

TIMBERLEAF METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Timberleaf Metropolitan District
Adams County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Timberleaf Metropolitan District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023, 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 the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern 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 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 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

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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.

Hiratsuka & Associates, LLP

September 18, 2024
Wheat Ridge, Colorado

Timberleaf Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 226,059	\$ -	\$ 226,059	\$ -	\$ 226,059
Cash and investments - restricted	8,641	782,517	791,158	-	791,158
Receivable - County Treasurer	183	1,019	1,202	-	1,202
Property taxes receivable	95,595	532,186	627,781	-	627,781
Homeowner receivable	12,819	-	12,819	-	12,819
Prepaid expenses	2,536	-	2,536	-	2,536
Capital assets not being depreciated	-	-	-	17,985,227	17,985,227
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 345,833</u>	<u>\$ 1,315,722</u>	<u>\$ 1,661,555</u>	<u>17,985,227</u>	<u>19,646,782</u>
LIABILITIES					
Accounts payable	\$ 20,882	\$ -	\$ 20,882	-	20,882
Prepaid District fees	9,945	-	9,945	-	9,945
Accrued interest	-	-	-	289,577	289,577
Long-term liabilities:					
Due in more than one year	-	-	-	21,355,320	21,355,320
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>30,827</u>	<u>-</u>	<u>30,827</u>	<u>21,644,897</u>	<u>21,675,724</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	95,595	532,186	627,781	-	627,781
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>95,595</u>	<u>532,186</u>	<u>627,781</u>	<u>-</u>	<u>627,781</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	2,536	-	2,536	(2,536)	-
Restricted:					
Emergencies	8,641	-	8,641	(8,641)	-
Debt service	-	783,536	783,536	(783,536)	-
Unassigned	208,234	-	208,234	(208,234)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>219,411</u>	<u>783,536</u>	<u>1,002,947</u>	<u>(1,002,947)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances					
	<u>\$ 345,833</u>	<u>\$ 1,315,722</u>	<u>\$ 1,661,555</u>		
Net Position:					
Restricted for:					
Emergencies				8,641	8,641
Debt service				493,959	493,959
Unrestricted				<u>(3,159,323)</u>	<u>(3,159,323)</u>
Total Net Position				<u>\$ (2,656,723)</u>	<u>\$ (2,656,723)</u>

The notes to the financial statements are an integral part of these statements.

Timberleaf Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 15,455	\$ -	\$ 15,455	\$ -	\$ 15,455
Insurance	2,797	-	2,797	-	2,797
Legal	8,101	-	8,101	-	8,101
Management fees	16,719	-	16,719	-	16,719
Miscellaneous expenses	2,949	-	2,949	-	2,949
Snow removal	11,420	-	11,420	-	11,420
Amenity maintenance	6,237	-	6,237	-	6,237
Landscape costs	85,964	-	85,964	-	85,964
Water and sewer	4,007	-	4,007	-	4,007
Treasurer's fees	344	1,919	2,263	-	2,263
Bond interest expense	-	397,900	397,900	78,759	476,659
Trustee fees	-	7,000	7,000	-	7,000
Interest on developer advances	-	-	-	764,933	764,933
	<u>153,993</u>	<u>406,819</u>	<u>560,812</u>	<u>843,692</u>	<u>1,404,504</u>
PROGRAM REVENUES					
Homeowner fees	<u>203,468</u>	<u>-</u>	<u>203,468</u>	<u>-</u>	<u>203,468</u>
	<u>203,468</u>	<u>-</u>	<u>203,468</u>	<u>-</u>	<u>203,468</u>
Net Program Income (Expenses)	49,475	(406,819)	(357,344)	(843,692)	(1,201,036)
GENERAL REVENUES					
Property taxes	32,774	182,442	215,216	-	215,216
Specific ownership taxes	2,223	12,373	14,596	-	14,596
Interest income	<u>13,050</u>	<u>38,222</u>	<u>51,272</u>	<u>-</u>	<u>51,272</u>
	<u>48,047</u>	<u>233,037</u>	<u>281,084</u>	<u>-</u>	<u>281,084</u>
NET CHANGES IN FUND BALANCES	97,522	(173,782)	(76,260)	76,260	
CHANGE IN NET POSITION				(919,952)	(919,952)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>121,889</u>	<u>957,318</u>	<u>1,079,207</u>	<u>(2,815,978)</u>	<u>(1,736,771)</u>
END OF YEAR	<u>\$ 219,411</u>	<u>\$ 783,536</u>	<u>\$ 1,002,947</u>	<u>\$ (3,659,670)</u>	<u>\$ (2,656,723)</u>

The notes to the financial statements are an integral part of these statements.

Timberleaf Metropolitan District

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

For the Year Ended December 31, 2023

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 32,774	\$ 32,774	\$ -
Specific ownership taxes	1,639	2,223	584
Interest income	1,000	13,050	12,050
Homeowner fees	144,868	203,468	58,600
Total Revenues	180,281	251,515	71,234
EXPENDITURES			
Accounting and audit	12,000	15,455	(3,455)
Election expense	2,500	-	2,500
Insurance	4,000	2,797	1,203
Legal	15,000	8,101	6,899
Management fees	16,100	16,719	(619)
Miscellaneous expenses	2,000	2,949	(949)
Landscape costs	24,000	85,964	(61,964)
Snow removal	4,500	11,420	(6,920)
Amenity maintenance	500	6,237	(5,737)
Fence maintenance	1,000	-	1,000
Water	30,000	4,007	25,993
Social events	2,500	-	2,500
Treasurer's fees	492	344	148
Contingency	147,710	-	147,710
Emergency reserve	3,438	-	3,438
Total Expenditures	265,740	153,993	111,747
NET CHANGE IN FUND BALANCE	(85,459)	97,522	182,981
FUND BALANCE:			
BEGINNING OF YEAR	85,869	121,889	36,020
END OF YEAR	\$ 410	\$ 219,411	\$ 219,001

The notes to the financial statements are an integral part of these statements.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Timberleaf Metropolitan District (“District”), located in the City of Thornton, (“City”) Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 26, 2007, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District operates pursuant to a service plan approved by the City on August 28, 2007 (the “Service Plan”). The District was formed for the purpose of providing for the design, acquisition, completion, construction, installation and operation and maintenance of street sanitary and storm water, water and park and recreation services for the District and its inhabitants, taxpayers, property taxes and users. The District is responsible for operating and maintaining park and recreation improvements and is also required to undertake the operations and maintenance responsibilities for the public improvements that are not conveyed to the City or other governmental entities. The primary source of revenue for the District is expected to be property taxes and homeowner fees. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect 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. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are 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. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance represents prepaid expenses.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$8,641 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$783,536 is restricted for the payment of the debt service costs associated with the Series 2020A Bonds (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund all funds can report negative amounts.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports 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 of resources related to those assets. As of December 31, 2023, the District had no amount to report in this category.

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

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

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

Note 2: Cash and Investments

As of December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 226,059
Cash and investments - restricted	<u>791,158</u>
Total	\$ <u>1,017,217</u>

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Cash and investments as of December 31, 2023, consist of the following:

Deposits with financial institutions	\$ 151,830
COLOTRUST	255,450
Morgan Stanley Inst'l Liquid Government Fund	<u>609,937</u>
Total	\$ <u>1,017,217</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the 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.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

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 investments are not required to be categorized within the fair value hierarchy. This investment's value for Morgan Stanley Inst Liq Government Port; and COLOTRUST are calculated using the net asset value method (NAV) per share.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2023, the District had the following investments:

Morgan Stanley Inst'l Liquid Government Fund

The District's funds that are included in the trust accounts at UMB Bank are invested in the Morgan Stanley Inst'l Liquid Government Fund (the "Portfolio"). This is a money market fund and each share is equal in value to \$1.00. All investments within the money market funds are recorded at fair value and the District records its investment in the Portfolio at NAV. The Portfolio is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 30 days or less. As of December 31, 2023, the District has \$609,937 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2023, the District had \$255,450 invested in COLOTRUST Plus+.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$17,985,227	\$ -	\$ -	\$ 17,985,227
Total capital assets not being depreciated	<u>17,985,227</u>	<u>-</u>	<u>-</u>	<u>17,985,227</u>
Government type assets, net	<u>\$17,985,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,985,227</u>

Upon completion and acceptance, all capital assets except for park and recreation improvements will be conveyed by the District to other local governments. The District will not be responsible for maintenance of the assets conveyed.

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>	<u>Current Portion</u>
General Obligation Bonds					
Series 2020A Bonds	\$ 6,920,000	\$ -	\$ -	\$ 6,920,000	\$ -
Series 2020B Bonds	777,000	-	-	777,000	-
Direct Borrowing					
Developer advance	12,748,888	-	-	12,748,888	-
Developer advance interest	144,499	764,933	-	909,432	-
Total	<u>\$20,590,387</u>	<u>\$ 764,933</u>	<u>\$ -</u>	<u>\$ 21,355,320</u>	<u>\$ -</u>

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

A description of the long-term obligations as of December 31, 2023, is as follows:

Operating Reimbursement Agreement

The District and Melody Homes, Inc. (“Developer”) entered into an Operating Reimbursement Agreement with an effective date of May 14, 2020 (the “ORA”). Pursuant to the ORA the District agreed to reimburse the Developer for all advances together with interest at 6% per annum, commencing as of the date of each advance. At December 31, 2023 the amount outstanding under the ORA is \$86,684.

Infrastructure Acquisition and Funding Agreement

The District and the Developer entered into an Infrastructure Acquisition and Funding Agreement with an effective date of May 14, 2020 (“Acquisition Agreement”). The Acquisition Agreement permits the Developer to, in its sole discretion, provide advances to the District as requested from time to time in writing by the District to pay certain costs related to the planning, design, engineering, construction, installation and completion of public improvements for the District, including without limitation, soft costs, such as those related to engineering, architectural, surveying or construction planning. Subject to the verification of the costs of such improvements by the District and confirmation that such improvements have been constructed in accordance with applicable standards and specifications, such improvements may be conveyed, transferred or dedicated to the District, the City or other governmental entity for public use. Amounts advanced by the Developer under the Acquisition Agreement are subject to reimbursement by the District with the proceeds of its bonds or from other legally available revenue not otherwise pledged, together with interest thereon at 6% per annum from the date of any advance. At December 31, 2023 the amount outstanding under the Acquisition Agreement is \$13,571,636.

\$6,920,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2020A and \$777,000 Subordinate General Obligation Limited Tax Bonds, Series 2020B

On May 29, 2020, the District issued \$6,920,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2020A (“Series 2020A Bonds”) and \$777,000 Subordinate General Obligation Limited Tax Bonds, Series 2020B (“Series 2020B Bonds”) for the purpose of financing public improvements related to the Development, paying the cost of issuance of the Bonds, and, with respect to the Series 2020A Bonds only, funding the Surplus Fund and funding a portion of interest to accrue on the Series 2020A Bonds. The Series 2020A Bonds bear interest at the rate of 5.75%, payable semiannually on each June 1 and December 1, commencing on December 1, 2020. The Series 2020B Bonds bear interest at the rate of 8.25%, payable annually on December 15, commencing on December 15, 2020, to the extent that Subordinate Pledged Revenue is available. The Series 2020A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2026 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on June 1, 2025, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

The Series 2020B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on June 1, 2025, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2020A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2020A Bonds are also secured by the Senior Reserve Fund. The Series 2020B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, the amounts, if any, in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture and any other legally available moneys as determined by the District.

In the event any amounts due and owing on the Series 2020B Bonds remain outstanding on December 16, 2060, after application on December 15, 2060 of all available Subordinate Pledged Revenue to the payment of the Series 2020B Bonds, the Series 2020B Bonds and the lien of 2020B Subordinate Indenture securing payment thereof shall be deemed fully satisfied on December 16, 2060, and on such date the Series 2020B Bonds shall be discharged and the 2020B Subordinate Indenture shall terminate, and the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2020B Bonds and discharge the lien of the 2020B Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020A Bonds.

	Principal	Interest	Total
2024	\$ -	\$ 397,900	\$ 397,900
2025	-	397,900	397,900
2026	75,000	397,900	472,900
2027	80,000	393,588	473,588
2028	95,000	388,988	483,988
2029-2033	620,000	1,852,938	2,472,938
2034-2038	970,000	1,637,025	2,607,025
2039-2043	1,420,000	1,309,563	2,729,563
2044-2048	2,040,000	834,038	2,874,038
2049-2050	1,620,000	157,835	1,777,835
	<u>\$ 6,920,000</u>	<u>\$ 7,767,675</u>	<u>\$ 14,687,675</u>

Because of the uncertainty of the timing of the principal and interest payment on the Series 2020B Bonds, no schedule of principal and interest payments is presented.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Debt Authorization

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed \$135,000,000. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$15,000,000. As of December 31, 2023, the District had \$7,303,000 remaining authority under the Service Plan.

Note 5: Other Agreements

Resolution Concerning the Imposition of District Fees

Pursuant to a Resolution Concerning the Imposition of District Fees , approved September 4, 2020 (the “Fee Resolution”), the Board of Directors approved the imposition of a monthly operations fee, against properties within the District. The operations fee was set at \$95 per month. The fees are due on the first day of each month and are subject to change. Fee collection for the District did not begin until 2022. Fees collected in 2023 under this agreement were \$136,543 and included in Homeowner Fees on the attached financial statements.

New Owner Fees:

Per District covenants, a \$1,000 new owner fee is collected from the first owner who purchases a lot from the Declarant or Builder as defined by the agreement at the closing of the sale. During 2023, the District collected \$63,000 in new owner fees which are included in Homeowner Fees on the attached financial statements.

Note 6: Related Party

During 2023 a majority of the Board of Directors were employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: Tax, Spending and Debt Limitations

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

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 6, 2007, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) long-term liabilities such as bonds payable, developer advances payable and accrued interest on bonds and developer advances are not due and payable in the current period and, therefore, are not in the funds.

TIMBERLEAF METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) governmental funds report developer advances and/or bond proceeds as revenue and report interest paid as expenditures; however, these are reported as changes to long-term liabilities on the government-wide financial statements.

SUPPLEMENTAL INFORMATION

Timberleaf Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 182,442	\$ 182,442	\$ -
Specific ownership taxes	14,595	12,373	(2,222)
Interest income	<u>2</u>	<u>38,222</u>	<u>38,220</u>
Total Revenues	<u>197,039</u>	<u>233,037</u>	<u>35,998</u>
EXPENDITURES			
Bond interest expense	397,900	397,900	-
Trustee fees	14,000	7,000	7,000
Treasurer's fees	<u>2,737</u>	<u>1,919</u>	<u>818</u>
Total Expenditures	<u>414,637</u>	<u>406,819</u>	<u>7,818</u>
NET CHANGE IN FUND BALANCE	(217,598)	(173,782)	43,816
FUND BALANCE:			
BEGINNING OF YEAR	<u>944,714</u>	<u>957,318</u>	<u>12,604</u>
END OF YEAR	<u>\$ 727,116</u>	<u>\$ 783,536</u>	<u>\$ 56,420</u>

The notes to the financial statements are an integral part of these statements.

Timberleaf Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED December 31, 2023

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		Percent Collected to Levied
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2020	\$ 32,960	55.664	0.000	\$ 1,835	\$ 1,827	99.58%
2021	\$ 69,300	10.000	55.664	\$ 4,551	\$ 4,547	99.92%
2022	\$ 2,825,610	10.000	55.664	\$ 185,541	\$ 185,541	100.00%
2023	\$ 3,256,260	10.065	56.028	\$ 215,216	\$ 215,216	100.00%
Estimated for year ending December 31, 2024	\$ 8,632,380	11.074	61.650	\$ 627,781		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.