

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
Larimer County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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YEAR ENDED DECEMBER 31, 2021**

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Board of Directors
Timnath Lakes Metropolitan District No. 6
Larimer County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Timnath Lakes Metropolitan District No. 6 (the "District"), as of and for the year ended December 31, 2021, 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 the general fund of Timnath Lakes Metropolitan District No. 6 as of December 31, 2021, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Wipfli LLP
Lakewood, Colorado

September 28, 2022

BASIC FINANCIAL STATEMENTS

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 5,147 |
| Cash and Investments - Restricted | 1,000 |
| Due from Other Districts | 656 |
| Capital Assets: | |
| Capital Assets, Not Being Depreciated | <u>5,812,808</u> |
| Total Assets | <u>5,819,611</u> |
| LIABILITIES | |
| Accounts Payable | 61,925 |
| Noncurrent Liabilities: | |
| Due in More than One Year | <u>2,254,284</u> |
| Total Liabilities | <u>2,316,209</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserves | 1,000 |
| Unrestricted | <u>3,502,402</u> |
| Total Net Position | <u><u>\$ 3,503,402</u></u> |

See accompanying Notes to Basic Financial Statements.

TIMNATH LAKES METROPOLITAN DISTRICT #6
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position |
|---|---------------------|----------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General Government | \$ 121,793 | \$ - | \$ - | \$ - | \$ (121,793) |
| Interest and Related Costs on | | | | | |
| Long-Term Debt | 159,032 | - | - | - | (159,032) |
| Recognition of TLMD1 Developer Advances | 2,060,441 | - | - | - | (2,060,441) |
| Transfer of Improvements from TLMD 1 | - | - | - | 5,812,808 | 5,812,808 |
| | | | | | |
| Total Governmental Activities | <u>\$ 2,341,266</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,812,808</u> | 3,471,542 |
| GENERAL REVENUES | | | | | |
| Operation Fees | | | | | 6,515 |
| Working Capital Fees | | | | | 5,699 |
| Other Revenue | | | | | 3 |
| Intergovernmental Revenue | | | | | 19,643 |
| Total General Revenues | | | | | <u>31,860</u> |
| CHANGES IN NET POSITION | | | | | |
| | | | | | 3,503,402 |
| Net Position - Beginning of Year | | | | | <u>-</u> |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | <u>\$ 3,503,402</u> |

See accompanying Notes to Basic Financial Statements.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2021

| | General | Total Governmental Fund |
|---|-----------------|-------------------------------|
| ASSETS | | |
| Cash and Investments | \$ 5,147 | \$ 5,147 |
| Cash and Investments - Restricted | 1,000 | 1,000 |
| Due from Other Districts | 656 | 656 |
| | <u>656</u> | <u>656</u> |
| Total Assets | <u>\$ 6,803</u> | <u>\$ 6,803</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts Payable | \$ 61,925 | \$ 61,925 |
| Total Liabilities | <u>61,925</u> | <u>61,925</u> |
| FUND BALANCES | | |
| Restricted for: | | |
| Emergency Reserves | 1,000 | 1,000 |
| Unassigned | (56,122) | (56,122) |
| Total Fund Balances | <u>(55,122)</u> | <u>(55,122)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 6,803</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 5,812,808 |
| 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. | | |
| Developer Advances | | (2,007,151) |
| Accrued Interest on Developer Advances | | <u>(247,133)</u> |
| Net Position of Governmental Activities | | <u>\$ 3,503,402</u> |

See accompanying Notes to Basic Financial Statements.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

| | <u>General</u> |
|--|---------------------------|
| REVENUES | |
| Other Revenue | \$ 3 |
| Operation Fees | 6,515 |
| Working Capital Fees | 5,699 |
| Intergovernmental Revenue | 19,643 |
| Total Revenues | <u>31,860</u> |
| EXPENDITURES | |
| Accounting | 29,251 |
| Auditing | 5,000 |
| Directors' Fees | 600 |
| Dues and Licenses | 1,197 |
| Insurance and Bonds | 14,821 |
| District Management | 33,552 |
| Legal Services | 37,326 |
| Miscellaneous | 46 |
| Total Expenditures | <u>121,793</u> |
| EXCESS OF REVENUES OVER (UNDER) | |
| EXPENDITURES | (89,933) |
| OTHER FINANCING SOURCES (USES) | |
| Developer Advances | 34,811 |
| Total Other Financing Sources | <u>34,811</u> |
| NET CHANGE IN FUND BALANCE | (55,122) |
| Fund Balance - Beginning of Year | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ (55,122)</u></u> |

See accompanying Notes to Basic Financial Statements.

**TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

| | |
|--|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (55,122) |
|--|-------------|

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

| | |
|--------------------------------------|-----------|
| Transfer of Improvements from TLMD 1 | 5,812,808 |
|--------------------------------------|-----------|

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.

| | |
|--|-------------|
| Recognition of TLMD 1 Developer Advances | (2,060,441) |
| Developer Advance | (34,811) |

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

| | |
|---------------------------------------|------------------|
| Accrued Interest on Developer Advance | <u>(159,032)</u> |
|---------------------------------------|------------------|

| | |
|--|----------------------------|
| Changes in Net Position of Governmental Activities | <u><u>\$ 3,503,402</u></u> |
|--|----------------------------|

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021

| | Budget Amounts | | Actual | Variance with |
|--|----------------|------------|-------------|---------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| Other Revenue | \$ - | \$ 3 | \$ 3 | \$ - |
| Operation Fees | - | 6,515 | 6,515 | - |
| Working Capital Fees | - | 5,699 | 5,699 | - |
| Intergovernmental Revenue | 5 | 19,643 | 19,643 | - |
| Total Revenues | 5 | 31,860 | 31,860 | - |
| EXPENDITURES | | | | |
| Accounting | 25,000 | 30,000 | 29,251 | 749 |
| Audit | - | 5,000 | 5,000 | - |
| Dues and Licenses | 2,000 | 1,200 | 1,197 | 3 |
| Directors' Fees | - | 600 | 600 | - |
| Insurance and Bonds | 12,000 | 14,821 | 14,821 | - |
| District Management | 15,000 | 34,000 | 33,552 | 448 |
| Legal Services | 23,000 | 38,000 | 37,326 | 674 |
| Miscellaneous | 3,000 | 100 | 46 | 54 |
| Contingency | 5,500 | 2,279 | - | 2,279 |
| Total Expenditures | 85,500 | 126,000 | 121,793 | 4,207 |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (85,495) | (94,140) | (89,933) | 4,207 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | 86,000 | 86,000 | 34,811 | (51,189) |
| Total Other Financing Sources (Uses) | 86,000 | 86,000 | 34,811 | (51,189) |
| NET CHANGE IN FUND BALANCE | 505 | (8,140) | (55,122) | (46,982) |
| Fund Balance - Beginning of Year | - | - | - | - |
| FUND BALANCE - END OF YEAR | \$ 505 | \$ (8,140) | \$ (55,122) | \$ (46,982) |

See accompanying Notes to Basic Financial Statements.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Timnath Lakes Metropolitan District No. 6 (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 August 5, 2020 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. 6" 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 Nos. 4 and 5 on August, 5, 2020, to join Timnath Lakes Metropolitan District Nos. 1, 2 and 3, which were previously organized on June 23, 2006.

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.

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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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 general government, except those required to be accounted for in another fund.

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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021.

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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2021. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2022.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|------------------------|
| Cash and Investments | \$ 5,147 |
| Cash and Investments - Restricted | <u>1,000</u> |
| Total Cash and Investments | <u><u>\$ 6,147</u></u> |

Cash and investments as of December 31, 2021 consist of the following:

| | |
|--------------------------------------|------------------------|
| Deposits with Financial Institutions | \$ 6,147 |
| Total Cash and Investments | <u><u>\$ 6,147</u></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.

At December 31, 2021, the District had a carrying and bank balance of \$6,147.

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 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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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.

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

The District has no outstanding investments as of December 31, 2021.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

| | Balance - December 31, 2020 | Increases | Decreases | Balance at December 31, 2021 |
|--|-----------------------------------|---------------------|-------------|------------------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ - | \$ 5,812,808 | \$ - | \$ 5,812,808 |
| Total Capital Assets, Not Being Depreciated | <u>\$ -</u> | <u>\$ 5,812,808</u> | <u>\$ -</u> | <u>\$ 5,812,808</u> |

The above capital assets were dedicated from Timnath Lakes Metropolitan District No. 1.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2021:

| | Balance at December 31, 2020 | New Issues/ | Refundings/ Retirements | Balance at December 31, 2021 | Due Within One Year |
|--------------------------------|------------------------------------|---------------------|----------------------------|------------------------------------|---------------------------|
| Other Debts | | | | | |
| Developer Advance - Operating | \$ - | \$ 372,828 | \$ - | \$ 372,828 | \$ - |
| Developer Advance - Capital | - | 1,634,323 | - | 1,634,323 | - |
| Accrued Interest on: | | | | | |
| Developer Advance - Operating | - | 51,053 | - | 51,053 | - |
| Developer Advance - Capital | - | 196,080 | - | 196,080 | - |
| Subtotal of Other Debts | - | 2,254,284 | - | 2,254,284 | - |
| Total Long-Term Obligations | <u>\$ -</u> | <u>\$ 2,254,284</u> | <u>\$ -</u> | <u>\$ 2,254,284</u> | <u>\$ -</u> |

The above obligations were transferred from Timnath Lakes Metro District No. 1.

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, 2021, the District had authorized, but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized November 5, 2019 Election | Authorized But Unissued |
|----------------------------------|--|-------------------------------|
| Streets | \$ 99,260,000 | \$ 99,260,000 |
| Water | 99,260,000 | 99,260,000 |
| Sanitation | 99,260,000 | 99,260,000 |
| Parks and Recreation | 99,260,000 | 99,260,000 |
| Traffic and Safety | 99,260,000 | 99,260,000 |
| 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>\$ 1,290,380,000</u> |

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 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, 2021, as follows:

| | Governmental Activities |
|--------------------------|----------------------------|
| Restricted Net Position: | |
| Emergency Reserves | \$ 1,000 |
| Total | <u>\$ 1,000</u> |

NOTE 7 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 Timnath Lakes Metropolitan District No. 1 (District No. 1), Timnath Lakes Metropolitan District No. 2 (District No. 2), Timnath Lakes Metropolitan District No. 3 (District No. 3), Timnath Lakes Metropolitan District No. 4 (District No. 4) and Timnath Lakes Metropolitan District No. 5 (District No. 5) 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, District No. 1, District No. 2, District No. 3, District No. 4, and District No. 5 are "Consumer Districts," and The District 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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 DISTRICT AGREEMENTS (CONTINUED)

TDA Agreement Revenues

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 Nos 1-6 (Districts) are 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 Districts' mill levy upon the incremental value of property within the Districts are payable to the TDA. The Districts and the TDA entered into that certain Cooperation Agreement Between the Timnath Development Authority and Timnath Lakes Metropolitan District Nos. 1-6 (Cooperation Agreement), effective December 8, 2020. Pursuant to the Cooperation Agreement the TDA agrees to remit any revenues collected from the Districts' mill levy upon the tax increment portion of the Districts' assessed valuation back to the Districts. The TDA further agrees to transfer such incremental revenue to the Districts on or before June 20th of each year, commencing in 2021, all revenues attributable to the Districts received during the previous calendar year for a period of 25 years from the effective date of the Plan.

Facilities Funding and Acquisition Agreement

District No. 1 entered into a Facilities Funding and Acquisition Agreement (FFAA) on October 27, 2015, with CAC Timnath LLC (the Developer) whereby the Developer will design, construct, complete, and convey to the District, and the District will accept, certain public infrastructure improvements benefiting the development within the District. The District agrees to make payment to the Developer for costs of the improvements, including but not limited to, all costs of design, testing, engineering, acquisition, construction, related consultant fees, and construction management, for fiscal years 2015 through 2020, up to a maximum amount of \$50,000,000, together with interest thereon, at an annual rate of 8%.

The FFAA was assigned from District No. 1 to the District on November 9, 2020, with an effective date of January 1, 2021, by that Assignment of Facilities Funding and Acquisition Agreement by and between the District, District No. 1, and the Developer, which assigned all of District No. 1's obligations under the FFAA to the District. As of December 31, 2021, there was an outstanding principal balance of \$1,634,323 and outstanding interest of \$196,080.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 DISTRICT AGREEMENTS (CONTINUED)

Operation Funding Agreements

On October 22, 2019, with an effective date of January 1, 2014 District No. 1 and the Developer entered into the 2014-2020 Amended and Restated Operation Funding Agreement in which the Developer agreed to advance amounts to fund operations and maintenance expenditures of District No. 1 in the event District No. 1's revenues are not sufficient for fiscal years 2014 through 2020, up to a maximum amount of \$330,000, together with interest thereon, at an annual rate of 8%.

The OFA was assigned from District No. 1 to the District on November 9, 2020, with an effective date of January 1, 2021, by that certain Assignment of 2014-2020 Amended and Restated Operation Funding Agreement by and between District No. 1 and the District, which assigned all of District No. 1's obligations under the OFA to the District. As of December 31, 2021, there was an outstanding principal balance of \$372,828 and outstanding interest of \$51,053.

On November 9, 2020, with an effective date of January 1, 2021, the District and the Developer entered into the 2021 Operation Funding Agreement (2021 OFA) in which the Developer agreed to advance amounts to fund operations and maintenance expenditures of the District in the event District revenues are not sufficient for fiscal year 2021, up to a maximum amount of \$86,000, together with interest thereon. Such advances will accrue simple interest from the date of deposit into the District's account or from the date of direct payment by Developer, until paid, at the rate of 8% annum. The District agreed to reimburse the Developer amounts advanced subject to annual budget and appropriation. Payments to reimburse the Developer shall be made on December 2 of each year and shall be applied as follows: (a) first to the 2014-2020 OFA accrued and unpaid interest; and then (b) first to the accrued and unpaid interest and then to the principal amount due pursuant to this Agreement. The obligation of the District to reimburse the Developer expires December 31, 2061.

Facilities Acquisition Agreement

On November 9, 2020, with an effective date of January 1, 2021, the District and the Developer entered into a Facilities Acquisition Agreement (FAA). Pursuant to the FAA the District will reimburse the Developer for Certified Construction Costs (defined therein) up to a maximum amount of \$50,000,000, together with interest thereon. Certified Construction Costs shall accrue interest from the date such costs are incurred by the Developer. Simple interest shall accrue on amounts reimbursable to the Developer until paid at the rate of 8% per annum.

NOTE 8 RELATED PARTY

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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 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 10 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, 2021. 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.

NOTE 11 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.

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

SUPPLEMENTARY INFORMATION

TIMNATH LAKES METROPOLITAN DISTRICT NO. 6
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Property Taxes | | Percent Collected to Levied |
|--|---|-----------------|----------------|-----------|-----------------------------------|
| | | | Levied | Collected | |
| 2017 | \$ - | 0.000 | \$ - | \$ - | 0.00% |
| 2018 | - | 0.000 | - | - | 0.00 |
| 2019 | - | 0.000 | - | - | 0.00 |
| 2020 | - | 0.000 | - | - | 0.00 |
| 2021 | 7 | 0.000 | - | - | 0.00 |
| Estimated for Year Ending December 31, 2022 | \$ 4 | 0.000 | \$ - | | |

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.