

TREE HAUS METROPOLITAN DISTRICT

Financial Statements

December 31, 2022

TREE HAUS METROPOLITAN DISTRICT

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Independent Auditor's Report

To the Board of Directors
Tree Haus Metropolitan District
Routt County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Tree Haus Metropolitan District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the District as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 GAAP, 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.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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.

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

GAAP requires that the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 21 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 GAAS, 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.

Management has omitted Management's Discussion and Analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 Enterprise Fund Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Catterson + Company, P.C.

Steamboat Springs, Colorado
April 30, 2023

TREE HAUS METROPOLITAN DISTRICT
Statement of Net Position
December 31, 2022
(with comparative financial information as of December 31, 2021)

	2022			2021 Total
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 8,803	\$ 564,086	\$ 572,889	\$ 553,277
Accounts receivable	-	1,362	1,362	4,042
Interfund balances	53,151	(53,151)	-	-
Property taxes receivable	113,606	-	113,606	105,606
Capital assets, net	760,515	891,466	1,651,981	1,704,127
Total assets	936,075	1,403,763	2,339,838	2,367,052
Liabilities:				
Accounts payable	-	10,195	10,195	16,003
Accrued interest payable	2,259	1,462	3,721	3,805
Road damage deposits	3,500	-	3,500	7,000
Noncurrent liabilities:				
Due within one year	39,961	58,799	98,760	96,170
Due in more than one year	694,788	405,986	1,100,774	1,199,534
Total liabilities	740,508	476,442	1,216,950	1,322,512
Deferred inflows of resources:				
Deferred property taxes	113,606	-	113,606	105,606
Total deferred inflows of resources	113,606	-	113,606	105,606
Net position:				
Net investment in capital assets	25,766	426,681	452,447	408,423
Restricted for:				
Emergencies	-	10,723	10,723	10,867
Operations and maintenance reserve	-	34,700	34,700	40,000
Unrestricted	56,195	455,217	511,412	479,644
Total net position	\$ 81,961	\$ 927,321	\$ 1,009,282	\$ 938,934

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Statement of Activities
For the Year Ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

2022							
Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2021 Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:							
Snowplowing	\$ 27,070	\$ -	\$ -	\$ (27,070)	\$ -	\$ (27,070)	\$ (16,448)
Road maintenance	44,815	-	-	(44,815)	-	(44,815)	(55,253)
Tax collection fees	3,175	-	-	(3,175)	-	(3,175)	(3,272)
Interest on long-term debt	26,042	-	-	(26,042)	-	(26,042)	(27,131)
Total governmental activities	101,102	-	-	(101,102)	-	(101,102)	(102,104)
Business-type activities:							
Operations	136,147	144,960	-	-	8,813	8,813	(16,560)
Administrative	49,826	-	-	-	(49,826)	(49,826)	(47,791)
Total business-type activities	185,973	144,960	-	-	(41,013)	(41,013)	(64,351)
Total primary government	\$ 287,075	\$ 144,960	\$ -	(101,102)	(41,013)	(142,115)	(166,455)
General revenues:							
Taxes:							
Property				105,911	84,005	189,916	197,008
Specific ownership				-	12,881	12,881	14,156
Interest				-	9,666	9,666	7,015
Total general revenues				105,911	106,552	212,463	218,179
Change in net position				4,809	65,539	70,348	51,724
Net position, beginning of year				77,152	861,782	938,934	887,210
Net position, end of year				\$ 81,961	\$ 927,321	\$ 1,009,282	\$ 938,934

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
General Fund
Balance Sheet
December 31, 2022
(with summarized financial information as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 8,803	\$ 3,409
Interfund balance	53,151	63,894
Property taxes receivable	<u>113,606</u>	<u>105,606</u>
 Total assets	 <u>\$ 175,560</u>	 <u>\$ 172,909</u>
 Liabilities, deferred inflows of resources, and fund balance:		
Liabilities:		
Road damage deposits	<u>\$ 3,500</u>	<u>\$ 7,000</u>
 Total liabilities	 <u>3,500</u>	 <u>7,000</u>
 Deferred inflows resources:		
Deferred property taxes	<u>113,606</u>	<u>105,606</u>
 Total deferred inflows of resources	 <u>113,606</u>	 <u>105,606</u>
 Fund balance:		
Unassigned	<u>58,454</u>	<u>60,303</u>
 Total fund balance	 <u>58,454</u>	 <u>60,303</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 175,560</u>	 <u>\$ 172,909</u>

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Reconciliation of the General Fund Balance
to the Statement of Net Position
For the Year Ended December 31, 2022

Governmental fund balance	\$	58,454
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the general fund:		
Costs of capital assets, net of accumulated depreciation		760,515
Long-term liabilities and accrued interest payable within governmental activities are not due and payable in the current period and, therefore, are not reported in the general fund:		
General obligation loan		(734,749)
Accrued interest payable		(2,259)
		81,961
Net position of governmental activities	\$	81,961

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	2022	2021
Revenues:		
Property taxes	\$ 105,911	\$ 108,757
Total revenues	105,911	108,757
Expenditures:		
Snowplowing	27,070	16,448
Road maintenance	12,909	23,348
Tax collection fees	3,175	3,272
Debt service:		
Principal	38,637	37,356
Interest	25,969	27,250
Capital outlay	-	-
Total expenditures	107,760	107,674
Excess (deficiency) of revenues over expenditures	(1,849)	1,083
Fund balance, beginning of year	60,303	59,220
Fund balance, end of year	\$ 58,454	\$ 60,303

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
General Fund Balance to the Statement of Activities
For the Year Ended December 31, 2022

Changes in fund balance - governmental fund	\$	(1,849)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>The general fund reports capital outlays as expenditures; however, they are capitalized and depreciated in the statement of activities.</p>		(31,906)
<p>Principal repayments of long-term debt are expenditures in the general fund, but the repayment reduces long-term liabilities in the statement of net position.</p>		38,637
<p>Interest expense in the statement of activities is reported on the accrual basis while interest payments are reported as expenditures in the general fund.</p>		<u>(73)</u>
Change in net position of governmental activities	\$	<u><u>4,809</u></u>

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Enterprise Fund
Statement of Net Position
December 31, 2022
(with summarized financial information as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 564,086	\$ 549,868
Accounts receivable	<u>1,362</u>	<u>4,042</u>
Total current assets	<u>565,448</u>	<u>553,910</u>
Noncurrent assets:		
Capital assets, net of depreciation	<u>891,466</u>	<u>911,706</u>
Total noncurrent assets	<u>891,466</u>	<u>911,706</u>
Total assets	<u>1,456,914</u>	<u>1,465,616</u>
Liabilities:		
Current liabilities:		
Accounts payable	10,195	16,003
Accrued interest payable	1,462	1,619
Interfund balance	53,151	63,894
Current portion of notes payable	<u>58,799</u>	<u>57,533</u>
Total current liabilities	123,607	139,049
Noncurrent liabilities:		
Notes payable	<u>405,986</u>	<u>464,785</u>
Total liabilities	<u>529,593</u>	<u>603,834</u>
Net position:		
Net investment in capital assets	426,681	389,388
Restricted for:		
Emergencies	10,723	10,867
Operations and maintenance reserve	34,700	40,000
Unrestricted	<u>455,217</u>	<u>421,527</u>
Total net position	<u>\$ 927,321</u>	<u>\$ 861,782</u>

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Enterprise Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	2022	2021
Operating revenues:		
Charges for services:		
Water and sewer	\$ 138,300	\$ 137,400
Availability to serve	6,660	6,660
Total operating revenues	144,960	144,060
Operating expenses:		
Operations	91,312	114,989
Administrative	47,296	45,136
Depreciation	34,557	34,111
Total operating expenses	173,165	194,236
Operating income (loss)	(28,205)	(50,176)
Non-operating revenues (expenses):		
Tax revenues	96,886	102,407
Interest income	9,666	7,015
Interest expense	(10,278)	(11,520)
Tax collection fees	(2,530)	(2,655)
Net non-operating revenues	93,744	95,247
Change in net position	65,539	45,071
Net position, beginning of year	861,782	816,711
Net position, end of year	\$ 927,321	\$ 861,782

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 147,640	\$ 141,087
Cash payments to suppliers of goods and services	<u>(144,416)</u>	<u>(150,128)</u>
Net cash provided (used) by operating activities	<u>3,224</u>	<u>(9,041)</u>
Cash flows from non-capital financing activities:		
Cash receipts from taxes	96,886	102,407
Cash payments for tax collection fees	(2,530)	(2,655)
Cash payments (to) from other fund	<u>(10,743)</u>	<u>9,189</u>
Net cash provided by non-capital financing activities	<u>83,613</u>	<u>108,941</u>
Cash flows from capital and related financing activities:		
Principal payments on note payable	(57,533)	(56,295)
Interest payments on note payable	(10,435)	(11,673)
Cash payments for capital assets	<u>(14,317)</u>	<u>(11,880)</u>
Net cash provided by (used) capital and related financing activities	<u>(82,285)</u>	<u>(79,848)</u>
Cash flows from investing activities:		
Interest received	<u>9,666</u>	<u>7,015</u>
Net cash provided by investing activities	<u>9,666</u>	<u>7,015</u>
Net change in cash and cash equivalents	14,218	27,067
Cash and cash equivalents, beginning of year	<u>549,868</u>	<u>522,801</u>
Cash and cash equivalents, end of year	<u>\$ 564,086</u>	<u>\$ 549,868</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (28,205)	\$ (50,176)
Depreciation	34,557	34,111
(Increase) decrease in:		
Accounts receivable	2,680	(2,973)
(Decrease) increase in:		
Accounts payable	<u>(5,808)</u>	<u>9,997</u>
Net cash provided (used) by operating activities	<u>\$ 3,224</u>	<u>\$ (9,041)</u>

See accompanying notes to the financial statements.

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 1: Summary of Significant Accounting Policies

The Tree Haus Metropolitan District (the District) is incorporated as a separate local government entity under Colorado Revised Statutes (CRS) and is governed by an elected Board of Directors that reside within the District. The District provides water, sewer and road maintenance services in the geographical area organized as the Tree Haus Metropolitan District in Routt County, Colorado.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The government-wide financial statements and proprietary (enterprise) fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues collected within 60 days after year end to be available and thus recognizes them as revenues in the current year.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information about the nonfiduciary activities of the District. The District's activities are categorized as either governmental activities or business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental functions and business-type activities. The governmental functions are supported by general revenues (e.g., taxes, interest). The statement of activities reduces gross expenses (including depreciation) by related program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenues include (a) charges for services, and (b) grants and contributions that are restricted for the operating or capital requirements of a specific program. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 1: Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The fund financial statements report information about the District's funds.

The District reports the following major governmental fund:

The *General Fund* is used to account for the District's road maintenance activities. The major source of revenue is from property taxes.

The District reports the following major proprietary or business-type fund:

The *Enterprise Fund* accounts for the activities of the water and sewer services provided to the District's residents. The major sources of revenue are from charges for services and property taxes.

Fund Balance Presentation

Fund balances of the governmental fund are classified as follows:

- Non-spendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- Committed – includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the District. Such formal action may be in form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- Assigned – includes amounts that are intended by the District to be used for specific purposes that are neither restricted nor committed. Assignments may be made only by the Board of Directors.
- Unassigned – represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned.

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

Accounts Receivable

Accounts receivable consists of charges for services due from District residents. Receivables are reviewed periodically to establish an allowance for uncollectible accounts. The District considers all receivables to be fully collectible as of December 31, 2022 and 2021. Therefore, no allowance for uncollectible accounts has been established.

Capital Assets

Capital assets include property, water and sewer systems, equipment and infrastructure assets. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water and sewer systems	10-40
Infrastructure	30-50

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of unavailable revenues from property taxes for its governmental activities.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District's business-type activities. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the District on a monthly basis.

Use of Estimates

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

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New Accounting Pronouncement

GASB Statement No. 87, *Leases*, was effective for the District beginning January 1, 2022. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are the financing of the right to use an underlying asset. This standard requires a lessee to recognize a lease liability and an intangible right-to-use lease asset and requires a lessor to recognize a lease receivable and a deferred inflow of resources.

The District has no leases that qualify for recognition under this standard.

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for the General Fund. The Enterprise Fund adopts a budget on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. All annual appropriations lapse at year end.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District Administrator submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental appropriations for the year ended December 31, 2022.

Compliance

Expenditures in the District's General Fund exceeded appropriations by \$2,154 for the year ended December 31, 2022. The excess expenditures were funded from available fund balance.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$10,723 of the December 31, 2022 fund balance in the Enterprise Fund for this purpose.

The District's voters passed a ballot question on May 2, 2000, authorizing the District to collect, retain and expend the full proceeds of the District's tax levy, non-federal grants and all other revenues for the fiscal year 2000 and every year thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and many of its provisions may require judicial interpretation.

TREE HAUS METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2022

(with summarized financial information as of and for the year ended December 31, 2021)

Note 3: Cash and Cash Equivalents

Deposits

The carrying amount of the District's deposits as of December 31, 2022 and 2021 was \$572,889 and \$553,278, respectively, and bank balances were \$606,426 and \$559,759, respectively. Of the bank balances, \$606,426 and \$465,870 as of December 31, 2022 and 2021, respectively, was covered by federal deposit insurance and \$0 and \$93,889, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The 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 collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the aggregate uninsured deposits.

Note 4: Capital Assets

Capital asset activity for the year ended December 31, 2022 is summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Roads	\$ 1,001,582	\$ -	\$ -	\$ 1,001,582
Less accumulated depreciation	<u>(209,161)</u>	<u>(31,906)</u>	<u>-</u>	<u>(241,067)</u>
Governmental activities capital assets, net	<u>\$ 792,421</u>	<u>\$ (31,906)</u>	<u>\$ -</u>	<u>\$ 760,515</u>
Business-type activities:				
Land	\$ 9,002	\$ -	\$ -	\$ 9,002
Other capital assets:				
Water and sewer system	<u>1,709,324</u>	<u>14,317</u>	<u>-</u>	<u>1,723,641</u>
Total other capital assets at cost	<u>1,709,324</u>	<u>14,317</u>	<u>-</u>	<u>1,723,641</u>
Less accumulated depreciation for:				
Water and sewer system	<u>(806,620)</u>	<u>(34,557)</u>	<u>-</u>	<u>(841,177)</u>
Total accumulated depreciation	<u>(806,620)</u>	<u>(34,557)</u>	<u>-</u>	<u>(841,177)</u>
Other capital assets, net	<u>902,704</u>	<u>(20,240)</u>	<u>-</u>	<u>882,464</u>
Business-type activities capital assets, net	<u>\$ 911,706</u>	<u>\$ (20,240)</u>	<u>\$ -</u>	<u>\$ 891,466</u>

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 4: Capital Assets (continued)

Depreciation expense was charged to functions of the District as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Governmental activities:		
Road maintenance	\$ 31,906	\$ 31,905
Business-type activities:		
Operations	\$ 34,557	\$ 34,111

Note 5: Long-Term Debt

The District has the following long-term debt outstanding as of December 31, 2022:

Colorado Water Resources and Power Development Authority (CWRPDA) Note Payable

The District entered into a \$1,080,000 loan agreement with the CWRPDA on November 3, 2010. Effective June 1, 2015, the loan principal was reduced by the remaining unused project funds of \$137,815. Proceeds were used to upgrade filtration equipment, raw water pumps and disinfection of the District's systems.

The loan agreement requires the District to maintain an operations and maintenance reserve fund equal to three months of operations and maintenance expenses. The District has reserved \$34,700 for this purpose as of December 31, 2022.

The first loan payment of \$16,446, including principal and interest, was paid on November 1, 2011. Remaining principal and interest payments of \$33,235 were due semi-annually on May 1 and November 1 until principal reduction on June 1, 2015. After the reduction of principal, the semi-annual loan payments, including interest at 2%, are \$28,190 through maturity on May 1, 2031.

National Rural Water Association (NRWA) Note Payable

On March 23, 2015 the District entered into a \$100,000 loan from the NRWA. The loan requires monthly payments of \$966, including interest at 3%, commencing on May 1, 2015 through maturity on April 1, 2025. The proceeds from the loan were used for replacement of the District's siphon system. The note is secured by an interest in the assets of the District in the amount of principal owed.

Mountain Valley Bank General Obligation Loan Series 2017

The District entered into a \$932,000 general obligation loan agreement with Citywide Banks on July 18, 2017. In May 2019, the Steamboat Springs branch of Citywide Banks was acquired by Mountain Valley Bank and assumed terms of the loan. The loan carries an annual interest rate of 3.4% until July 1, 2027 then resets to a fixed rate at the 10-Year US Treasury rate +1.15%, with a floor of 3.4% and ceiling of 5.75% through maturity on June 1, 2037. The first loan payment of \$28,166, including principal and interest, was paid on December 1, 2017. Remaining principal and interest payments of \$32,303 are due semi-annually on June 1 and December 1 until maturity. The proceeds from the loan were used for paving and resurfacing of the District's roadways. The loan is secured by a pledge of property tax revenues.

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 5: Long-Term Debt (continued)

Long-term debt activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
CWRPDA note payable	\$ 485,606	\$ -	\$ (46,902)	\$ 438,704	\$ 47,844
NRWA note payable	36,712	-	(10,631)	26,081	10,955
	<u>522,318</u>	<u>-</u>	<u>(57,533)</u>	<u>464,785</u>	<u>58,799</u>
Governmental activities:					
Mountain Valley Bank general obligation loan	773,386	-	(38,637)	734,749	39,961
	<u>773,386</u>	<u>-</u>	<u>(38,637)</u>	<u>734,749</u>	<u>39,961</u>
Total long-term debt	<u>\$ 1,295,704</u>	<u>\$ -</u>	<u>\$ (96,170)</u>	<u>\$ 1,199,534</u>	<u>\$ 98,760</u>

Aggregate debt service requirements as of December 31, 2022 are as follows:

Year	Principal	Interest	Total
2023	\$ 98,760	\$ 33,814	\$ 132,574
2024	101,426	31,148	132,574
2025	96,375	28,474	124,849
2026	95,004	25,983	120,987
2027	97,540	23,447	120,987
2028-2032	442,949	77,414	520,363
2033-2037	267,480	23,245	290,725
	<u>\$ 1,199,534</u>	<u>\$ 243,525</u>	<u>\$ 1,443,059</u>

Note 6: Governmental Fund Balance

When expenditures are incurred and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed. The District has no restricted, committed, or assigned governmental fund balances as of December 31, 2022.

Note 7: Intergovernmental Agreement

Commitments

Stagecoach Reservoir Storage Agreement

The District entered into an amendment of water allotment contract with the Upper Yampa Water Conservancy District effective March 1, 2022 for 50-acre feet of storage water in the Stagecoach Reservoir for twenty years through February 28, 2042. The purchase price for the storage water is \$82 per acre foot beginning in 2022 and is subject to an annual CPI increase.

The District paid \$82 per acre foot of storage water for the year ended December 31, 2022.

TREE HAUS METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022
(with summarized financial information as of and for the year ended December 31, 2021)

Note 8: 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 maintains insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Note 9: Subsequent Events

The District has evaluated subsequent events through April 30, 2023, the date these financial statements were available to be issued.

TREE HAUS METROPOLITAN DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 105,606	\$ 105,911	\$ 305
Total revenues	<u>105,606</u>	<u>105,911</u>	<u>305</u>
Expenditures:			
Snowplowing	22,000	27,070	(5,070)
Road maintenance	19,000	12,909	6,091
Tax collection fees	-	3,175	(3,175)
Debt service:			
Principal	38,637	38,637	-
Interest	25,969	25,969	-
Capital outlay	-	-	-
Total expenditures	<u>105,606</u>	<u>107,760</u>	<u>(2,154)</u>
Change in fund balance - budgetary basis	<u>\$ -</u>	<u>(1,849)</u>	<u>\$ (1,849)</u>
Fund balance, beginning of year		<u>60,303</u>	
Fund balance, end of year		<u>\$ 58,454</u>	

TREE HAUS METROPOLITAN DISTRICT
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
Property	\$ 83,996	\$ 84,005	\$ 9
Specific ownership	13,900	12,881	(1,019)
Charges for services:			
Water and sewer	137,400	138,300	900
Availability to serve	6,660	6,660	-
Interest	7,400	9,666	2,266
Total revenues	249,356	251,512	2,156
Expenditures:			
Operations:			
Repairs and maintenance	69,832	36,279	33,553
Sewage transmission	30,900	40,130	(9,230)
Filters	10,400	1,862	8,538
Other	14,600	13,041	1,559
Administrative:			
Professional fees	32,200	32,504	(304)
Engineers fees	1,000	-	1,000
Insurance	7,414	7,414	-
Directors fees	6,000	5,300	700
Tax collection fees	6,392	2,530	3,862
Other	2,650	2,078	572
Debt service:			
Principal	57,533	57,533	-
Interest	10,435	10,278	157
Capital outlay	-	14,317	(14,317)
Total expenditures	249,356	223,266	26,090
Excess of revenues over expenditures	\$ -	28,246	\$ (23,934)
Adjustments to GAAP basis:			
Debt principal payments		57,533	
Capitalized expenditures		14,317	
Depreciation		(34,557)	
Change in net position - GAAP basis		65,539	
Net position, beginning of year		861,782	
Net position, end of year		\$ 927,321	