

**SOUTHWEST TIMNATH METROPOLITAN  
DISTRICT NO. 4**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2022**

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# JOHN CUTLER & ASSOCIATES

Board of Directors  
Southwest Timnath Metropolitan District No. 4  
Timnath, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund, of the Southwest Timnath Metropolitan District No. 4 (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Southwest Timnath Metropolitan District No. 4 as of December 31, 2022, 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 Southwest Timnath Metropolitan District No. 4 and to meet our 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 the 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

*John Luthr & Associates, LLC*

August 2, 2023

## **BASIC FINANCIAL STATEMENTS**

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

STATEMENT OF NET POSITION

As of December 31, 2022

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Restricted Cash and Investments	\$ 704,328	\$ 696,826
Property Tax Receivable	189,739	161,913
<b>TOTAL ASSETS</b>	<b>894,067</b>	<b>858,739</b>
<b>LIABILITIES</b>		
Accrued Interest	370,663	246,915
Noncurrent Liabilities		
Due within One Year	75,000	70,000
Due in More than One Year	7,580,000	7,655,000
<b>TOTAL LIABILITIES</b>	<b>8,025,663</b>	<b>7,971,915</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Property Tax Revenue	189,739	161,913
<b>NET POSITION</b>		
Restricted for Emergencies	2,700	5,300
Restricted for Debt Service	704,328	696,826
Unrestricted	(8,028,363)	(7,977,215)
<b>TOTAL NET POSITION</b>	<b>\$ (7,321,335)</b>	<b>\$ (7,275,089)</b>

See the accompanying independent auditors' report.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2022

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
EXPENSES		
<b>Governmental Activities</b>		
General Government	\$ 82,828	\$ 175,163
Interest and Fiscal Charges	435,076	358,512
	<u>517,904</u>	<u>533,675</u>
TOTAL EXPENSES		
REVENUES		
GENERAL REVENUES		
Property Taxes	80,786	161,462
Specific Ownership Taxes	2,042	13,344
Interest	7,502	437
SPECIAL ITEMS		
Transfer from District 1	431,328	462,248
	<u>521,658</u>	<u>637,491</u>
TOTAL REVENUES		
CHANGE IN NET POSITION	3,754	103,816
NET POSITION, Beginning	<u>(7,325,089)</u>	<u>(7,378,905)</u>
NET POSITION, Ending	<u>\$ (7,321,335)</u>	<u>\$ (7,275,089)</u>

See the accompanying independent auditors' report.



SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2022

	GENERAL FUND	
	2022	2021
ASSETS		
Restricted Cash and Investments	\$ 704,328	\$ 696,826
Property Tax Receivable	189,739	161,913
	\$ 894,067	\$ 858,739
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY		
Deferred Property Tax Revenue	\$ 189,739	\$ 161,913
	189,739	161,913
FUND EQUITY		
Fund Balance		
Restricted for Emergencies	2,700	5,300
Restricted for Debt Service	704,328	696,826
Unassigned	(2,700)	(5,300)
	704,328	696,826
Amounts reported for governmental activities in the statement of Net Position are different because:		
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable (\$7,655,000), and accrued interest payable (\$370,663).	(8,025,663)	(7,971,915)
Net Position of governmental activities	\$ (7,321,335)	\$ (7,275,089)

See the accompanying independent auditors' report.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2022

	GENERAL FUND	
	2022	2021
REVENUES		
Property Taxes	\$ 80,786	\$ 161,462
Specific Ownership Taxes	2,042	13,344
Interest and Other Income	7,502	437
TOTAL REVENUES	90,330	175,243
EXPENDITURES		
Current		
General Government	82,828	175,163
Debt Service		
Principal	70,000	50,000
Interest	361,328	358,512
TOTAL EXPENDITURES	514,156	583,675
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(423,826)	(408,432)
OTHER FINANCING SOURCES (USES)		
Transfer From Other Districts	431,328	462,248
TOTAL OTHER FINANCING SOURCES (USES)	431,328	462,248
NET CHANGE IN FUND BALANCES	7,502	53,816
FUND BALANCES, Beginning	696,826	643,010
FUND BALANCES, Ending	\$ 704,328	\$ 696,826

See the accompanying independent auditors' report.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 7,502
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the increase in accrued interest (\$73,748) and the bond payment \$70,000) in the current year.	<u>(3,748)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,754</u>

See the accompanying independent auditors' report.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Southwest Timnath Metropolitan District No. 4 was formed to provide public services and improvements for the District and surrounding area within its boundaries. The District is governed by a five-member Board of Directors elected by the constituents.

The accounting policies of the Southwest Timnath Metropolitan District No. 4 (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**Reporting Entity**

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

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

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

**Government-Wide and Fund Financial Statements**

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

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

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

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

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

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Investments**

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Net Position**

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

*Net Investment in Capital Assets* includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. The District does not own any capital assets at December 31, 2019.

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

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

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Position/Fund Balance Classification**

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The District did not have any committed resources as of December 31, 2022.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

**Property Taxes**

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

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property Taxes** (Continued)

Property taxes are assessed and submitted to District 4 and forwarded to the Southwest Timnath Metropolitan District No 1 as a payment for administrative and other services.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

- On or before October 15th, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).



SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (Continued)

**Budgets and Budgetary Accounting** (Continued)

- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

**Legal Compliance**

The actual expenditures of the General Fund exceeded the budgeted amount by \$329,986. This may be a violation of State statute.

**NOTE 3: CASH AND INVESTMENTS**

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2022, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

The District has no deposits at December 31, 2022.

**Investments**

Interest Rate Risk

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

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Investments** (Continued)

Credit Risk

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

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

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

The District has no policy for managing credit risk or interest rate risk.

Fair Value

The District categorizes its fair value measurements 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 observable inputs.

At December 31, 2022, the District held investments in a money market fund in the amount of \$704,328. The fund invests only in U.S Treasury Obligations and is rated AAA by Moody's. Given the low risk of this type of investment, the District has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

**Restricted Cash and Investments**

Investments in money market funds totaling \$704,328 are restricted in the General Fund for the payment of the District's debt.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due In</u> <u>One Year</u>
Ltd Tax General Obligation					
Bonds, Series 2018A	\$ 6,620,000	\$ -	\$ 70,000	\$ 6,550,000	\$ 75,000
Sub Ltd Tax General Obligation					
Bonds, Series 2018B	<u>1,105,000</u>	<u>-</u>	<u>-</u>	<u>1,105,000</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 7,775,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 70,000</u></b>	<b><u>\$ 7,655,000</u></b>	<b><u>\$ 75,000</u></b>

**Limited Tax General Obligation Bonds**

On August 2, 2017 the District issued Limited Tax General Obligation Bonds, Series 2018A and Subordinate Limited Tax General Obligation Bonds, Series 2017B in the amounts of \$6,675,000 and \$1,105,000, respectively. The 2017A and 2017B Bonds are secured and payable solely from the senior pledged revenue and subordinated pledged revenue, as applicable. These revenues consist of monies derived by the District from property tax collections, specific ownership tax collections, and any other legally available funds which the District determines at its discretion, to credit to the bonds. The 2017A bonds are also secured by amounts held in the senior reserve fund.

The 2017A Bonds carry an interest rate of 5.375% and the 2017B Bonds carry an interest rate of 7.750%. Interest payments on the bonds are due semi-annually on June 1 and December 1. Principal payments on the 2017A Bonds are due annually on December 1 beginning on December 1, 2021 through 2047. The principal balance of the 2017B Bonds is due on December 15, 2047.

The District did not make the December 2019 and the December 2018 interest payments for the 2017B Bonds due to lack of funding. The amount has been accrued and will be paid once there is adequate funding.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**NOTE 4: LONG-TERM DEBT** (Continued)

Future debt service requirements are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 75,000	\$ 437,700	\$ 512,700
2024	90,000	433,670	523,670
2025	90,000	428,831	518,831
2026	105,000	423,994	528,994
2027	110,000	418,350	528,350
2028-2032	745,000	1,988,822	2,733,822
2033-2037	1,090,000	1,753,395	2,843,395
2038-2042	1,550,000	1,413,962	2,963,962
2043-2047	<u>3,800,000</u>	<u>935,590</u>	<u>4,735,590</u>
Total	<u>\$ 7,655,000</u>	<u>\$ 8,234,314</u>	<u>\$ 15,889,314</u>

**NOTE 5: RELATED PARTIES**

All of the members of the Board of Directors are either investors in the Developer, or otherwise affiliated with the Developer.

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool. The District funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund.

Settled claims resulting from these risks have not exceeded commercial or District coverages in any of the past three years.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**NOTE 7: DEBT AUTHORIZATION**

On November 4, 2014, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness as follows:

- An amount not to exceed \$198,000,000 at an interest rate not to exceed 18% per annum, for providing public improvements; and
- An amount not to exceed \$33,000,000 at an interest rate not to exceed 18% per annum, for television and relay purposes; and
- An amount not to exceed \$33,000,000 at an interest rate not to exceed 18% per annum, for refunding purposes.
- An amount not to exceed \$33,000,000 at an interest rate not to exceed 18% per annum, for operations and maintenance purposes; and
- An amount not to exceed \$99,000,000 at an interest rate not to exceed 18% per annum, for mosquito, fire protection, and security purposes; and
- An amount not to exceed \$33,000,000 at an interest rate not to exceed 18% per annum, for reimbursement agreement purposes.

The District's Service Plan includes a debt authorization limit of \$11,000,000.

As of December 31, 2022, the amount of debt authorized but unissued was \$3,220,000. The District intends to issue over time a part or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

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

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2022, the emergency reserve of \$2,700 was recorded as a restriction of fund balance in the General Fund.

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

**NOTE 9: SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date which the financial statements were issued. There were no material subsequent events that required recognition or additional disclosure.

**REQUIRED SUPPLEMENTAL INFORMATION**

SOUTHWEST TIMNATH METROPOLITAN DISTRICT NO. 4

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2022

	2022		VARIANCE Positive (Negative)	2021 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Property Taxes	\$ 173,745	\$ 80,786	\$ (92,959)	\$ 161,462
Specific Ownership Taxes	10,425	2,042	(8,383)	13,344
Interest and Other Income	-	7,502	7,502	437
	184,170	90,330	(93,840)	175,243
TOTAL REVENUES				
EXPENDITURES				
Current				
General Government				
Payment for Services to District No. 1	180,487	81,212	99,275	171,907
Treasurer Fees	3,683	1,616	2,067	3,242
Other	-	-	-	14
Debt Service				
Principle	-	70,000	(70,000)	50,000
Interest	-	361,328	(361,328)	358,512
	184,170	514,156	(329,986)	583,675
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(423,826)	(423,826)	(408,432)
OTHER FINANCING SOURCES (USES)				
Transfer From Other Districts	-	431,328	431,328	462,248
	-	431,328	431,328	462,248
TOTAL OTHER FINANCING SOURCES (USES)				
CHANGE IN FUND BALANCES	-	7,502	7,502	53,816
FUND BALANCE, Beginning	-	696,826	696,826	643,010
FUND BALANCE, Ending	\$ -	\$ 704,328	\$ 704,328	\$ 696,826

See the accompanying independent auditors' report.