

LITTLE THOMPSON WATER DISTRICT

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025
AND DECEMBER 31, 2024

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 – 30
Supplementary Information	
Schedule of Revenues and Expenditures – Budget to Actual Budgetary Basis	31 – 32



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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2025 and 2024, 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 Opinion

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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) 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.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, beginning net position for the year ended December 31, 2025 was restated due to a misstatement resulting from an error in the application of accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

The Adams Group, LLC

Greenwood Village, Colorado
July 7, 2026

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 2025 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 2025 compared to 2024:

- Total operating revenues were \$16,179,874, an increase of \$2,136,864.
- Total operating expenses were \$12,981,614, which does not include depreciation expense of \$2,850,938. Operating expenses increased \$589,820, not including depreciation expense. Distribution expenses decreased approximately 31 percent from 2024 to 2025.
- Total debt service principal and interest were \$2,338,555, which was comparable to 2024.
- Total non-operating revenues and capital contributions were \$20,775,098, a decrease of \$12,602,554 which was a direct result of a decrease in capital contributions related to water rights.
- Total capital improvement was \$10,000,341, an increase of \$4,118,741 from the prior year.
- The total budgetary basis expenditures were \$25,320,510, an increase of \$4,714,588.
- Principal paid on long term debt was \$1,409,721, an increase of \$46,259.
- Total long-term debt decreased by \$1,612,921
- Net capital assets were \$254,192,084, an increase of \$18,034,277.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Overview of the Financial Statements

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

Required Financial Statements

The District's financial statements report information using accounting methods that conform with U.S. generally accepted accounting principles and similar to those used by the private sector. These statements provide both long-term and short-term information about the District's overall financial status. The audited financial statements and related notes are shown on pages 10 – 30.

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.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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.

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

	2025	2024 (as restated)	2023
<u>Assets</u>			
Current assets	\$ 8,378,177	\$ 5,221,040	\$ 2,194,291
Restricted assets	39,817,216	40,021,081	37,013,139
Capital assets, net	254,192,084	236,157,807	214,101,003
Other assets	3,434,635	2,970,929	3,023,219
Total assets	<u>305,822,112</u>	<u>284,370,857</u>	<u>256,331,652</u>
<u>Deferred Outflows of Resources</u>			
Deferred loss on bond refunding	<u>5,202</u>	<u>10,708</u>	<u>18,340</u>
<u>Liabilities</u>			
Current liabilities	5,963,099	3,038,346	4,592,145
Long-term liabilities	24,129,866	26,025,994	28,053,923
Total liabilities	<u>30,092,965</u>	<u>29,064,340</u>	<u>32,646,068</u>
<u>Net Position</u>			
Net investment in capital assets	241,780,126	230,028,647	206,526,865
Restricted	8,529,323	5,702,457	3,542,506
Unrestricted	25,424,900	19,586,121	13,634,463
Total Net Position	<u>\$ 275,734,349</u>	<u>\$ 255,317,225</u>	<u>\$ 223,703,834</u>

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

	<u>2025</u>	<u>2024</u> (as restated)	<u>2023</u>
<u>Operating revenues</u>			
Water sales and other revenue	\$ 16,179,874	\$ 14,043,010	\$ 11,227,849
Total operating revenues	16,179,874	14,043,010	11,227,849
<u>Operating expenses</u>			
Operating expenses	15,832,552	15,065,244	13,726,855
Operating income (loss)	347,322	(1,022,234)	(2,499,006)
<u>Nonoperating revenues (expenses)</u>			
Grant revenue	676,481	-	29,590
Earnings on investments	644,742	874,658	974,535
Gain on sale of capital assets	26,188	52,468	-
Mineral lease revenue	685	988	972
Miscellaneous	380,787	262,977	262,431
Equity (loss) from joint venture	463,706	(59,616)	110,379
Interest expense	(705,296)	(742,027)	(783,481)
Total nonoperating revenues (expenses)	1,487,293	389,448	594,426
<u>Net income (loss) before contributions</u>	1,834,615	(632,786)	(1,904,580)
<u>Capital contributions</u>	18,582,509	32,246,177	13,511,802
Change in net position	20,417,124	31,613,391	11,607,222
Net position, beginning as previously reported	254,687,007	223,703,834	212,096,612
Error correction, restatement	630,218	-	-
Net position, beginning as restated*	255,317,225	223,703,834	212,096,612
Net position, end of year	<u>\$ 275,734,349</u>	<u>\$ 255,317,225</u>	<u>\$ 223,703,834</u>

**Restatement of beginning net position only impacts fiscal year 2025*

Analysis of Financial Position and Operating Results

Operating revenues were \$16,179,874, which is 7% more than budgeted. Capital assets increased by \$18,034,277 in 2025, mainly due to contributed capital related to water rights and Carter Lake Filter Plant improvements. Earnings on investments decreased by \$229,916 as a result of interest rate changes from the prior year and a decrease in overall investments held at yearend.

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Total expenditures were less than the final budget amount by \$15,099,511, which includes capital expenditures which were \$10,000,341 of the total. Additional explanations to follow with the changes from 2024 to 2025:

- Distribution costs decreased in 2025 by \$570,356 which is a direct result of decreases in maintenance and operations when compared to the prior year.
- Administration and general expenses increased in 2025 by \$253,774 which can be attributed to an increase in office service contracts, professional fees, and computer expenses.
- Engineering expenses decreased in 2025 by \$27,958 due to a decrease in professional fees.
- Employee costs increased in 2025 by \$394,914 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 \$399,032.
- Water assessments and rentals increased by \$74,868 due to costs incurred for CBT municipal shares expense, Windy Gap fixed charges, and other Windy Gap pooled finance charges.
- Total capital expenditures increased by \$4,118,741 in 2025 as a result of construction in process. See Note 5 for additional information.

Major additions in 2025:

- The District had contributed water rights of \$10,179,000 and during the year ended December 31, 2025.
- The District received \$235,620 in tap installation revenue and expended \$165,552 on new service connections.
- The District spent \$416,093 on vehicle replacements and equipment purchases and disposed of \$76,587 of assets.
- As of December 31, 2025, the District placed multiple construction in process projects into service including the Carter Lake Filter Plant (CLFP) membrane replacement for \$240,500, the CLFP 7 MG Water Tank for \$4,037,764, and the 3rd & Welker Waterline Replacement project which had current year costs of \$500,264.

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

LITTLE THOMPSON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Overall, retail water revenues increased \$2,070,680 primarily due to increased water usage from 2024 to 2025 and an increase in rates.

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 2025. 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.

Restatement

As outlined in Note 12 to the financial statements, balances for the year ended December 31, 2024 and the beginning balance for the year ended December 31, 2025 were restated due to a correction of an error in the prior year financial statements. See Note 12 for additional information.

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>2025</u>	<u>(as restated)</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and investments	\$ 5,023,015	\$ 3,445,288
Receivables	2,946,044	1,394,301
Prepaid items	55,041	49,684
Inventories	354,077	331,767
Total current assets	<u>8,378,177</u>	<u>5,221,040</u>
<u>Noncurrent assets</u>		
<u>Restricted assets</u>		
Cash and investments	39,817,216	40,021,081
<u>Capital assets</u>		
Distribution system	100,669,348	99,145,740
Carter Lake Filter Plant improvements	17,035,333	11,247,664
Dry Creek reservoir dam	7,442,973	7,442,973
Buildings and improvements	1,676,114	1,639,163
Vehicles and equipment	3,908,553	3,569,047
Intangible assets	202,012	202,012
Total depreciable assets	130,934,333	123,246,599
Less: accumulated depreciation and amortization	<u>(45,762,363)</u>	<u>(42,985,744)</u>
Total depreciable assets, net	85,171,970	80,260,855
Land, easements and reservoir	8,855,618	8,487,411
Water rights	144,049,179	133,870,179
Construction in progress	16,115,317	13,539,362
Total capital assets, net	254,192,084	236,157,807
<u>Other assets</u>		
Investment in joint venture	3,434,635	2,970,929
Total non-current assets	<u>297,443,935</u>	<u>279,149,817</u>
Total assets	<u>305,822,112</u>	<u>284,370,857</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred loss on refunding	5,202	10,708
Total deferred outflows of resources	<u>5,202</u>	<u>10,708</u>

(Continued)

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF NET POSITION
(CONTINUED)

<u>December 31,</u>	<u>2025</u>	<u>(as restated)</u>
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable and retainage	1,909,336	666,288
Other accrued liabilities	1,756,914	381,766
Accrued wages payable	95,953	68,811
Accrued interest expense	73,617	77,409
Current portion of bonds and notes payable	2,127,279	1,844,072
Total current liabilities	5,963,099	3,038,346
<u>Noncurrent liabilities</u>		
Accrued compensated absences	456,403	434,351
Bonds and notes payable, net of current portion	23,673,463	25,591,643
Total noncurrent liabilities	24,129,866	26,025,994
Total liabilities	30,092,965	29,064,340
<u>Net Position</u>		
Net investment in capital assets	241,780,126	230,028,647
Restricted	8,529,323	5,702,457
Unrestricted	25,424,900	19,586,121
Total Net Position	\$ 275,734,349	\$ 255,317,225

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

<i>For the Years Ended December 31,</i>	2025	(as restated)
<u>Operating revenues</u>		
Water sales - treated	\$ 15,945,260	\$ 13,835,040
Service and other revenue	234,614	207,970
Total operating revenues	<u>16,179,874</u>	<u>14,043,010</u>
<u>Operating expenses</u>		
Distribution	1,244,536	1,814,892
Administration and general	1,403,671	1,149,897
Engineering	176,779	204,737
Employee costs	4,979,058	4,584,144
Carter Lake Filer Plant and Dry Creek		
Reservoir operating expenses	2,318,418	1,919,386
St. Vrain Authority	169,144	103,598
Water assessments and rentals	2,690,008	2,615,140
Depreciation	2,850,938	2,673,450
Total operating expenses	<u>15,832,552</u>	<u>15,065,244</u>
Operating income (loss)	347,322	(1,022,234)
<u>Nonoperating revenues (expenses)</u>		
Grant revenue	676,481	-
Earnings on investments, net	644,742	874,658
Gain on sale of capital assets	26,188	52,468
Mineral lease revenue	685	988
Miscellaneous	380,787	262,977
Equity (loss) from joint venture	463,706	(59,616)
Interest expense	(705,296)	(742,027)
Total nonoperating revenues (expenses)	<u>1,487,293</u>	<u>389,448</u>
Net income (loss) before contributions	1,834,615	(632,786)
Capital contributions	<u>18,582,509</u>	<u>32,246,177</u>
Change in net position	20,417,124	31,613,391
Net position, beginning as previously reported	<u>254,687,007</u>	<u>223,703,834</u>
Error correction, restatement	630,218	-
Net position, beginning as restated	<u>255,317,225</u>	<u>223,703,834</u>
Net position, end of year	<u>\$ 275,734,349</u>	<u>\$ 255,317,225</u>

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF CASH FLOWS

<i>For the Years Ended December 31,</i>	2025	2024
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 14,628,131	\$ 14,147,751
Cash paid to suppliers	(5,412,027)	(8,961,535)
Cash paid to employees	(4,929,864)	(4,660,069)
Net cash provided by operating activities	4,286,240	526,147
<u>Cash flows from noncapital financing activities</u>		
Mineral lease revenue	685	988
Other non-operating revenues	380,787	255,562
Federal and state grant revenue	676,481	-
Net cash provided by noncapital financing activities	1,057,953	256,550
<u>Cash flows from capital and related financing activities</u>		
Contributed capital	7,695,367	12,767,305
Acquisition and construction of capital assets	(9,998,073)	(5,881,600)
Proceeds from disposition of capital assets	26,188	52,468
Principal paid on long-term debt	(1,409,721)	(1,363,462)
Interest paid	(928,834)	(969,066)
Net cash provided (used) in capital and related financing activities	(4,615,073)	4,605,645
<u>Cash flows from investing activities</u>		
Interest and dividends	644,742	874,658
Purchase of investments	(445,067)	(8,374,952)
Proceeds from sale of investments	5,143,687	4,989,270
Net cash provided (used) by investing activities	5,343,362	(2,511,024)
Net increase in cash and cash equivalents	6,072,482	2,877,318
Cash and cash equivalents, beginning of year	14,894,840	12,017,522
Cash and cash equivalents, end of year	\$ 20,967,322	\$ 14,894,840

(Continued)

LITTLE THOMPSON WATER DISTRICT
STATEMENTS OF CASH FLOWS
(CONTINUED)

<u>For the Years Ended December 31,</u>	<u>2025</u>	<u>2024</u>
Reconciliation of loss from operations to net cash provided by operating activities:		
Operating income (loss)	\$ 347,322	\$ (1,022,234)
Adjustments to reconcile loss from operations to net cash flows provided by operating activities:		
Depreciation expense	2,850,938	2,673,450
(Increase) decrease in accounts receivable	(1,551,743)	104,741
(Increase) decrease in prepaid items	(5,357)	(1,679)
(Increase) decrease in inventories	(22,310)	125,247
Increase (decrease) in accounts payable	1,243,048	(946,434)
Increase (decrease) in other liabilities	1,375,148	(331,019)
Increase (decrease) in accrued wages	27,142	(123,093)
Increase (decrease) in compensated absences	22,052	47,168
Net cash provided by operating activities	<u>\$ 4,286,240</u>	<u>\$ 526,147</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Basis of Accounting

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

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

Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into net investment in capital assets, restricted for debt service and loan reserves, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) 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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Cash and Cash Equivalents

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

Investments

Investments consisting of 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, 2025 or 2024, 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 \$872,636 and \$255,515, at December 31, 2025 and 2024, 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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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 acquisition cost 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:

<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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Joint Venture (continued)

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 statement of revenues, expenses, and changes in net position. The District's equity interest in the Plant was \$3,434,635 and \$2,970,929 at December 31, 2025 and 2024, 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.

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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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.

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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (continued)

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, 2025 and 2024, the District had deposits with financial institutions with a carrying amount of \$20,966,922 and \$14,894,440, respectively. The bank balances with the financial institution were \$21,000,033 and \$15,201,450, respectively. All balances were either covered by FDIC or PDPA.

At December 31, 2025 and 2024, the District had cash and investment balances as follows (includes restricted cash):

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 400	\$ 400
Bank deposits	20,966,922	14,894,440
Investments	<u>23,872,909</u>	<u>28,571,529</u>
Total cash and investments	<u>\$ 44,840,231</u>	<u>\$ 43,466,369</u>

Cash and investment balances are reflected on the statement of net position at December 31, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Cash and investments	\$ 5,023,015	\$ 3,445,288
Restricted cash and investments	<u>39,817,216</u>	<u>40,021,081</u>
Total	<u>\$ 44,840,231</u>	<u>\$ 43,466,369</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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

- 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, 2025 and 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2025</u>	<u>2024</u>	<u>S&P Rating</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 2,454,220	\$ 2,350,469	AAAm
Certificates of Deposit	Less than 1 year to 3 years	8,662,594	12,999,689	N/A
Money Markets	Less than 1 year	12,506,166	12,673,470	AAAm
Government Agency Bonds	1 - 5 years	249,929	547,901	AA+
		<u>\$ 23,872,909</u>	<u>\$ 28,571,529</u>	

Local Government Investment Pool

At December 31, 2025 and 2024, the District had invested \$2,454,220 and \$2,350,469, 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+.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Local Government Investment Pool (continued)

ColoTrust Prime invests only in U.S. Treasury and government agencies. ColoTrust Plus+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2025 and 2024, the District's certificates of deposit and money markets with balances of \$21,168,760 and \$25,673,159, respectively, are measured at amortized cost.

At December 31, 2025 and 2024, the District's investment in government agency bonds is measured at Level 2 with a fair value of \$249,929 and \$547,901, respectively.

Interest Rate Risk

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

NOTE 3 – RESTRICTED ASSETS

Amounts shown as restricted cash and investments have been restricted by bond indentures to be used for specified purposes. The balance restricted as of December 31, 2025 and 2024, was \$39,817,216 and \$40,021,081, respectively, for operations and maintenance, unspent bond proceeds, and other reserve accounts set aside by the Board of Directors.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 – RECEIVABLES

Receivables at December 31, 2025 and 2024, consisted of the following:

	2025	2024
Water service	\$ 775,530	\$ 657,576
Unbilled accounts receivable	872,636	255,515
Miscellaneous	1,297,878	481,210
Total	<u>\$ 2,946,044</u>	<u>\$ 1,394,301</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated				
Water rights	\$ 133,870,179	\$ 10,179,000	\$ -	\$ 144,049,179
Land and easements	1,958,022	368,207	-	2,326,229
Dry Creek Reservoir	6,529,389	-	-	6,529,389
Construction in progress	13,539,362	6,982,276	(4,406,321)	16,115,317
Total capital assets, not being depreciated	<u>155,896,952</u>	<u>17,529,483</u>	<u>(4,406,321)</u>	<u>169,020,114</u>
Capital assets, being depreciated				
Distribution system	99,145,740	1,523,608	-	100,669,348
Carter Lake Filter Plant improvements	11,247,664	5,787,669	-	17,035,333
Dry Creek Reservoir Dam	7,442,973	-	-	7,442,973
Buildings and improvements	1,639,163	36,951	-	1,676,114
Vehicles and equipment	3,569,047	416,093	(76,587)	3,908,553
Intangible assets	202,012	-	-	202,012
Total capital assets, being depreciated	<u>123,246,599</u>	<u>7,764,321</u>	<u>(76,587)</u>	<u>130,934,333</u>
Less accumulated depreciation				
Distribution system	(35,205,769)	(2,188,446)	-	(37,394,215)
Carter Lake Filter Plant improvements	(3,392,338)	(298,197)	-	(3,690,535)
Dry Creek Reservoir Dam	(1,191,289)	(75,389)	-	(1,266,678)
Buildings and improvements	(702,387)	(47,068)	-	(749,455)
Vehicles and equipment	(2,315,685)	(236,211)	74,319	(2,477,577)
Intangible assets	(178,276)	(5,627)	-	(183,903)
Total accumulated depreciation	<u>(42,985,744)</u>	<u>(2,850,938)</u>	<u>74,319</u>	<u>(45,762,363)</u>
Total capital assets, being depreciated, net	<u>80,260,855</u>	<u>4,913,383</u>	<u>(2,268)</u>	<u>85,171,970</u>
Total capital assets	<u>\$ 236,157,807</u>	<u>\$ 22,442,866</u>	<u>\$ (4,408,589)</u>	<u>\$ 254,192,084</u>

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated				
Water rights	\$ 122,777,679	\$ 11,092,500	\$ -	\$ 133,870,179
Land and easements	1,958,022	-	-	1,958,022
Dry Creek Reservoir	6,529,389	-	-	6,529,389
Construction in progress	12,012,902	3,660,620	(2,134,160)	13,539,362
Total capital assets, not being depreciated	143,277,992	14,753,120	(2,134,160)	155,896,952
Capital assets, being depreciated				
Distribution system	87,350,053	11,795,687	-	99,145,740
Carter Lake Filter Plant improvements	11,247,664	-	-	11,247,664
Dry Creek Reservoir Dam	7,442,973	-	-	7,442,973
Buildings and improvements	1,639,163	-	-	1,639,163
Vehicles and equipment	3,449,691	315,607	(196,251)	3,569,047
Intangible assets	202,012	-	-	202,012
Total capital assets, being depreciated	111,331,556	12,111,294	(196,251)	123,246,599
Less accumulated depreciation				
Distribution system	(33,212,652)	(1,993,117)	-	(35,205,769)
Carter Lake Filter Plant improvements	(3,094,141)	(298,197)	-	(3,392,338)
Dry Creek Reservoir Dam	(1,115,900)	(75,389)	-	(1,191,289)
Buildings and improvements	(655,321)	(47,066)	-	(702,387)
Vehicles and equipment	(2,257,881)	(254,055)	196,251	(2,315,685)
Intangible assets	(172,650)	(5,626)	-	(178,276)
Total accumulated depreciation	(40,508,545)	(2,673,450)	196,251	(42,985,744)
Total capital assets, being depreciated, net	70,823,011	9,437,844	-	80,260,855
Total capital assets	\$ 214,101,003	\$ 24,190,964	\$ (2,134,160)	\$ 236,157,807

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations for the year ended December 31, 2025 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bonds					
2020	\$ 21,240,000	\$ -	\$ 470,000	\$ 20,770,000	\$ 490,000
Notes Payable					
2017A	1,731,664	-	563,811	1,167,853	577,115
2017B	955,821	-	375,910	579,911	384,606
Bond premiums	3,508,230	-	225,252	3,282,978	219,155
Compensated absences	434,351	22,052	-	456,403	456,403
Total long-term obligations	\$ 27,870,066	\$ 22,052	\$ 1,634,973	\$ 26,257,145	\$ 2,127,279

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

A summary of changes in long-term obligations for the year ended December 31, 2024 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bonds					
2020	\$ 21,685,000	\$ -	\$ 445,000	\$ 21,240,000	\$ 470,000
Notes Payable					
2017A	2,282,715	-	551,051	1,731,664	563,811
2017B	1,323,232	-	367,411	955,821	375,910
Bond premiums	3,739,255	-	231,025	3,508,230	-
Compensated absences	387,183	322,042	274,874	434,351	434,351
Total long-term obligations	<u>\$ 29,417,385</u>	<u>\$ 322,042</u>	<u>\$ 1,869,361</u>	<u>\$ 27,870,066</u>	<u>\$ 1,844,072</u>

The annual requirements and future payments on debt outstanding as of December 31, 2025, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,451,721	\$ 883,408	\$ 2,335,129
2027	1,281,043	860,465	2,141,508
2028	515,000	820,000	1,335,000
2029	545,000	794,250	1,339,250
2030	570,000	767,000	1,337,000
2031 - 2035	3,290,000	3,397,800	6,687,800
2036 - 2040	4,020,000	2,664,400	6,684,400
2041 - 2035	4,890,000	1,792,800	6,682,800
2046 - 2050	5,955,000	733,000	6,688,000
Total	<u>\$ 22,517,764</u>	<u>\$ 12,713,123</u>	<u>\$ 35,230,887</u>

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, 2025, the bonds have \$73,617 of accrued interest and an unamortized bond premium of \$3,282,978.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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.

2025 principal paid	\$	1,409,721
2025 interest paid		928,909
Subtotal		2,338,630
		110%
Required net revenue as defined in 2020, 2017A, and 2017B resolutions	\$	2,572,493

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

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 – RATE MAINTENANCE (CONTINUED)

<u>Net revenue as defined in 2020 and 2017 Agreements</u>	
Operating revenues	\$ 16,179,874
Tap fees / water rights	<u>3,869,050</u>
Subtotal	20,048,924
Operating expenses (less depreciation expense)	<u>(12,981,614)</u>
Required net revenue	<u>\$ 7,067,310</u>

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 \$3,163,113 and \$2,996,816 for the years ended December 31, 2025 and 2024, 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 \$158,156 and \$149,841 to the plan for covered employees during the years ended December 31, 2025 and 2024, 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 years ended December 31, 2025 and 2024, the District contributed \$58,332 and \$55,410, respectively, for employees enrolled in the plan.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

During the year ended December 31, 2025, the District entered into an agreement for the District to be reimbursed for estimated costs of \$1,209,110 related to the relocation of a water pipeline.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Construction Commitments (continued)

The District received the funds up front and will reimburse the other entity for any remaining balance upon completion of the water pipeline relocation. At December 31, 2025, remaining balance of \$1,137,314 is expected to be spent related to the project.

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.

LITTLE THOMPSON WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 – TABOR COMPLIANCE

These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District is an enterprise fund and has no TABOR revenues and therefore has not set aside any monies for emergencies as defined by TABOR.

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

NOTE 11 – SUBSEQUENT EVENTS

The District evaluated subsequent events through July 7, 2026, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure.

NOTE 12 – RESTATEMENT

For the year ended December 31, 2024, errors in the previously issued financial statements were identified related to customer deposits recorded at December 31, 2024. The customer deposits should have been recorded as revenue by the District during 2024, however, they were not recorded as revenue until 2025 which resulted in an overstatement of liabilities and understatement of revenues for the year ended December 31, 2024. Table below outlines the impact of the restatement on ending net position for the year ended December 31, 2024.

	December 31, 2024 As Previously Reported	Error Correction	December 31, 2024 As Restated
District, Enterprise Fund	\$ 254,687,007	\$ 630,218	\$ 255,317,225

SUPPLEMENTARY INFORMATION

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

<i>For the Years Ended December 31,</i>	2025		<i>(as restated)</i>	
	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual Amounts Budget Basis
<u>Revenues</u>				
<u>Operating revenues</u>				
Water sales	\$ 14,869,006	\$ 15,709,640	\$ 840,634	\$ 13,638,960
Tap installation	187,680	235,620	47,940	196,080
Miscellaneous	64,260	234,614	170,354	207,970
Total operating revenues	15,120,946	16,179,874	1,058,928	14,043,010
<u>Non-operating revenues (expenses)</u>				
Earnings on investments	660,000	644,742	(15,258)	874,658
Mineral lease revenue	-	685	685	988
Miscellaneous	456,450	380,787	(75,663)	262,977
Grant revenue	-	676,481	676,481	-
Total non-operating revenues	1,116,450	1,702,695	586,245	1,138,623
<u>Contributions</u>				
Tap fees / water rights	6,848,112	7,695,367	847,255	13,397,523
Total revenues	23,085,508	25,577,936	2,492,428	28,579,156
<u>Expenditures</u>				
<u>Distribution</u>				
Maintenance and operation	1,182,825	936,099	246,726	1,518,429
Vehicle expense	204,980	137,754	67,226	125,855
Water quality	38,700	170,683	(131,983)	170,608
Total distribution	1,426,505	1,244,536	181,969	1,814,892
<u>Administration and general</u>				
Building and grounds expense	96,400	66,573	29,827	71,847
Computer expense	299,141	300,549	(1,408)	227,318
Farm expense	3,200	3,300	(100)	3,060
Insurance	148,220	167,198	(18,978)	142,103
Memberships	26,745	25,381	1,364	16,913
Miscellaneous	60,190	13,780	46,410	18,881
Office service contracts	238,334	268,182	(29,848)	244,623
Office expense	45,710	36,428	9,282	35,344
Professional fees	156,500	192,961	(36,461)	137,745
Public relations	117,520	204,485	(86,965)	128,363
Safety and training expense	28,685	22,084	6,601	20,457
Telephone and communications	93,050	82,870	10,180	83,307
Uniforms	24,900	19,880	5,020	19,936
Total administration and general	1,338,595	1,403,671	(65,076)	1,149,897
<u>Engineering</u>				
Engineering/CAD/professional fees	229,000	125,216	103,784	157,506
Water conservation	62,825	38,185	24,640	36,130
Soil amendments rebates	-	4,500	(4,500)	2,000
Landscaping incentives	-	2,571	(2,571)	3,672
Engineering department expenses	6,600	6,307	293	5,429
Total engineering	298,425	176,779	121,646	204,737

(Continued)

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

<i>For the Years Ended December 31,</i>	2025		2024	
	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual Amounts Budget Basis
<u>Expenditures (continued)</u>				
<u>Employee costs</u>				
Administration	1,178,204	1,175,694	2,510	1,105,718
Board	16,406	8,935	7,471	10,227
Distribution	2,084,258	2,214,034	(129,776)	2,028,380
Engineering	1,677,598	1,580,395	97,203	1,439,819
Total employee costs	4,956,466	4,979,058	(22,592)	4,584,144
<u>Carter Lake Filter Plant and Dry Creek</u>				
<u>Reservoir joint operating costs</u>				
Filter plan operating expense	2,466,601	2,313,103	153,498	1,889,567
Dry creek reservoir operating expense	65,400	5,315	60,085	29,819
Total Carter Lake Filter Plant and Dry Creek Reservoir joint operating costs	2,532,001	2,318,418	213,583	1,919,386
<u>St. Vrain Authority</u>				
Start up costs	190,000	169,144	20,856	103,598
Total St. Vrain Authority	190,000	169,144	20,856	103,598
<u>Water assessment and rentals</u>				
Purchased water expense	2,644,590	2,690,008	(45,418)	2,615,140
Total water assessments and rentals	2,644,590	2,690,008	(45,418)	2,615,140
<u>Debt service</u>				
Principal retired	1,409,651	1,409,721	(70)	1,363,462
Interest	928,906	928,834	72	969,066
Total debt service	2,338,557	2,338,555	2	2,332,528
<u>Capital improvement</u>				
Plant and equipment	24,694,882	10,000,341	14,694,541	5,881,600
Total capital improvement	24,694,882	10,000,341	14,694,541	5,881,600
Total expenditures	40,420,021	25,320,510	15,099,511	20,605,922
Excess (deficiency) of revenues over (under) expenditures	(17,334,513)	257,426	17,591,939	7,973,234
<u>Reconciling items to GAAP basis</u>				
Capital improvements		10,000,341		5,881,600
Principal paid on debt		1,409,721		1,363,462
Depreciation		(2,850,938)		(2,673,450)
Contributed capital assets		10,887,142		18,848,654
Gain on sale of asset		26,188		52,468
Joint venture income (loss)		463,706		(59,616)
Change in accrued interest expense		3,792		3,646
Amortization of deferred loss and premiums		219,746		223,393
Change in net position		<u>\$ 20,417,124</u>		<u>\$ 31,613,391</u>