

Timnath Ranch Metropolitan District No. 4

Financial Statements
with Independent Auditor's Report

December 31, 2020



Timnath Ranch Metropolitan District No. 4

Table of Contents
December 31, 2023

Independent Auditor's Report	1
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statements of Net Position	4
Statement of Activities	5
<i>Governmental Funds</i>	
Balance Sheet	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	8
Notes to Financial Statements	9
Required Supplementary Information	
<i>Budgetary Comparison Schedule</i>	
General Fund.....	20
<i>Notes to Required Supplementary Information</i>	21
Supplementary Information	
<i>Budgetary Comparison Schedule</i>	
Debt Service Fund	22



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Board of Directors
Timnath Ranch Metropolitan District No. 4
Timnath County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Timnath Ranch Metropolitan District No. 4 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 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.

The District has omitted the management's discussion and analysis that 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 on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
July 30, 2024



Basic Financial Statements

Timnath Ranch Metropolitan District No. 4
Statement of Net Position
December 31, 2023

	Governmental Activities
Assets	
Cash and Cash Equivalents - Restricted	\$ 2,505,236
Property Taxes Receivable	3,181
Due from County Treasurer	745
Due from Other Districts	109,507
Total Assets	2,618,669
Liabilities	
Due to Other Districts	29,037
Accrued Interest	1,196,206
Noncurrent Liabilities	
Due within One Year	160,000
Due in More Than One Year	22,441,000
Total Liabilities	23,826,243
Deferred Inflows of Resources	
Deferred Property Taxes	3,181
Total Deferred Inflows of Resources	3,181
Net Position	
Restricted	2,615,275
Unrestricted	(23,826,030)
Total Net Position	\$ (21,210,755)

Timnath Ranch Metropolitan District No. 4
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
Primary Government				
<i>Governmental Activities</i>				
General Government	\$ 60,105	\$ 1,017,325	\$ -	\$ 957,220
Interest on Long-Term Debt	1,554,891	-	-	(1,554,891)
Capital Outlay Expensed	-	-	-	-
Total Governmental Activities	\$ 1,614,996	\$ 1,017,325	\$ -	\$ (597,671)
General Revenues				
Property Tax				\$ 3,137
Specific Ownership Tax				11,490
Intergovernmental				153,985
Investment Income				142,618
Transfer for Timnath Ranch Metro District No. 2				<u>(9,000,000)</u>
Total General Revenues and Transfers				<u>(8,688,770)</u>
Change in Net Position				(9,286,441)
Net Position, Beginning of Year				<u>(11,924,314)</u>
Net Position, End of Year				<u>\$ (21,210,755)</u>

Timnath Ranch Metropolitan District No. 4

Balance Sheet Governmental Fund December 31, 2023

	General	Debt Service	Total
Assets			
Cash and Cash Equivalents - Restricted	\$ -	\$ 2,505,236	\$ 2,505,236
Property Taxes Receivable	909	2,272	3,181
Due from County Treasurer	213	532	745
Due from Other Districts	-	109,507	109,507
	1,122	2,617,547	2,618,669
Total Assets	1,122	2,617,547	2,618,669
Liabilities Deferred Inflows and Fund Balance			
<i>Liabilities</i>			
Due to Other Districts	213	28,824	29,037
	213	28,824	29,037
Total Liabilities	213	28,824	29,037
<i>Deferred Inflows</i>			
Deferred Property Taxes	909	2,272	3,181
	909	2,272	3,181
<i>Fund Balance</i>			
Restricted	-	2,615,275	2,615,275
Unrestricted, Unassigned	-	(28,824)	(28,824)
	-	2,586,451	2,586,451
Total Fund Balance	-	2,586,451	2,586,451
Total Liabilities, Deferred Inflows and Fund Balance	\$ 1,122	\$ 2,617,547	\$ 2,618,669

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

Total Fund Balance of the Governmental Funds	\$ 2,586,451
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Bond Payable	(22,601,000)
Accrued Interest	(1,196,206)
	(23,797,206)
Total Net Position of Governmental Activities	\$ (21,210,755)

Timnath Ranch Metropolitan District No. 4
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2023

	General	Debt Service	Total
Revenues			
Taxes	\$ 4,179	\$ 10,448	\$ 14,627
Intergovernmental	43,996	109,989	153,985
Services Fees	-	1,017,325	1,017,325
Interest Income	(115)	142,733	142,618
	48,060	1,280,495	1,328,555
Total Revenues	48,060	1,280,495	1,328,555
Expenditures			
General Government	48,060	12,045	60,105
Debt Service			
Principal	-	140,000	140,000
Interest	-	1,032,990	1,032,990
	48,060	1,185,035	1,233,095
Total Expenditures	48,060	1,185,035	1,233,095
Excess Revenues Over (Under) Expenditures	-	95,460	95,460
Other Financing Sources (Uses)			
Proceeds from Issuance of Bonds Payable	-	9,000,000	9,000,000
Costs of Issuance	-	(208,000)	(208,000)
Payments to Other Timnath Ranch Metropolitan Districts			
Timnath Ranch Metropolitan District No. 1	-	(6,123,775)	(6,123,775)
Timnath Ranch Metropolitan District No. 2	-	(2,876,225)	(2,876,225)
	-	(9,208,000)	(9,208,000)
Net Change in Fund Balance	-	(112,540)	(112,540)
Fund Balance, Beginning of Year	-	2,698,991	2,698,991
Fund Balance, End of Year	\$ -	\$ 2,586,451	\$ 2,586,451

Timnath Ranch Metropolitan District No. 4
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of the Governmental Fund to the Statement of Activities
 For the Year Ended December 31, 2023

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

Net Change in Fund Balance of the Governmental Funds	\$ (112,540)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources.</p>	
<p>depreciation expense.</p>	
Principal paid on outstanding bonds payable	140,000
Proceeds from issuance of bonds payable	(9,000,000)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of 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.</p>	
Accrued Interest Payable	<u>(313,901)</u>
Change in Net Position of Governmental Activities	<u>\$ (9,286,441)</u>

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies

Timnath Ranch Metropolitan District No. 4 (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 1 through 3 (the Districts). The District, along with District 2 and 3, serve as the Financing Districts with District 1 serving as the Service District. 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.

Reporting Entity

The accounting policies of the Timnath Ranch Metropolitan District No. 4 (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.

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 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

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.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Funds

The District maintains three individual governmental funds. The governmental funds information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and change in fund balance for the General Fund, the Debt Service Fund, and Capital Projects Fund, all of which, the District considers to be major funds. The Capital Projects Fund was inactive during 2023 and is not presented.

- 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 *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term liabilities of the District.

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.

Fair Value of Financial Instruments

The District's financial instruments include cash, 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, 2023 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.

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 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.

Currently, it is the intent of the District to convey any acquired or constructed capital assets to the Town of Timnath or other local governmental entities, as applicable. As of December 31, 2023, the District had no capital assets and there were no conveyances during 2023.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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.

District 1 in its capacity as the Service District collects all property taxes on behalf of the Districts as service fees. The portion of the District's property taxes for operations is reflected as a Payment to District 1 for services.

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-Spendable Fund Balance

Represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact.

Restricted Fund Balance

Represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation.

Committed Fund Balance

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 Fund Balance

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 Fund Balance

Represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Timnath Ranch Metropolitan District No. 4
Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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 positions 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.

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.

Subsequent Events

We have evaluated subsequent events through July 30, 2024, the date the financial statements were available to be issued.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 2: Cash and Investments

Investments

The District does not have a formal investment policy; however, the District follows state statutes regarding investments. The District generally limits its concentration risk of investments to Local Government Investment Pools, obligations of the United States and certain U.S. government agency securities, 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 of risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District. Such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following.

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

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

Local Government Investment Pools

At December 31, 2023, the District had \$2,505,236 in UMB trustee accounts invested in Colotrust funds. The Colorado Local Government Liquid Asset Trust (Colotrust) (the Trust), is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in one portfolio, Colotrust PLUS+. This portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 2: Cash and Investments (Continued)

Local Government Investment Pools (Continued)

Colotrust PLUS+ may also invest in certain obligations of U.S. government agencies, highest rates commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poor's. Colotrust records its investments at fair value and the Town records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted Cash

The cash and investments held in the Debt Service Fund, \$2,505,236, are reflected as restricted as of December 31, 2023.

Note 3: Long-Term Debt

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023.

	<u>Balance 12/31/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>
General Obligation Bond					
Series 2018A	\$ 11,835,000	\$ -	\$ (140,000)	\$ 11,695,000	\$ 160,000
Series 2018B	1,906,000	-	-	1,906,000	-
Series 2023C	-	9,000,000	-	9,000,000	-
Total	<u>\$ 13,741,000</u>	<u>\$ 9,000,000</u>	<u>\$ (140,000)</u>	<u>\$ 22,601,000</u>	<u>\$ 160,000</u>

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2018A

In February 2018, the District issued Limited Tax General Obligation Refunding and Improvement Bonds, Series 2018A, (Series 2018A Bonds) in the amount of \$12,030,000. The Series 2018A Bonds were issued for the purpose of funding the costs of public improvements for the Districts, paying the costs of issuance, and paying and discharging a portion of the outstanding loans of District 2.

The Series 2018A Bonds have a final maturity of December 1, 2047, and bear interest at a rate of 5.25%, through May 31, 2038, then increasing to 5.375% through maturity, calculated based on a 360-day year of twelve 30-day months, payable to the extent Pledged Revenues, as defined in the Senior Trust Indenture, are available semiannually on each June 1 and December 1 until the Series 2018A Bonds are paid in full or are redeemed prior to maturity. Principal payments on the Series 2018A Bonds began on December 1, 2023, and are due annually thereafter.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 3: Long-Term Debt (Continued)

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2018A (Continued)

In 2023, interest payments totaling \$630,900 were made and as of December 31, 2023, there was accrued interest payable of \$52,575 which is reflected on the Statement of Net Position.

The Series 2018A Bonds are subject to optional redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, beginning on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2023 to November 30, 2024	3.00%
December 1, 2024 to November 30, 2025	2.00%
December 1, 2025 to November 30, 2026	1.00%
December 1, 2026 and thereafter	0.00%

The following schedule represents the District's debt service requirements as of December 31, 2023:

December 31, 2023	Principal	Interest	Total
2024	\$ 160,000	\$ 623,550	\$ 783,550
2025	170,000	615,150	785,150
2026	195,000	606,226	801,226
2027	205,000	595,988	800,988
2028	230,000	585,226	815,226
2029 - 2033	1,450,000	2,750,250	4,200,250
2034 - 2038	2,125,000	2,277,752	4,402,752
2039 - 2043	2,980,000	1,625,398	4,605,398
2044 - 2045	4,180,000	653,602	4,833,602
	\$ 11,695,000	\$ 10,333,142	\$ 22,028,142

Subordinate Limited Tax General Obligation Bonds, Series 2018B

In February 2018, the District issued a Subordinate Limited Tax General Obligation Bonds, Series 2018B, (Series 2018B Bonds) in the amount of \$1,906,000. The Series 2018B Bonds were issued for the purpose of funding the costs of public improvements for the Districts and paying the costs of issuance.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 3: Long-Term Debt (Continued)

Subordinate Limited Tax General Obligation Bonds, Series 2018B (Continued)

The Series 2018B Bonds have a maturity of December 15, 2048, and shall bear interest at a rate of 7.75% calculated based on a 360-day year of twelve 30-day months, payable to the extent of Subordinate Pledged Revenues, as defined in the Subordinate Trust Indenture, are available annually on December 15 until the Series 2018B Bonds are paid in full or are redeemed prior to maturity. The Series 2018B Bonds are structured as *cash flow* bonds and as such, there are no scheduled payments of principal prior to the final maturity date. However, the Series 2018B Bonds are subject to mandatory redemption on December 15 of each year, to the extent of moneys available on deposit.

The possibility exists that there may not be sufficient Subordinate Pledged Revenues to pay the principal and interest on the Series 2018B Bonds when due. However, as long as the Subordinated Required Mill Levy is imposed the inability of the District to pay the principal and interest when due will not constitute an event of default.

Under the terms of the Subordinate Trust Indenture, in the event that any amount of principal or interest on the Series 2018B Bonds remain unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2057, the Series 2018B Bonds shall be deemed discharged.

In 2023, there were insufficient moneys available to make principal and interest payments. No principal payments and \$386,930 of interest payments were made during the year ended December 31, 2023. As of December 31, 2023, there was accrued interest payable of \$653,729, which is reflected on the Statement of Net Position.

Given the cash flow structure of the Series 2018B Bonds, the future debt service redemptions of the Series 2018B Bonds are uncertain and are not presented.

Junior Lien Limited Tax General Obligation Bonds, Series 2023C

In April 2023, the District issued a Junior Lien Limited Tax General Obligation Bonds, Series 2018B, (Series 2018B Bonds) in the amount of \$1,906,000. The Series 2018B Bonds were issued for the purpose of funding the costs of public improvements for the Districts and paying the costs of issuance.

The Series 2023C Bonds have a maturity of December 15, 2035, and shall bear interest at a rate of 8.00% calculated based on a 360-day year of twelve 30-day months, payable to the extent of Subordinate Pledged Revenues, as defined in the Subordinate Trust Indenture, are available annually on December 15 until the Series 2023C Bonds are paid in full or are redeemed prior to maturity. The Series 2023C Bonds are structured as *cash flow* bonds and as such, there are no scheduled payments of principal prior to the final maturity date. However, the Series 2023C Bonds are subject to mandatory redemption on December 15 of each year, commencing December 15, 2023, to the extent of available Pledged Revenues.

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 3: Long-Term Debt (Continued)

Junior Lien Limited Tax General Obligation Bonds, Series 2023C (Continued)

The possibility exists that there may not be sufficient Pledged Revenues to pay the principal and interest on the Series 2023C Bonds when due. However, as long as the Subordinated Required Mill Levy is imposed the inability of the District to pay the principal and interest when due will not constitute an event of default.

Under the terms of the Subordinate Trust Indenture, in the event that any amount of principal or interest on the Series 2023C Bonds remain unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2057, the Series 2023C Bonds shall be deemed discharged.

In 2023, there were insufficient moneys available to make principal and interest payments. There were no principal payments and \$15,160 of interest payments were made during the year ended December 31, 2023. As of December 31, 2023, there was accrued interest payable of \$489,902, which is reflected on the Statement of Net Position.

Given the cash flow structure of the Series 2023C Bonds, the future debt service redemptions of the Series 2018B Bonds are uncertain and are not presented.

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, 2023 was \$0.

Note 4: 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 revenue derived from the levy of property taxes against property within the boundaries of the Authority is to be divided between the tax authority and the Authority for a period of 25 years. The property tax revenue allocated to the District for the year ended December 31, 2023 in the amount \$142,117 is reflected as intergovernmental.

Note 5: Related Parties

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

Timnath Ranch Metropolitan District No. 4

Notes to Financial Statements

December 31, 2023

Note 6: Service Fees

Districts 1 through 4, levy and collect property taxes intended for the debt service requirements of the Series 2018A Bonds and Series 2018B Bonds, discussed Note 3. District 1 through 3 remit the property taxes and other available moneys to the District which are reflected as service fees. In 2023, the District received service fees totaling \$1,017,325.

Note 7: Commitments

Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement Obligations (District Operations Agreement)

Under the District Operations Agreement, District 1 is authorized to undertake certain administrative functions on behalf of the Districts, and as such, the Districts agree to fund the operating costs incurred by District 1 from legally available funds of the Districts. Under the District Operations Agreement, District 4 remitted to District 1, \$48,042 during 2023.

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.

Note 8: 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 9: 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.

Timnath Ranch Metropolitan District No. 4
Notes to Financial Statements
December 31, 2023

Note 9: Tax, Spending and Debt Limitations (Continued)

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.

As of December 31, 2023, the District's TABOR required emergency reserve is included as part of the TABOR emergency reserve reflected in District 1.

Required Supplementary Information

Timnath Ranch Metropolitan District No. 4
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 3,867	\$ 4,179	\$ 312
Intergovernmental	43,995	43,996	1
Interest Income	2,500	(115)	(2,615)
Total Revenues	<u>50,362</u>	<u>48,060</u>	<u>(2,302)</u>
Expenditures			
General Government	47,862	48,060	(198)
Contingency	2,500	-	2,500
Total Expenditures	<u>50,362</u>	<u>48,060</u>	<u>2,302</u>
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Timnath Ranch Metropolitan District No. 4
Notes to Required Supplementary Information
December 31, 2023

Note 1: Stewardship, Compliance, and Accountability

Budgets

Budgets are legally adopted for all funds of the District. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the District's funds are presented on a non-GAAP budgetary basis, whereby capital outlay and debt principal are budgeted as expenditures.

The District follows these procedures to establish the budgetary information reflected in the financial statements:

- In October, management submits to the District Board a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- 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 District Board.
- Budgets are legally adopted for all funds of the Town. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Capital outlay and debt payments are budgeted as expenditures and depreciation is not budgeted.
- Colorado governments may not exceed budgeted appropriations at the fund level.
- All appropriations lapse at year end.

For the year ended December 31, 2023, the District's Debt Service Fund expenditures exceeded expenditure appropriations. This may be a violation of State statutes.

Supplementary Information

Timnath Ranch Metropolitan District No. 4
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 9,667	\$ 9,667	\$ 10,448	\$ 781
Intergovernmental	109,987	109,987	109,989	2
Services Fees	1,016,407	1,017,554	1,017,325	(229)
Interest Income	5,000	124,273	142,733	18,460
Total Revenues	<u>1,141,061</u>	<u>1,261,481</u>	<u>1,280,495</u>	<u>19,014</u>
Expenditures				
General Government	6,034	6,034	12,045	(6,011)
Debt Service				
Principal Payments	140,000	140,000	140,000	-
Interest Payments	975,534	906,383	1,032,990	(126,607)
Contingency	5,000	-	-	-
Total Expenditures	<u>1,126,568</u>	<u>1,052,417</u>	<u>1,185,035</u>	<u>(132,618)</u>
Excess Revenues Over (Under) Expenditures	14,493	209,064	95,460	(113,604)
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds Payable	-	9,000,000	9,000,000	-
Costs of Issuance	-	(229,000)	(208,000)	21,000
Payments to Other Timnath Ranch Metropolitan Districts				
Timnath Ranch Metropolitan District No. 1	-	(9,000,000)	(6,123,775)	2,876,225
Timnath Ranch Metropolitan District No. 2	-	-	(2,876,225)	(2,876,225)
Net Change in Fund Balance	14,493	(19,936)	(112,540)	(92,604)
Fund Balance, Beginning of Year	<u>2,690,929</u>	<u>2,721,399</u>	<u>2,698,991</u>	<u>(22,408)</u>
Fund Balance, End of Year	<u>\$ 2,705,422</u>	<u>\$ 2,701,463</u>	<u>\$ 2,586,451</u>	<u>\$ (115,012)</u>