

TIMBERS WATER AND SANITATION DISTRICT

Financial Statements

December 31, 2023

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	5
Statement of Cash Flows	6
Notes to Financial Statements	8
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual:	
Water Fund	14
Sewer Enterprise Fund	15
Water Activity Enterprise Fund	16



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, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2023. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2022 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 14-16 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.



Steamboat Springs, Colorado
February 14, 2024

TIMBERS WATER AND SANITATION DISTRICT

Statement of Net Position

December 31, 2023

(with summarized financial information as of December 31, 2022)

	2023			2022 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	
Assets:				
Current assets:				
Cash	\$ 177,804	\$ 44,395	\$ 4,395	\$ 236,945
Due from County Treasurer	510	397	-	985
Accounts receivable, net	2,473	-	-	1,378
Grants receivable	-	-	-	5,241
Project loan account	-	-	-	216,547
Prepaid expense	6,784	6,784	-	-
Property taxes receivable	118,704	85,355	-	204,381
Total current assets	306,275	136,931	4,395	665,477
Noncurrent assets:				
Capital assets, net	341,549	4,085,616	917,989	5,345,154
Interfund loan	571,675	-	-	571,676
Total assets	\$ 1,219,499	\$ 4,222,547	\$ 922,384	\$ 6,364,430

See accompanying notes to the financial statements.

TIMBERS WATER AND SANITATION DISTRICT
Statement of Net Position (continued)
December 31, 2023
(with summarized financial information as of December 31, 2022)

	2023				2022 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	Total	
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,518	\$ 30	\$ 360	\$ 2,908	\$ 14,813
Accrued interest payable	-	1,349	3,437	4,786	5,482
Retainage payable	-	-	-	-	67,734
Notes payable, current portion	28,847	76,246	30,313	135,406	140,185
Total current liabilities	31,365	77,625	34,110	143,100	228,214
Noncurrent liabilities:					
Notes payable, net of current portion	148,750	2,016,779	175,876	2,341,405	2,671,136
Interfund loan	(40,623)	-	612,298	571,675	571,675
Total liabilities	139,492	2,094,404	822,284	3,056,180	3,471,025
Deferred Inflows of Resources:					
Deferred property tax revenues	118,704	85,355	-	204,059	204,381
Total deferred inflows of resources	118,704	85,355	-	204,059	204,381
Net Position:					
Net investment in capital assets	776,250	1,992,591	99,502	2,868,343	2,805,350
Restricted for:					
Emergencies	5,948	4,230	-	10,178	9,530
Operations and maintenance reserve	20,500	13,300	-	33,800	39,600
Unrestricted	158,605	32,667	598	191,870	175,124
Total net position	\$ 961,303	\$ 2,042,788	\$ 100,100	\$ 3,104,191	\$ 3,029,604

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, 2023
(with summarized financial information for the year ended December 31, 2022)

	2023			2022 Total
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	
Operating revenues:				
Service fees	\$ 92,641	\$ 49,395	\$ -	\$ 142,036
Availability of service fees	7,527	2,670	-	10,197
Other	3,348	-	-	3,348
Total operating revenues	<u>103,516</u>	<u>52,065</u>	<u>-</u>	<u>155,581</u>
Operating expenses:				
Water operations	82,139	-	53,115	135,254
Wastewater operations	-	53,125	-	53,125
Depreciation	12,942	110,585	30,589	154,116
Total operating expenses	<u>95,081</u>	<u>163,710</u>	<u>83,704</u>	<u>342,495</u>
Operating income (loss)	<u>8,435</u>	<u>(111,645)</u>	<u>(83,704)</u>	<u>(186,914)</u>
Non-operating revenues (expenses):				
Tax revenues:				
Property	114,945	89,436	-	204,381
Specific ownership	8,062	6,273	-	14,335
Grants	-	61,988	-	61,988
Interest income	776	526	-	1,302
Interest expense	(520)	(8,713)	(11,272)	(20,505)
Total non-operating revenues (expenses)	<u>123,263</u>	<u>149,510</u>	<u>(11,272)</u>	<u>261,501</u>
Income before other revenues, expenses, gains losses and transfers:				
Transfers	(92,623)	-	92,623	-
Change in net position	39,075	37,865	(2,353)	74,587
Net position, beginning of year	922,228	2,004,923	102,453	3,029,604
Net position, end of year	<u>\$ 961,303</u>	<u>\$ 2,042,788</u>	<u>\$ 100,100</u>	<u>\$ 3,104,191</u>
				<u>\$ 3,029,604</u>

See accompanying notes to the financial statements.

TIMBERS WATER AND SANITATION DISTRICT
Statement of Cash Flows

For the Year Ended December 31, 2023

(with summarized financial information for the year ended December 31, 2022)

	2023				2022
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	Total	Total
Cash flows from operating activities:					
Cash received from customers	\$ 102,421	\$ 52,065	\$ -	\$ 154,486	\$ 157,838
Cash payments to suppliers for goods or services	(90,299)	(70,796)	(52,755)	(213,850)	(190,109)
Net cash provided (used) by operating activities	12,122	(18,731)	(52,755)	(59,364)	(32,271)
Cash flows from noncapital financing activities:					
Tax collections	123,049	95,744	-	218,793	218,595
Interfund transfers	(92,623)	-	92,623	-	-
Net cash provided by noncapital financing activities	30,426	95,744	92,623	218,793	218,595
Cash flows from capital and related financing activities:					
Long term debt proceeds drawn from project loan account	-	216,547	-	216,547	144,523
Purchase of capital assets	(22,907)	(76,240)	-	(99,147)	(237,030)
Proceeds from capital grants	-	67,229	-	67,229	65,942
Principal payments on long-term debt	(28,513)	(277,127)	(28,870)	(334,510)	(138,167)
Interest payments on long-term debt	(520)	(8,928)	(11,753)	(21,201)	(23,595)
Net cash provided (used) by capital and related financing activities	(51,940)	(78,519)	(40,623)	(171,082)	(188,327)
Cash flows from investing activities:					
Interest received	776	526	-	1,302	1,192
Net cash provided by investing activities	776	526	-	1,302	1,192
Net change in cash and cash equivalents	(8,616)	(980)	(755)	(10,351)	(811)
Cash, beginning of year	186,420	45,375	5,150	236,945	237,756
Cash, end of year	\$ 177,804	\$ 44,395	\$ 4,395	\$ 226,594	\$ 236,945

See accompanying notes to the financial statements.

TIMBERS WATER AND SANITATION DISTRICT
Statement of Cash Flows (continued)
For the Year Ended December 31, 2023
(with summarized financial information for the year ended December 31, 2022)

	2023				2022	
	Water Fund	Sewer Enterprise Fund	Water Activity Enterprise Fund	Total	Total	Total
Reconciliation of operating income (loss) to net cash provided by activities:						
Operating income (loss)	\$ 8,435	\$ (111,645)	\$ (83,704)	\$ (186,914)	\$ (186,914)	\$ (194,289)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	12,942	110,585	30,589	154,116	154,116	153,612
(Increase) decrease in:						
Accounts receivable	(1,095)	-	-	(1,095)	(1,095)	(1,023)
Prepaid expense	(6,784)	(6,784)	-	(13,568)	(13,568)	-
(Decrease) increase in:						
Accounts payable and accrued expenses, net of capital amounts	(1,376)	(10,887)	360	(11,903)	(11,903)	9,429
Net cash provided (used) by operating activities	<u>\$ 12,122</u>	<u>\$ (18,731)</u>	<u>\$ (52,755)</u>	<u>\$ (59,364)</u>	<u>\$ (59,364)</u>	<u>\$ (32,271)</u>

See accompanying notes to the financial statements.

TIMBERS WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of December 31, 2022 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 of 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, 2023
(with summarized financial information as of December 31, 2022 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	5-20

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, 2022 from which the summarized financial information was derived.

TIMBERS WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of December 31, 2022 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) was effective for the District beginning January 1, 2023. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, the District is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The District had no material SBITAs that qualify for recognition under this new standard.

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, 2023.

Compliance

The District's Sewer Enterprise Fund expenditures exceeded appropriations by \$203,150 for the year ended December 31, 2023. The excess expenditures were primarily for the remaining capital costs of the wastewater treatment plant project and additional principal payment from the undrawn funds in the project loan account.

The District's Water Activity Enterprise Fund expenditures exceeded appropriations by \$10,034 for the year ended December 31, 2023. The excess expenditures were for minor equipment and supplies purchases and 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.

TIMBERS WATER AND SANITATION DISTRICT

Notes to Financial Statements

December 31, 2023

(with summarized financial information as of December 31, 2022 and for the year then ended)

Note 2: Stewardship, Compliance and Accountability (continued)

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 \$10,178 of its December 31, 2023 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 has complied with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Deposits

The carrying amount of the District's deposits as of December 31, 2023 and 2022 was \$226,594 and \$236,945, respectively, and bank balances were \$235,865 and \$238,424, respectively. All of the bank balances were covered by federal deposit insurance as of December 31, 2023 and 2022.

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.

Note 4: Capital Assets

Capital asset activity for the year ended December 31, 2023 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	4,414,888	8,506	-	4,423,394
Other water and wastewater systems	235,616	-	-	235,616
Water tank	182,374	-	-	182,374
Equipment	103,767	22,907	-	126,674
Total other capital assets	6,160,200	31,413	-	6,191,613
Less accumulated depreciation:				
Water treatment plant	(274,976)	(30,589)	-	(305,565)
Wastewater treatment plant	(227,193)	(110,585)	-	(337,778)
Other water and wastewater systems	(157,857)	(5,789)	-	(163,646)
Water tank	(27,356)	(4,559)	-	(31,915)
Equipment	(20,147)	(2,594)	-	(22,741)
Total accumulated depreciation	(707,529)	(154,116)	-	(861,645)
Net capital assets	\$ 5,467,857	\$ (122,703)	\$ -	\$ 5,345,154

TIMBERS WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of December 31, 2022 and for the year then ended)

Note 5: Long-Term Liabilities

The District had the following long-term debt outstanding as of December 31, 2023:

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.

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. Effective June 14, 2023 the unpaid principal balance of \$1,845,012 was reduced by \$197,870 from the remaining undrawn funds of the project loan account. The reduced note balance is payable in semi-annual installments of \$32,648 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.

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 \$33,800 for this purpose as of December 31, 2023.

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, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State of Colorado	\$ 235,059	\$ -	\$ (28,870)	\$ 206,189	\$ 30,313
CWRPDA - D13F306	183,750	-	(17,500)	166,250	17,500
NRWA	22,360	-	(11,013)	11,347	11,347
CWRPDA - W18F306	493,265	-	(18,972)	474,293	18,972
CWRPDA - W19F419	1,876,887	-	(258,155)	1,618,732	57,274
	<u>\$ 2,811,321</u>	<u>\$ -</u>	<u>\$ (334,510)</u>	<u>\$ 2,476,811</u>	<u>\$ 135,406</u>

TIMBERS WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of December 31, 2022 and for the year then ended)

Note 5: Long-Term Liabilities (continued)

Aggregate debt service requirements to maturity as of December 31, 2023 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 135,406	\$ 18,517	\$ 153,923
2025	125,862	16,529	142,391
2026	127,742	14,649	142,391
2027	129,703	12,689	142,392
2028	131,748	10,644	142,392
2029-2033	508,863	31,849	540,712
2034-2038	398,925	22,417	421,342
2039-2043	406,611	14,730	421,341
2044-2048	414,492	6,847	421,339
2049-2050	97,459	488	97,947
	<u>\$ 2,476,811</u>	<u>\$ 149,359</u>	<u>\$ 2,626,170</u>

Note 6: 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, 2023. Repayment of the loan balance is not expected to occur within one year.

The District transferred \$92,623 from its Water Fund to its Water Activity Enterprise Fund during the year ended December 31, 2023.

Note 7: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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.

Note 8: Subsequent Events

The District has evaluated subsequent events through February 14, 2024, 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, 2023

	Original and Final Budget	Actual	Variance
Revenues:			
Service fees	\$ 92,734	\$ 92,641	\$ (93)
Availability of service fees	7,407	7,527	120
Taxes:			
Property	121,054	114,945	(6,109)
Specific ownership	-	8,062	8,062
Interest	110	776	666
Other	2,677	3,348	671
Total revenues	<u>223,982</u>	<u>227,299</u>	<u>3,317</u>
Expenditures:			
Operating:			
Contract services	12,000	13,720	(1,720)
Engineering	18,000	3,519	14,481
Snow removal	17,600	13,511	4,089
Insurance	11,676	15,498	(3,822)
Professional fees	14,500	4,942	9,558
Directors fees	6,000	5,200	800
Treasurer fees	3,700	3,380	320
Other	28,250	22,369	5,881
Debt service:			
Principal	28,513	28,513	-
Interest	520	520	-
Total expenditures	<u>140,759</u>	<u>111,172</u>	<u>29,587</u>
Excess of revenues over expenditures	<u>83,223</u>	<u>116,127</u>	<u>32,904</u>
Other financing sources (uses):			
Transfer to Water Activity Enterprise Fund	(83,223)	(92,623)	(9,400)
Total other financial sources (uses)	<u>(83,223)</u>	<u>(92,623)</u>	<u>9,400</u>
Net change in fund balance	<u>\$ -</u>	<u>23,504</u>	<u>\$ 23,504</u>
Adjustments to GAAP basis:			
Depreciation		(12,942)	
Loan principal payments		<u>28,513</u>	
Change in net position - GAAP basis		39,075	
Fund balance, beginning of year		<u>922,228</u>	
Fund balance, end of year		<u>\$ 961,303</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, 2023

	Original and Final Budget	Actual	Variance
Revenues:			
Service fees	\$ 49,214	\$ 49,395	\$ 181
Availability of service fees	2,670	2,670	-
Taxes:			
Property	92,327	89,436	(2,891)
Specific ownership	-	6,273	6,273
Grants	-	61,988	61,988
Interest	110	526	416
Total revenues	<u>144,321</u>	<u>210,288</u>	<u>65,967</u>
Expenditures:			
Operating:			
Contract services	18,214	24,582	(6,368)
Engineering	5,000	2,108	2,892
Maintenance and repairs	2,000	-	2,000
Laboratory testing	6,000	4,314	1,686
Utilities	13,000	8,537	4,463
Treasurer fees	3,000	2,699	301
Other	5,000	10,885	(5,885)
Capital expenditures	-	8,506	(8,506)
Debt service:			
Principal	82,802	277,127	(194,325)
Interest	9,305	8,713	592
Total expenditures	<u>144,321</u>	<u>347,471</u>	<u>(203,150)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(137,183)</u>	<u>(137,183)</u>
Other financing sources (uses):			
Proceeds from project loan account	-	216,547	216,547
Total other financial sources (uses)	<u>-</u>	<u>216,547</u>	<u>(216,547)</u>
Net change in fund balance	<u>\$ -</u>	<u>79,364</u>	<u>\$ 79,364</u>
Adjustments to GAAP basis:			
Depreciation		(110,585)	
Capitalized expenditures		8,506	
Proceeds from loan		(216,547)	
Loan principal payments		<u>277,127</u>	
Change in net position - GAAP basis		37,865	
Fund balance, beginning of year		<u>2,004,923</u>	
Fund balance, end of year		<u>\$ 2,042,788</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, 2023

	Original and Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Grants	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total revenues	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Operations:			
Contract services	26,000	23,973	2,027
Utilities	6,500	6,890	(390)
Testing	5,000	4,856	144
Other	5,100	17,396	(12,296)
Debt service:			
Principal	28,870	28,870	-
Interest	11,753	11,272	481
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	83,223	93,257	(10,034)
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	(83,223)	(93,257)	(10,034)
	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses):			
Transfers in	83,223	92,623	9,400
	<u> </u>	<u> </u>	<u> </u>
Total other financial sources (uses)	83,223	92,623	9,400
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ -	(634)	\$ (634)
	<u> </u>	<u> </u>	<u> </u>
Adjustments to GAAP basis:			
Debt principal payments		28,870	
Depreciation expense		(30,589)	
		<u> </u>	
Change in net position - GAAP basis		(2,353)	
		<u> </u>	
Fund balance, beginning of year		102,453	
		<u> </u>	
Fund balance, end of year		\$ 100,100	
		<u> </u>	