

Timnath Ranch Metropolitan District No. 1

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

*Table of Contents*

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION	6
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES	7
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND	20



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Timnath Ranch Metropolitan District No. 1  
Timnath, CO

### ***Opinion***

We have audited the financial statements of governmental activities and the governmental funds of the Timnath Ranch Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2021 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 present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Timnath Ranch Metropolitan District No. 1 as of December 31, 2021, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US 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 opinion.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

## ***Auditor's Responsibilities for the Audit of the Financial Statements - continued***

In performing an audit in accordance with US 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.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Timnath Ranch Metropolitan District No. 1 taken as a whole. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management of the District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### ***Management's Discussion and Analysis***

The Board of Directors has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
July 27, 2022

*BASIC FINANCIAL STATEMENTS*

Timnath Ranch Metropolitan District No. 1

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

	Governmental Funds			Adjustments	Statement of Net Position
	General	Capital Projects	Total		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,363,431	\$ -	\$ 1,363,431	\$ -	\$ 1,363,431
Property taxes receivable	2,979	-	2,979	-	2,979
Other receivables	454,848	-	454,848	-	454,848
Due from County Treasurer	479	-	479	-	479
Prepaid expenses	1,522	-	1,522	-	1,522
Capital assets, net of accumulated depreciation	-	-	-	5,158,376	5,158,376
<b>Total assets</b>	<b>\$ 1,823,259</b>	<b>\$ -</b>	<b>\$ 1,823,259</b>	<b>5,158,376</b>	<b>6,981,635</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 94,912	\$ -	\$ 94,912	-	94,912
Accrued interest payable	-	-	-	719,808	719,808
Due to other districts	183,202	-	183,202	-	183,202
Prepaid assessments	19,128	-	19,128	-	19,128
Long-term liabilities					
Due after one year	-	-	-	3,002,108	3,002,108
<b>Total liabilities</b>	<b>297,242</b>	<b>-</b>	<b>297,242</b>	<b>3,721,916</b>	<b>4,019,158</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes	2,979	-	2,979	-	2,979
<b>FUND BALANCE/NET POSITION</b>					
<b>FUND BALANCE</b>					
Nonspendable	1,522	-	1,522	(1,522)	-
Restricted	28,800	-	28,800	(28,800)	-
Unassigned	1,492,716	-	1,492,716	(1,492,716)	-
<b>Total fund balance</b>	<b>1,523,038</b>	<b>-</b>	<b>1,523,038</b>	<b>(1,523,038)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 1,823,259</b>	<b>\$ -</b>	<b>\$ 1,823,259</b>		
<b>NET POSITION</b>					
Investment in capital assets, net of related long-term liabilities				1,436,460	1,436,460
Restricted				28,800	28,800
Unrestricted				1,494,238	1,494,238
<b>Total net position</b>				<b>\$ 2,959,498</b>	<b>\$ 2,959,498</b>

The accompanying notes are an integral part of these financial statements

Timnath Ranch Metropolitan District No. 1

STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2021

	Governmental Funds			Adjustments	Statement of Activities
	General	Capital Projects	Total		
Expenditures/Expenses					
Operating					
Administration	\$ 416,311	\$ 6,790	\$ 423,101	\$ -	\$ 423,101
Repairs and maintenance	242,559	-	242,559	-	242,559
Amenities	104,440	-	104,440	-	104,440
Service fees paid to District No. 4	78,099	-	78,099	-	78,099
Debt service					
Interest	-	-	-	157,611	157,611
Depreciation	-	-	-	217,399	217,399
Total expenditures/expenses	841,409	6,790	848,199	375,010	1,223,209
Charges for services					
Operation and maintenance fee	355,142	-	355,142	-	355,142
Irrigation water	27,000	-	27,000	-	27,000
Architectual review fee	25,415	-	25,415	-	25,415
Transfer fees and other	24,005	-	24,005	-	24,005
Total charges for services	431,562	-	431,562	-	431,562
Net expenditures/expenses	(409,847)	(6,790)	(416,637)	(375,010)	(791,647)
General revenue					
Property and other taxes	9,993	-	9,993	-	9,993
Intergovernmental	90,436	-	90,436	-	90,436
Development fees	152,678	-	152,678	-	152,678
Service fees	275,310	-	275,310	-	275,310
Interest and other	447	-	447	-	447
Total general revenue	528,864	-	528,864	-	528,864
Excess of revenues over (under) expenditures/expenses	119,017	(6,790)	112,227	(375,010)	(262,783)
Other sources and uses					
Transfers in (out)	(6,790)	6,790	-	-	-
Total other sources and uses	(6,790)	6,790	-	-	-
CHANGE IN FUND BALANCE/NET POSITION	112,227	-	112,227	(375,010)	(262,783)
Fund balance/net position					
Beginning of the year	1,410,811	-	1,410,811	1,811,470	3,222,281
End of the year	\$ 1,523,038	\$ -	\$ 1,523,038	\$ 1,436,460	\$ 2,959,498

The accompanying notes are an integral part of these financial statements

Timnath Ranch Metropolitan District No. 1

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2021

	Original and Final Budget	Actual	Variance
Revenue			
Property and other taxes	\$ 8,474	\$ 9,993	\$ 1,519
Development fees	268,659	152,678	(115,981)
Operational and maintenance fees	372,500	355,142	(17,358)
Service fees	276,661	275,310	(1,351)
Intergovernmental	92,048	90,436	(1,612)
Irrigation water	38,700	27,000	(11,700)
Architectural review fee	17,250	25,415	8,165
Transfer fees	15,000	24,005	9,005
Interest and other	8,000	447	(7,553)
	<u>1,097,292</u>	<u>960,426</u>	<u>(136,866)</u>
Total revenue			
Expenditures			
Operating			
Administration	459,505	416,311	43,194
Repairs and maintenance	302,186	242,559	59,627
Amenities	95,600	104,440	(8,840)
Service fees paid to District No. 4	78,184	78,099	85
Contingency	80,000	-	80,000
	<u>1,015,475</u>	<u>841,409</u>	<u>174,066</u>
Total expenditures			
Revenue over expenditures	81,817	119,017	37,200
Other uses			
Transfer out	-	(6,790)	(6,790)
CHANGE IN FUND BALANCE	81,817	112,227	30,410
Fund Balance			
Beginning of the year	<u>1,252,050</u>	<u>1,410,811</u>	<u>158,761</u>
End of the year	<u>\$ 1,333,867</u>	<u>\$ 1,523,038</u>	<u>\$ 189,171</u>

The accompanying notes are an integral part of these financial statements



Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Timnath Ranch Metropolitan District No. 1 (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

*1. Reporting Entity*

The District was formed, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in November 2005, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed in conjunction with Timnath Ranch Metropolitan District Nos. 2 through 4 (the “District’s”). The District serves as the Service District, along with District Nos. 2, 3 and 4, serving as the Financing Districts. The District is governed by a five-member Board of Directors. The District is in the Town of Timnath, Colorado.

The Districts were formed to serve the needs of the approximately 560-acre Timnath Ranch mixed-use development being developed by Timnath Ranch, LLC (“the Developer”) currently planned to consist of 1,600 single family and multi-family homes, 33 acres of light industrial property and 60 acres of commercial property.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

*2. Measurement Focus and Financial Reporting Framework*

*Government-wide Financial Statements*

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the accrual basis of accounting related to the *governmental-type activities* of the District, which rely to a significant extent on property taxes and specific ownership taxes. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property tax and specific ownership taxes.

*Governmental Fund Financial Statements*

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. *Measurement Focus and Financial Reporting Framework - continued*

*Governmental Funds*

The District consists of two governmental funds. The governmental funds information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenue, expenditures, and change in fund balance for the General Fund.

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the resources accumulated to be used for the construction and/or acquisition of capital assets within the District.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, unrestricted demand deposits and money market accounts, as applicable.

4. *Fair Value of Financial Instruments*

The District's financial instruments include various accounts receivable, accrued liabilities and deferred inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2021, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Capital Assets*

The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation, if applicable, is to be provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the capital assets.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred, if applicable.

It is the intent of the District to convey the majority of the acquired or constructed public improvements to the Town of Timnath or other local governmental entities, as applicable. Public improvements that are not conveyed are subject to depreciation using the straight-line method over their estimated useful lives of 25 to 30 years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

6. *Property Taxes*

Property taxes are levied on December 15 and attach an enforceable lien on the respective property on January 1. Taxes are payable in full on or before April 30 or in two installments on February 28 and June 15. The County Treasurer collects and remits the property taxes to the District on a monthly basis.

The District in its capacity as the Service District collects all property taxes on behalf of the District Nos. 2, 3 and 4, reflected as service fees, and then transfers the debt service portion of the property taxes to District No. 4.

7. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of District management's estimates that may affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses as applicable, during the reporting period. These estimates are based upon District management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund and Debt Service Fund. An annual appropriated budget is adopted at the total fund expenditure level and the annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

On or before October 15, the District's Treasurer and/or the District's Manager submits a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of moneys, if applicable, may need approval by the Board of Directors in the same manner as the adoption of the budget.

Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – BUDGET INFORMATION – *continued*

For 2021, the District’s General Fund budgeted revenue exceeded budgeted expenditures by \$81,817. It was anticipated that the current year surplus would be used in subsequent years.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2021, all of the District’s funds were held in eligible public depositories. Throughout the year and at December 31, 2021, the District’s cash on deposit exceeded the \$250,000 per customer Federal Deposit Insurance Corporation insurance limit. The District has not experienced any losses and believes it is not exposed to any significant credit risk.

NOTE D – CAPITAL ASSETS

The changes in the District’s capital assets for the year ended December 31, 2021, are as follows:

	Balance December 31, 2020	Transfers/ Additions	Transfers/ Disposals	Balance December 31, 2021
Non-depreciable				
Water rights	\$ 35,425	\$ -	\$ -	\$ 35,425
Depreciable				
Open space/ landscaping	3,474,376	-	-	3,474,376
Amenities	1,818,963	-	-	1,818,963
Irrigation system	533,763	-	-	533,763
Total	5,862,527	-	-	5,862,527
Accumulated depreciation				
Open space/ landscaping	(403,060)	(138,975)	-	(542,035)
Amenities	(30,316)	(60,632)	-	(90,948)
Irrigation system	(53,376)	(17,792)	-	(71,168)
Total	(486,752)	(217,399)	-	(704,151)
Net capital assets	\$ 5,375,775	\$ (217,399)	\$ -	\$ 5,158,376

Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – LONG-TERM DEBT

*Subordinate Note Payable*

In February 2018, the District entered into a Subordinate Note Payable and Loan Agreement with the Developer in order to finance improvements within the District boundaries. The note payable has a final maturity date of January 2048. The note payable carries an interest rate of the Federal Reserve Bank prime rate plus 2% with an effective rate of 5.25% as of December 31, 2021.

*Change in Long-Term Debt*

The following is an analysis of the changes in the long-term debt for the year ended December 31, 2021:

	December 31, 2020	Additions	Payments	December 31, 2021	Due within One Year
Subordinate Note Payable	\$ 3,002,108	\$ -	\$ -	\$ 3,002,108	\$ -
Accrued interest	562,197	157,611	-	719,808	-
	<u>\$ 3,564,305</u>	<u>\$ 157,610</u>	<u>\$ -</u>	<u>\$ 3,721,916</u>	<u>\$ -</u>

As further discussed in NOTE P, accrued interest payable as of December 31, 2020, was restated and reduced by \$53,190.

Under the terms of the Note Payable and Loan Agreement, there are no required payments until the final maturity date; however, at the discretion of the Board of Directors the District may make payments should moneys be available.

*Debt Issuance Authorization*

In November 2007, the qualified electors of the District approved the issuance of indebtedness and the imposition of taxes for the repayment thereof up to \$182,000,000 at an interest rate not to exceed 15% for providing public improvements and up to \$25,000,000 at an interest rate not to exceed 15% for service plan purposes.

However, under the District’s Service Plan, based upon the debt issued by the Districts, the amount of indebtedness available for issuance as of December 31, 2021 was \$0.

NOTE F – TIMNATH DEVELOPMENT AUTHORITY AGREEMENT

The Town of Timnath formed the Timnath Development Authority (“the Authority”), as an urban renewal authority. The Districts are within the boundaries of the area designated in the Urban Renewal Plan for the Town of Timnath. Pursuant to the Urban Renewal Plan, the tax incremental revenue derived from the levy of incremental property taxes against property within the boundaries of the Authority is to be divided between the taxing authority and the Authority for a period of 25 years. The tax incremental revenue allocated to the District for the year ended December 31, 2021, in the amount of \$90,436, is reflected as intergovernmental.

Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – FUND BALANCE/NET POSITION

*Fund Balance*

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

*Non-spendable* – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

*Restricted* – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

*Committed* – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose unless the District’s Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

*Assigned* – represents amounts that the District intends to use for specific purposes as expressed by the District’s Board of Directors or a District official delegated the authority to assign amounts,

*Unassigned* – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2021, the District’s fund balances consisted of the following:

	General Fund	Capital Projects Fund	Total
Fund balances			
Nonspendable			
Prepaid expenses	\$ 1,522	\$ -	\$ 1,522
Restricted			
TABOR reserve	28,800	-	28,800
Unassigned	1,492,716	-	1,492,716
	<hr/>	<hr/>	<hr/>
Total fund balances	\$ 1,523,038	\$ -	\$ 1,523,038

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – FUND BALANCE/NET POSITION – *continued*

*Net Position*

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District may report three categories of net position, as follows:

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE H – COMMITMENTS

*Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement Obligations (“District Operations Agreement”)*

Under the District Operations Agreement, District No.1 is authorized to undertake certain administrative functions on behalf of the Districts, and as such, the District Nos. 2 through 4 agree to fund the operating costs incurred by District No.1 from legally available funds of the Districts. Under the District Operations Agreement, District No.1 received \$275,310 from District Nos. 2 through 4 during 2021 and is reflected as service fees.

*District Management Agreement*

The District outsources the management of the District which includes overall management, accounting and administrative services. The service contract renews annually each year on January 1, unless notice of non-renewal is provided by either party as described in the service contract.

Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE I – OTHER SOURCES OF REVENUE

*Operations and Maintenance Assessment*

The District has implemented an annual Operations and Maintenance Fee in the amount of \$500 for each permit-ready lot which is billed in quarterly increments. The quarterly assessment is prorated for mid-quarter permits.

*Development Fees*

The District assesses a one-time development fee on individually parceled lots.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE K – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

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's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits may require judicial interpretation.

NOTE L – RELATED PARTIES AND TRANSACTIONS

*Members of the Board of Directors*

All the members of the Board of Directors of the District are employees, owners or are otherwise affiliated with the Developer.

*Developer Advances*

As of December 31, 2021 there was a balance due from the Developer for advances for construction from District No. 1 in the amount of \$411,381 as reflected in the General Fund. Additionally, as further discussed in NOTE E, there is a Note Payable in the amount of \$3,002,108 with accrued interest in amount of \$719,808 due to the Developer.



Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE M – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

The spread of COVID-19 and its variants has altered the behavior of individuals and businesses in a manner that has had significant impacts on global, national, and local economies. Accordingly, state and local governments, including the State of Colorado, have announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders. The COVID-19 measures are changing rapidly and in 2022, many restrictions are being relaxed or eliminated.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

NOTE N – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through July 27, 2022, which is the date the financial statements and accompanying notes were available for issuance.

NOTE O – RECONCILIATION OF THE GOVERNMENTAL FUND AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column which reconciles the differences between the government-wide and fund financial statements as follows:

Long-term debt is not due and payable in the current period and, therefore, is not reflected in the governmental funds,	\$	3,002,108
Interest expense is recognized in the governmental funds as paid; therefore accrued interest payable is only recognized on the Statement of Net Position,		719,808
Capital assets, net of accumulated depreciation, reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds.		5,158,376

Timnath Ranch Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE O – RECONCILIATION OF THE GOVERNMENTAL FUND AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS -

The Statements of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

Interest is recognized in the governmental funds as paid. For the Statement of Activities interest expense is recognized as incurred. This is the amount of interest expense incurred during the year 2021 and reflected in the Statement of Activities, \$ 157,611

Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such, depreciation expense is not recorded as an expenditure in the governmental funds, 217,399

NOTE P – RESTATEMENT OF ACCRUED INTEREST PAYABLE AND NET POSITION

Accrued interest payable as of December 31, 2020, further discussed in NOTE E, was reduced by \$53,190 to reflect the use of the simple interest method as opposed to the use of the compound interest method, used in prior years. Accordingly, net position as of December 31, 2020, was increased by \$53,190.

*SUPPLEMENTARY INFORMATION*

Timnath Ranch Metropolitan District No. 1

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year ended December 31, 2021

	Original and Final Budget	Actual	Variance
Expenditures			
Operating			
Management	\$ 50,000	\$ 6,790	\$ 43,210
Landscaping	110,000	-	110,000
Capital outlay	6,000,000	-	6,000,000
Total expenditures	<u>6,160,000</u>	<u>6,790</u>	<u>6,153,210</u>
Other sources			
Proceeds from the issuance of debt	6,000,000	-	(6,000,000)
Developer advances	160,000	-	(160,000)
Transfer in	-	6,790	6,790
Total other sources	<u>6,160,000</u>	<u>6,790</u>	<u>(6,153,210)</u>
CHANGE IN FUND BALANCE	-	-	-
Fund Balance			
Beginning of the year	-	-	-
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>