

TAMARRON METROPOLITAN DISTRICT
ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022





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Members of the Board of Directors
Tamarron Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Tamarron Metropolitan District as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Tamarron Metropolitan District, as of December 31, 2022 and 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. 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 Tamarron Metropolitan 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.

Emphasis of Matter

During the audit period it was discovered that interest was not being accrued on unpaid interest causing a restatement as of December 31, 2022. See note 9 in the financial statements.

As discussed in Note 4 to the financial statements, the District was not be able to meet the full payment obligation as required per the Series 2006 General Obligation bond agreement. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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.

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 Tamarron Metropolitan 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 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Tamarron Metropolitan 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 Tamarron Metropolitan 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.

Required Supplementary Information

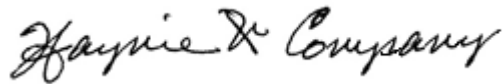
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tamarron Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information, as listed in the table of contents, 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. Such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado
July 21, 2023

Tamarron Metropolitan District

Management Discussion and Analysis

As management of the Tamarron Metropolitan District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2022.

This discussion and analysis is intended to be an easily readable analysis of the Tamarron Metropolitan District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Tamarron Metropolitan District is an entity whose primary function is to finance, construct, operate, and maintain the basic public infrastructure for Tamarron VI, the Tamarron Golf-Courses and Clubhouse, and certain other commercial portions of Tamarron VI and the Lodge in an area of approximately 730 acres of land in La Plata County, Colorado. The financial statements of Tamarron Metropolitan District consist of two primary statements: the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Net Position reflects the cumulative financial condition of the District at December 31, 2022. Net position reflects the sum total of earnings and contributions to the District over its lifetime, net of any losses incurred. The Statement of Revenues, Expenses and Changes in Net Position shows the change in financial condition from operations and other activities during the calendar year ended December 31, 2022.

This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year. Significant changes from the prior year are explained following the charts.

Tamarron Metropolitan District

Management Discussion and Analysis

Financial Statements

Net Position

Following is a condensed comparative summary of the District's Statement of Net Position at December 31:

	NET POSITION		
		(As restated)	
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current assets	\$ 1,144,501	\$ 978,558	\$ 165,943
Capital assets, net	951,953	1,007,386	(55,433)
Total Assets	2,096,454	1,985,944	110,510
Current liabilities	22,367,351	19,595,291	2,772,060
Long term liabilities	18,636,000	19,368,000	(732,000)
Total Liabilities	41,003,351	38,963,291	2,040,060
Deferred inflows	904,828	834,572	70,256
Net position: Invested in capital assets	(22,175,047)	(22,119,614)	(55,433)
Net position: Restricted	29,289	27,637	1,652
Net position: Unrestricted	(17,665,967)	(15,719,942)	(1,946,025)
Total net position	\$ (39,811,725)	\$ (37,811,919)	\$ (1,999,806)

During the year ended December 31, 2022, there was an increase in current assets mainly due to an increase in assessed valuation that increased tax revenue receivables for 2023. The net decrease in capital assets due current year depreciation expense.

There was an increase in current liabilities due to the accrued interest for 2022.

Tamarron Metropolitan District

Management Discussion and Analysis

Statement of Revenues, Expenses, and Changes in Net Position

Following is a condensed comparative summary of the District's statement of Revenues, Expenses, and Changes in Net position at December 31:

CHANGE IN NET POSITION			
	<u>2022</u>	(As restated) <u>2021</u>	<u>Change</u>
Operating revenues	\$ 1,206,194	\$ 1,041,227	\$ 164,967
Operating expenses	<u>3,206,000</u>	<u>3,494,444</u>	<u>(288,444)</u>
Operating income (loss)	(1,999,806)	(2,453,217)	453,411
Income before capital contributions	(1,999,806)	(2,453,217)	453,411
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(1,999,806)	(2,453,217)	453,411
Net position - beginning - as restated	(37,811,919)	(35,358,702)	(2,453,217)
Net position - end	<u><u>\$ (39,811,725)</u></u>	<u><u>\$ (37,811,919)</u></u>	<u><u>\$ (1,999,806)</u></u>

The increase in revenue in 2022 was due to an increase in collected property taxes and Specific Ownership taxes. There was a slight increase in penalty interest on late tax payments and an increase in interest on invested funds

Expenses decreased in 2022 due to a decrease in general operation expenses and also for infrastructure repairs. Interest paid on the Debt Service increased according to the progressive debt payment schedule.

Tamarron Metropolitan District

Management Discussion and Analysis

Capital Assets

The District's investment in capital assets at December 31, 2022 amounts to \$951,953 (net of accumulated depreciation). This investment in capital assets includes equipment and infrastructure. An analysis of changes in capital assets is as follows:

CHANGE IN CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Equipment	\$ 149,993	\$ 149,993	\$ -
Infrastructure	18,020,741	18,020,741	-
Total	<u>18,170,734</u>	<u>18,170,734</u>	<u>-</u>
Less Accumulated Depreciation	<u>(17,218,781)</u>	<u>(17,163,348)</u>	<u>(55,433)</u>
Total Capital Assets, net	<u>\$ 951,953</u>	<u>\$ 1,007,386</u>	<u>\$ (55,433)</u>

There were no significant capital additions purchased or assets retired during the year.

Additional information on the District's capital assets can be found in Note 5 of this report.

Budgetary Highlights

The budgetary comparison schedule for the District is included in other supplementary information.

Requests for Information

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Accountant:

Marchetti & Weaver, LLC,
28 Second Street, Suite 213
Edwards, CO 81632.

Tamarron Metropolitan District
Statement of Net Position
December 31, 2022

Assets	Governmental Activities
Cash	\$ 177,688
Property taxes receivable	904,828
Accounts receivable	54,411
Prepaid insurance	7,574
Capital assets, net of accumulated depreciation	<u>951,953</u>
Total Assets	<u><u>\$ 2,096,454</u></u>
Liabilities	
Accounts payable	\$ 30,888
Accrued interest payable	17,845,463
Bonds payable, due within one year	4,491,000
Bonds payable, due in more than one year	<u>18,636,000</u>
Total liabilities	<u>41,003,351</u>
Deferred Inflows of Resources	
Property tax revenue	<u>904,828</u>
Total deferred inflows of resources	<u>904,828</u>
Net Position	
Net investment in capital assets	(22,175,047)
Restricted - emergency reserves	11,389
Restricted - debt service	17,900
Unrestricted	<u>(17,665,967)</u>
Total net position	<u>(39,811,725)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 2,096,454</u></u>

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

Tamarron Metropolitan District
Statement of Activities
For the Year Ended December 31, 2022

<u>Functions/Program Activities</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Governmental Activities</u>
Governmental activities:		
Administrative services	\$ 308,452	\$ (308,452)
Operations	147,683	(147,683)
Interest on long-term debt	<u>2,749,865</u>	<u>(2,749,865)</u>
Total governmental activities	<u>3,206,000</u>	<u>(3,206,000)</u>
General revenues:		
Taxes		
Property taxes		834,859
Specific ownership taxes		93,469
Interest and penalties on taxes		1,528
Facility fees		45,000
Owners fees		230,000
Interest income		<u>1,338</u>
Change in net position		<u>(1,999,806)</u>
Net position - beginning of year - as restated		<u>(37,811,919)</u>
Net position - end of year		<u>\$ (39,811,725)</u>

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

Tamarron Metropolitan District
Governmental Funds Balance Sheet
December 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 170,539	\$ 7,149	\$ 177,688
Property taxes receivable	235,258	669,570	904,828
Accounts receivable	48,660	5,751	54,411
Due from other funds	-	2,500	2,500
Prepaid insurance	5,074	2,500	7,574
Total assets	<u>\$ 459,531</u>	<u>\$ 687,470</u>	<u>\$ 1,147,001</u>
Liabilities			
Accounts payable	30,888	-	30,888
Due to other funds	2,500	-	2,500
Total liabilities	<u>33,388</u>	<u>-</u>	<u>33,388</u>
Deferred Inflows of Resources			
Property tax revenue	235,258	669,570	904,828
Total deferred inflows of resources	<u>235,258</u>	<u>669,570</u>	<u>904,828</u>
Fund Balances/Net Assets			
Fund Equity			
Nonspendable - prepaid expenses	5,074	-	5,074
Restricted - emergency reserves	11,389	-	11,389
Restricted - debt service	-	17,900	17,900
Assigned - subsequent year's expenditures	174,422	-	174,422
Total Fund Equity	<u>190,885</u>	<u>17,900</u>	<u>208,785</u>
Total Liabilities and Fund Equity	<u>\$ 459,531</u>	<u>\$ 687,470</u>	<u>\$ 1,147,001</u>

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

Tamarron Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Assets
December 31, 2022

Fund Balances - Total Governmental Funds		\$ 208,785
Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:		
Capital assets used in governmental activities are not financial resources and are excluded from the funds.		
Governmental capital assets	18,170,734	
Less accumulated depreciation	<u>(17,218,781)</u>	951,953
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:		
Accrued interest payable	(17,845,463)	
Bonds payable	<u>(23,127,000)</u>	<u>(40,972,463)</u>
Net position of governmental activities		<u><u>\$ (39,811,725)</u></u>

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

Tamarron Metropolitan District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues			
Taxes			
Property taxes	\$ 217,063	\$ 617,796	\$ 834,859
Specific Ownership Tax	24,302	69,167	93,469
Interest and penalties	397	1,131	1,528
Facility fees	-	45,000	45,000
Owner Fees	230,000	-	230,000
Interest income	<u>223</u>	<u>1,115</u>	<u>1,338</u>
Total Revenues	<u>471,985</u>	<u>734,209</u>	<u>1,206,194</u>
Expenses			
General government			
Operations	92,250	-	92,250
Administration	287,399	21,053	308,452
Debt service			
Principal	-	-	-
Interest and fiscal charges	<u>-</u>	<u>715,302</u>	<u>715,302</u>
Total Expenditures	<u>379,649</u>	<u>736,355</u>	<u>1,116,004</u>
Excess of Revenues over Expenditures	92,336	(2,146)	90,190
Fund balances:			
Beginning of the year	<u>98,549</u>	<u>20,046</u>	<u>118,595</u>
End of the year	<u><u>\$ 190,885</u></u>	<u><u>\$ 17,900</u></u>	<u><u>\$ 208,785</u></u>

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

Tamarron Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balance—total governmental funds \$ 90,190

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Current year depreciation (55,433)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Unpaid interest expense (2,034,563)

Change in net position of governmental activities \$ (1,999,806)

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

Tamarron Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes				
Property taxes	\$ 216,989	\$ 216,989	\$ 217,063	\$ 74
Specific ownership taxes	19,296	19,296	24,302	5,006
Interest and penalties	200	287	397	110
Owners fees	-	230,000	230,000	-
Interest income	150	200	223	23
Total Revenues	<u>236,635</u>	<u>466,772</u>	<u>471,985</u>	<u>5,213</u>
Expenditures				
Operating Expenditures				
Audit	5,900	6,500	6,500	-
Accounting	6,000	45,000	47,558	(2,558)
Bank Fees	-	173	-	173
Admin Expense/General Mgr.	5,000	5,000	5,173	(173)
Contracted Services	194,671	194,671	152,771	41,900
County Treasurer's Fees	6,510	6,510	6,518	(8)
Dues	550	785	784	1
Insurance	5,074	5,074	4,629	445
Legal	1,400	25,000	25,281	(281)
Lease Purchase	6,960	6,960	7,538	(578)
Office Expenses	50	450	444	6
Purchase of Small Equipment	500	500	283	217
Repairs/Maint - Equipment	2,000	2,000	-	2,000
Repairs/Maint - Roads	15,000	104,848	90,880	13,968
Repairs/Maint - Infrastructure	15,000	15,000	1,370	13,630
Utilities	7,500	7,500	29,920	(22,420)
Total Operating Expenditures	<u>272,115</u>	<u>425,971</u>	<u>379,649</u>	<u>46,322</u>
Total Expenditures	<u>272,115</u>	<u>425,971</u>	<u>379,649</u>	<u>46,322</u>
Excess Revenue Over (Under)				
Expenditures	<u>(35,480)</u>	<u>40,801</u>	<u>92,336</u>	<u>51,535</u>
Other financing sources (uses):				
Emergency Reserves	<u>(8,163)</u>	<u>(8,163)</u>	<u>-</u>	<u>8,163</u>
Total Other Financing Sources (Uses)	<u>(8,163)</u>	<u>(8,163)</u>	<u>-</u>	<u>8,163</u>
Net change	(43,643)	32,638	92,336	59,698
Fund Balance—Beginning of year	<u>43,901</u>	<u>98,548</u>	<u>98,549</u>	<u>1</u>
Fund Balance—End of Year	<u>\$ 258</u>	<u>\$ 131,186</u>	<u>\$ 190,885</u>	<u>\$ 59,699</u>

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

Tamarron Metropolitan District

Notes to Financial Statements

December 31, 2022

1. Definition of Reporting Entity

Tamarron Metropolitan District (the District), was established on November 11, 2003 as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance, construct, operate, and maintain the basic public infrastructure for Tamarron VI, the Tamarron Golf-Courses and Clubhouse, and certain other commercial portions of Tamarron VI and the Lodge in an area of approximately 730 acres of land in La Plata County, Colorado.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

The District has no employees, and all operations and administrative functions are contracted.

2. Summary of Significant Accounting Policies

This summary of the Tamarron Metropolitan District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

Tamarron Metropolitan District

Notes to Financial Statements (continued)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements do not include fiduciary funds nor component units that are fiduciary in nature. Revenues are recognized when earned and expenses are recognized when a 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 revenues 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. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both “measurable and available”. Measurable means the amount of the transaction can be determined and “available” means collectible 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. Expenditures are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are reported only when payment is made. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

The District reports the following major governmental funds:

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

Debt Service Fund – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

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

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Deposits and Investments

Colorado law authorizes the District to invest in obligations of the United States, State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House Bill 1056 expanded the list of investments that are legal for local governments.

Allowance for Uncollectibles

No allowance for uncollectibles has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the government-wide financial statements. The District defines capital assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are depreciated over their estimated useful lives on the straight-line basis.

Facility Fees

The District collects a Facility Fee of \$2,500 from Glacier Development Corporation (the "Developer") upon the sale or transfer of any platted lots within the District's boundaries as prescribed in the District's service plan.

Budget

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Budgetary Accounting

Tamarron Metropolitan District adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

The Board of Directors adopts an annual legal budget, which covers the general fund and the debt service fund. Budgets are prepared on the modified accrual basis. Statements comparing budget and actual amounts for these governmental funds include adjustments to the budgetary basis for the differences noted above and for certain other items which are reported in the District's budget differently than they are reported for accounting principles generally accepted in the United States. The District Manager is authorized to transfer budgeted amounts for departmental line items; however any revisions that alter total expenditures for any of the funds must be approved by the Board of Directors.

On or before October 15th of each year, the District Manager submits to the Board of Directors a proposed budget for the fiscal year. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2022.

The District uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budget. Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

Budget appropriations lapse at the end of each year.

Restrictions

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use. The following is a list of reserves used by the District and a description of each:

Restricted for Emergencies - An account used to reflect equity of the District which is restricted for emergency purposes by the TABOR Amendment of the State of Colorado Constitution. "Emergency" excludes economic conditions, revenue shortfalls, or District salary and fringe benefit increases.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Restricted for Debt Service – An account used to reflect equity of the District which is restricted for debt service on general long-term debt.

Restricted resources are used first to fund appropriations for which both restricted and unrestricted net position are available.

Revenue Recognition – Property Taxes

In the governmental fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the county to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in the governmental fund statements.

The District's Property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Debt Authorization

On November 4, 2003, the District's voters approved an increase in debt up to \$150,000,000 and a related increase in taxes up to \$17,570,000, annually, or by such lesser annual amounts as may be necessary to pay the District's debt. The debt is to be incurred for the acquisition, construction, or otherwise providing infrastructure, including but not limited to streets, roads, sidewalks, bridges, traffic controls, water supply and distribution system, sewage collection

Tamarron Metropolitan District

Notes to Financial Statements (continued)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

system, park and recreation facilities, open space, television relay and translation system improvements and mosquito control. Additionally, the District's voters approved an increase in debt of \$500,000 and taxes to be increased \$570,000 annually, or by such lesser amount as may be necessary to pay for the District's operations, maintenance, and other expenses.

Additionally, the District's voters approved taxes to be increased \$445,000 annually, or such lesser amounts as necessary to pay the District's administration, operating and landscape maintenance, and other expenses.

All debt and tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

TABOR Amendment

On November 4, 2003, the District's voters approved a ballot question exempting the District from certain provisions of TABOR. The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provision, or enabling legislation.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

The District considers all unassigned fund balances to be available for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

3. Cash and Investments

Deposits consist of checking accounts, which are stated at cost. The District considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	<u>\$ 177,688</u>
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Deposits with Financial Institutions

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.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments (continued)

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District’s policy requires all deposits to be held in PDPA approved financial institutions. At December 31, 2022, none of the District’s deposits were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2022, the District’s cash deposits had a bank balance of \$177,688 and a carrying balance of \$177,688, of which, all was FDIC insured.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to three or five years or less (depending upon the type of investment) unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- * Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers’ acceptances of certain banks

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments (continued)

- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2022, the District had no investments.

4. Net Position Deficit and Subsequent Events

The District has a deficit balance in net position for the year ended December 31, 2022. This deficit is the result of recording infrastructure assets and the related debt. The infrastructure assets have been depreciated, which reduces their balance without a corresponding decrease in the bond payable. Additionally, the bond balance has increased annually as a result of the accrual for interest. The deficit will be remedied as bond liabilities are paid in the future.

During 2022, the District was not able to meet the full debt service payment obligation as required per the Series 2006 General Obligation Bond Indenture. The District did, however, levy a debt service tax of 37 mills as required in the Bond Indenture, so there was no default under the Bond Indenture. The District will continue to make debt service payments on the bonds to the extent that tax revenue from the required debt service mill levy and other pledged revenues are received and no written notice of default has been received from the Bond Trustee as provided in the Bond Indenture.

In addition, in May 2023, the District and the Bond Trustee with the consent of the bondholder amended the Bond Indenture to (i) eliminate the limited mill levy cap release provision and retain the debt service mill levy cap of 50 mills (less a maximum operating levy of 13 mills) and (ii) establish a final bond discharge date of December 2, 2046, at which time the District's obligation to repay any outstanding bonds and accrued interest thereon and to impose a debt service mill levy will terminate.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

5. Capital Assets

An analysis of the changes in net capital asset for the year ended December 31, 2022 follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Equipment	\$ 149,993	\$ -	\$ -	\$ 149,993
Infrastructure	18,020,741	-	-	18,020,741
Total	18,170,734	-	-	18,170,734
Less Accumulated				
Depreciation	(17,163,348)	(55,433)		(17,218,781)
Total Capital Assets, Net	\$ 1,007,386	\$ (55,433)	\$ -	\$ 951,953

Depreciation expense was \$55,433 for the year ending December 31, 2022, and was charged to governmental activities.

6. Related Party Transactions

One of five members of the District's Board of Directors are employees of and/or have a direct financial interest in the Developer.

Snow plowing and landscape maintenance services are being provided to the District by a company controlled by the Developer. During 2022, the District incurred costs of \$152,771 for these services. As of December 31, 2022, \$19,169 of these costs remained outstanding and payable to the Developer.

7. Long-Term Debt

During 2006, the District issued \$23,127,000 Conversion Date Accreted Value (General Obligation Limited Tax Convertible Capital Appreciation Bonds) Series 2006. The face amount of the bonds is \$18,778,088, and the proceeds were used to pay for the infrastructure built by the Developer. The bond payment schedule did not require payments until 2010. Until that date, interest was accrued at 7% and added to the fair value of the bond.

Starting in 2010, payments were interest only. Payments are scheduled to be made on June 1 and December 1. Unpaid interest is shown as accrued interest payable on the statement of net position.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

7. Long-Term Debt (continued)

Payments of principal will be made when funds are available and began being due on December 1, 2013. Since there were not sufficient funds for the \$684,000 principal payment required in 2022, that amount has been added to the prior years' principal due, totaling \$4,491,000 due. See Note 4 for further information.

Changes in governmental activities Long-Term Debt:

	Balance December 31, 2021	Additions	Payments	Balance December 31, 2022	Due Within One Year
Series 2006, General Obligation Bonds	\$ 23,127,000	\$ -	\$ -	\$ 23,127,000	\$ 4,491,000

Schedule of payments due in the next five years and thereafter:

	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	7.00%	\$ 4,491,000	\$ 19,201,223	\$ 23,692,223
2024	7.00%	824,000	1,304,520	2,128,520
2025	7.00%	882,000	1,246,840	2,128,840
2026	7.00%	987,000	1,185,100	2,172,100
2027	7.00%	1,056,000	1,116,010	2,172,010
2028-2032	7.00%	6,932,000	4,320,400	11,252,400
2033-2036	7.00%	7,955,000	1,448,580	9,403,580
		<u>\$ 23,127,000</u>	<u>\$ 29,822,673</u>	<u>\$ 52,949,673</u>

8. Joint Venture

The District is a participant in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverage to its members.

Tamarron Metropolitan District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

8. Joint Venture (continued)

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members.

The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver Metro area and 1-800-886-1733 from outside the Metro area.

9. Restatement

During 2022 it was discovered that interest was not being accrued on the outstanding interest. Per the calculation received from the Trustee, accrued interest was understated by \$4,685,669. See restatement calculation below:

	December 31, 2021		December 31, 2021	
	<u>As Originally Stated</u>	<u>Restatement</u>	<u>As Restated</u>	
Accrued Interest Payable	\$ 11,125,231	\$ 4,685,669	\$ 15,810,900	
Net Position	\$ (33,126,250)	\$ (4,685,669)	\$ (37,811,919)	

Tamarron Metropolitan District

Supplementary Information

Tamarron Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes				
Property taxes	\$ 617,583	\$ 617,583	\$ 617,796	\$ 213
Specific ownership taxes	54,930	54,930	69,167	14,237
Facility fees	42,500	42,500	45,000	2,500
Interest and penalties	1,000	1,000	1,131	131
Interest income	<u>100</u>	<u>750</u>	<u>1,115</u>	<u>365</u>
Total Revenues	<u>716,113</u>	<u>716,763</u>	<u>734,209</u>	<u>17,446</u>
Expenditures				
Debt Service				
Interest and fiscal charges	697,664	715,302	715,302	-
Bond agent fees	2,500	2,500	2,500	-
Legal fees	1,000	1,000	-	1,000
Treasurer fees	<u>18,527</u>	<u>18,527</u>	<u>18,553</u>	<u>(26)</u>
Total Expenditures	<u>719,691</u>	<u>737,329</u>	<u>736,355</u>	<u>974</u>
Excess Revenue Over (Under)				
Expenditures	<u>(3,578)</u>	<u>(20,566)</u>	<u>(2,146)</u>	<u>18,420</u>
Fund Balance—Beginning of year	<u>3,578</u>	<u>20,046</u>	<u>20,046</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ (520)</u>	<u>\$ 17,900</u>	<u>\$ 18,420</u>

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