 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with the District's basic financial statements.

**Financial Highlights 2018 compared to 2017**

- Total operating revenues were \$9,213,217, an increase of \$267,821.
- Total operating expenses were \$8,320,261, an increase of \$957,085.
- Total debt service principal and interest were \$2,520,128 a decrease of \$9,299,843.
- Total non-operating revenues and cash capital contributions were \$10,721,248, a decrease of \$4,221,283.
- Total capital expenses, including water right purchases were \$3,578,392, a decrease of \$6,312,458.
- The total revenues on a budgetary basis exceeded the expenses on a budgetary basis by \$7,314,348.
- Principal paid on long term debt was \$2,205,375.
- Long-term debt decreased to \$11,156,566
- Net capital assets were \$131,575,680, an increase of \$4,677,791.

**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.

**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 9 to 27.

**Little Thompson Water District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2018 and 2017**

**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 non-operating revenues and expenses. Operating expenses include all operational costs of the District including depreciation and impairment loss. 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. There was an amendment to the originally adopted 2018 budget. Though this schedule is not required as part of the audited financial statements, it is added for review as other supplementary information.

**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.

**Little Thompson Water District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2018 and 2017**

**Condensed Comparative of Financial Information  
Statements of Net Position**

	2018	2017	2016
<b>Assets</b>			
Current Assets	\$14,059,827	\$7,273,959	\$9,709,844
Restricted Assets	2,034,753	1,382,445	1,581,895
Capital Assets, net	131,575,680	126,897,889	109,573,773
Other Assets	3,625,039	3,611,985	3,731,907
<b>Total Assets</b>	<b>151,295,299</b>	<b>139,166,278</b>	<b>124,597,419</b>
<b>Deferred Outflows of Resources</b>			
Unamortized Deferred Loss on Bond Refunding	127,659	185,564	133,381
<b>Liabilities</b>			
Current Liabilities	2,868,275	2,730,844	2,471,338
Long-Term Liabilities	9,137,207	11,392,403	13,486,764
<b>Total Liabilities</b>	<b>12,005,482</b>	<b>14,123,247</b>	<b>15,958,102</b>
<b>Net Position</b>			
Net Investment in Capital Assets	120,536,467	113,702,940	94,321,630
Restricted:			
Bond and Loan Reserve	2,034,753	1,382,445	1,581,895
Unrestricted	16,846,256	10,143,210	12,869,173
<b>Total Net Position</b>	<b>\$ 139,417,476</b>	<b>\$ 125,228,595</b>	<b>\$108,772,698</b>

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

	2018	2017	2016
<b>Operating Revenues</b>	\$9,213,217	\$8,945,396	\$8,321,380
Less: Operating Expenses	(6,521,597)	(5,713,627)	(5,630,376)
Less: Depreciation	(1,798,664)	(1,649,549)	(1,570,803)
<b>Operating Income</b>	<b>892,956</b>	<b>1,582,220</b>	<b>1,120,201</b>
<b>Non-Operating Revenues (Expenses)</b>	<b>1,162,616</b>	<b>(438,913)</b>	<b>(378,364)</b>
<b>Contributed Capital</b>	<b>12,133,309</b>	<b>15,312,590</b>	<b>17,443,357</b>
<b>Change in Net Position</b>	<b>14,188,881</b>	<b>16,455,897</b>	<b>18,185,194</b>
<b>Net Position Beginning of Year</b>	<b>125,228,595</b>	<b>108,772,698</b>	<b>90,587,504</b>
<b>Net Position, End of Year</b>	<b>\$139,417,476</b>	<b>\$ 125,228,595</b>	<b>\$ 108,772,698</b>

**Little Thompson Water District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2018 and 2017**

**Condensed Comparative of Financial Information  
Statements of Cash Flows**

	2018	2017	2016
Cash from Operating Activities	\$ 2,638,404	\$3,275,104	\$2,684,699
Cash from Non-Capital Financing Activities	1,312,116	215,861	93,309
Cash from Capital and Related Financing Activities	3,350,268	(6,237,548)	(1,600,020)
Cash from Investing Activities	(9,040,612)	253,779	234,804
Net Change in Cash and Cash Equivalents	(1,739,824)	(2,492,804)	1,412,792
Cash and Cash Equivalents at Beginning of Year	6,352,647	8,845,451	7,432,659
Cash and Cash Equivalents at End of Year	<u>\$4,612,823</u>	<u>\$6,352,647</u>	<u>\$8,845,451</u>

**Analysis of Financial Position and Operating Results**

Tap sales and water rights were \$9,211,600 or 2% more than budget and up \$2,981,825 from 2017.

Assets increased by \$12,129,021 in 2018, due to more system upgrades, water right purchases, contributed capital and the contribution of water rights.

Debt decreased by \$2,205,375 due to decrease in principal on the 2011 and the 2014 Water Revenue Bonds, and the 2017 A&B Loans Payable.

Operating revenue was \$9,213,217 or 16% under budget due to less water sales than projected.

Mineral Lease Revenue was \$1,102,853 due to the sale of one of our mineral leases.

Earnings on investments increased by \$151,885 because of an increase in the earnings rate.

**Little Thompson Water District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2018 and 2017**

**Schedule of Revenues and Expenditures Budget  
Budget to Actual (Budgetary Basis)  
Year Ended December 31, 2018**

Revenues	Final Budget	Actual	Variance	2017
Operating	\$10,993,858	\$9,213,217	\$(1,780,641)	\$8,945,396
Non-Operating	283,600	1,509,648	1,226,048	270,190
Debt Proceeds	-	-	-	9,233,977
Tap Fee/Water Rights	<u>9,030,950</u>	<u>9,211,600</u>	<u>180,650</u>	<u>6,229,775</u>
<b>Total Revenues</b>	<b>\$20,308,408</b>	<b>\$19,934,465</b>	<b>\$ (373,943)</b>	<b>\$24,679,338</b>
Distribution	990,180	1,295,270	(305,090)	1,157,714
Administration	692,263	641,742	50,521	623,773
Engineering	225,355	109,687	115,668	62,084
Employee Costs	2,732,216	2,757,801	(25,585)	2,395,754
CLFP & Joint Costs	1,063,787	1,114,659	(50,872)	942,713
Water Assessments	747,304	602,438	144,866	531,589
Debt Service	2,558,334	2,520,128	38,206	11,819,971
Capital Improvements	<u>4,554,425</u>	<u>3,578,392</u>	<u>976,033</u>	<u>9,890,850</u>
<b>Total Expenses</b>	<b>\$13,563,864</b>	<b>\$12,620,117</b>	<b>\$943,747</b>	<b>\$27,424,448</b>
<b>Excess (deficiency)</b>	<b><u>\$6,744,544</u></b>	<b><u>\$ 7,314,348</u></b>	<b><u>\$569,804</u></b>	<b><u>\$(2,745,110)</u></b>

Total revenue was less than budgeted by \$373,943.

Total expenditures, including capital expenses, were less than budgeted by \$943,747.

Additional explanations to follow:

- Distribution costs increased by \$137,556; primarily due to increased system repairs and maintenance.
- Administration and general expense increased by \$17,969 due to additional contract service costs.
- Engineering expenses increased by \$47,603 due to more focus on water consulting and more mapping related expenses.
- Employee costs increased by \$362,047 because of change in key positions and the additions of 3 positions in the organization.
- Carter Lake Filter Plant and Dry Creek Reservoir joint operations increased by \$171,946 because of an increase in water treatment and a rate increase.
- The District's debt was \$11,156,566 and \$13,361,941 in 2018 and 2017, respectively. The decrease was due to the retirement of \$2,205,375 of principal on this debt. Further debt information is available in the notes (see pages 23-26).
- Total capital expenditures were \$976,033 less than budgeted and \$6,312,458 less than in 2017 mainly due to fewer capital projects and more water right purchases.

**Little Thompson Water District  
Management's Discussion and Analysis  
For the Years Ended December 31, 2018 and 2017**

**Major additions in 2018:**

- We sold taps and PRPA water rights for a total of \$9,211,600 in revenue.
- The District acquired by purchase 21 units of C-BT Water for \$581,300, made a deposit of \$100,000 for 2 units of Windy Gap Water from Platte River Power Authority and purchased 5 CFS of capacity in the Southern Water Supply Pipeline for \$320,000
- We sold a gas mineral right for \$1,100,000.
- We received \$157,675 for Tap Installation Revenue and we expended \$105,243 on new service connections.
- The District shared in the cost of upgrades to Carter Lake North and South Filter Plants for a cost of \$116,930.
- We spent \$328,992 Vehicle replacements and Equipment purchases and we disposed of \$105,493 in Vehicles and Equipment.
- We added \$2,709,123 in distribution system upgrades through district capital projects as well as developer contributed capital projects and we added \$1,854,390 in construction in progress.

**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, and North Carter Lake Water Districts.

**Economic and Other Factors**

Overall, retail water revenues increased in 2018 because of growth in the District and warmer summer resulting in more outdoor water usage. Our tap sales decreased slightly however they were more than budgeted. District management utilizes a forecasting program to develop rates and fees that will ensure the District remains a financially sound entity. There was a small amount of growth throughout the District and in Larimer, Weld, and Boulder counties in 2018. Operating expenses have increased because of a conscious decision to be proactive with more repairs and maintenance of our system. More operating expenses were allocated to system maintenance, general administration and employee costs.

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

**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

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# Little Thompson Water District

## Statements of Net Position

<i>December 31,</i>	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,612,823	\$ 6,352,647
Investments	8,594,518	-
Receivables	599,663	673,044
Prepaid items	22,905	18,330
Inventories	229,918	229,938
<b>Total current assets</b>	<b>14,059,827</b>	<b>7,273,959</b>
<b>Non-current assets</b>		
<b>Restricted assets</b>		
Cash and cash equivalents	2,034,753	1,382,445
<b>Capital assets</b>		
Distribution system	65,216,513	62,507,390
Carter Lake Filter Plant improvements	9,563,923	9,446,993
Dry Creek reservoir dam	7,432,221	7,432,221
Buildings and improvements	692,950	692,950
Vehicles and equipment	1,905,891	1,682,392
Intangible assets	157,481	157,481
Total depreciable assets	84,968,979	81,919,427
Less: accumulated depreciation	(30,127,058)	(28,410,241)
Total depreciable assets, net	54,841,921	53,509,186
Land, easements and reservoir	7,322,437	7,322,437
Water rights	65,846,631	64,248,631
Construction in progress	3,564,691	1,817,635
<b>Total capital assets, net</b>	<b>131,575,680</b>	<b>126,897,889</b>
<b>Other assets</b>		
Investment in joint venture	3,625,039	3,611,985
<b>Total non-current assets</b>	<b>137,235,472</b>	<b>131,892,319</b>
<b>Total assets</b>	<b>151,295,299</b>	<b>139,166,278</b>
<b>Deferred outflows of resources</b>		
Unamortized deferred loss on refunding	127,659	185,564
<b>Total deferred outflows of resources</b>	<b>127,659</b>	<b>185,564</b>

*(Continued).*

**Little Thompson Water District**  
**Statements of Net Position**  
**(Continued)**

<i>December 31,</i>	2018	2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of bonds and notes payable	2,257,811	2,205,375
Accounts payable	548,709	450,340
Accrued wages payable	39,777	48,845
Accrued interest expense	21,978	26,284
<b>Total current liabilities</b>	<b>2,868,275</b>	<b>2,730,844</b>
<b>Non-current liabilities</b>		
Accrued compensated absences	228,146	217,265
Bonds and notes payable, net of current portion	8,909,061	11,175,138
<b>Total non-current liabilities</b>	<b>9,137,207</b>	<b>11,392,403</b>
<b>Total liabilities</b>	<b>12,005,482</b>	<b>14,123,247</b>
<b>Net position</b>		
Net investment in capital assets	120,536,467	113,702,940
Restricted:		
Debt service and loan reserves	2,034,753	1,382,445
Unrestricted	16,846,256	10,143,210
<b>Total net position</b>	<b>\$ 139,417,476</b>	<b>\$ 125,228,595</b>

*The accompanying notes are an integral part of the financial statements.*

# Little Thompson Water District

## Statements of Revenues, Expenses and Changes in Net Position

<i>For the Years Ended December 31,</i>	2018	2017
<b>Operating revenues</b>		
Water sales - treated	\$ 9,142,487	\$ 8,596,087
Service and other revenue	70,730	349,309
<b>Total operating revenues</b>	<b>9,213,217</b>	<b>8,945,396</b>
<b>Operating expenses</b>		
Distribution	1,295,270	1,157,714
Administration and general	641,742	623,773
Engineering	109,687	62,084
Employee costs	2,757,801	2,395,754
Carter Lake Filter Plant and Dry Creek Reservoir operating expenses	1,114,659	942,713
Water assessments and rentals	602,438	531,589
Depreciation	1,798,664	1,649,549
<b>Total operating expenses</b>	<b>8,320,261</b>	<b>7,363,176</b>
<b>Operating income</b>	<b>892,956</b>	<b>1,582,220</b>
<b>Nonoperating revenues (expenses)</b>		
Grant revenue	107,999	-
Earnings on investments	206,214	54,329
Loss on sale of capital assets	(8,682)	-
Mineral lease revenue	1,102,853	177,235
Miscellaneous	101,264	38,626
Equity in net income (loss) from joint venture	13,054	(119,921)
Interest expense	(360,086)	(496,577)
Debt issuance costs	-	(92,605)
<b>Total nonoperating revenues (expenses)</b>	<b>1,162,616</b>	<b>(438,913)</b>
<b>Net income before contributions</b>	<b>2,055,572</b>	<b>1,143,307</b>
<b>Capital contributions</b>	<b>12,133,309</b>	<b>15,312,590</b>
<b>Change in net position</b>	<b>14,188,881</b>	<b>16,455,897</b>
<b>Net position at beginning of year</b>	<b>125,228,595</b>	<b>108,772,698</b>
<b>Net position at end of year</b>	<b>\$ 139,417,476</b>	<b>\$ 125,228,595</b>

*The accompanying notes are an integral part of the financial statements.*

**Little Thompson Water District**  
**Statements of Cash Flows**  
**(Continued)**

<i>For the Years Ended December 31,</i>	2018	2017
<b>Reconciliation of operating income to net cash flows from operating activities:</b>		
Operating income	\$ 892,956	\$ 1,582,220
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,798,664	1,649,549
Changes in operating assets and liabilities:		
Receivables	73,381	(11,989)
Prepaid items	(4,575)	4,826
Inventories	20	(49,756)
Accounts payable	(123,855)	83,638
Accrued wages payable	(9,068)	6,244
Accrued compensated absences	10,881	10,372
<b>Net cash flows from operating activities</b>	<b>\$ 2,638,404</b>	<b>\$ 3,275,104</b>
<b>Noncash investing, capital and financing activities:</b>		
Net income (loss) from joint venture	\$ 13,054	\$ (119,921)
Capital assets acquired with contributed capital	\$ 2,921,709	\$ 9,082,815
Capital assets acquired with accounts payable	\$ 222,224	\$ 120,661
Amortization of bond premiums	\$ 8,266	\$ 10,498
Amortization of deferred loss on refunding	\$ (57,905)	\$ (58,958)

*The accompanying notes are an integral part of the financial statements.*

# Little Thompson Water District

## Statements of Cash Flows

<i>For the Years Ended December 31,</i>	2018	2017
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 9,286,598	\$ 8,933,407
Cash paid to suppliers	(3,890,393)	(3,279,165)
Cash paid to employees	(2,757,801)	(2,379,138)
<b>Net cash flows from operating activities</b>	<b>2,638,404</b>	<b>3,275,104</b>
<b>Cash flows from noncapital financing activities:</b>		
Mineral lease revenue	1,102,853	177,235
Other non-operating revenues	101,264	38,626
Federal and state grant revenue	107,999	-
<b>Net cash flows from noncapital financing activities</b>	<b>1,312,116</b>	<b>215,861</b>
<b>Cash flows from capital and related financing activities:</b>		
Contributed capital	9,211,600	6,229,775
Acquisition and construction of capital assets	(3,356,168)	(9,770,189)
Proceeds from disposition of capital assets	14,964	-
Proceeds from long-term debt	-	9,233,977
Principal paid on long-term debt	(2,205,375)	(11,228,490)
Interest paid	(314,753)	(610,016)
Debt issuance costs	-	(92,605)
<b>Net cash flows from capital and related financing activities</b>	<b>3,350,268</b>	<b>(6,237,548)</b>
<b>Cash flows from investing activities:</b>		
Earnings on investments	206,214	54,329
Purchase of investments	(8,594,518)	-
Net change in cash and cash equivalents restricted for debt service and loan reserves	(652,308)	199,450
<b>Net cash flows from investing activities</b>	<b>(9,040,612)</b>	<b>253,779</b>
<b>Net change in cash, cash equivalents, and investments</b>	<b>(1,739,824)</b>	<b>(2,492,804)</b>
Cash, cash equivalents and investments at beginning of year	6,352,647	8,845,451
<b>Cash, cash equivalents and investments at end of year</b>	<b>\$ 4,612,823</b>	<b>\$ 6,352,647</b>

*(Continued).*

**Little Thompson Water District**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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## **1. Summary of Significant Accounting Policies**

### *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.

### *Basic Financial Statements*

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

### *Basis of Accounting*

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

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***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.

The following is a summary of the original budget, total revisions, and revised budget for fiscal year 2018:

	Original Budget	Total Revisions	Revised Budget
Enterprise fund expenses	\$ 12,891,864	\$ 672,000	\$ 13,563,864

***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.

***Investments***

Investments, consisting of certificates of deposit with original maturities of greater than three months are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

***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, 2018 or 2017, based on historical collection experience, and the ability to place liens on property.

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*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 \$135,263 and \$152,436, at December 31, 2018 and 2017, in the accompanying statements of net position, respectively.

*Inventories*

Inventories, consisting primarily of operating supplies for water meter repair and installation, 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:

Description	Estimated Lives
Water rights	N/A
Land, easements, and Dry Creek Reservoir	N/A
Construction in progress	N/A
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

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***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 \$3,625,039 and \$3,611,985 at December 31, 2018 and 2017, 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 Issuance Costs***

Debt issuance costs are recognized as an expense during the period of issuance.

***Debt Related Deferrals***

Premiums and 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.

***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, 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 restriction imposed by law through constitutional provisions or enabling legislation.

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*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.

*Reclassifications*

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications had no effect on previously reported net position or change in net position.

**2. Cash and Investments**

*Deposits*

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, CRS require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2018 and 2017, the District had deposits with a financial institution with a carrying amount of \$3,668,019 and \$5,908,904, respectively. The bank balances with the financial institution were \$3,705,436 and \$5,888,096, respectively. Of these amounts, \$250,000 and \$250,000 was covered by federal depository insurance. The remaining balances of \$3,455,436 and \$5,638,096, respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name.

At December 31, 2018 and 2017, the District had cash and cash equivalents balances as follows (includes restricted cash):

	2018	2017
Cash on hand	\$ 400	\$ 400
Bank deposits	3,668,019	5,908,904
Local government investment pool	2,979,157	1,825,788
<b>Total</b>	<b>\$ 6,647,576</b>	<b>\$ 7,735,092</b>

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Cash and cash equivalents balances are reflected on the statement of net position at December 31, 2018 and 2017, as follows:

	2018	2017
Cash and cash equivalents	\$ 4,612,823	\$ 6,352,647
Restricted cash and cash equivalents	2,034,753	1,382,445
<b>Total</b>	<b>\$ 6,647,576</b>	<b>\$ 7,735,092</b>

***Local Government Investment Pool***

At December 31, 2018 and 2017, the District had invested \$2,979,157 and 1,825,788, 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 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.

***Investments***

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which special districts 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 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.

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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, 2018 and 2017, all of the District's investments, consisting of certificates of deposit with an original maturity in excess of three months, were categorized as level 2 with a fair value of \$8,594,518 and \$0, respectively.

***Interest Rate Risk***

The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the District adheres to state statutes. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase.

**3. Restricted Assets**

Amounts shown as restricted cash and cash equivalents have been restricted by bond indentures to be used for specified purposes. The balance restricted as of December 31, 2018 and 2017, was \$2,034,753 and \$1,382,445, respectively.

**4. Receivables**

Receivables at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Water service	\$ 406,350	\$ 431,261
Unbilled accounts receivable	135,263	152,436
Miscellaneous	58,050	89,347
<b>Total</b>	<b>\$ 599,663</b>	<b>\$ 673,044</b>

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**5. Capital Assets**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Water rights	\$ 64,248,631	\$ 1,598,000	\$ -	\$ 65,846,631
Land and easements	1,028,821	-	-	1,028,821
Dry Creek Reservoir	6,293,616	-	-	6,293,616
Construction in progress	1,817,635	1,854,390	(107,334)	3,564,691
<b>Total capital assets, not being depreciated</b>	<b>73,388,703</b>	<b>3,452,390</b>	<b>(107,334)</b>	<b>76,733,759</b>
<b>Capital assets, being depreciated:</b>				
Distribution system	62,507,390	2,709,123	-	65,216,513
Carter Lake Filter Plant improvements	9,446,993	116,930	-	9,563,923
Dry Creek Reservoir Dam	7,432,221	-	-	7,432,221
Buildings and improvements	692,950	-	-	692,950
Vehicles and equipment	1,682,392	328,992	(105,493)	1,905,891
Intangible assets	157,481	-	-	157,481
<b>Total capital assets, being depreciated</b>	<b>81,919,427</b>	<b>3,155,045</b>	<b>(105,493)</b>	<b>84,968,979</b>
<b>Less accumulated depreciation for:</b>				
Distribution system	(24,478,401)	(1,250,974)	-	(25,729,375)
Carter Lake Filter Plant improvements	(1,579,478)	(208,512)	-	(1,787,990)
Dry Creek Reservoir Dam	(668,900)	(74,322)	-	(743,222)
Buildings and improvements	(385,837)	(94,974)	-	(480,811)
Vehicles and equipment	(1,217,448)	(154,134)	81,847	(1,289,735)
Intangible assets	(80,177)	(15,748)	-	(95,925)
<b>Total accumulated depreciation</b>	<b>(28,410,241)</b>	<b>(1,798,664)</b>	<b>81,847</b>	<b>(30,127,058)</b>
<b>Total capital assets, being depreciated, net</b>	<b>53,509,186</b>	<b>1,356,381</b>	<b>(23,646)</b>	<b>54,841,921</b>
<b>Total capital assets, net</b>	<b>\$126,897,889</b>	<b>\$ 4,808,771</b>	<b>\$ (130,980)</b>	<b>\$ 131,575,680</b>

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Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Water rights	\$ 47,536,981	\$16,711,650	\$ -	\$ 64,248,631
Land and easements	1,028,821	-	-	1,028,821
Dry Creek Reservoir	6,293,616	-	-	6,293,616
Construction in progress	828,691	1,232,765	(243,821)	1,817,635
<b>Total capital assets, not being depreciated</b>	<b>55,688,109</b>	<b>17,944,415</b>	<b>(243,821)</b>	<b>73,388,703</b>
<b>Capital assets, being depreciated:</b>				
Distribution system	61,824,319	683,071	-	62,507,390
Carter Lake Filter Plant improvements	9,076,405	370,588	-	9,446,993
Dry Creek Reservoir Dam	7,432,221	-	-	7,432,221
Buildings and improvements	692,950	-	-	692,950
Vehicles and equipment	1,462,980	219,412	-	1,682,392
Intangible assets	157,481	-	-	157,481
<b>Total capital assets, being depreciated</b>	<b>80,646,356</b>	<b>1,273,071</b>	<b>-</b>	<b>81,919,427</b>
<b>Less accumulated depreciation for:</b>				
Distribution system	(23,258,816)	(1,219,585)	-	(24,478,401)
Carter Lake Filter Plant improvements	(1,381,965)	(197,513)	-	(1,579,478)
Dry Creek Reservoir Dam	(594,578)	(74,322)	-	(668,900)
Buildings and improvements	(377,201)	(8,636)	-	(385,837)
Vehicles and equipment	(1,083,703)	(133,745)	-	(1,217,448)
Intangible assets	(64,429)	(15,748)	-	(80,177)
<b>Total accumulated depreciation</b>	<b>(26,760,692)</b>	<b>(1,649,549)</b>	<b>-</b>	<b>(28,410,241)</b>
<b>Total capital assets, being depreciated, net</b>	<b>53,885,664</b>	<b>(376,478)</b>	<b>-</b>	<b>53,509,186</b>
<b>Total capital assets, net</b>	<b>\$109,573,773</b>	<b>\$17,567,937</b>	<b>\$ (243,821)</b>	<b>\$126,897,889</b>

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**6. Long-Term Debt**

A summary of the District's long-term debt as of December 31, 2018 and 2017, is as follows:

December 31,	2018	2017
<b>Revenue Bonds</b>		
\$5,500,000 October 19, 2011, water revenue refunding bonds, Series 2011 due in principal installments of \$615,000 in 2016 with additional increases through 2021; interest at 3.0% to 4.0%. 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 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. Accrued interest on these bonds is \$4,071 and \$5,831 at December 31, 2018 and 2017, respectively.	\$ 1,305,000	\$ 1,955,000
\$4,905,000 December 15, 2014, water revenue refunding bonds, Series 2014 due in principal installments of \$740,000 in 2016 with increases through 2020; interest at 1.65%. 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, maintaining and repairing the System. Accrued interest on these bonds is \$2,695 and \$3,733 at December 31, 2018 and 2017, respectively.	1,960,000	2,715,000
<b>Loans Payable</b>		
\$5,873,339 March 14, 2017, water revenue refunding note, Series 2017A due in principal installments of \$542,036 in 2017 with additional increases through 2027; interest at 2.36%. 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, maintaining and repairing the System. Accrued interest on these bonds is \$9,543 and \$10,485 at December 31, 2018 and 2017, respectively.	4,852,444	5,331,303

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\$3,360,638 December 7, 2017, water revenue refunding note, Series 2017B due in principal installments of \$-0- in 2017 with additional increases through 2027; interest at 2.30%. 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, maintaining and repairing the System. Accrued interest on these bonds is \$5,669 and \$6,235 at December 31, 2018 and 2017, respectively.

	3,039,122	3,360,638
<b>Total Bonds and Loans Payable</b>	<b>\$ 11,156,566</b>	<b>\$ 13,361,941</b>

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Revenue Bonds</b>					
2011	\$ 1,955,000	\$ -	\$ (650,000)	\$ 1,305,000	\$ 670,000
2014	2,715,000	-	(755,000)	1,960,000	770,000
<b>Loans Payable</b>					
2017A	5,331,303	-	(478,859)	4,852,444	490,160
2017B	3,360,638	-	(321,516)	3,039,122	327,651
<b>Compensated Absences</b>	217,265	195,236	(184,355)	228,146	-
<b>Total</b>	<b>\$ 13,579,206</b>	<b>\$ 195,236</b>	<b>\$ (2,389,730)</b>	<b>\$ 11,384,712</b>	<b>\$ 2,257,811</b>
Current portion of long term debt	(2,205,375)			(2,257,811)	
Net bond premiums	18,572	-	(8,266)	10,306	-
Noncurrent portion of long term debt	\$ 11,392,403			\$ 9,137,207	

The annual requirements to amortize all debt outstanding as of December 31, 2018, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2019	\$ 2,257,811	\$ 263,734	\$ 2,521,545
2020	2,337,414	208,432	2,545,846
2021	1,181,564	156,791	1,338,355
2022	876,618	123,737	1,000,355
2023	897,142	103,212	1,000,354
2024 - 2027	3,606,017	197,808	3,803,825
<b>Totals</b>	<b>\$ 11,156,566</b>	<b>\$ 1,053,714</b>	<b>\$ 12,210,280</b>

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*Defeased Bond and Loan Issues* - As a result of in-substance defeasance transactions, the following outstanding revenue bond and loan issues are not shown on the statement of net position at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Series 2000 Water Revenue Bonds	\$ 2,105,000	\$ 2,890,000
Series 2002 Water Revenue Bonds	990,000	1,290,000
Series 2004 Water Revenue Bonds	2,010,000	2,760,000
<b>Total</b>	<b>\$ 5,105,000</b>	<b>\$ 6,940,000</b>

### 7. Rate Maintenance

The 2017 bond resolutions 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.

2018 principal paid		\$ 478,859
2018 interest paid		125,819
Subtotal		604,678
	x	110%
<b>Required net revenue as defined in 2017A and 2017B resolutions</b>		<b>\$ 665,146</b>

The 2014 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 125% 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.

2018 principal paid		\$ 755,000
2018 interest paid		44,798
Subtotal		799,798
	x	125%
<b>Required net revenue as defined in 2014 bond resolution</b>		<b>\$ 999,748</b>

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

<b>Net revenue as defined in 2014 and 2017 Agreements</b>	
Operating revenues	\$ 9,213,217
Tap fees/water rights	9,211,600
Subtotal	18,424,817
Operating expenses (excluding depreciation expense)	(6,521,597)
<b>Net revenue as defined in 2014 and 2017 resolutions</b>	<b>\$ 11,903,220</b>

## **8. Defined Contribution Pension Plan**

The District has adopted a defined contribution pension plan administered by Colorado County Officials and Employees Retirement Association ("CCOERA") 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 \$1,763,295 and \$1,559,055 for the years ended December 31, 2018 and 2017, 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 District contributed \$88,165 and \$77,564 to the plan for covered employees during the years ended December 31, 2018 and 2017, respectively.

## **9. 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. 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.

## **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.

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**December 31, 2018 and 2017**

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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.

### **11. Subsequent Events**

The District evaluated subsequent events through April 11, 2019, the date these financial statements were available to be issued. There were no other material subsequent events that require recognition or additional disclosure.

## Supplementary Information

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## Little Thompson Water District

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

<i>For the Years Ended December 31,</i>	2018		2017		
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)	Amounts Budget Basis
<b>Revenues</b>					
Operating revenues:					
Water sales	\$ 8,591,720	\$ 9,066,720	\$ 8,984,812	\$ (81,908)	\$ 8,454,686
Tap installation	169,675	169,675	157,675	(12,000)	141,401
Miscellaneous	329,963	1,757,463	70,730	(1,686,733)	349,309
Total operating revenues	9,091,358	10,993,858	9,213,217	(1,780,641)	8,945,396
Non-operating revenues (expenses):					
Earnings on investments	48,000	160,000	206,214	46,214	54,329
Mineral lease revenue	-	-	1,102,853	1,102,853	177,235
Miscellaneous	41,100	123,600	101,264	(22,336)	38,626
Grant revenue	-	-	107,999	107,999	-
Loss on sale of capital assets	-	-	(8,682)	(8,682)	-
Total non-operating revenues	89,100	283,600	1,509,648	1,226,048	270,190
Debt proceeds	-	-	-	-	9,233,977
Contributions:					
Tap fees/water rights	6,136,950	9,030,950	9,211,600	180,650	6,229,775
Total revenues	15,317,408	20,308,408	19,934,465	(373,943)	24,679,338
<b>Expenditures</b>					
Distribution:					
Maintenance and operation	725,000	890,000	1,164,600	(274,600)	1,054,938
Vehicle expense	75,600	75,600	106,092	(30,492)	62,835
Water quality	24,580	24,580	24,578	2	39,941
Total distribution	825,180	990,180	1,295,270	(305,090)	1,157,714

*Continued.*

# Little Thompson Water District

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

<i>For the Years Ended December 31,</i>	2018		2017		
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
			Budget	Positive	Budget
			Basis	(Negative)	Basis
<b>Administration and general:</b>					
Building and grounds expense	59,275	59,275	56,861	2,414	66,928
Computer expense	91,000	91,000	125,074	(34,074)	134,944
Farm Expense	2,000	2,000	2,490	(490)	1,760
Insurance	78,000	78,000	79,209	(1,209)	79,870
Memberships	9,888	9,888	11,567	(1,679)	10,464
Miscellaneous	-	-	10,398	(10,398)	9,572
Office service contracts	147,900	147,900	137,398	10,502	107,612
Office expense	56,200	56,200	68,240	(12,040)	66,224
Professional fees	40,250	40,250	31,148	9,102	24,874
Public relations	17,000	17,000	4,181	12,819	14,817
Safety and training expense	59,850	59,850	56,194	3,656	53,199
Telephone and communications	39,400	39,400	40,794	(1,394)	39,535
Uniforms	16,500	16,500	15,688	812	11,974
Soil amendment rebates	50,000	50,000	2,000	48,000	1,000
Landscaping incentives	25,000	25,000	500	24,500	1,000
<b>Total administration and general</b>	<b>692,263</b>	<b>692,263</b>	<b>641,742</b>	<b>50,521</b>	<b>623,773</b>
<b>Engineering:</b>					
Engineering/CAD/professional fees	4,875	4,875	97,929	(93,054)	46,129
Mapping and updates	22,480	22,480	1,848	20,632	5,178
Water conservation	18,000	18,000	8,347	9,653	7,483
Engineering department expenses	180,000	180,000	1,563	178,437	3,294
<b>Total engineering</b>	<b>225,355</b>	<b>225,355</b>	<b>109,687</b>	<b>115,668</b>	<b>62,084</b>

*Continued.*

## Little Thompson Water District

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

<i>For the Years Ended December 31,</i>	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts Budget Basis	Final Budget Positive (Negative)	Amounts Budget Basis
Administration	717,370	717,370	759,893	(42,523)	601,157
Board	12,057	12,057	8,504	3,553	8,612
Distribution	1,314,209	1,314,209	1,217,938	96,271	1,168,928
Engineering	688,580	688,580	771,466	(82,886)	617,057
Total employee costs	2,732,216	2,732,216	2,757,801	(25,585)	2,395,754
Carter Lake Filter Plant and Dry Creek Reservoir joint operating costs:					
Filter plant operating expense	1,032,367	1,032,367	1,067,972	(35,605)	920,548
Dry Creek reservoir operating expense	31,420	31,420	46,687	(15,267)	22,165
Total Carter Lake Filter Plant and Dry Creek Reservoir joint operating costs	1,063,787	1,063,787	1,114,659	(50,872)	942,713
Water assessments and rentals:					
Purchased water expense	747,304	747,304	602,438	144,866	531,589
Total water assessments and rentals	747,304	747,304	602,438	144,866	531,589
Debt service:					
Principal retired	2,194,451	2,194,451	2,205,375	(10,924)	11,228,490
Interest	363,883	363,883	314,753	49,130	498,876
Debt issuance costs	-	-	-	-	92,605
Total debt service	2,558,334	2,558,334	2,520,128	38,206	11,819,971
Capital improvement:					
Plant and equipment	4,047,425	4,554,425	3,578,392	976,033	9,890,850
Total capital improvement	4,047,425	4,554,425	3,578,392	976,033	9,890,850

*Continued.*

## Little Thompson Water District

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

<i>For the Years Ended December 31,</i>	2018		Actual	Variance with	2017
	Budgeted Amounts		Amounts	Final Budget	Actual
	Original	Final	Budget	Positive	Budget
			Basis	(Negative)	Basis
Total expenditures	12,891,864	13,563,864	12,620,117	943,747	27,424,448
Excess (deficiency) of budgeted revenues over budgeted expenditures	\$ 2,425,544	\$ 6,744,544	7,314,348	\$ 569,804	(2,745,110)
<b>Reconciling items to GAAP basis</b>					
Capital improvements			3,578,392		9,890,850
Principal paid on debt			2,205,375		11,228,490
Debt proceeds			-		(9,233,977)
Depreciation			(1,798,664)		(1,649,549)
Contributed capital assets			2,921,709		9,082,815
Joint venture income (loss)			13,054		(119,921)
Change in accrued interest expense			4,306		50,759
Amortization of deferred loss and premiums on refunding bonds			(49,639)		(48,460)
Change in net position			\$ 14,188,881		\$ 16,455,897

*See accompanying Independent Auditor's Report.*