

**TIMNATH RANCH METROPOLITAN
DISTRICT NO. 1**

BASIC FINANCIAL STATEMENTS

December 31, 2019

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Timnath Ranch Metropolitan District No. 1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Timnath Ranch Metropolitan District No. 1, as of December 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary information on page 17 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require 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 is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Timnath Ranch Metropolitan District No. 1's financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 individual fund schedule is fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

July 30, 2020

BASIC FINANCIAL STATEMENTS

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2019

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	\$ 912,081	\$ 745,346
Property Tax Receivable	2,748	951
Accounts Receivable	375,744	17,249
Due from District No. 4	1,611	157,888
Prepaid Items	29,331	20,275
Capital Assets, not depreciated	3,084,661	225,504
Capital Assets, depreciated, net of accumulated depreciation	3,708,468	1,790,315
TOTAL ASSETS	8,114,644	2,957,528
LIABILITIES		
Accounts Payable	126,644	195,122
Retainage Payable	51,183	4,380
Unearned Revenue	24,400	17,340
Due to District No. 3	1,295	610
Due to District No. 4	87,527	38,204
Accrued Interest	420,241	180,730
Noncurrent Liabilities		
Due within One Year	-	-
Due in More Than One Year	3,002,108	3,002,108
TOTAL LIABILITIES	3,713,398	3,438,494
DEFERRED INFLOW OF RESOURCES		
Deferred Property Tax Revenue	2,748	951
NET POSITION		
Net Investment In Capital Assets	3,791,021	(986,289)
Restricted - TABOR	26,000	23,000
Restricted - District 2	(990)	-
Restricted - District 3	1,299	610
Restricted - District 4	86,903	38,204
Unrestricted	494,265	442,558
TOTAL NET POSITION	\$ 4,398,498	\$ (481,917)

The accompanying notes are an integral part of the financial statements.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Capital Grants and Contributions	2019	2018
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 588,777	\$ 684,963	\$ 1,995,116	\$ 2,091,302	\$ (47,043)
Interest and Fiscal Charges	239,511	-	-	(239,511)	-
Total Governmental Activities	<u>\$ 828,288</u>	<u>\$ 684,963</u>	<u>\$ 1,995,116</u>	1,851,791	(47,043)
GENERAL REVENUES					
Service Fees				177,434	165,508
Other				14,690	52,285
Contributions				1,001,621	-
SPECIAL ITEMS					
Transfer from District No. 4				1,857,916	187,934
Transfer to District No. 4				(23,037)	-
Forgiveness of Developer Debt				-	2,995,893
TOTAL GENERAL REVENUES				<u>3,028,624</u>	<u>3,401,620</u>
CHANGE IN NET POSITION				4,880,415	3,354,577
NET POSITION, Beginning				<u>(481,917)</u>	<u>(3,836,494)</u>
NET POSITION, Ending				<u>\$ 4,398,498</u>	<u>\$ (481,917)</u>

The accompanying notes are an integral part of the financial statements.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTALS	
			2019	2018
ASSETS				
Cash and Investments	\$ 774,860	\$ 137,221	\$ 912,081	\$ 745,346
Property Taxes Receivable	2,748	-	2,748	951
Accounts Receivable	26,220	349,524	375,744	17,249
Due from Other Funds	349,108	-	349,108	-
Due from District 2	990	-	990	-
Due from District 4	621	-	621	157,888
Prepaid Items	29,331	-	29,331	20,275
TOTAL ASSETS	\$ 1,183,878	\$ 486,745	\$ 1,670,623	\$ 941,709
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 40,190	\$ 86,454	\$ 126,644	\$ 195,122
Retainage Payable	-	51,183	51,183	4,380
Due to Other Funds	-	349,108	349,108	-
Due to District No. 3	1,298	-	1,298	610
Due to District No. 4	87,524	-	87,524	38,204
Unearned Revenue	-	-	-	17,340
TOTAL LIABILITIES	129,012	486,745	615,757	255,656
DEFERRED INFLOWS OF RESOURCES				
Other Deferred Revenue	24,400	-	24,400	-
Deferred Property Tax Revenue	2,748	-	2,748	951
TOTAL DEFERRED INFLOWS OF RESOURCES	27,148	-	27,148	951
FUND EQUITY				
Fund Balance				
Nonspendable	29,331	-	29,331	20,275
Restricted for Emergencies	26,000	-	26,000	23,000
Unassigned	972,387	-	972,387	641,827
TOTAL FUND EQUITY	1,027,718	-	1,027,718	685,102
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,183,878	\$ 486,745		

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

6,793,129 2,015,819

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include capital note payable (\$3,002,108) and accrued interest (\$420,241)

(3,422,349) (3,182,838)

Net position of governmental activities

\$ 4,398,498 \$ (481,917)

The accompanying notes are an integral part of the financial statements.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTALS	
			2019	2018
REVENUES				
Charges for Services	\$ 320,719	\$ -	\$ 320,719	\$ 201,000
Service Fees	177,434	-	177,434	165,508
Development Fees	360,891	-	360,891	336,999
Property Tax	3,353	-	3,353	-
Interest and Other Income	14,690	-	14,690	52,285
TOTAL REVENUES	<u>877,087</u>	<u>-</u>	<u>877,087</u>	<u>755,792</u>
EXPENDITURES				
Current				
General Government	511,434	-	511,434	508,079
Capital Outlay	-	2,859,537	2,859,537	190,079
TOTAL EXPENDITURES	<u>511,434</u>	<u>2,859,537</u>	<u>3,370,971</u>	<u>698,158</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>365,653</u>	<u>(2,859,537)</u>	<u>(2,493,884)</u>	<u>57,634</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Developer Advances	-	1,001,621	1,001,621	-
Transfers from District No. 4	-	1,857,916	1,857,916	187,934
Transfers to District No. 4	(23,037)	-	(23,037)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,037)</u>	<u>2,859,537</u>	<u>2,836,500</u>	<u>187,934</u>
NET CHANGE IN FUND BALANCES	342,616	-	342,616	245,568
FUND BALANCES, Beginning	<u>685,102</u>	<u>-</u>	<u>685,102</u>	<u>439,534</u>
FUND BALANCES, Ending	<u>\$ 1,027,718</u>	<u>\$ -</u>	<u>\$ 1,027,718</u>	<u>\$ 685,102</u>

The accompanying notes are an integral part of the financial statements.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 342,616
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$4,854,273 exceeded depreciation (\$76,963) in the current period.	4,777,310
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the increase in accrued interest for the year.	<u>(239,511)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,880,415</u>

The accompanying notes are an integral part of the financial statements.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Timnath Ranch Metropolitan District No. 1 (“District”) was formed to provide public services and improvements for the District and surrounding area within its boundaries. The District is governed by a five-member Board of Directors (the “Board”) elected by the constituents. The District was formed in conjunction with Timnath Ranch Metropolitan District Nos. 2, 3 and 4, ‘collectively, “Districts” and was established as the Service District. Timnath Ranch Metropolitan District Nos. 2-4 were established as the Financing Districts.

The accounting policies of the District conform to generally accepted accounting principles (“GAAP”) as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported 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* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the Government-Wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the estimated useful lives between fifteen and thirty years.

Long-Term Obligations

In the Government-Wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes

Property taxes are levied on December 15 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 County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Assessed Property Taxes are first submitted to Timnath Ranch Metropolitan District Nos. 2, 3 and 4 and subsequently are forwarded to the District as a payment for administrative and other services. These payments are labeled as Service Fees in the financial statements.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District reports prepaid items as nonspendable for the year ended December 31, 2019.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2019.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Accounting (Continued)

- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgets are legally adopted for all funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at December 31, 2019 consisted of the following:

Deposits	\$ 550,500
Investments	<u>362,152</u>
Total	<u>\$ 912,652</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations.

At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The 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 be at least equal to 102% of the uninsured deposits.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2019, the District had deposits with financial institutions with a carrying amount of \$550,500. The bank balances with the financial institutions were \$599,213. Of these balances, \$250,000 was covered by federal depository insurance and \$349,213 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but adheres to state statute requirements.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District had invested \$362,152 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, is summarized below:

	Balances <u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/19</u>
Governmental Activities				
Capital Assets, not depreciated				
Water Rights	\$ 35,425	\$ -	\$ -	\$ 35,425
Construction in Progress	<u>190,079</u>	<u>2,859,157</u>	<u>-</u>	<u>3,049,236</u>
Total Capital Assets, not depreciated	<u>225,504</u>	<u>2,859,157</u>	<u>-</u>	<u>3,084,661</u>
Capital Assets, depreciated				
Infrastructure	<u>2,013,023</u>	<u>1,995,116</u>	<u>-</u>	<u>4,008,139</u>
Less Accumulated Depreciation				
Infrastructure	<u>222,708</u>	<u>76,963</u>	<u>-</u>	<u>299,671</u>
Capital Assets, depreciated, net	<u>1,790,315</u>	<u>1,918,153</u>	<u>-</u>	<u>3,708,468</u>
Governmental Activities, Capital Assets, Net	<u>\$ 2,015,819</u>	<u>\$ 4,777,310</u>	<u>\$ -</u>	<u>\$ 6,793,129</u>

Depreciation expense was charged to the General Government activity.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2019.

	Balance <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/19</u>	Due In <u>One Year</u>
Capital Note Payable	\$ 3,002,108	\$ -	\$ -	\$ 3,002,108	\$ -
Accrued Interest	<u>180,730</u>	<u>239,511</u>	<u>-</u>	<u>420,421</u>	<u>420,421</u>
Total	<u>\$ 3,182,838</u>	<u>\$ 239,511</u>	<u>\$ -</u>	<u>\$ 3,422,349</u>	<u>\$ 420,421</u>

Developer Advance, Capital

On March 11, 2008, the District entered into a promissory note and loan agreement with Timnath Ranch, LLC (“Developer”) in order to finance improvements within the District boundaries. Wherein the Developer agreed to loan the District up to \$25,000,000 initially for capital costs related to public infrastructure. The Note calls for interest at 2% plus the Federal Reserve Bank Prime Rate. This loan matured on December 31, 2009 and may be renewed on an annual basis. On November 16, 2018, these notes were renewed until January 24, 2048.

NOTE 6: DEVELOPER AGREEMENT

The promissory notes referenced in Note 5 were issued in accordance with the Funding and Reimbursement Agreement for Operating Costs dated March 11, 2008 (“Funding and Reimbursement Agreement”), the Advance and Reimbursement Agreement for Capital Costs dated March 11, 2008 (“Advance and Reimbursement Agreement”), and that certain Infrastructure Acquisition Agreement (“Infrastructure Acquisition Agreement”) dated March 11, 2008, under which the Developer agreed to loan the District up to \$25,000,000 for capital costs related to public infrastructure.

The Funding and Reimbursement Agreement also specifies that the District will reimburse the Developer from legally available resources of the District, including fees, rates, and taxes.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 6: DEVELOPER AGREEMENT (Continued)

The Infrastructure Acquisition Agreement provides for funds to be loaned to the Districts in one or a series of installments and shall be available to the District through December 31, 2019 as may be amended pursuant to an annual review and annual appropriations of the District. The Funding and Reimbursement Agreement provides for fund to be loaned to the District one or a series of installments and shall be available to the District through December 31, 2019.

The Improvement Acquisition Agreement with the Developer requires the District to reimburse the Developer for costs related to the design, construction, acquisition and installation of certain public improvements constructed or acquired on behalf of the District. The Developer agreed to construction of the improvements with the understanding that the District would acquire these improvements when they are completed.

The Developer also provided preliminary financing for these improvements with the understanding that the District would eventually repay the Developer and acquire the improvements with the proceeds of General Obligations Bonds, revenue bonds, promissory notes or other indebtedness of the Districts which will be issued by the District.

NOTE 7: RELATED PARTIES

The Developers of the property which constitutes the District are Timnath Ranch, LLC. All of the members of the Board are employees, owners or are otherwise associated with the Developers, and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District currently is indebted to the Developer for public improvements costs certified as constructed and acquired by the District as of December 31, 2019 in the amount of \$3,422,349.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, injuries to employees, and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool.

The District funds pool contributions, outside insurance purchases, deductible, and uninsured losses through the General Fund. Settled claims have not exceeded this coverage in any of the past three fiscal years.

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 9: DEBT AUTHORIZATION

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of general indebtedness as follows:

- An amount not to exceed \$175,000,000 at an interest rate not to exceed 15% per annum, for providing public improvements; and
- An amount not to exceed \$25,000,000 in an interest rate not to exceed 15% per annum, for Service Plan purposes; and

As of December 31, 2019, the amount of debt authorized but unissued was \$0 and limited by the Service Plan as a result of the debt issued by this District and Districts No's 2 and 4.16

NOTE 10: COMMITMENTS AND CONTINGENCIES

TABOR Amendment ("Amendment") - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2019, the emergency reserve of \$26,000 was recorded in the General Fund.

NOTE 11: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 30, 2020. It was determined that the following event is required to be disclosed through this date.

Covid-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	2019		VARIANCE Positive (Negative)	2018 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Charges for Services	\$ 263,250	\$ 320,719	\$ 57,469	\$ 201,000
Service Fees	178,243	177,434	(809)	165,508
Development Fees	301,476	360,891	59,415	336,999
Property Tax	2,895	3,353	458	-
Interest and Other Income	12,500	14,690	2,190	52,285
TOTAL REVENUES	758,364	877,087	118,723	755,792
EXPENDITURES				
Current				
General Government				
Accounting and Finance	58,075	58,075	-	52,498
District Management	106,260	108,544	(2,284)	83,800
Adminstration and Coveant Enforcement	53,330	71,524	(18,194)	35,341
Insurance	16,755	20,275	(3,520)	15,624
Legal Expenses	40,000	17,468	22,532	17,202
Office, Dues and Other	9,500	4,635	4,865	10,211
Repairs and Maintenance	161,742	128,788	32,954	187,052
Pool Membership	85,500	75,000	10,500	60,000
Utilities	60,000	26,593	33,407	46,351
Engineering	2,200	532	1,668	-
Contingency	40,000	-	40,000	-
TOTAL EXPENDITURES	633,362	511,434	121,928	508,079
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,002	365,653	240,651	247,713
OTHER FINANCING (USES)				
Transfers to Capital Projects Fund	-	-	-	(2,145)
Tansfers to District No. 4	(23,108)	(23,037)	71	-
TOTAL OTHER FINANCING (USES)	(23,108)	(23,037)	71	(2,145)
NET CHANGE IN FUND BALANCE	101,894	342,616	240,722	245,568
FUND BALANCE, Beginning	643,733	685,102	41,369	439,534
FUND BALANCE, Ending	<u>\$ 745,627</u>	<u>\$ 1,027,718</u>	<u>\$ 282,091</u>	<u>\$ 685,102</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

TIMNATH RANCH METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	2019			VARIANCE Positive (Negative)	2018 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Governmental Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Current					
General Government	25,000	25,000	-	25,000	-
Capital Outlay	9,089,055	9,340,853	2,859,537	6,481,316	190,079
TOTAL EXPENDITURES	9,114,055	9,365,853	2,859,537	6,506,316	190,079
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,114,055)	(9,365,853)	(2,859,537)	6,506,316	(190,079)
OTHER FINANCING SOURCES					
Proceeds from Developer Advances	1,534,055	1,534,055	1,001,621	(532,434)	-
Note Proceeds	6,000,000	6,000,000	-	(6,000,000)	-
Transfers In	1,580,000	1,831,798	1,857,916	26,118	190,079
TOTAL OTHER FINANCING SOURCES	9,114,055	9,365,853	2,859,537	(6,506,316)	190,079
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.