

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3

2022 ANNUAL REPORT

Pursuant to Section 32-1-207(3)(c), C.R.S., and Section VII of the Consolidated Amended and Restated Service Plan approved by the Town of Timnath, Colorado (“Town”), on September 10, 2019, the following information is being provided:

1. Boundary changes made to the District’s boundaries as of December 31 of the prior year:

There were no boundary changes made during 2022.

2. Intergovernmental Agreements with other governmental entities entered into, proposed, or terminated as of December 31 of the prior year:

The District did not enter into, propose or terminate any Intergovernmental Agreements in 2022.

3. Copies of the District’s Rules and Regulations, if any as of December 31, of the Prior year:

The District did not adopt any rules and regulations during 2022. Should any rules and regulations be adopted, they may be obtained from the office of the District Manager, Special District Management Services, Inc., 141 Union Blvd., Suite 150, Lakewood, CO 80228; Phone: 303-987-9835.

4. A summary of any litigation which involves the Public Improvements as of December 31 of the prior year.

There was no litigation involving the District’s public improvements in 2022.

5. Status of the District’s construction of Public Improvements as of December 31 of the prior year:

There were no facilities and/or improvements constructed by the District during 2022.

6. List of Facilities and improvements constructed by the District that have been dedicated to and accepted by the Town as of December 31 of the prior year.

There were no facilities and/or improvements constructed by the District during 2022. No facilities or improvements constructed by the District were conveyed or dedicated to the Town of Timnath or any other entity in 2022.

7. The final assessed valuation of the District for the current year.

A copy of the final assessed valuation is attached hereto as *Exhibit A*.

- 8. Current year budget including a description of the Public Improvements to be constructed in such year.**

The 2023 Budget is attached hereto as *Exhibit B*.

- 9. Audit of the District's financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable:**

A copy of the 2022 audited financial statements is attached hereto as *Exhibit C*.

- 10. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument:**

To our knowledge, there are no uncured events of default by the District which continue beyond a ninety (90) day period.

- 11. Any inability of a District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.**

To our knowledge, the District has been able to pay its obligations as they become due.

EXHIBIT A
Assessed Valuation

CERTIFICATION OF VALUATION BY LARIMER COUNTY ASSESSOR

Name of Jurisdiction: 161 - TIMNATH LAKES METROPOLITAN DISTRICT NO. 3

IN LARIMER COUNTY ON 11/17/2022

New Entity: No

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2022 IN LARIMER COUNTY, COLORADO

1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	\$4
2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: *	\$15,071
3. LESS TIF DISTRICT INCREMENT, IF ANY:	\$9,270
4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	\$5,801
5. NEW CONSTRUCTION: **	\$0
6. INCREASED PRODUCTION OF PRODUCING MINES: #	\$0
7. ANNEXATIONS/INCLUSIONS:	\$17,814
8. PREVIOUSLY EXEMPT FEDERAL PROPERTY: #	\$0
9. NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD ## OR LAND (29-1-301(1)(b) C.R.S.):	\$0
10. TAXES COLLECTED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1))(a) C.R.S.):	\$0.00
11. TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a) C.R.S.) and (39-10-114(1)(a)(I)(B) C.R.S.):	\$0.00

* This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec.20(8)(b),Colo.

** New construction is defined as: Taxable real property structures and the personal property connected with the structure.

Jurisdiction must submit respective certifications (Forms DLG 52 AND 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

Jurisdiction must apply (Forms DLG 52B) to the Division of Local Government before the value can be treated as growth in the limit calculation.

USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY

IN ACCORDANCE WITH THE PROVISION OF ARTICLE X, SECTION 20, COLO CONST, AND 39-5-121(2)(b),C.R.S. THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2022 IN LARIMER COUNTY, COLORADO ON AUGUST 25, 2022

1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: @	\$56,470
ADDITIONS TO TAXABLE REAL PROPERTY:	
2. CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: !	\$0
3. ANNEXATIONS/INCLUSIONS:	\$61,430
4. INCREASED MINING PRODUCTION: %	\$0
5. PREVIOUSLY EXEMPT PROPERTY:	\$0
6. OIL OR GAS PRODUCTION FROM A NEW WELL:	\$0
7. TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT:	\$0
(If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)	
DELETIONS FROM TAXABLE REAL PROPERTY:	
8. DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	\$0
9. DISCONNECTIONS/EXCLUSION:	\$0
10. PREVIOUSLY TAXABLE PROPERTY:	\$0

@ This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

! Construction is defined as newly constructed taxable real property structures.

% Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS : 1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY:----->	\$0
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NOTE: All levies must be Certified to the Board of County Commissioners NO LATER THAN DECEMBER 15, 2022

IN ACCORDANCE WITH 39-5-128(1.5)C.R.S. THE ASSESSOR PROVIDES: HB21-1312 ASSESSED VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): **	
** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119 f(3). C.R.S.	

EXHIBIT B
2023 Budget

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2023

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	1	-	319
Specific ownership tax	1	1	22
URA District property taxes	-	12	509
Other revenue	-	-	4,150
Total revenues	2	13	5,000
Total funds available	2	13	5,000
EXPENDITURES			
General and administrative			
County Treasurer's fee	-	-	6
Intergovernmental expenditures	2	13	844
Contingency	-	-	4,150
Total expenditures	2	13	5,000
Total expenditures and transfers out requiring appropriation	2	13	5,000
ENDING FUND BALANCES	\$ -	\$ -	\$ -

No assurance is provided. See summary of significant assumptions.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

1/23/23

ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
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ASSESSED VALUATION

Agricultural	\$ 232	\$ 238	\$ 15,071
	232	238	15,071
Adjustments	(225)	(234)	(9,270)
Certified Assessed Value	\$ 7	\$ 4	\$ 5,801

MILL LEVY

General	50.349	50.000	54.924
Total mill levy	50.349	50.000	54.924

PROPERTY TAXES

General	\$ -	\$ -	\$ 319
Levied property taxes	-	-	319
Adjustments to actual/rounding	1	-	-
Budgeted property taxes	\$ 1	\$ -	\$ 319

BUDGETED PROPERTY TAXES

General	\$ 1	\$ -	\$ 319
	\$ 1	\$ -	\$ 319

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District was formed on June 23, 2006, to provide for the design, acquisition, construction, installation and financing of certain street, park and recreation, water, sanitation, mosquito control and safety protection improvements and services. The District was organized in conjunction with Timnath Lakes Metropolitan District Nos. 1 and 2. On September 10, 2019, the District amended and restated its service plan to include Timnath Lakes Metropolitan District Nos. 4 through 6.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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 or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

Senate Bill 21-293 among other things, designates multi-family residential real property (defined generally, as property that is a multi-structure of four or more units) as a new subclass of residential real property. For tax collection year 2023, the assessment rate for single family residential property decreases to 6.95% from 7.15%. The rate for multifamily residential property, the newly created subclass, decreases to 6.80% from 7.15%. Agricultural and renewable energy production property decreases to 26.4% from 29.0%. Producing oil and gas remains at 87.5%. All other nonresidential property stays at 29%.

URA Property Taxes

The URA will receive property tax revenue ("Pledged Property Tax Increment Revenue") from the Larimer County Treasurer in excess of the amount produced by the levy of those bodies that levy property taxes against the Property Tax Base Amount in the TIF District.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (Continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 7% of the property taxes collected.

Expenditures

Intergovernmental Expenditures

The District collected property and specific ownership taxes. The District transfers these net property taxes to District No. 6 to help fund administrative expenditures.

County Treasurer's Fees

County Treasurer's fees have been computed at 2.0% of property tax collections.

Debt and Leases

On December 29, 2022 the District issued Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2022A, in the initial principal amount of \$12,901,934.35 (\$14,485,000 in Accreted Value upon conversion to current interest bonds) ("Senior Bonds") and Subordinate Limited Tax General Obligation Bonds, Series 2022B in the principal amount of \$5,543,000 ("Subordinate Bonds"). Proceeds from the sale of the Bonds were used to: (i) finance or reimburse the costs of public improvements related to the Development; and (ii) pay the costs of issuance of the Bonds.

The District has no outstanding indebtedness, nor any operating or capital leases.

Reserves

Emergency Reserve

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all TABOR funds received by the District are transferred to District No. 6, which pays for the District's operations and maintenance costs, an Emergency Reserve is not reflected in the District's Budget.

This information is an integral part of the accompanying budget.

\$12,901,934.35 Limited Tax General
Obligation Bonds
Series 2022A
Interest 4.000%
Dated December 29, 2022
Interest Payable June 1 and December 1
Principal Payable December 1

Bonds and Interest Maturing in the Year Ending December 31,	Account Bond Balance	Accreted	Principal	Interest	Total
2022	\$ 12,901,934	\$ -	\$ -	\$ -	\$ -
2023	13,381,822	479,888	-	-	-
2024	13,922,402	540,580	-	-	-
2025	14,485,000	562,598	-	-	-
2026	-	-	10,000	579,400	589,400
2027	-	-	165,000	579,000	744,000
2028	-	-	260,000	572,400	832,400
2029	-	-	270,000	562,000	832,000
2030	-	-	295,000	551,200	846,200
2031	-	-	310,000	539,400	849,400
2032	-	-	340,000	527,000	867,000
2033	-	-	350,000	513,400	863,400
2034	-	-	385,000	499,400	884,400
2035	-	-	395,000	484,000	879,000
2036	-	-	430,000	468,200	898,200
2037	-	-	450,000	451,000	901,000
2038	-	-	485,000	433,000	918,000
2039	-	-	505,000	413,600	918,600
2040	-	-	545,000	393,400	938,400
2041	-	-	565,000	371,600	936,600
2042	-	-	605,000	349,000	954,000
2043	-	-	630,000	324,800	954,800
2044	-	-	675,000	299,600	974,600
2045	-	-	700,000	272,600	972,600
2046	-	-	750,000	244,600	994,600
2047	-	-	780,000	214,600	994,600
2048	-	-	830,000	183,400	1,013,400
2049	-	-	865,000	150,200	1,015,200
2050	-	-	920,000	115,600	1,035,600
2051	-	-	955,000	78,800	1,033,800
2052	-	-	1,015,000	40,600	1,055,600
Total	<u>\$ 14,485,000</u>	<u>\$ 1,583,066</u>	<u>\$ 14,485,000</u>	<u>\$ 10,211,800</u>	<u>\$ 24,696,800</u>

The annual debt service requirements on the Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

EXHIBIT C
2022 Audit

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
Larimer County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
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Board of Directors
Timnath Lakes Metropolitan District No. 3
Larimer County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Timnath Lakes Metropolitan District No. 3 (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 Timnath Lakes Metropolitan District No. 3 as of December 31, 2022, and the respective changes in financial position and the respective 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 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 (GAAP), 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 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.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 5, 2023

BASIC FINANCIAL STATEMENTS

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 39,050
Property Taxes Receivable	319
Total Assets	39,369
LIABILITIES	
Accounts Payable	22,050
Noncurrent Liabilities:	
Due in More than One Year	18,444,934
Total Liabilities	18,466,984
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	319
Total Deferred Inflows of Resources	319
NET POSITION	
Restricted for:	
Capital Projects	17,000
Unrestricted	(18,444,934)
Total Net Position	\$ (18,427,934)

See accompanying Notes to Basic Financial Statements.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Primary Government:					
Government Activities:					
General Government	\$ 18,098,948	\$ -	\$ -	\$ -	\$ (18,098,948)
Interest and Related Costs on Long-Term Debt	<u>328,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,999)</u>
Total Governmental Activities	<u>\$ 18,427,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(18,427,947)</u>
GENERAL REVENUES					
Specific Ownership Taxes					1
URA District Property Taxes					12
Total General Revenues					<u>13</u>
CHANGES IN NET POSITION					
Net Position - Beginning of Year					<u>-</u>
NET POSITION - END OF YEAR					<u>\$ (18,427,934)</u>

See accompanying Notes to Basic Financial Statements.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ -	\$ 39,050	\$ 39,050
Property Tax Receivable	319	-	319
	<u>\$ 319</u>	<u>\$ 39,050</u>	<u>\$ 39,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 22,050	\$ 22,050
Total Liabilities	-	22,050	22,050
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	319	-	319
Total Deferred Inflows or Resources	319	-	319
FUND BALANCES			
Restricted for:			
Capital Projects	-	17,000	17,000
Total Fund Balances	-	17,000	17,000
	<u>\$ 319</u>	<u>\$ 39,050</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances			
	<u>\$ 319</u>	<u>\$ 39,050</u>	
Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds Payable Series A and B			<u>(18,444,934)</u>
Net Position of Governmental Activities			<u>\$ (18,427,934)</u>

See accompanying Notes to Basic Financial Statements.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Capital Projects	Total Governmental Funds
REVENUES			
URA District Property Taxes	\$ 12	\$ -	\$ 12
Specific Ownership Taxes	1	-	1
Total Revenues	<u>13</u>	<u>-</u>	<u>13</u>
EXPENDITURES			
Intergovernmental Expenditures	13	-	13
Capital Outlay:			
Intergovernmental Expenditures	-	18,098,935	18,098,935
Cost of Issuance	-	328,999	328,999
Total Expenditures	<u>13</u>	<u>18,427,934</u>	<u>18,427,947</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(18,427,934)	(18,427,934)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds Series 2022A	-	12,901,934	12,901,934
Bond Proceeds Series 2022B	-	5,543,000	5,543,000
Total Other Financing Sources	<u>-</u>	<u>18,444,934</u>	<u>18,444,934</u>
NET CHANGE IN FUND BALANCES	-	17,000	17,000
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 17,000</u></u>	<u><u>\$ 17,000</u></u>

See accompanying Notes to Basic Financial Statements.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 17,000

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

Long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred amortized in the statement of activities.

Bond Proceeds Series 2022A and 2022B (18,444,934)

Changes in Net Position of Governmental Activities \$ (18,427,934)

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
URA District Property Taxes	\$ 12	\$ 12	\$ -
Specific Ownership Taxes	-	1	1
Other Revenue	3,988	-	(3,988)
Total Revenues	4,000	13	(3,987)
EXPENDITURES			
Intergovernmental Expenditures	12	13	(1)
Contingency	3,988	-	3,988
Total Expenditures	4,000	13	3,987
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Timnath Lakes Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by Order and Decree of the District Court for Larimer County recorded on June 23, 2006 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized as “Timnath Farms North Metropolitan District No. 3” and subsequently changed its name effective as of September 10, 2020. The District was organized to provide financing for the design, acquisition, installation and construction of sanitation improvements, water improvements, street improvements, traffic and safety control improvements, park and recreation improvements, transportation improvements, television relay and translation improvements, mosquito control, fire protection, emergency medical services, and operation and maintenance of the District. The District was organized in conjunction with Timnath Lakes Metropolitan District No. 1 (District No. 1) and District No. 2 (District No. 2) pursuant to the Service Plans (Original Service Plans) approved by the Town Council of the Town of Timnath (Town). Subsequently Timnath Lakes Metropolitan District No. 4 (District No. 4), District No. 5 (District No. 5), and District No. 6 (District No. 6) were organized on August 5, 2020. The Original Service Plans were superseded by the Consolidated Amended and Restated Service Plan for Timnath Lakes Metropolitan District Nos. 1-6 (the Districts), approved by the Town on September 10, 2019 (Service Plan).

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

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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.

Separate financial statements are provided for governmental funds. 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 related cash flows.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

Budgets

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

The District amended its budget for the year ended December 31, 2022.

Pooled Cash and Investments

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 single bank account. 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.

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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 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. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 39,050
Total Cash and Investments	<u>\$ 39,050</u>

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

Investments	\$ 39,050
Total Cash and Investments	<u>\$ 39,050</u>

Deposits with Financial Institutions

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

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

Investments

The District has adopted a formal investment policy that follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or investment custodial credit risk disclosure requirements 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 Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 39,050

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations are similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, and any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance at December 31, 2021	New Issues/ Accretion	Refundings/ Retirements	Balance at December 31, 2022	Due Within One Year
Bonds					
General Obligation Bonds -					
Series 2022A	\$ -	\$ 12,901,934	\$ -	\$ 12,901,934	\$ -
Subordinate Bond -					
Series 2022B	-	5,543,000	-	5,543,000	-
Subtotal of Bonds Payable	<u>-</u>	<u>18,444,934</u>	<u>-</u>	<u>18,444,934</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$ -</u>	 <u>\$ 18,444,934</u>	 <u>\$ -</u>	 <u>\$ 18,444,934</u>	 <u>\$ -</u>

The details of the District's general obligation bonds outstanding during 2022 are as follows:

General Obligation Limited Tax Convertible Capital Appreciation Bonds, Series 2022A (the Senior Bonds) and **Subordinate General Obligation Limited Tax Bonds, Series 2022B(3)** (the Subordinate Bonds and together with the Senior Bonds, the Bonds)

The District issued the Senior Bonds on December 29, 2022, in the original principal amount of \$12,901,934 and appreciating to a principal amount of \$14,485,000. The District also issued the Subordinate Bonds on December 29, 2022, in the amount of \$5,543,000.

Bond Proceeds

Proceeds from the sale of the Bonds were used to fund: (a) the costs of providing or reimbursing certain public improvements to serve the Development, and (b) the costs of issuing the Bonds.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Details

The Senior Bonds were issued as capital appreciation bonds, convertible to current interest bonds on the Conversion Date (defined below). The Senior Bonds accrete in value at an annual yield equal to 4.0% from their date of issuance to December 1, 2025 (the Accretion Period). The accreted amount compounds semi-annually on June 1 and December 1, beginning on June 1, 2023, to and including December 1, 2025. Such accreted amount, together with the original principal amount of the Senior Bonds, at conversion on December 1, 2025, will be \$14,485,000, assuming no redemptions prior to that date.

Upon conversion to current interest bonds, the Senior Bonds will bear interest at 4.0% per annum, payable semi-annually to the extent of Senior Pledged Revenue on June 1 and December 1, commencing on June 1, 2026. Annual mandatory sinking fund principal payments on the Senior Bonds are due on December 1, beginning on December 1, 2026. The Senior Bonds mature on December 1, 2052 (the Senior Maturity Date).

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 2, 2062 (Senior Termination Date). To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond.

The Senior Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Senior Termination Date, regardless of the principal and interest amounts remaining unpaid.

The Senior Bonds are not subject to acceleration. The Senior Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Senior Bonds.

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to the Senior Maturity Date, at the option of the District, on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Optional Redemption Date</u>	<u>Redemption Premium</u>
December 1, 2027 to November 30, 2028	3.00%
December 1, 2028 to November 30, 2029	2.00
December 1, 2029 to November 30, 2030	1.00
December 1, 2030 and Thereafter	0.00

Senior Bonds Mandatory Sinking Fund Redemption

Annual mandatory sinking fund redemption payments on the Senior Bonds are due prior to the Senior Maturity Date, in part, by lot, upon payment of par and accrued interest, without redemption premium on December 1, beginning on December 1, 2026, in the years and amounts set forth on page 24.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue. The Senior Indenture defines Senior Pledged Revenue as the moneys derived by the District from the following sources: (a) the Senior Required Mill Levy; (b) the portion of the Specific Ownership Tax collected as a result of imposition of the Senior Required Mill Levy; (c) the TDA Agreement Revenues (defined below), as and to the extent received by and on behalf of the District; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Senior Bonds Required Mill Levy

The Senior Required Mill Levy, net of collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County, prior to the Conversion Date (defined below), is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Senior Bonds as they come due, but (i) not in excess of 50 mills (As adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2019). For the purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation, less the amount of the Operations Mill Levy (defined below), and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 50 mills (as adjusted) less the amount of the Operations Mill Levy, or such lesser mill levy which will pay the Senior Bonds as they come due and will fund the Surplus Fund up to the Maximum Surplus Amount.

On or after the Conversion Date, the Senior Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due, but not in excess of 60 mills, as adjusted, less the Operations Mill levy, as adjusted. The adjusted maximum and minimum mill levy for collection in 2023 is 54.924 mills. The Conversion Date is the first date on which the Debt to Assessed Ratio is 50% or less and no amounts of principal or interest on the Senior Bonds are due but unpaid (Conversion Date). The Operations Mill Levy is the number of mills necessary to produce the dollar amount of the Operations Deduction for the collection year (Operations Mill levy). The Operations Deduction is the amount necessary to pay or reimburse the District's operations and maintenance expenses, but not in excess of the following: (i) for levy year 2023 (for collection in 2024), the amount of \$50,000, and (ii) for each year thereafter, an additional 1% (Operations Deduction).

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Surplus Fund

Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount of \$1,290,193 (the Maximum Surplus Amount), for so long as any Senior Bond is outstanding. The District has acknowledged that State Law places certain restrictions on the use of Bond proceeds and debt service mill levies which may be credited to the Senior Surplus Fund. In the event the amounts credited to the Senior Bond Fund are insufficient to pay the principal of, premium if any, or interest on the Senior Bonds when due, the Trustee shall transfer from the Senior Surplus Fund to the Senior Bond Fund an amount which, when combined with moneys in the Senior Bond Fund, will be sufficient to make such payments when due.

Subordinate Bonds Details

The Subordinate Bonds are structured as “cash flow” bonds meaning that there are no scheduled payments of principal or interest. Instead, principal is payable on each December 15, beginning on December 15, 2023, from and to the extent of available Subordinate Pledged Revenue (defined below), if any, pursuant to a mandatory redemption. The Subordinate Bonds mature on December 15, 2052 (the Subordinate Maturity Date). The Subordinate Bonds bear interest at a rate of 6.0% per annum and are payable annually to the extent of available Subordinate Pledged Revenue on each December 15, commencing on December 15, 2023.

Principal of the Subordinate Bonds shall remain outstanding until paid, subject to discharge on December 16, 2062 (Subordinate Termination Date). Unpaid interest on the Subordinate Bonds shall compound on each interest payment date, at the rate then borne by the Senior Bond. The Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 16, 2062, regardless of the principal and interest amounts remaining unpaid.

The Subordinate Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Subordinate Bonds.

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue which means: (a) the Subordinate Required Mill Levy (defined below); (b) the portion of the Specific Ownership Tax collected as a result of imposition of the Subordinate Required Mill Levy; (c) the Subordinate TDA Agreement Revenues (defined below), as and to the extent received by the District, if any; (d) the amounts, if any, in the Senior Bond Surplus Fund after the payment or defeasance of the Senior Bonds; and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Required Mill Levy

The Subordinate Indenture defines the Subordinate Required Mill Levy, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County, as an ad valorem mill levy imposed upon all taxable property of the District each year in the amount of 50 mills (As adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2019. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation), less the amount of the Senior Required Mill Levy and the Operations Mill Levy, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full. If the amount of the Senior Required Mill Levy and the Operations Mill Levy equals or exceeds 50 mills in any year, adjusted for changes as aforesaid, the Subordinate Required Mill Levy for that year shall be zero.

Unused Lines of Credit

The Series 2022 Bonds do not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the Series 2022 Bonds.

Events of Default

Events of default occur if the District fails to impose the Senior Required Mill Levy or Subordinate Required Mill Levy, or to apply the Senior Pledged Revenues or Subordinate Pledged Revenues as required by the Senior Indenture and Subordinate Indenture, and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

Termination Events

Notwithstanding anything herein to the contrary, all of the Senior Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Senior Termination Date and all of the Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Subordinate Termination Date regardless of the amount of principal and interest paid prior to the Senior Termination Date and the Subordinate Termination Date.

Acceleration

The Series 2022 Bonds are not subject to acceleration.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Bonds Debt Service

The annual debt service requirements on the Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Bonded Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ -	\$ -	\$ -
2024	-	-	-
2025	-	-	-
2026	10,000	579,400	589,400
2027	165,000	579,000	744,000
2028-2032	1,475,000	2,752,000	4,227,000
2033-2037	2,010,000	2,416,000	4,426,000
2038-2042	2,705,000	1,960,600	4,665,600
2043-2047	3,535,000	1,356,200	4,891,200
2048-2052	4,585,000	568,600	5,153,600
Total	<u>\$ 14,485,000</u>	<u>\$ 10,211,800</u>	<u>\$ 24,696,800</u>

The annual debt service requirements on the Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

Authorized Debt

On November 5, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,290,380,000. At December 31, 2022, the District had authorized, but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 5, 2019 Election</u>	<u>Authorization Used for Series 2022A Bonds</u>	<u>Authorization Used for Series 2022B Bonds</u>	<u>Authorized But Unissued</u>
Streets	\$ 99,260,000	\$ 2,085,840	\$ 798,192	\$ 96,375,968
Water	99,260,000	2,056,870	787,106	96,416,024
Sanitation	99,260,000	8,560,635	3,275,913	87,423,452
Parks and Recreation	99,260,000	1,129,830	432,354	97,697,816
Traffic and Safety	99,260,000	651,825	249,435	98,358,740
Mosquito Control	99,260,000	-	-	99,260,000
Public Transportation	99,260,000	-	-	99,260,000
Fire Protection	99,260,000	-	-	99,260,000
Television Relay and Translation	99,260,000	-	-	99,260,000
Security	99,260,000	-	-	99,260,000
Operations and Maintenance	99,260,000	-	-	99,260,000
Refunding	99,260,000	-	-	99,260,000
Intergovernmental Contracts	99,260,000	-	-	99,260,000
Total	<u>\$ 1,290,380,000</u>	<u>\$ 14,485,000</u>	<u>\$ 5,543,000</u>	<u>\$ 1,270,352,000</u>

Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness of up to \$99,260,000. After the issuance of debt by both the District and District No. 1 in 2022, \$71,455,075 of the Service Plan authorization remains as of December 31, 2022.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 5 NET POSITION

The District has net position consisting of two components, restricted and unrestricted.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022, as follows:

	Governmental Activities
Restricted Net Position:	
Capital Projects	\$ 17,000
Total	\$ 17,000

NOTE 6 DISTRICT AGREEMENTS

Facilities Funding, Construction and Operations Agreement

On November 9, 2020, the District entered into a Facilities Funding, Construction and Operations Agreement (FFCOA) with District No. 1, District No. 2, District No. 4, District No. 5 and District No. 6 establishing certain expectations as to the financing, construction, operation and maintenance of improvements contemplated in the Service Plan for the purpose of providing, in a timely and coordinate fashion, essential services within the Districts.

Pursuant to the FFCOA, the District, District No. 1, District No. 2, District No. 4, and District No. 5 are “Consumer Districts,” and District No. 6 is the “Maintenance District.” Each Consumer District anticipates receiving revenues from the imposition of a mill levy against all property within its respective boundaries and specific ownership taxes, and, if imposed or assessed at the direction of the Maintenance District, the collection of fees, charges, rates, and tolls. All revenue received by the Consumer Districts will be transferred to the Maintenance District.

TDA Agreement

The Timnath Development Authority (TDA) adopted the Revised Timnath Urban Renewal Plan (as amended, the “Plan”) which details the TDA inclusion of parcels in the Plan for the purposes authorized in the Colorado Urban Renewal Law, including utilizing tax increment financing (TIF Financing) and the establishment of a Plan area (the Urban Renewal Area) which includes property located within the District’s boundaries. TIF Financing provides that taxes, if any, levied after the effective date of the approval of the Plan upon taxable property in the Urban Renewal Area each year shall be divided for a period not to exceed 25 years from the effective date of the Plan, and that a portion of property tax revenues (the TIF Revenue) shall be allocated to and paid into a special fund of the urban renewal authority to pay the principal of, interest on, and any premiums due in connection with bonds of, loans or advances to, or indebtedness incurred by the urban renewal authority for financing an urban renewal project, or to make payments pursuant to an agreement.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 DISTRICT AGREEMENTS (CONTINUED)

The District is cooperating with the TDA to facilitate carrying out the Plan and urban renewal projects within the Urban Renewal Area. Accordingly, property tax revenues collected as a result of the District's mill levy upon the incremental value of property within the District are payable to the TDA. The Districts and the TDA entered into a Cooperation Agreement, effective December 8, 2020 and recorded in the real property records of the Town on December 28, 2020 (TDA Agreement), pursuant to which the TDA agrees to remit any revenues collected from the District's mill levy upon the tax increment portion of the District's assessed valuation back to the District (the TDA Agreement Revenues). The TDA further agrees to transfer such incremental revenue to the District on or before June 20th of each year, commencing in 2021, all revenues attributable to the District received during the previous calendar year for a period of 25 years from the effective date of the Plan.

NOTE 7 RELATED PARTIES

The majority of the members on the Board of Directors are employees, owners, or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 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, revenue, and debt limitations that 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.

On November 5, 2019, a majority of the District's electors authorized the District to collect and spend or retain in a reserve the full amount of all currently levied taxes and fees of the District annually, without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Revenue	\$ -	\$ 18,066	\$ -	\$ (18,066)
Total Revenues	-	18,066	-	(18,066)
EXPENDITURES				
Intergovernmental Expenditures	-	18,098,935	18,098,935	-
Cost of Issuance	-	328,999	328,999	-
Contingency	-	18,066	-	18,066
Total Expenditures	-	18,446,000	18,427,934	18,066
EXCESS OF REVENUES UNDER EXPENDITURES				
	-	(18,427,934)	(18,427,934)	-
OTHER FINANCING SOURCES (USES)				
Bond Proceeds Series 2022A	-	12,901,934	12,901,934	-
Bond Proceeds Series 2022B	-	5,543,000	5,543,000	-
Total Other Financing Sources	-	18,444,934	18,444,934	-
NET CHANGE IN FUND BALANCE				
	-	17,000	17,000	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 17,000	\$ 17,000	\$ -

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE OBLIGATIONS AND INTEREST REQUIREMENTS TO MATURITY
DECEMBER 31, 2022

\$12,901,934 Limited Tax General
Obligation Convertible Capital Appreciation Bonds
Series 2022A
Interest 4.500%
Dated December 29, 2022
Interest Payable June 1 and December 1
Principal Payable December 1

Bonds and Interest Maturing in the Year Ending December 31,	Account Bond Balance	Accreted	Principal	Interest	Total
2022	\$ 12,901,934	\$ -	\$ -	\$ -	\$ -
2023	13,381,822	479,888	-	-	-
2024	13,922,402	540,580	-	-	-
2025	14,485,000	562,598	-	-	-
2026	-	-	10,000	579,400	589,400
2027	-	-	165,000	579,000	744,000
2028	-	-	260,000	572,400	832,400
2029	-	-	270,000	562,000	832,000
2030	-	-	295,000	551,200	846,200
2031	-	-	310,000	539,400	849,400
2032	-	-	340,000	527,000	867,000
2033	-	-	350,000	513,400	863,400
2034	-	-	385,000	499,400	884,400
2035	-	-	395,000	484,000	879,000
2036	-	-	430,000	468,200	898,200
2037	-	-	450,000	451,000	901,000
2038	-	-	485,000	433,000	918,000
2039	-	-	505,000	413,600	918,600
2040	-	-	545,000	393,400	938,400
2041	-	-	565,000	371,600	936,600
2042	-	-	605,000	349,000	954,000
2043	-	-	630,000	324,800	954,800
2044	-	-	675,000	299,600	974,600
2045	-	-	700,000	272,600	972,600
2046	-	-	750,000	244,600	994,600
2047	-	-	780,000	214,600	994,600
2048	-	-	830,000	183,400	1,013,400
2049	-	-	865,000	150,200	1,015,200
2050	-	-	920,000	115,600	1,035,600
2051	-	-	955,000	78,800	1,033,800
2052	-	-	1,015,000	40,600	1,055,600
Total	\$ 14,485,000	\$ 1,583,066	\$ 14,485,000	\$ 10,211,800	\$ 24,696,800

The annual debt service requirements on the Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 3
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percent Collected to Levied
			Levied	Collected	
2018	\$ 9	35.000	\$ -	\$ -	N/A
2019	8	35.000	-	-	N/A
2020	7	50.350	-	-	N/A
2021	7	50.349	-	-	N/A
2022	4	50.000	-	-	N/A
Estimated for Year Ending December 31, 2023	\$ 5,801	54.924	\$ 319		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.