

**THUNDERBIRD WATER & SANITATION DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020**

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thunderbird Water and Sanitation District

Opinions

We have audited the accompanying financial statements of Thunderbird Water and Sanitation District as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Thunderbird Water and Sanitation 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 Thunderbird Water and Sanitation District as of December 31, 2021 and 2020, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Thunderbird Water and Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

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 Thunderbird Water and Sanitation 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.

Auditor's Responsibilities for the Audit of 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Thunderbird Water and Sanitation District's basic financial statements. The budgetary comparison schedule – Non-GAAP basis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Non-GAAP Basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Longmont, Colorado
July 14, 2022

Management's Discussion and Analysis

Thunderbird Water & Sanitation District Management's Discussion and Analysis

Introduction

The Thunderbird Water & Sanitation District's management discussion and analysis is intended to provide the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2021 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 6.

Overview of the Financial Statements of the District

The audited financial statements of the District are:

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, Notes to Financial Statements

These statements are on pages 6 through 15. These and the Other Supplementary Information, *Budgetary Comparison Schedule* on page 16 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (Net Position). Over time, the comparison of changes in Net Position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Revenue, Expenses, and Changes in Net Position** provides information about the components – Operating Revenue, Operating Expenses, Nonoperating Revenue and Expenses, and Capital Contributions – of the District's annual operating activities and how those activities affected Net Position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating, financing, and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:**Statement of Net Position**

	2021	2020	2019
Current Assets			
Cash and cash equivalents	\$ 433,884	\$ 422,442	\$ 68,133
Other current assets	125,096	106,785	400,649
	<u>558,980</u>	<u>529,227</u>	<u>468,782</u>
Non Current Assets			
Capital assets – net	1,259,005	1,268,810	1,265,514
Total Assets	<u>1,817,985</u>	<u>1,798,037</u>	<u>1,734,296</u>
Current Liabilities	48,230	44,562	40,776
Long Term Liabilities	297,876	297,877	332,831
Total Liabilities	<u>346,106</u>	<u>342,439</u>	<u>373,607</u>
Deferred Inflows of Resources	<u>78,179</u>	<u>76,774</u>	<u>75,574</u>
Net Position			
Net investment in capital assets	961,129	935,979	899,109
Restricted	27,709	27,835	28,604
Unrestricted	404,862	415,010	357,402
Total Net Position	<u>\$ 1,393,700</u>	<u>\$ 1,378,824</u>	<u>\$ 1,285,115</u>

Statement of Revenues, Expenses, and Changes in Net Position

	2021	2020	2019
Operating Revenues	\$ 146,611	\$ 166,710	\$ 106,322
Operating Expenses	220,445	139,984	177,554
Operating Income (Loss)	<u>(73,834)</u>	<u>26,726</u>	<u>(71,232)</u>
Non Operating Revenues (Expenses)	88,710	66,983	99,020
Change in Net Position	<u>14,876</u>	<u>93,709</u>	<u>27,788</u>
Net Position, Beginning of Year	1,378,824	1,285,115	1,257,327
Net Position, End of Year	<u>\$ 1,393,700</u>	<u>\$ 1,378,824</u>	<u>\$ 1,285,115</u>

Statement of Cash Flows

	2021	2020	2019
Cash from (for) Operating Activities	\$ (16,523)	\$ 54,817	\$ (46,945)
Cash from (for) Non Capital Financing Activities	101,525	80,827	108,665
Cash from (for) Capital and Related Financing Activities	(73,778)	(85,835)	(60,907)
Cash from (for) Investing Activities	218	304,500	4,969
Increase (Decrease)	<u>11,442</u>	<u>354,309</u>	<u>5,782</u>
Cash and Cash Equivalents, Beginning of Year	422,442	68,133	62,351
Cash and Cash Equivalents, End of Year	<u>\$ 433,884</u>	<u>\$ 422,442</u>	<u>\$ 68,133</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 6.

Analysis of Financial Position and Operating Results

Net Position increased from \$1,378,824 in 2020 to \$1,393,700 in 2021, a difference of \$14,876 due to revenues exceeding expenses by that amount. For 2021 the District has a net asset reserve for emergencies established by the Board of Directors in the amount of \$2,525. Net capital assets decreased \$9,805 in 2021.

The District's Liabilities at December 31, 2021 increased \$3,667 from those at December 31, 2020. This decrease was primarily related to the scheduled payment of long-term debt. The District's 2021 operating revenues decreased from 2020.

The District's operating expenses increased in 2021. As a result, the operating loss for the year was \$(73,834). The increase in operating expenses was not attributed to one specific item. Net 2021 non-operating revenues were \$88,710.

Cash Flows

Cash and cash equivalents for 2021 increased \$11,442. Cash and cash equivalents represent approximately 24% of the District's total assets at December 31, 2021. For more information about these changes in Net Position, the operating activities, and cash flows see the accompanying audited financial statements beginning on page 6.

Budgetary Discussion

Actual revenues were \$1,759,350 less than the 2021 budget relating primarily to proceeds from bonds that were not issued. Actual expenditures were \$1,870,161 less than budgeted relating primarily to lower than expected capital outlay.

Capital Asset and Long-Term Debt Discussion

The District depreciates its infrastructure assets. See Note 1 of Notes to Financial Statements – *Summary of Significant Accounting Policies – Capital Assets* and Note 4 of Notes to Financial Statements – Capital Assets. The District has various activities in process relating primarily to the acquisition of water rights. The only activity in long term debt for the year was the scheduled repayment of debt.

Requests for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Barry Gager, Treasurer, Thunderbird Water & Sanitation District, P.O. Box 157, Sedalia, CO 80135.

Basic Financial Statements

Thunderbird Water & Sanitation District
Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 433,884	\$ 422,442
Accounts receivable	43,077	26,171
Prepaid expenses	3,840	3,840
Property taxes receivable	78,179	76,774
Total Current Assets	<u>558,980</u>	<u>529,227</u>
Noncurrent Assets		
Capital Assets		
Nondepreciable	590,396	590,396
Depreciable	1,410,714	1,385,689
Total Capital Assets	<u>2,001,110</u>	<u>1,976,085</u>
Less: Accumulated depreciation	<u>(742,105)</u>	<u>(707,275)</u>
Net Capital Assets	<u>1,259,005</u>	<u>1,268,810</u>
Total Assets	<u><u>\$ 1,817,985</u></u>	<u><u>\$ 1,798,037</u></u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 46,159	\$ 6,772
Accrued interest	2,071	2,836
Long-term debt, current portion	36,391	34,954
Total Current Liabilities	<u>84,621</u>	<u>44,562</u>
Noncurrent Liabilities		
Long-term debt	261,485	297,877
Total Long Term Liabilities	<u>261,485</u>	<u>297,877</u>
Total Liabilities	<u>346,106</u>	<u>342,439</u>
Deferred Inflows of Resources		
Deferred property taxes	78,179	76,774
Total Deferred Inflows of Resources	<u>78,179</u>	<u>76,774</u>
Net Position		
Net Investment in capital assets	961,129	935,979
Restricted for emergencies	2,525	2,459
Restricted for debt service	25,184	25,376
Unrestricted	404,862	415,010
Total Net Position	<u>1,393,700</u>	<u>1,378,824</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 1,817,985</u></u>	<u><u>\$ 1,798,037</u></u>

The accompanying notes are an integral part of these financial statements

Thunderbird Water & Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Charges for services	\$ 145,411	\$ 165,910
System development charges	<u>1,200</u>	<u>800</u>
Total Operating Revenues	<u>146,611</u>	<u>166,710</u>
Operating Expenses		
Repairs and maintenance	78,650	30,070
Professional fees	48,788	22,029
Insurance	5,044	4,768
Meter readings	6,000	6,000
Other	10,826	9,203
Utilities	31,518	26,688
Operating supplies	4,789	7,439
Depreciation expense	<u>34,830</u>	<u>33,787</u>
Total Operating Expenses	<u>220,445</u>	<u>139,984</u>
Operating Profit (Loss)	<u>(73,834)</u>	<u>26,726</u>
Nonoperating Revenues (Expenses)		
Property taxes - operations	27,544	25,970
Property taxes - debt service	49,229	49,471
Specific ownership taxes	7,404	6,519
Investment income	218	1,334
Tap fees	18,500	-
County treasurer fees	(1,152)	(1,133)
Interest expense	<u>(13,033)</u>	<u>(15,178)</u>
Total Nonoperating Revenues (Expenses)	<u>88,710</u>	<u>66,983</u>
Change in Net Position	14,876	93,709
Net Position, beginning of year	<u>1,378,824</u>	<u>1,285,115</u>
Net Position, end of year	<u><u>\$ 1,393,700</u></u>	<u><u>\$ 1,378,824</u></u>

The accompanying notes are an integral part of these financial statements

Thunderbird Water & Sanitation District
Statements of Cash Flows
For the Year Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 129,705	\$ 158,608
Cash paid to suppliers	<u>(146,228)</u>	<u>(103,791)</u>
Net cash provided (used) by operating activities	<u>(16,523)</u>	<u>54,817</u>
Cash Flows From Non-Capital Financing Activities		
Property taxes received	76,773	75,441
Specific ownership taxes received	7,404	6,519
Tap fees	18,500	-
County treasurer fees	<u>(1,152)</u>	<u>(1,133)</u>
Net cash provided (used) by non-capital financing activities	<u>101,525</u>	<u>80,827</u>
Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(25,025)	(37,083)
Principal paid on loan	(34,955)	(33,574)
Interest paid on loan	<u>(13,798)</u>	<u>(15,178)</u>
Net cash provided (used) in capital and related financing activities	<u>(73,778)</u>	<u>(85,835)</u>
Cash Flows From Investing Activities		
Investment income received	218	1,334
Proceeds from sale of investments	<u>-</u>	<u>303,166</u>
Net cash provided (used) by investing activities	<u>218</u>	<u>304,500</u>
Net increase (decrease) in cash and cash equivalents	11,442	354,309
Cash and cash equivalents, beginning of year	<u>422,442</u>	<u>68,133</u>
Cash and cash equivalents, end of year	<u><u>\$ 433,884</u></u>	<u><u>\$ 422,442</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ (73,834)	\$ 26,726
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	34,830	33,787
Changes in assets and liabilities		
Accounts receivable	(16,906)	(8,102)
Accounts payable	<u>39,387</u>	<u>2,406</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (16,523)</u></u>	<u><u>\$ 54,817</u></u>

The accompanying notes are an integral part of these financial statements

Thunderbird Water and Sanitation District
Notes to Financial Statements
December 31, 2021 and 2020

Note 1 Summary of Significant Accounting Policies

The Thunderbird Water & Sanitation District (District) is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sanitation services within its jurisdictional boundaries.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Accounting

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of long-term debt is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service of water. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

Thunderbird Water & Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 1 Summary of Significant Accounting Policies (Continued)

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Property, Plant and Equipment

The District records property, plant and equipment at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. The capitalization threshold for fixed assets is \$5,000. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets. All assets are depreciated on a straight-line basis. The estimated useful lives are as follows:

Plant and distribution system	20-50 years
Equipment	3-5 years

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt, that are attributable to the acquisition, construction, or improvement of those assets.

Thunderbird Water & Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 1 Summary of Significant Accounting Policies (Continued)

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

c. Unrestricted net position – all other segments of net position that do not meet the definition of “restricted” or “net investment in capital assets.” These items are available for future operations or distributions.

Cash Equivalents

For purposes of the financial statements, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Deferred Inflows of Resources

Deferred revenues – deferred revenues include property taxes, which have been certified but not yet collected.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2021, and 2020, the District’s cash deposits had a carrying balance of \$124,460 and \$172,519 and a corresponding bank balance \$124,552 and \$174,971, all of which were insured by the Federal Deposit Insurance Corporation, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 uninsured deposits. As of December 31, 2021, and 2020 the District had \$0 and \$0 collateralized under PDPA, respectively.

The Colorado Divisions of Banking 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.

Thunderbird Water & Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 2 Cash and Investments (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, and 2020, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The District had \$309,424 and \$249,923 invested in a money market account at December 31, 2021 and 2020, respectively. The UBS money market account was not rated.

A summary of cash and cash equivalents at December 31, 2021 and 2020 is as follows:

	2021	2020
Cash deposits	\$ 124,460	\$ 172,519
Money markets	309,424	249,923
Total cash and cash equivalents	<u>\$ 433,884</u>	<u>\$ 422,442</u>

Note 3 Accounts Receivable

Management has evaluated the collectability of accounts receivable and deemed that all receivables are collectible. Additionally, the District has the right to place a lien on the property for unpaid charges. Accounts receivable balance at December 31, 2021 and 2020, was comprised of the following:

	2021	2020
Charges for services	\$ 42,554	\$ 25,587
Taxes receivable	523	584
Less: Allowance for doubtful accounts	-	-
Total	<u>\$ 43,077</u>	<u>\$ 26,171</u>

Thunderbird Water & Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 4 Capital Assets

A summary of changes to capital assets for 2021 is as follows:

	Balance at 12/31/2020	Additions	Deletions	Balance at 12/31/2021
Business Type Activities:				
Nondepreciable				
Water rights	\$ 582,563	\$ -	\$ -	\$ 582,563
Construction in progress	7,833	-	-	7,833
Total Nondepreciable	590,396	-	-	590,396
Depreciable				
Plant and equipment	1,385,689	25,025	-	1,410,714
Total Depreciable	1,385,689	25,025	-	1,410,714
TOTAL	1,976,085	25,025	-	2,001,110
Less Accumulated Depreciation				
Plant and equipment	(707,275)	(34,830)	-	(742,105)
Total Accumulated Depreciation	(707,275)	(34,830)	-	(742,105)
Net Capital Assets	\$ 1,268,810	\$ (9,805)	\$ -	\$ 1,259,005

Depreciation expense for the year ended December 31, 2021 was \$34,830.

A summary of changes to capital assets for 2020 is as follows:

	Balance at 12/31/2019	Additions	Deletions	Balance at 12/31/2020
Business Type Activities:				
Nondepreciable				
Water rights	\$ 582,563	\$ -	\$ -	\$ 582,563
Construction in progress	-	7,833	-	7,833
Total Nondepreciable	582,563	7,833	-	590,396
Depreciable				
Plant and equipment	1,356,439	29,250	-	1,385,689
Total Depreciable	1,356,439	29,250	-	1,385,689
TOTAL	1,939,002	37,083	-	1,976,085
Less Accumulated Depreciation				
Plant and equipment	(673,488)	(33,787)	-	(707,275)
Total Accumulated Depreciation	(673,488)	(33,787)	-	(707,275)
Net Capital Assets	\$ 1,265,514	\$ 3,296	\$ -	\$ 1,268,810

Depreciation expense for the year ended December 31, 2020 was \$33,787.

Note 5 Long-term Debt

The Colorado Water Resources and Power Development Authority issued the District a revolving loan in 2002 for water system improvements. The loan is being amortized over 20 years with installments of \$12,411 are due semi-annually, including interest at a 4.00

Thunderbird Water & Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 5 Long-term Debt (Continued)

On September 8, 2011 the District entered into a general obligation promissory note with State of Colorado in an amount not to exceed \$318,150 for the purchase of water rights. The District completed drawing on the loan in 2017, at which time the amortization of the loan began over a period of 20 years through 2037 at a rate of 4.25%. The loan is secured by all pledged revenues of the District. The loan included \$6,220 of interest that was incurred and rolled into the final balance. A summary of changes in long-term debt for 2021 and 2020 are as follows:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amounts Due Within One Year
2002 Revolving fund loan	\$ 47,256	\$ -	\$ (23,160)	\$ 24,096	\$ 24,096
2011 Loan St. of CO	285,575	-	(11,795)	273,780	12,295
Total Long-term Debt	<u>\$ 332,831</u>	<u>\$ -</u>	<u>\$ (34,955)</u>	<u>\$ 297,876</u>	<u>\$ 36,391</u>

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amounts Due Within One Year
2002 Revolving fund loan	\$ 69,517	\$ -	\$ (22,261)	\$ 47,256	\$ 23,160
2011 Loan St. of CO	296,888	-	(11,313)	285,575	11,794
Total Long-term Debt	<u>\$ 366,405</u>	<u>\$ -</u>	<u>\$ (33,574)</u>	<u>\$ 332,831</u>	<u>\$ 34,954</u>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2022	\$ 36,391	\$ 12,361	\$ 48,752
2023	12,818	11,113	23,931
2024	13,363	10,568	23,931
2025	13,931	10,000	23,931
2026	14,523	9,408	23,931
2027-2031	82,414	37,241	119,655
2032-2036	101,480	18,175	119,655
2037	22,956	918	23,874
Total	<u>\$ 297,876</u>	<u>\$ 109,784</u>	<u>\$ 407,660</u>

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

Thunderbird Water & Sanitation District
Notes to Financial Statements (Continued)
December 31, 2021 and 2020

Note 6 Tax, Spending, and Debt Limitation (Continued)

On November 2, 2013 the voters of the District approved the issuance of debt in the amount of \$875,000 to finance the purchase of ground water, ground water rights, water supply, water distribution and water facilities. The obligations shall not exceed a rate of 6.5% and shall have a maximum repayment cost of \$1,200,000. The voters have approved a property tax increase of \$80,000 per year to fund the repayment of these obligations.

On November 2, 2021 the voters of the District approved the issuance of debt in the amount of \$3,000,000 to finance the acquisition, construction and completion of water supply and distribution improvements and facilities including but not limited to, water wells, pump houses, pipelines and necessary land and easements. The obligations shall not exceed a rate of 5% per annum and shall have a maximum repayment cost of \$5,850,000. The voters have approved a property tax increase of up to \$250,000 per year to fund the repayment of these obligations.

Note 7 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; and natural disaster. The District has taken steps to mitigate the risk of loss which includes carrying commercial liability insurance. Actual claims have not exceeded commercial coverage in any of the last three years.

Note 8 Restricted Net Position

The District has established an emergency reserve of \$2,525 and \$2,459, to comply with Article X, Section 20 of the Colorado Constitution and \$25,184 and \$25,376 related to the collection of property taxes for the payment of long-term debt as of December 31, 2021 and 2020, respectively.

Note 9 Reclassifications

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

Other Supplemental Information

Thunderbird Water & Sanitation District
Budgetary vs. Actual Comparison - Non GAAP Basis
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for services	\$ 130,000	\$ 145,411	\$ 15,411
Interest earnings and FMV adjustments	500	218	(282)
Property taxes	76,756	76,773	17
Specific ownership taxes	10,000	7,404	(2,596)
System improvement fees	1,600	1,200	(400)
Tap fees	-	18,500	18,500
Debt proceeds	1,790,000	-	(1,790,000)
Total Revenues	<u>2,008,856</u>	<u>249,506</u>	<u>(1,759,350)</u>
Expenses			
Accounting	11,000	10,800	200
Director fees	6,000	5,400	600
Insurance	6,000	5,044	956
Legal, audit and other professional fees	9,000	37,987	(28,987)
Meter reading	6,000	6,000	-
Miscellaneous	3,000	5,179	(2,179)
Repairs & Maintenance	20,000	76,412	(56,412)
Supplies	4,000	4,789	(789)
Training	500	-	500
Utilities	25,000	61,518	(36,518)
Water test fees	2,500	2,238	262
County treasurer fees	941	1,152	(211)
Capital outlay	2,017,000	25,025	1,991,975
Loan principal	34,954	34,955	(1)
Loan interest	13,798	13,033	765
Total Expenditures	<u>2,159,693</u>	<u>289,532</u>	<u>1,870,161</u>
Revenues over (under) Expenditures	<u>\$ (150,837)</u>	<u>\$ (40,026)</u>	<u>\$ 110,811</u>
Reconciliation to Net Income			
Add Capital Outlay		25,025	
Add Principal paid on loan		34,955	
Less Depreciation Expense		(34,830)	
Net Income		<u>\$ (14,876)</u>	

See the Independent Auditor's Report