

**TIMBERS WATER AND SANITATION DISTRICT**

Financial Statements

December 31, 2022

**TIMBERS WATER AND SANITATION DISTRICT**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual:	
Water Fund	13
Sewer Enterprise Fund	14
Water Activity Enterprise Fund	15



## Independent Auditor's Report

Board of Directors  
Timbers Water and Sanitation District  
Routt County, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Timbers Water and Sanitation 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 financial position of the Timbers Water and Sanitation District as of December 31, 2022, and the respective changes in financial position, and 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 March 15, 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***

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 schedules of revenues, expenditures and changes in fund balance – budget and actual on pages 13-15 are 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Cottler + Company, P.C.*

Steamboat Springs, Colorado  
March 14, 2023

**TIMBERS WATER AND SANITATION DISTRICT**  
**Statement of Net Position**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021)

	2022				2021 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	Total	
<b>Assets:</b>					
Current assets:					
Cash	\$ 186,420	\$ 45,375	\$ 5,150	\$ 236,945	\$ 237,756
Due from County Treasurer	553	432	-	985	962
Accounts receivable, net	1,378	-	-	1,378	355
Grants receivable	-	5,241	-	5,241	11,106
Project loan account	-	216,547	-	216,547	361,070
Property taxes receivable	114,944	89,437	-	204,381	204,709
<b>Total current assets</b>	<b>303,295</b>	<b>357,032</b>	<b>5,150</b>	<b>665,477</b>	<b>815,958</b>
Noncurrent assets:					
Capital assets, net	331,584	4,187,695	948,578	5,467,857	5,555,369
Interfund loan	571,676	-	-	571,676	571,675
<b>Total assets</b>	<b>\$ 1,206,555</b>	<b>\$ 4,544,727</b>	<b>\$ 953,728</b>	<b>\$ 6,705,010</b>	<b>\$ 6,943,002</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 3,896	\$ 10,917	\$ -	\$ 14,813	\$ 168,913
Accrued interest payable	-	1,564	3,918	5,482	5,993
Retainage payable	-	67,734	-	67,734	75,134
Notes payable, current portion	28,513	82,802	28,870	140,185	138,167
<b>Total current liabilities</b>	<b>32,409</b>	<b>163,017</b>	<b>32,788</b>	<b>228,214</b>	<b>388,207</b>
Noncurrent liabilities:					
Notes payable, net of current portion	177,597	2,287,350	206,189	2,671,136	2,811,321
Interfund loan	(40,623)	-	612,298	571,675	571,675
<b>Total liabilities</b>	<b>169,383</b>	<b>2,450,367</b>	<b>851,275</b>	<b>3,471,025</b>	<b>3,771,203</b>
<b>Deferred Inflows of Resources:</b>					
Deferred property tax revenues	114,944	89,437	-	204,381	204,709
<b>Total deferred inflows of resources</b>	<b>114,944</b>	<b>89,437</b>	<b>-</b>	<b>204,381</b>	<b>204,709</b>
<b>Net Position:</b>					
Net investment in capital assets	737,773	1,966,356	101,221	2,805,350	2,891,817
Restricted for:					
Emergencies	9,530	-	-	9,530	13,489
Operations and maintenance reserve	20,500	19,100	-	39,600	34,100
Unrestricted	154,425	19,467	1,232	175,124	27,684
<b>Total net position</b>	<b>\$ 922,228</b>	<b>\$ 2,004,923</b>	<b>\$ 102,453</b>	<b>\$ 3,029,604</b>	<b>\$ 2,967,090</b>

See accompanying notes to the financial statements.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2022**  
(with summarized financial information for the year ended December 31, 2021)

	2022			Total	2021 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund		
<b>Operating revenues:</b>					
Service fees	\$ 105,188	\$ 38,521	\$ -	\$ 143,709	\$ 141,994
Availability of service fees	8,931	2,082	-	11,013	11,744
Other	4,139	-	-	4,139	5,335
Total operating revenues	<u>118,258</u>	<u>40,603</u>	<u>-</u>	<u>158,861</u>	<u>159,073</u>
<b>Operating expenses:</b>					
Water operations	81,953	-	41,017	122,970	118,066
Wastewater operations	-	76,568	-	76,568	56,457
Depreciation	12,651	110,372	30,589	153,612	151,959
Total operating expenses	<u>94,604</u>	<u>186,940</u>	<u>71,606</u>	<u>353,150</u>	<u>326,482</u>
Operating income (loss)	<u>23,654</u>	<u>(146,337)</u>	<u>(71,606)</u>	<u>(194,289)</u>	<u>(167,409)</u>
<b>Non-operating revenues (expenses):</b>					
Tax revenues:					
Property	114,945	89,765	-	204,710	202,599
Specific ownership	8,108	5,800	-	13,908	14,557
Grants	-	60,077	-	60,077	101,528
Interest income	739	453	-	1,192	910
Interest expense	(845)	(9,570)	(12,669)	(23,084)	(25,048)
Total non-operating revenues (expenses)	<u>122,947</u>	<u>146,525</u>	<u>(12,669)</u>	<u>256,803</u>	<u>294,546</u>
<b>Income before other revenues, expenses, gains losses and transfers:</b>					
Transfers	(80,123)	-	80,123	-	-
Change in net position	66,478	188	(4,152)	62,514	127,137
Net position, beginning of year	<u>855,750</u>	<u>2,004,735</u>	<u>106,605</u>	<u>2,967,090</u>	<u>2,839,953</u>
Net position, end of year	<u>\$ 922,228</u>	<u>\$ 2,004,923</u>	<u>\$ 102,453</u>	<u>\$ 3,029,604</u>	<u>\$ 2,967,090</u>

See accompanying notes to the financial statements.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**  
**(with summarized financial information for the year ended December 31, 2021)**

	2022				2021 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	Total	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 117,235	\$ 40,603	\$ -	\$ 157,838	\$ 159,861
Cash payments to suppliers for goods or services	(80,750)	(68,342)	(41,017)	(190,109)	(175,817)
Net cash provided (used) by operating activities	36,485	(27,739)	(41,017)	(32,271)	(15,956)
<b>Cash flows from noncapital financing activities:</b>					
Tax collections	123,046	95,549	-	218,595	216,886
Interfund transfers	(80,123)	-	80,123	-	-
Net cash provided by noncapital financing activities	42,923	95,549	80,123	218,595	216,886
<b>Cash flows from capital and related financing activities:</b>					
Long term debt proceeds drawn from project loan account	-	144,523	-	144,523	215,730
Purchase of capital assets	-	(237,030)	-	(237,030)	(303,032)
Proceeds from capital grants	-	65,942	-	65,942	115,098
Principal payments on long-term debt	(28,187)	(82,485)	(27,495)	(138,167)	(136,226)
Interest payments on long-term debt	(845)	(9,623)	(13,127)	(23,595)	(25,537)
Net cash provided (used) by capital and related financing activities	(29,032)	(118,673)	(40,622)	(188,327)	(133,967)
<b>Cash flows from investing activities:</b>					
Interest received	739	453	-	1,192	910
Net cash provided by investing activities	739	453	-	1,192	910
Net change in cash and cash equivalents	51,115	(50,410)	(1,516)	(811)	67,873
Cash, beginning of year	135,305	95,785	6,666	237,756	169,883
Cash, end of year	<u>\$ 186,420</u>	<u>\$ 45,375</u>	<u>\$ 5,150</u>	<u>\$ 236,945</u>	<u>\$ 237,756</u>

See accompanying notes to the financial statements.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**  
**(with summarized financial information for the year ended December 31, 2021)**

	2022				2021 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	Total	
<b>Reconciliation of operating income (loss) to net cash provided by activities:</b>					
Operating income (loss)	\$ 23,654	\$ (146,337)	\$ (71,606)	\$ (194,289)	\$ (167,409)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	12,651	110,372	30,589	153,612	151,959
(Increase) decrease in:					
Accounts receivable	(1,023)	-	-	(1,023)	788
(Decrease) increase in:					
Accounts payable and accrued expenses, net of capital amounts	1,203	8,226	-	9,429	(1,294)
Net cash provided (used) by operating activities	<u>\$ 36,485</u>	<u>\$ (27,739)</u>	<u>\$ (41,017)</u>	<u>\$ (32,271)</u>	<u>\$ (15,956)</u>

See accompanying notes to the financial statements.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 1: Summary of Significant Accounting Policies**

The Timbers Water and Sanitation District (the District) was established to provide water and sanitation services to residents within the District boundaries located on the west slope of Rabbit Ears Pass leading into Steamboat Springs, Colorado. The District was formed as a special district pursuant to Title 32 of Colorado Revised Statutes (CRS).

The District's financial statements were prepared in accordance with U.S. generally accepted accounting principles for governmental entities (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 District is a special-purpose governmental entity engaging entirely in business-type activities and the accompanying proprietary 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 recorded when earned and expenses are recognized when incurred.

*Financial Statement Presentation*

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

The *Water Fund* accounts for the activities of the water utilities provided to residents within the District's boundaries not undertaken by the Water Activity Enterprise Fund. The major sources of revenue are from user service fees, property taxes, and grants.

The *Sewer Enterprise Fund* accounts for the activities of the wastewater utilities provided to residents within the District's boundaries. The major sources of revenues are from user service fees, property taxes, and grants.

The *Water Activity Enterprise Fund* accounts for the activities of raw water production, acquisition, filtration and treatment.

*Assets, Liabilities, Deferred Inflows of Resources and Net Position*

Cash

Cash includes cash on hand and demand deposits.

Accounts Receivable

Amounts due to the District from charges for services provided are reported as accounts receivable. The District estimates an allowance for uncollectible accounts based on a review current economic conditions and customer financial condition. The District anticipates all accounts receivable will be collected within the next year; therefore, no allowance for uncollectible accounts has been established.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 1: Summary of Significant Accounting Policies (continued)**

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

Capital Assets

Capital assets include land and improvements, water system, wastewater system, water tank, and equipment. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or fair value if contributed to the District. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

	Years
Water system, wastewater system, and water tank	40
Equipment	5

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 then. The District's deferred inflows of resources consist of unavailable revenues from property taxes to be collected in the subsequent year.

*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. 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 monthly.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

*Comparative Financial Statements*

The financial statements include certain prior-year summarized comparative financial 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 financial information was derived.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 2: Stewardship, Compliance and Accountability**

*Budgetary Information*

Budgets are adopted on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on long-term debt are budgeted and recorded as expenditures.

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 budget officer 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 notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to January 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*

The District's Sewer Enterprise Fund expenditures exceeded appropriations by \$104,615 for the year ended December 31, 2022. The excess expenditures were for capital purposes that are being funded by proceeds from capital grants and draws from the project loan account.

The District's Water Activity Enterprise Fund expenditures exceeded appropriations by \$958 for the year ended December 31, 2022. The excess expenditures were funded by transfers from the Water Fund.

*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 current 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 \$9,530 of its December 31, 2022 fund balances for this purpose.

The District's voters passed a ballot issue in May 2006 that permanently lifted TABOR restrictions on the amount of revenue that the District can collect and expend.

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

**TIMBERS WATER AND SANITATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 3: Detailed Notes on the Funds**

*Deposits*

The carrying amount of the District's deposits as of December 31, 2022 and 2021 was \$236,944 and \$237,757, respectively, and bank balances were \$238,424 and \$240,768, respectively. All of the bank balances were covered by federal deposit insurance as of December 31, 2022 and 2021.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The 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.

*Capital Assets*

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

	Beginning Balance	Additions	Deletions	Ending Balance
Land easement	\$ 15,186	\$ -	\$ -	\$ 15,186
Other capital assets:				
Water treatment plant	1,223,555	-	-	1,223,555
Wastewater treatment plant	4,348,788	66,100	-	4,414,888
Other water and wastewater systems	235,616	-	-	235,616
Water tank	182,374	-	-	182,374
Equipment	103,767	-	-	103,767
Total other capital assets	6,094,100	66,100	-	6,160,200
Less accumulated depreciation:				
Water treatment plant	(244,388)	(30,588)	-	(274,976)
Wastewater treatment plant	(116,821)	(110,372)	-	(227,193)
Other water and wastewater systems	(152,359)	(5,498)	-	(157,857)
Water tank	(22,796)	(4,560)	-	(27,356)
Equipment	(17,553)	(2,594)	-	(20,147)
Total accumulated depreciation	(553,917)	(153,612)	-	(707,529)
Net capital assets	<u>\$ 5,555,369</u>	<u>\$ (87,512)</u>	<u>\$ -</u>	<u>\$ 5,467,857</u>

*Long-Term Liabilities*

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

State of Colorado – Energy and Mineral Impact Assistance Program Loan

The District entered into a \$500,000 loan agreement with the State of Colorado, Department of Local Affairs, during 2009. The note is payable in annual installments of \$40,623 on September 1 including interest at 5% through maturity on September 1, 2029. Proceeds of the note were used for upgrading the District's water treatment plant.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 3: Detailed Notes on the Funds (continued)**

*Long-Term Liabilities (continued)*

Colorado Water Resource Power and Development Authority (CWRPDA) Notes Payable

The District entered into a \$350,000 loan agreement with CWRPDA on March 7, 2013. The note is payable in semi-annual installments of \$8,750 on May 1 and November 1 at 0% interest through maturity on May 1, 2033. Proceeds of the note were used for a project consisting of the addition of a groundwater supply, construction of a new treatment building and two buried concrete tanks.

The District entered into a \$561,225 loan agreement with CWRPDA on July 13, 2018. The note is payable in semi-annual installments of \$9,486 on May 1 and November 1 at 0% interest beginning May 1, 2019 through maturity on November 1, 2048. Proceeds of the note were used for repairing and replacing collection lines and design and engineering for a new wastewater treatment plant.

The District entered into a \$2,008,775 loan agreement with CWRPDA on June 24, 2019. The note is payable in an initial payment of \$6,016 on November 1, 2020 then semi-annual installments of \$36,568 on May 1 and November 1 including interest at 0.5% through maturity on May 1, 2050. Proceeds of the note were used for the costs of installation of a new mechanical wastewater treatment plant and decommissioning of the existing wastewater treatment plant. CWRPDA established a project loan account from which the District can draw funds upon request as project costs are incurred. The unexpended loan proceeds in the project loan account as of December 31, 2022 were \$216,547.

The loan agreements require the District to maintain an operations and maintenance reserve fund equal to three months of operation and maintenance expenses, excluding depreciation. The District has reserved \$39,600 for this purpose as of December 31, 2022.

National Rural Water Association (NRWA)

The District entered into a \$99,529 loan agreement with NRWA on November 12, 2014. The note is payable in monthly installments of \$961 beginning January 1, 2015, including interest at 3% through maturity on December 1, 2024. Proceeds of the note were used for renovation of the District's fire hydrants and water storage tank.

Activity in long-term liabilities for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State of Colorado	\$ 262,554	\$ -	\$ (27,495)	\$ 235,059	\$ 28,870
CWRPDA - D13F306	201,250	-	(17,500)	183,750	17,500
NRWA	33,047	-	(10,687)	22,360	11,013
CWRPDA - W18F306	512,237	-	(18,972)	493,265	18,972
CWRPDA - W19F419	1,940,400	-	(63,513)	1,876,887	63,830
	<u>\$ 2,949,488</u>	<u>\$ -</u>	<u>\$ (138,167)</u>	<u>\$ 2,811,321</u>	<u>\$ 140,185</u>

**TIMBERS WATER AND SANITATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 3: Detailed Notes on the Funds (continued)**

*Long-Term Liabilities (continued)*

Aggregate debt service requirements to maturity as of December 31, 2022 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 140,185	\$ 21,577	\$ 161,762
2024	142,282	19,480	161,762
2025	132,772	17,458	150,230
2026	134,687	15,543	150,230
2027	136,683	13,548	150,231
2028-2032	588,407	40,874	629,281
2033-2037	442,479	26,805	469,284
2038-2042	442,299	18,238	460,537
2043-2047	451,081	9,454	460,535
2048-2050	200,446	1,363	201,809
	<u>\$ 2,811,321</u>	<u>\$ 184,340</u>	<u>\$ 2,995,661</u>

*Interfund Transactions*

The District's Water Activity Enterprise Fund has an interfund loan of \$571,675 due to the Water Fund as of December 31, 2022. Repayment of the loan balance is not expected to occur within one year.

The District transferred \$80,123 from its Water Fund to its Water Activity Enterprise Fund during the year ended December 31, 2022.

**Note 4: Other Information**

*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 is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

*Subsequent Events*

The District has evaluated subsequent events through March 14, 2023, the date these financial statements were available to be issued.

**TIMBERS WATER AND SANITATION DISTRICT**  
**Water 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
<b>Revenues:</b>			
Service fees	\$ 103,202	\$ 105,188	\$ 1,986
Availability of service fees	9,923	8,931	(992)
Taxes:			
Property	122,038	114,945	(7,093)
Specific ownership	-	8,108	8,108
Interest	90	739	649
Other	2,750	4,139	1,389
Total revenues	<u>238,003</u>	<u>242,050</u>	<u>4,047</u>
<b>Expenditures:</b>			
Operating:			
Contract services	10,671	16,590	(5,919)
Engineering	27,000	17,079	9,921
Snow removal	16,000	13,855	2,145
Insurance	11,676	11,676	-
Professional fees	22,500	6,839	15,661
Directors fees	6,000	4,800	1,200
Treasurer fees	6,700	3,463	3,237
Other	28,200	7,651	20,549
Debt service:			
Principal	28,188	28,187	1
Interest	845	845	-
Total expenditures	<u>157,780</u>	<u>110,985</u>	<u>46,795</u>
Excess of revenues over expenditures	<u>80,223</u>	<u>131,065</u>	<u>50,842</u>
<b>Other financing sources (uses):</b>			
Transfer to Water Activity Enterprise Fund	(80,223)	(80,123)	100
Total other financial sources (uses)	<u>(80,223)</u>	<u>(80,123)</u>	<u>(100)</u>
Net change in fund balance	<u>\$ -</u>	<u>50,942</u>	<u>\$ 50,942</u>
Adjustments to GAAP basis:			
Depreciation		(12,651)	
Loan principal payments		28,187	
Change in net position - GAAP basis		66,478	
Fund balance, beginning of year		<u>855,750</u>	
Fund balance, end of year		<u>\$ 922,228</u>	

**TIMBERS WATER AND SANITATION DISTRICT**  
**Sewer Enterprise 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
<b>Revenues:</b>			
Service fees	\$ 38,000	\$ 38,521	\$ 521
Availability of service fees	2,342	2,082	(260)
Taxes:			
Property	89,765	89,765	-
Specific ownership	-	5,800	5,800
Grants	-	60,077	60,077
Interest	-	453	453
<b>Total revenues</b>	<b>130,107</b>	<b>196,698</b>	<b>66,591</b>
<b>Expenditures:</b>			
Operating:			
Contract services	15,000	17,587	(2,587)
Engineering	-	17,310	(17,310)
Maintenance and repairs	6,000	-	6,000
Laboratory testing	6,000	7,452	(1,452)
Utilities	8,000	7,511	489
Treasurer fees	-	2,707	(2,707)
Other	3,000	24,001	(21,001)
Capital expenditures	-	66,100	(66,100)
Debt service:			
Principal	82,484	82,484	-
Interest	9,623	9,570	53
<b>Total expenditures</b>	<b>130,107</b>	<b>234,722</b>	<b>(104,615)</b>
Excess of revenues over expenditures	-	(38,024)	(38,024)
<b>Other financing sources (uses):</b>			
Proceeds from project loan account	-	144,523	144,523
<b>Total other financial sources (uses)</b>	<b>-</b>	<b>144,523</b>	<b>(144,523)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>106,499</b>	<b>\$ 106,499</b>
Adjustments to GAAP basis:			
Depreciation		(110,372)	
Capitalized expenditures		66,100	
Proceeds from loan		(144,523)	
Loan principal payments		82,484	
Change in net position - GAAP basis		188	
Fund balance, beginning of year		2,004,735	
Fund balance, end of year		<u>\$ 2,004,923</u>	

**TIMBERS WATER AND SANITATION DISTRICT**  
**Water Activity Enterprise 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
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Grants	\$ -	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	-	-	-
<b>Expenditures:</b>			
Operations:			
Contract services	24,000	22,926	1,074
Utilities	6,500	6,215	285
Testing	5,000	5,546	(546)
Other	4,100	6,330	(2,230)
Debt service:			
Principal	27,495	27,495	-
Interest	13,128	12,669	459
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	80,223	81,181	(958)
Excess (deficiency) of revenues over expenditures	<u>(80,223)</u>	<u>(81,181)</u>	<u>(958)</u>
<b>Other financing sources (uses):</b>			
Transfers in	78,623	80,123	1,500
	<u>          </u>	<u>          </u>	<u>          </u>
Total other financial sources (uses)	78,623	80,123	1,500
Net change in fund balance	<u>\$ (1,600)</u>	<u>(1,058)</u>	<u>\$ 542</u>
Adjustments to GAAP basis:			
Debt principal payments		27,495	
Depreciation expense		<u>(30,589)</u>	
Change in net position - GAAP basis		(4,152)	
Fund balance, beginning of year		<u>106,605</u>	
Fund balance, end of year		<u>\$ 102,453</u>	