

LITTLE THOMPSON WATER DISTRICT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023
AND DECEMBER 31, 2022

LITTLE THOMPSON WATER DISTRICT
TABLE OF CONTENTS

Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements	
Statements of Net Position	10 – 11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13 – 14
Notes to the Financial Statements	15 – 29
Supplementary Information	
Schedule of Revenues and Expenditures – Budget to Actual Budgetary Basis	30 – 31



INDEPENDENT AUDITORS' REPORT

Board of Directors
Little Thompson Water District
Berthoud, Colorado

Opinion

We have audited the accompanying financial statements of the Little Thompson Water District (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

The Adams Group, LLC

Greenwood Village, Colorado
June 27, 2024

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Introduction

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

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

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

The MD&A is intended to focus on the 2023 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with the District’s basic financial statements.

Financial Highlights for 2023 compared to 2022:

- Total operating revenues were \$11,227,849, a decrease of \$473,541.
- Total operating expenses were \$13,726,855, an increase of \$1,997,754. Increase from 2022 was a combination of increases in expenses related to the Carter Lake operating expenses, salaries and benefits, and repairs and maintenance.
- Total debt service principal and interest were \$2,336,043, which was comparable to 2022
- Total non-operating revenues and cash capital contributions were \$14,889,709, an increase of \$7,206,409 which was a direct result of increase in capital contributions and equity in the joint venture.
- Total capital improvement, including water right purchases was \$15,273,637, an increase of \$9,120,748.
- The total budgetary basis expenditures were \$28,793,459, an increase of \$10,819,611.
- Principal paid on long term debt was \$1,322,210, an increase of \$40,591.
- Total long-term debt decreased by \$1,500,401.
- Net capital assets were \$214,101,003, an increase of \$17,580,284.

Overview of the Financial Statements

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

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Required Financial Statements

The District's financial statements report information using accounting methods that conform with U.S. generally accepted accounting principles and similar to those used by the private sector. These statements provide both long-term and short-term information about the District's overall financial status. The audited financial statements and related notes are shown on pages 10 – 29.

Statements of Net Position

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

Statements of Revenues, Expenses and Changes in Net Position

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

Statements of Cash Flows

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

Notes to Financial Statements

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

Other Supplementary Information

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

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

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Condensed Comparative of Financial Information

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

Condensed Comparative of Financial Information
Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Current assets	\$ 2,194,291	\$ 5,844,353	\$ 14,809,728
Restricted assets	37,013,139	39,386,190	29,116,202
Capital assets, net	214,101,003	196,520,719	191,554,640
Other assets	<u>3,023,129</u>	<u>2,912,750</u>	<u>3,090,654</u>
Total assets	<u>256,331,562</u>	<u>244,664,012</u>	<u>238,571,224</u>
<u>Deferred Outflows of Resources</u>			
Deferred loss on bond refunding	<u>18,340</u>	<u>28,048</u>	<u>39,785</u>
<u>Liabilities</u>			
Current liabilities	4,592,145	2,999,872	2,109,664
Long-term liabilities	<u>28,053,923</u>	<u>29,595,576</u>	<u>31,162,096</u>
Total liabilities	<u>32,646,068</u>	<u>32,595,448</u>	<u>33,271,760</u>
<u>Net Position</u>			
Net investment in capital assets	206,526,865	188,088,119	186,008,604
Restricted	3,542,506	2,930,010	2,589,662
Unrestricted	<u>13,634,463</u>	<u>21,078,483</u>	<u>16,740,983</u>
Total Net Position	<u>\$ 223,703,834</u>	<u>\$ 212,096,612</u>	<u>\$ 205,339,249</u>

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Operating revenues</u>			
Water sales and other revenue	\$ 11,227,849	\$ 11,701,390	\$ 11,113,948
Total operating revenues	11,227,849	11,701,390	11,113,948
<u>Operating expenses</u>			
Operating expenses	13,726,855	11,729,101	9,893,165
Operating income (loss)	(2,499,006)	(27,711)	1,220,783
<u>Nonoperating revenues (expenses)</u>			
Grant revenue	29,590	-	68,091
Earnings on investments	974,535	237,258	91,593
Gain on sale of capital assets	-	13,620	12,594
Mineral lease revenue	972	1,537	1,542
Miscellaneous	262,431	166,491	136,364
Equity (loss) from joint venture	110,379	(177,904)	(178,524)
Interest expense	(783,481)	(898,226)	(949,076)
Total nonoperating revenues (expenses)	594,426	(657,224)	(817,416)
<u>Net income before contributions</u>	(1,904,580)	(684,935)	403,367
<u>Capital contributions</u>	13,511,802	7,442,298	39,116,173
Net position, beginning of year	212,096,612	205,339,249	165,819,709
Net position, end of year	<u>\$ 223,703,834</u>	<u>\$ 212,096,612</u>	<u>\$ 205,339,249</u>

Analysis of Financial Position and Operating Results

Operating revenues were \$11,227,849, which is 11% more than budgeted. Capital assets increased by \$17,580,284 in 2023, due to water right purchases and contributions, contributed capital and the completion of certain construction projects. Earnings on investments increased by \$737,277 as a result of increased rates in 2023.

Total expenditures were less than the final budget amount by \$2,839,765, which includes capital expenditures which were \$15,273,637 of the total. Additional explanations to follow with the changes from 2022 to 2023:

- Distribution costs increased in 2023 by \$366,787 which is a direct result of increases in maintenance and operations when compared to the prior year.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

- Administration and general expenses increased in 2023 by \$154,816 which can be attributed to an increase in building and computer expenses, insurance, and officer service contracts.
- Engineering expenses increased in 2023 by \$11,788.
- Employee costs increased in 2023 by \$285,495 as a result of increased salaries and benefits related to administration, distribution, and engineering.
- Carter Lake Filter Plant and Dry Creek Reservoir joint operations increased by \$471,814.
- Water assessments and rentals increased by \$334,733 due to costs incurred for CBT municipal shares expense, Windy Gap fixed charges, and other Windy Gap pooled finance charges.
- Total capital expenditures increased from 2022 by \$9,120,748. See Note 5 for additional information.

Major additions in 2023:

- The District purchased and had contributed water rights of \$14,085,000 during the year ended December 31, 2023.
- The District received \$280,700 in tap installation revenue and expended \$167,016 on new service connections.
- The District spent \$411,319 on vehicle replacements and equipment purchases.
- As of December 31, 2023, the District placed the 5MG Twin Mounds project into service for \$2,292,278 and the West 1st Street Project into service for \$1,596,240.

Contracts and Agreements

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

Economic and Other Factors

Overall, retail water revenues decrease in 2023 primarily due to lower customer usage when compared to 2022. District management utilizes a forecasting program to develop rates and fees that will ensure the District remains a financially sound entity. There was continued growth throughout the District and in Larimer, Weld, and Boulder counties in 2023. Operating expenses have increased because of a conscious decision to be proactive with more repairs and maintenance of our aging system.

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

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Financial Contact

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

BASIC FINANCIAL STATEMENTS

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF NET POSITION

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and investments	\$ 190,230	\$ 4,421,074
Receivables	1,499,042	951,881
Prepaid items	48,005	25,656
Inventories	457,014	445,742
Total current assets	2,194,291	5,844,353
 <u>Noncurrent assets</u>		
<u>Restricted assets</u>		
Cash and investments	37,013,139	39,386,190
<u>Capital assets</u>		
Distribution system	87,350,053	81,958,708
Carter Lake Filter Plant improvements	11,247,664	11,197,297
Dry Creek reservoir dam	7,442,973	7,442,973
Buildings and improvements	1,639,163	1,547,633
Vehicles and equipment	3,449,691	3,038,372
Intangible assets	202,012	202,012
Total depreciable assets	111,331,556	105,386,995
Less: accumulated depreciation and amortization	(40,508,545)	(37,965,469)
Total depreciable assets, net	70,823,011	67,421,526
Land, easements and reservoir	8,487,411	7,892,644
Water rights	122,777,679	108,692,679
Construction in progress	12,012,902	12,513,870
Total capital assets, net	214,101,003	196,520,719
<u>Other assets</u>		
Investment in joint venture	3,023,129	2,912,750
Total non-current assets	254,137,271	238,819,659
Total assets	256,331,562	244,664,012
 <u>Deferred outflows of resources</u>		
Unamortized deferred loss on refunding	18,340	28,048
Total deferred outflows of resources	18,340	28,048

(Continued)

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF NET POSITION
(CONTINUED)

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable and retainage	1,612,722	802,477
Other accrued liabilities	1,343,002	584,850
Accrued wages payable	191,904	205,758
Accrued interest expense	81,055	84,577
Current portion of bonds and notes payable	1,363,462	1,322,210
Total current liabilities	<u>4,592,145</u>	<u>2,999,872</u>
<u>Noncurrent liabilities</u>		
Accrued compensated absences	387,183	328,836
Bonds and notes payable, net of current portion	27,666,740	29,266,740
Total noncurrent liabilities	<u>28,053,923</u>	<u>29,595,576</u>
Total liabilities	<u>32,646,068</u>	<u>32,595,448</u>
<u>Net Position</u>		
Net investment in capital assets	206,526,865	188,088,119
Restricted	3,542,506	2,930,010
Unrestricted	13,634,463	21,078,483
Total Net Position	<u>\$ 223,703,834</u>	<u>\$ 212,096,612</u>

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

<i>For the Years Ended December 31,</i>	2023	2022
<u>Operating revenues</u>		
Water sales - treated	\$ 11,117,667	\$ 11,568,120
Service and other revenue	110,182	133,270
Total operating revenues	11,227,849	11,701,390
<u>Operating expenses</u>		
Distribution	1,297,847	931,060
Administration and general	1,028,396	873,580
Engineering	91,299	79,511
Employee costs	4,415,113	4,129,618
Carter Lake Filer Plant and Dry Creek Reservoir operating expenses	1,973,577	1,501,763
St. Vrain Authority	84,709	10,016
Water assessments and rentals	2,292,838	1,958,105
Depreciation	2,543,076	2,245,448
Total operating expenses	13,726,855	11,729,101
Operating income (loss)	(2,499,006)	(27,711)
<u>Nonoperating revenues (expenses)</u>		
Grant revenue	29,590	-
Earnings on investments, net	974,535	237,258
Gain on sale of capital assets	-	13,620
Mineral lease revenue	972	1,537
Miscellaneous	262,431	166,491
Equity (loss) from joint venture	110,379	(177,904)
Interest expense	(783,481)	(898,226)
Total nonoperating revenues (expenses)	594,426	(657,224)
Net income (loss) before contributions	(1,904,580)	(684,935)
Capital contributions	13,511,802	7,442,298
Change in net position	11,607,222	6,757,363
Net position, beginning of year	212,096,612	205,339,249
Net position, end of year	\$ 223,703,834	\$ 212,096,612

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF CASH FLOWS

<i>For the Years Ended December 31,</i>	2023	2022
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 10,680,688	\$ 11,687,709
Cash paid to suppliers	(5,233,891)	(4,843,081)
Cash paid to employees	(4,370,620)	(4,059,754)
Net cash provided by operating activities	<u>1,076,177</u>	<u>2,784,874</u>
<u>Cash flows from noncapital financing activities</u>		
Mineral lease revenue	972	1,537
Other non-operating revenues	292,021	166,491
Net cash provided by noncapital financing activities	<u>292,993</u>	<u>168,028</u>
<u>Cash flows from capital and related financing activities</u>		
Contributed capital	8,662,079	6,383,660
Acquisition and construction of capital assets	(15,273,637)	(6,152,889)
Proceeds from disposition of capital assets	-	13,620
Principal paid on long-term debt	(1,322,210)	(1,281,619)
Interest paid	(1,013,833)	(1,055,687)
Net cash used in capital and related financing activities	<u>(8,947,601)</u>	<u>(2,092,915)</u>
<u>Cash flows from investing activities</u>		
Interest and dividends	974,535	289,827
Purchase of investments	(11,073,240)	(8,230,207)
Proceeds from sale of investments	14,773,556	10,799,641
Net cash provided by investing activities	<u>4,674,851</u>	<u>2,859,261</u>
Net increase (decrease) in cash and cash equivalents	(2,903,580)	3,719,248
Cash and cash equivalents, beginning of year	14,921,102	11,201,854
Cash and cash equivalents, end of year	<u>\$ 12,017,522</u>	<u>\$ 14,921,102</u>

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF CASH FLOWS
(CONTINUED)

<i>For the Years Ended December 31,</i>	2023	2022
Reconciliation of loss from operations to net cash provided by operating activities:		
Operating income (loss)	\$ (2,499,006)	\$ (27,711)
Adjustments to reconcile loss from operations to net cash flows provided by operating activities:		
Depreciation expense	2,543,076	2,245,448
(Increase) decrease in accounts receivable	(547,161)	(13,681)
(Increase) decrease in prepaid items	(22,349)	(953)
(Increase) decrease in inventories	(11,272)	(192,734)
Increase (decrease) in accounts payable	810,245	581,392
Increase (decrease) in other liabilities	758,151	123,249
Increase (decrease) in accrued wages	(13,854)	72,382
Increase (decrease) in compensated absences	58,347	(2,518)
Net cash provided by operating activities	\$ 1,076,177	\$ 2,784,874

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Form of Organization

The Little Thompson Water District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“CRS”). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

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

Reporting Entity

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

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

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

Financial Statements Basic

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

Basis of Accounting

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Basis of Accounting (continued)

Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included in the statement of net position.

Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into net investment in capital assets, restricted for debt service and loan reserves, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) then decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the “Board”) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues. The budget process timeline is as follows:

- 1) On or about October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
- 3) Prior to December 15, the budget is legally adopted by the Board.
- 4) Unused appropriations lapse at the end of each year.

Cash and Cash Equivalents

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Investments

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

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2023 or 2022, based on historical collection experience, and the ability to place liens on property.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed three times a month on 30-day cycles. Unbilled water charges are accrued for the period from the last meter reading through year-end and are included in receivables. Unbilled accounts receivable, included in receivables, amounted to \$547,431 and \$198,579, at December 31, 2023 and 2022, in the accompanying statements of net position, respectively.

Inventories

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

Capital Assets

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

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Capital Assets (continued)

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

Joint Venture

The District is a participant with Central Weld County Water District (“CWCWD”), in a joint venture to operate Carter Lake Filter Plant (the “Plant”), the filter plant from which the District and CWCWD purchase 100% of their water. The Plant is governed by a six-member board of directors composed of three appointees from the District and three from CWCWD. The District and CWCWD are each charged for their respective share of the water purchased from the Plant and may be assessed for capital improvements made at the Plant on a periodic basis. Beginning in 2008, the District and CWCWD revised the joint venture agreement in order to change the way that major improvements to the Plant are funded. Major capital improvements to the Plant are no longer funded by the Plant, with assessments issued to each district; but rather, they are funded by the individual districts independently, and included in each of the district’s capital assets. As such, the depreciation expense for these assets has also been reflected in the financial statements of the District and CWCWD. The District’s net investment and its share of the operating results of the District are reported in the accompanying statements of net position, and revenues, expenses, and changes in net position. The District’s equity interest in the Plant was \$3,023,129 and \$2,912,750 at December 31, 2023 and 2022, respectively. Complete financial statements for the Plant may be obtained from the Plant’s administrative office at 7100 W. County Road 8-E, Berthoud, Colorado 80521.

Debt Related Deferrals

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Accrued Compensated Absences Payable

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

Contributions in Aid of Construction

Contributions of cash, distribution lines, transmission lines and water rights to the District by developers, customers or by agreements with others are treated as capital contributions on the District’s statement of revenues, expenses, and changes in net position.

Net Position

Net position is classified in the following categories:

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

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District which is not restricted for any project or other purpose. A deficit will require future funding.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Adoption of New Accounting Standard

For the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which provides guidance on the accounting and financial reporting for SBITAs for governments. The implementation of the new standard had no impact on the District’s net position as of December 31, 2023.

NOTE 2 – CASH AND INVESTMENTS

Cash Deposits

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

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023 and 2022, the District had deposits with financial institutions with a carrying amount of \$12,017,522 and \$14,921,102, respectively. The bank balances with the financial institution were \$12,072,527 and \$15,051,711, respectively. All balances were either covered by FDIC or PDPA.

At December 31, 2023 and 2022, the District had cash and cash equivalents balances as follows (includes restricted cash):

	2023	2022
Cash on hand	\$ 400	\$ 400
Bank deposits	12,017,122	14,920,702
Investments	25,185,847	28,886,162
Total cash and investments	\$ 37,203,369	\$ 43,807,264

Cash and cash equivalents balances are reflected on the statement of net position at December 31, 2023 and 2022, as follows:

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

	<u>2023</u>	<u>2022</u>
Cash and investments	\$ 190,230	\$ 4,421,074
Restricted cash and investments	<u>37,013,139</u>	<u>39,386,190</u>
Total	<u>\$ 37,203,369</u>	<u>\$ 43,807,264</u>

Investments

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

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

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

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 2,229,449	AAAm
Certificates of Deposit	Less than 1 year to 3 years	9,508,125	N/A
Money Markets	Less than 1 year	13,154,288	AAAm
Government Agency Bonds	1 - 5 years	<u>293,985</u>	AA+
		<u>\$ 25,185,847</u>	

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Local Government Investment Pool

At December 31, 2023 and 2022, the District had invested \$2,229,449 and \$2,116,352, 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 three portfolios, ColoTrust Prime, ColoTrust Plus+, and ColoTrust EDGE. All District investments are in ColoTrust Prime or 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.

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, 2023 and 2022, the District’s certificates of deposit and money markets with balances of \$22,662,413 and \$26,481,027, respectively, are measured at amortized cost. At December 31, 2023 and 2022, the District’s investment in government agency bonds is measured at Level 2 with a fair value of \$293,985 and \$288,783.

Interest Rate Risk

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 – RESTRICTED ASSETS

Amounts shown as restricted cash and investments have been restricted by bond indentures to be used for specified purposes. The balance restricted as of December 31, 2023 and 2022, was \$37,013,139 and \$39,386,190, respectively, for operations and maintenance, unspent bond proceeds, and other reserve accounts set aside by the Board of Directors.

NOTE 4 – RECEIVABLES

Receivables at December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Water service	\$ 548,401	\$ 494,301
Unbilled accounts receivable	547,431	198,579
Miscellaneous	403,210	259,001
Total	<u>\$ 1,499,042</u>	<u>\$ 951,881</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Deletions/ Reclass	Ending Balance
Capital assets, not being depreciated				
Water rights	\$ 108,692,679	\$ 14,085,000	\$ -	\$ 122,777,679
Land and easements	1,599,028	574,300	(215,306)	1,958,022
Dry Creek Reservoir	6,293,616	20,467	215,306	6,529,389
Construction in progress	12,513,870	3,387,547	(3,888,515)	12,012,902
Total capital assets, not being depreciated	<u>129,099,193</u>	<u>18,067,314</u>	<u>(3,888,515)</u>	<u>143,277,992</u>
Capital assets, being depreciated				
Distribution system	81,958,708	5,391,345	-	87,350,053
Carter Lake Filter Plant improvements	11,197,297	50,367	-	11,247,664
Dry Creek Reservoir Dam	7,442,973	-	-	7,442,973
Buildings and improvements	1,547,633	91,530	-	1,639,163
Vehicles and equipment	3,038,372	411,319	-	3,449,691
Intangible assets	202,012	-	-	202,012
Total capital assets, being depreciated	<u>105,386,995</u>	<u>5,944,561</u>	<u>-</u>	<u>111,331,556</u>
Less accumulated depreciation				
Distribution system	(31,340,896)	(1,871,756)	-	(33,212,652)
Carter Lake Filter Plant improvements	(2,798,462)	(295,679)	-	(3,094,141)
Dry Creek Reservoir Dam	(1,040,511)	(75,389)	-	(1,115,900)
Buildings and improvements	(612,498)	(42,823)	-	(655,321)
Vehicles and equipment	(2,006,078)	(251,803)	-	(2,257,881)
Intangible assets	(167,024)	(5,626)	-	(172,650)
Total accumulated depreciation	<u>(37,965,469)</u>	<u>(2,543,076)</u>	<u>-</u>	<u>(40,508,545)</u>
Total capital assets, being depreciated, net	<u>67,421,526</u>	<u>3,401,485</u>	<u>-</u>	<u>70,823,011</u>
Total capital assets	<u>\$ 196,520,719</u>	<u>\$ 21,468,799</u>	<u>\$ (3,888,515)</u>	<u>\$ 214,101,003</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bonds					
2020	\$ 22,110,000	\$ -	\$ 425,000	\$ 21,685,000	\$ 445,000
Notes Payable					
2017A	2,820,821	-	538,106	2,282,715	551,051
2017B	1,682,336	-	359,104	1,323,232	367,411
Bond premiums	3,975,793	-	236,538	3,739,255	-
Compensated absences	328,836	322,042	263,695	387,183	-
Total long-term obligations	<u>\$ 30,917,786</u>	<u>\$ 322,042</u>	<u>\$ 1,822,443</u>	<u>\$ 29,417,385</u>	<u>\$ 1,363,462</u>

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

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

The annual requirements and future payments on debt outstanding as of December 31, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,363,462	\$ 972,663	\$ 2,336,125
2025	1,409,721	928,909	2,338,630
2026	1,451,722	883,408	2,335,130
2027	1,281,042	860,465	2,141,507
2028	515,000	820,000	1,335,000
2029 - 2033	3,005,000	3,685,250	6,690,250
2034 - 2038	3,715,000	2,967,600	6,682,600
2039 - 2043	4,525,000	2,162,000	6,687,000
2044 - 2048	5,505,000	1,182,200	6,687,200
2049 - 2050	2,520,000	152,200	2,672,200
Total	<u>\$ 25,290,947</u>	<u>\$ 14,614,695</u>	<u>\$ 39,905,642</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020, Water Revenue Bonds

On September 29, 2020, the District issued \$22,785,000 of Water Revenue Bonds, Series 2020. The bonds are special revenue obligations of the District, payable from all income and revenues directly or indirectly derived by the District from the operation and use of the System, or any part thereof less all reasonable and necessary current expenses of the District, paid or accrued, for operating, maintain and repairing the System. The bonds carry an interest rate of 4 to 5% with principal payments due December 1st of each fiscal year through 2050. At December 31, 2023, the bonds have \$81,055 of accrued interest and an unamortized bond premium of \$3,739,255.

2017A and 2017B Notes Payable

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

On December 7, 2017, the District issued \$3,360,638 of Water Revenue Refunding Notes, Series 2017B. The note is a special revenue obligation of the District, payable from all income and revenues directly or indirectly derived by the District from the operation and use of the System, or any part thereof less all reasonable and necessary current expenses of the District, paid or accrued, for operating, maintaining, and repairing the System. The notes carry an interest rate of 2.30% with principal payments due June 1st and December 1st each year through 2027.

NOTE 7 – RATE MAINTENANCE

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – RATE MAINTENANCE (CONTINUED)

2023 principal paid	\$	1,322,210
2023 interest paid		978,272
Subtotal		2,300,482
		110%
Required net revenue as defined in 2020, 2017A, and 2017B resolutions	\$	2,530,530

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

<u>Net revenue as defined in 2020 and 2017 Agreements</u>		
Operating revenues	\$	11,232,099
Tap fees / water rights		3,442,815
Subtotal		14,674,914
Operating expenses (less depreciation expense)		(11,183,779)
Required net revenue	\$	3,491,135

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN

The District has adopted a defined contribution pension plan administered by Colorado Retirement Association (“CRA”) which provides pension benefits for all full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The covered payroll was \$2,815,380 and \$2,552,480 for the years ended December 31, 2023 and 2022, respectively. All employees are eligible to participate in the plan immediately that worked for a minimum 20 hours per week or 1,040 hours per year.

The District and its employees each contribute an amount equal to 5% of the employees’ annual base salary or wage. Employees become vested in District contributions at the rate of 20% per year and are fully vested after five years. The benefit terms are established and may be amended by the District’s Board of Directors. The District contributed \$140,769 and \$127,624 to the plan for covered employees during the years ended December 31, 2023 and 2022, respectively.

Deferred Compensation Plan

The District also has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is optional for employees and the District matches up to 2% of employees base salary. For the year ended December 31, 2023, the District contributed \$54,649 for employees enrolled in the plan.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Risk Management

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

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

NOTE 10 – TABOR COMPLIANCE

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

Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the spending limit must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District is an enterprise fund and has no TABOR revenues and therefore has not set aside any monies for emergencies as defined by TABOR.

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

NOTE 11 – SUBSEQUENT EVENTS

The District evaluated subsequent events through June 27, 2024, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure.

SUPPLEMENTARY INFORMATION

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

For the Years Ended December 31,

2023

2022

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)	Actual Amounts Budget Basis
	Original	Final			
Revenues					
Operating revenues					
Water sales	\$ 13,121,140	\$ 9,873,077	\$ 10,836,967	\$ 963,890	\$ 11,330,090
Tap installation	269,496	188,600	280,700	92,100	238,030
Miscellaneous	61,160	62,902	110,182	47,280	133,270
Total operating revenues	13,451,796	10,124,579	11,227,849	1,103,270	11,701,390
Non-operating revenues (expenses)					
Earnings on investments	180,000	957,512	974,535	17,023	237,258
Mineral lease revenue	-	-	972	972	1,537
Miscellaneous	336,250	577,360	262,431	(314,929)	166,491
Grant revenue	887,875	1,022,901	29,590	(993,311)	-
Gain on sale of capital assets	-	-	-	-	13,620
Total non-operating revenues	1,404,125	2,557,773	1,267,528	(1,290,245)	418,906
Contributions					
Tap fees / water rights	5,389,925	5,634,129	8,662,079	3,027,950	6,383,660
Total revenues	20,245,846	18,316,481	21,157,456	2,840,975	18,503,956
Expenditures					
Distribution					
Maintenance and operation	865,500	1,033,915	1,125,477	(91,562)	768,440
Vehicle expense	162,500	177,461	145,613	31,848	144,602
Water quality	31,700	25,983	26,757	(774)	18,018
Total distribution	1,059,700	1,237,359	1,297,847	(60,488)	931,060
Administration and general					
Building and grounds expense	99,900	58,990	70,721	(11,731)	108,078
Computer expense	191,700	231,070	232,154	(1,084)	176,689
Farm expense	2,800	2,900	2,900	-	2,820
Insurance	134,420	137,193	117,077	20,116	112,797
Memberships	20,980	26,828	25,569	1,259	28,684
Miscellaneous	83,400	56,854	16,772	40,082	13,115
Office service contracts	185,162	207,715	224,578	(16,863)	141,540
Office expense	43,600	43,600	30,560	13,040	71,978
Professional fees	74,000	77,500	82,943	(5,443)	55,782
Public relations	80,600	80,600	111,849	(31,249)	53,431
Safety and training expense	23,100	22,349	21,475	874	22,753
Telephone and communications	77,500	75,255	72,123	3,132	69,271
Uniforms	23,100	22,586	19,675	2,911	16,642
Total administration and general	1,040,262	1,043,440	1,028,396	15,044	873,580
Engineering					
Engineering/CAD/professional fees	270,000	58,834	38,226	20,608	32,396
Water conservation	62,685	45,000	42,148	2,852	23,833
Soil amendments rebates	10,000	5,979	3,979	2,000	6,211
Landscaping incentives	14,875	4,125	3,617	508	12,503
Engineering department expenses	8,000	25,340	3,329	22,011	4,568
Total engineering	365,560	139,278	91,299	47,979	79,511

(Continued)

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

For the Years Ended December 31,

2023

2022

	Budget Amounts		Actual	Variance with	Actual Amounts
	Original	Final		Final Budget Positive (Negative)	
<u>Expenditures (continued)</u>					
<u>Employee costs</u>					
Administration	1,147,914	1,028,010	1,020,851	7,159	955,242
Board	16,406	6,459	7,966	(1,507)	8,606
Distribution	1,974,612	2,183,502	2,124,227	59,275	1,871,313
Engineering	1,588,531	1,295,561	1,262,069	33,492	1,294,457
Total employee costs	4,727,463	4,513,532	4,415,113	98,419	4,129,618
<u>Carter Lake Filter Plant and Dry Creek</u>					
<u>Reservoir joint operating costs</u>					
Filter plan operating expense	2,017,931	1,859,000	1,883,653	(24,653)	1,475,487
Dry creek reservoir operating expense	289,265	124,836	89,924	34,912	26,276
Total Carter Lake Filter Plant and Dry Creek Reservoir joint operating costs	2,307,196	1,983,836	1,973,577	10,259	1,501,763
<u>St. Vrain Authority</u>					
Start up costs	75,000	75,000	84,709	(9,709)	10,016
Total St. Vrain Authority	75,000	75,000	84,709	(9,709)	10,016
<u>Water assessment and rentals</u>					
Purchased water expense	2,462,500	2,290,690	2,292,838	(2,148)	1,958,105
Total water assessments and rentals	2,462,500	2,290,690	2,292,838	(2,148)	1,958,105
<u>Debt service</u>					
Principal retired	1,322,142	1,321,126	1,322,210	(1,084)	1,281,619
Interest	1,014,913	1,015,929	1,013,833	2,096	1,055,687
Total debt service	2,337,055	2,337,055	2,336,043	1,012	2,337,306
<u>Capital improvement</u>					
Plant and equipment	10,020,736	18,013,034	15,273,637	2,739,397	6,152,889
Total capital improvement	10,020,736	18,013,034	15,273,637	2,739,397	6,152,889
Total expenditures	24,395,472	31,633,224	28,793,459	2,839,765	17,973,848
Excess (deficiency) of revenues over (under) expenditures	(4,149,626)	(13,316,743)	(7,636,003)	5,680,740	530,108
<u>Reconciling items to GAAP basis</u>					
Capital improvements			15,273,637		6,152,889
Principal paid on debt			1,322,210		1,281,619
Depreciation			(2,543,076)		(2,245,448)
Contributed capital assets			4,849,723		1,058,638
Joint venture income (loss)			110,379		(177,904)
Change in accrued interest expense			3,522		(72,594)
Amortization of deferred loss and premiums			226,830		230,055
Change in net position			\$ 11,607,222		\$ 6,757,363