

TALON POINTE METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

December 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	i
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	1
Statement of Activities	2
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund	5
<i>Notes to Financial Statements</i>	6
OTHER SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Projects Fund	22

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Talon Pointe Metropolitan District

Opinions

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Talon Pointe Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

PO Box 1576
Fort Collins, CO 80522

Green & Associates • LLC

PHONE (720) 839-6458
www.GreenCPAfirm.com

Certified Public Accountants & Business Consultants

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Talon Pointe Metropolitan 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 Talon Pointe Metropolitan District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Talon Pointe Metropolitan District's financial statements as a whole. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund, and the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Projects Fund, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Fort Collins, Colorado
June 17, 2024

Basic Financial Statements

Talon Pointe Metropolitan District
Statement of Net Position
December 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 544,447
Cash and cash equivalents - restricted	331,638
Due from County Treasurer	4,300
Accounts receivable	33,099
Prepaid expenses	9,279
Property taxes receivable	<u>1,113,459</u>
Total Current Assets	<u>2,036,222</u>

Noncurrent Assets

Capital Assets	
Nondepreciable	1,141,248
Depreciable	3,282,243
Less: accumulated depreciation	<u>(284,206)</u>
Net Capital Assets	<u>4,139,285</u>

Total Assets	<u>6,175,507</u>
--------------	------------------

Deferred Outflow of Resources

Loss on bond refunding	<u>55,771</u>
Total Deferred Outflow of Resources	<u>55,771</u>

Liabilities

Current Liabilities

Accounts payable	44,269
Unearned revenue	5,095
Accrued interest	1,175,733
Current portion of long-term debt	<u>225,164</u>
Total Current Liabilities	<u>1,450,261</u>

Long-Term Liabilities

Long-term debt	<u>26,082,069</u>
Total Long-Term Liabilities	<u>26,082,069</u>
Total Liabilities	<u>27,532,330</u>

Deferred Inflows of Resources

Deferred property tax revenue	<u>1,113,459</u>
Total Deferred Inflows of Resources	<u>1,113,459</u>

Net Position

Restricted - debt service and capital projects	334,325
Restricted for emergencies	11,101
Unrestricted	<u>(22,759,937)</u>
Total Net Position	<u>\$ (22,414,511)</u>

The accompanying notes are an integral part of these financial statements

Talon Pointe Metropolitan District
Statement of Activities
For the Year Ended December 31, 2023

Governmental Activities	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Governmental Activities
General government	\$ 460,605	\$ 540,169	\$ -	\$ 79,564
Conveyance of capital assets	6,251,672	-	-	(6,251,672)
Interest and related costs on long-term debt	1,505,307	160,000	-	(1,345,307)
Total Governmental Activities	\$ 8,217,584	\$ 700,169	\$ -	(7,517,415)
General Revenues				
				764,552
				51,344
				40,777
				337,052
				<u>1,193,725</u>
				(6,323,690)
				(16,090,821)
				<u>\$ (22,414,511)</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Talon Pointe Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Current Assets				
Cash and cash equivalents - unrestricted	\$ 544,447	\$ -	\$ -	\$ 544,447
Cash and cash equivalents - restricted	-	324,468	7,170	331,638
Due from County Treasurer	1,613	2,687	-	4,300
Accounts receivable	33,099	-	-	33,099
Prepaid expenses	9,279	-	-	9,279
Property taxes receivable	417,550	695,909	-	1,113,459
Total Assets	<u>1,005,988</u>	<u>1,023,064</u>	<u>7,170</u>	<u>2,036,222</u>
Liabilities				
Current Liabilities				
Accounts payable	44,269	-	-	44,269
Unearned revenue	5,095	-	-	5,095
Total Liabilities	<u>49,364</u>	<u>-</u>	<u>-</u>	<u>49,364</u>
Deferred Inflows of Resources				
Deferred property tax revenue	417,550	695,909	-	1,113,459
Total Deferred Inflows of Resources	<u>417,550</u>	<u>695,909</u>	<u>-</u>	<u>1,113,459</u>
Equity				
Fund Balance				
Nonspendable	9,279	-	-	9,279
Assigned	291,496	-	-	291,496
Restricted	11,101	327,155	7,170	345,426
Unassigned	227,198	-	-	227,198
Total Fund Balance	<u>539,074</u>	<u>327,155</u>	<u>7,170</u>	<u>873,399</u>
Total Liabilities, Equity and Deferred Intflows of Resources	<u>\$ 1,005,988</u>	<u>\$ 1,023,064</u>	<u>\$ 7,170</u>	<u>\$ 2,036,222</u>

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance	\$ 873,399
Amounts reported for governmental funds 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.	4,139,285
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not	
Bonds and notes payable	(25,910,000)
Bond premium, net of amortization	(397,233)
Loss on refunding, net of accumulated depreciation	55,771
Accrued interest - bonds	(1,175,733)
Total Net Position	<u>\$ (22,414,511)</u>

Talon Pointe Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 286,707	\$ 477,845	\$ -	\$ 764,552
Specific ownership taxes	19,254	32,090	-	51,344
System development fees	-	128,000	-	128,000
LOC fees	-	32,000	-	32,000
Operations and other fees	540,169	-	-	540,169
Interest income	7,129	33,152	496	40,777
Total Revenue	<u>853,259</u>	<u>703,087</u>	<u>496</u>	<u>1,556,842</u>
Expenditures				
Administrative	129,022	-	-	129,022
Operations	229,711	-	-	229,711
Treasurer's fees	4,305	7,175	-	11,480
Trustee fees	7,000	-	-	7,000
Debt Service:				
Bond interest	-	1,119,038	-	1,119,038
Bond principal	-	90,000	-	90,000
LOC fee payment	-	32,000	-	32,000
Capital Outlay	-	-	1,560,981	1,560,981
Total Expenditures	<u>370,038</u>	<u>1,248,213</u>	<u>1,560,981</u>	<u>3,179,232</u>
Revenue Over (Under) Expenditures	<u>483,221</u>	<u>(545,126)</u>	<u>(1,560,485)</u>	<u>(1,622,390)</u>
Other Financing Sources and (Uses)				
Loan proceeds	-	-	1,560,981	1,560,981
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>1,560,981</u>	<u>1,560,981</u>
Net Change in Fund Balance	<u>483,221</u>	<u>(545,126)</u>	<u>496</u>	<u>(61,409)</u>
Fund Balance, Beginning of Year	55,853	872,281	6,674	934,808
Fund Balance, End of Year	<u>\$ 539,074</u>	<u>\$ 327,155</u>	<u>\$ 7,170</u>	<u>\$ 873,399</u>
Total Change in Fund Balance Governmental Fund				\$ (61,409)

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 depreciation as an expense.

Capital Outlay	1,560,981
Conveyance of capital assets	(6,251,672)
Depreciation	(83,392)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.

Loan proceeds	(1,560,981)
Principal payments of long-term debt	90,000
Forgiveness of principal on developer advances	60,882

Some revenues and expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported in the fund statements.

Accrued interest	(370,600)
Amortization of loss on refunding	(3,919)
Amortization of bond premium	20,250
Forgiveness of interest on developer advances	276,170
Change in net position of governmental activities	<u><u>\$ (6,323,690)</u></u>

The accompanying notes are an integral part of these financial statements

Talon Pointe Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 287,111	\$ 286,707	\$ (404)
Specific ownership taxes	18,662	19,254	592
Operations and other fees	141,075	540,169	399,094
Interest income	200	7,129	6,929
Total Revenue	<u>447,048</u>	<u>853,259</u>	<u>406,211</u>
Expenditures			
Administrative	126,200	129,022	(2,822)
Operations	250,145	229,711	20,434
Treasurer's fees	4,307	4,305	2
Trustee fees	7,000	7,000	-
Contingency	5,000	-	5,000
Total Expenditures	<u>392,652</u>	<u>370,038</u>	<u>22,614</u>
Revenue Over (Under) Expenditures	<u>54,396</u>	<u>483,221</u>	<u>428,825</u>
Net Change in Fund Balance	<u>54,396</u>	<u>483,221</u>	<u>428,825</u>
Fund Balance, Beginning of Year	<u>32,992</u>	<u>55,853</u>	<u>22,861</u>
Fund Balance, End of Year	<u>\$ 87,388</u>	<u>\$ 539,074</u>	<u>\$ 451,686</u>

The accompanying notes are an integral part of these financial statements

Talon Pointe Metropolitan District
Notes to Financial Statements
December 31, 2023

Note 1 Summary of Significant Accounting Policies

Talon Pointe Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City of Thornton, Colorado (City). The District was established primarily to provide for the planning, design, financing, acquisition, and construction of certain public improvements. The District anticipates that some of the improvements may be dedicated to the City, or its designee.

On November 1, 2018 the District and Talon Pointe Coordinating Metropolitan District (TPCMD) entered into a District Coordinating Services Agreement. The Agreement sets forth the services that TPCMD will perform on behalf of the District. The agreement was terminated on June 29, 2023 (See Note 5).

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

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the District. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

Fund Accounting

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

detailed level. The focus of governmental fund financial statements is on major funds. The major funds used by the District are described below.

Governmental Fund Type

General Fund –is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund- accounts for the revenues received related to the construction and acquisition of capital projects.

Debt Service Fund- accounts for the repayment of long-term debt incurred by the district.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

**Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are typically levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Operations Fee

On November 11, 2021 the District adopted a resolution Concerning the Imposition of an Operations Fee to fund the operations costs of the District, which was subsequently amended with that certain Amended and Restated Resolution Concerning the Imposition of an Operations Fee on November 29, 2022. The fee for 2023 was imposed on a quarterly basis at a rate of \$100 per residential unit, \$50 for vacant lots in Filing No. 2 and \$25 per quarter for remaining vacant lots. The Operations Fee is to be accounted for separately from other revenues of the District and is to be used solely for the purpose of paying operations costs.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Assets and Liabilities

Cash and cash equivalents - the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Capital assets – all capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives. Estimated useful lives are 30 years for parks and recreation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Bond issuance costs – In the government-wide financial statements, bond discounts/premiums are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as incurred

In the fund financial statements, bond discounts/premiums and issuance costs are recognized during the current period. The face amount of debt issued and premiums on issuance are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Loss on bond refunding – In the government-wide financial statements the deferred loss on bond refunding is amortized over the life of the defeased bonds using the effective interest method. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected in deferred outflows of resources.

Accrued Liabilities and long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Inflows of Resources and Deferred Outflows of Resources

The District implemented the provisions of GASB No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted

**Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 1 Summary of Significant Accounting Policies (Continued)

net position before utilizing unrestricted net position when an expense is incurred for both purposes.

Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable - consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$9,279 as of December 31, 2023.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 4). A reservation of \$11,101 of the General Fund balance has been made in compliance with this requirement. The District had \$334,325 restricted for the use of acquisition and construction of public improvements and debt service.

Committed - General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$200,000 for capital reserves and \$91,496 for the 2024 budget deficit as of December 31, 2023.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2023, the assigned fund balance was \$.

Unassigned - consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

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 and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.

**Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 1 Summary of Significant Accounting Policies (Continued)

- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or amended by the District Board.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2023, the District's cash deposits had a carrying balance of \$173,058 with a corresponding bank balance of \$173,058, all of which is federally insured.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 equal to 102% of the uninsured deposits. The District had did not have any funds collateralized under PDPA.

The Colorado Divisions of Banking 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the District's bank deposits were exposed to custodial credit risk.

Investments

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

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

**Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 2 Cash and Investments (Continued)

At December 31, 2023, the District had \$328,660 invested in Morgan Stanley Institutional Liquidity Funds (MSILF) Government Portfolio (MSILF #8352). The project money that is included in the trust accounts at United Missouri Bank is invested in the MSILF. The fund is a money market fund managed by Morgan Stanley and each share value is \$1.00. This portfolio invests in U.S. Treasury debt, repurchase agreements and U.S. Government Agency Debt. The District records its investment in the fund at net asset value. The portfolio is rated AAAM by Standard and Poor's.

At December 31, 2023, the District had \$374,367 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+ - The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under section 24-75-601, C.R.S., as amended.

COLOTRUST EDGE - The Trust operates similarly to a money market fund and each share is equal in value to \$10.00. The portfolio may invest in U.S. Treasury securities and 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.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Note 3 Capital Assets

	Balance at 12/31/2022	Additions	Deletions	Balance at 12/31/2023
Nondepreciable				
Construction in progress	\$ 7,392,920	\$ -	\$ 6,251,672	\$ 1,141,248
Total Nondepreciable	<u>7,392,920</u>	<u>-</u>	<u>6,251,672</u>	<u>1,141,248</u>
Depreciable				
Parks and recreation	1,721,262	1,560,981	-	3,282,243
Total Depreciable	<u>1,721,262</u>	<u>1,560,981</u>	<u>-</u>	<u>3,282,243</u>
Total Capital Assets	<u>9,114,182</u>	<u>1,560,981</u>	<u>6,251,672</u>	<u>4,423,491</u>
Less Accumulated Depreciation	<u>(200,814)</u>	<u>(83,392)</u>	<u>-</u>	<u>(284,206)</u>
Net Capital Assets	<u>\$ 8,913,368</u>	<u>\$ 1,477,589</u>	<u>\$ 6,251,672</u>	<u>\$ 4,139,285</u>

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 4 Long-term Debt

The District's long-term debt is as follows:

General Obligation Refunding and Improvement (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A (Series 2019A Bonds) and Subordinated Limited Tax General Obligation Refunding and Improvement Bonds, Series 2019B (Series 2019B Bonds, and together with the 2019A Senior Bonds, the 2019 Bonds)

On November 12, 2019, the District issued General Obligation Refunding and Improvement (Limited Tax Convertible to Unlimited Tax) Bonds – Series 2019A Bonds with a par amount of \$21,315,000 and with an original issuance premium on the 2019A Bonds of \$479,301, a total bond proceeds amount of \$21,794,301. The 2019A Bonds were issued for the purposes of: (i) paying or reimbursing Project Costs; (ii) refunding a portion of the District's outstanding 2008 Bonds; (iii) funding a portion of the interest to accrue on the Series 2019A Senior Bonds; (iv) funding the Senior Reserve Fund; (v) paying the costs of issuance on the Series 2019B Subordinate Bonds; (vi) paying costs incurred in connection with the issuance of the Series 2019A Senior Bonds.

Interest on the 2019A Bonds is payable semiannually on June 1 and December 1 each year, commencing on December 1, 2019 at the rate of 5.25% per annum. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

On November 12, 2019, the District issued Subordinate Limited Tax General Obligation Refunding and Improvement Bonds – Series 2019B with a par amount of \$2,595,000. The 2019B Bonds were issued for the purposes of: (i) paying or reimbursing Project Costs; (ii) refunding a portion of the District's outstanding 2008 Bonds.

Interest on the 2019B Bonds is payable on December 15 each year to the extent of Subordinate Pledged Revenue available, commencing on December 15, 2019 at the rate of 8% per annum. The Bonds are structured as "cash flow" bonds meaning that there are no scheduled payments of principal thereof prior to the final maturity. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the Bond Termination Date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on the Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond. The District is not obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the 2019B Bonds including all payments of principal, premium if any, and interest. All 2019B Bonds will be deemed defeased and no longer outstanding upon the payment of the District of such amount. All of the 2019B Bonds and interest thereon will be deemed paid, satisfied, and discharged on December 16, 2053 ("the Bond Termination Date") regardless of the amount of principal and interest paid prior to the Bond Termination Date.

**Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 4 Long-term Debt (Continued)

Optional Redemption

The 2019A Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2025, and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest thereon to the date of redemption, together with (if applicable) a redemption premium of a percentage of the principal amount so redeemed as follows:

Date of redemption	Redemption Premium
December 1, 2025 to November 30, 2026	3.00%
December 1, 2026 to November 30, 2027	2.00%
December 1, 2027 to November 30, 2028	1.00%
December 1, 2028 and thereafter	0.00%

The 2019B Bonds are subject to redemption prior to maturity, at the option of the District on December 15, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed as follows:

Date of redemption	Redemption Premium
December 15, 2025 to November 30, 2026	3.00%
December 15, 2026 to November 30, 2027	2.00%
December 15, 2027 to November 30, 2028	1.00%
December 15, 2028 and thereafter	0.00%

Security

The 2019A Bonds are secured by and payable from the moneys derived by the District from the following sources, net of any costs of collection: (i) the Senior Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; (iii) Development Fees; and (iv) any other legally available moneys which the District determines in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

The 2019A Bonds are also secured by amounts on deposit in the Senior Reserve Fund in an amount equal to \$1,644,325 (Senior Reserve requirement), and amounts, if any, accumulated in the Senior Surplus Fund up to the Maximum Surplus Amount of \$1,500,000. The District did not have sufficient pledged revenue in the 2019A Senior Bond fund to pay when due interest payments on the Series 2019A Bonds. As a result, multiple draws from the Senior Reserve Fund were required to pay the interest payments. At December 31, 2023, the balance in the Senior Reserve Fund was \$321,490, and the balance in the Senior Surplus Fund was \$0.

The 2019B Bonds are secured by and payable from the moneys derived by the District from the following sources, net of any costs of collection: (i) the Subordinate Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy; (iii) the amounts, if any, from the Development Fees

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 4 Long-term Debt (Continued)

remaining after payment of the Series 2019A Senior Bonds; (iv) the amounts, if any, in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture; and (v) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Required Mill Levy

Pursuant to the Senior Indenture, the District has covenanted to impose a Senior Required Mill Levy in an amount sufficient to fund the Senior Bond Fund for the relevant Bond Year and pay the Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve fund to the amount of the Required Reserve, but (i) not in excess of 50.000 mills, and (ii) for so long as the Surplus Fund is required to be maintained hereunder and the amount on deposit therein is less than the Maximum Surplus Amount, not less than 50.000 mills, or such lesser mill levy which will fund the Senior Bond Fund for the relevant Bond Year and pay the Bonds as they come due, will replenish the Reserve Fund to the amount of the Reserve Requirement and, for so long as the Surplus Fund to the Maximum Surplus Amount; provided however, that if, after January 1, 2004, there were or are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cur or abatement; the minimum and maximum mill levies shall be increased or decreased to offset such changes. The District has determined that as a result of changes in the method of calculating assessed valuation occurring after January 1, 2004, the 50.000 mills has been adjusted upwards to 54.085 for collection year 2023.

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy in the amount of 50.000 mills less the amount of the Senior Bond 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; provided however that if, after January 1, 2004, there were or are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cur or abatement, the maximum mill levy provided shall be increased or decreased to offset such changes. It is the intent that if the Senior Mill Levy equals or exceeds 50.000 mills in any year, adjusted for changes in the actual valuation to assessed valuation, the Subordinate Mill Levy for that year shall be zero.

Project Funds

Proceeds of \$4,916,005 and \$105,000 from the sale of the 2019A Bonds were deposited to a Senior Project Fund and a Senior Restricted Project Fund respectively. Proceeds of \$2,595,000 from the sale of the 2019B Bonds were deposited into a Subordinate Restricted Project Fund. Between 2020 and 2022, the District amended the parameters of the draw provisions on the Subordinate Project fund with the Trustee, evidenced by the First through Eighth amendments to the indenture of Trust on the 2019B Subordinate Bonds. As required by the amendments, the Developer advanced additional funds to the District to allow for the extensions to the expiration dates of the funds.

The Project Funds are held by the Trustee and funds are only released to the District after a "Requisition" is submitted for reimbursement of approved project costs in accordance with the Senior Indenture and the Subordinate Indenture, as applicable. Pursuant to the Seventh Amendment to the 2019B Indenture of Trust, upon release of the proceeds from the

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 4 Long-term Debt (Continued)

Subordinate Project Fund, any remaining amounts representing deposits made by the Developer in association with amendments to the Indenture shall be returned to the Developer by the Trustee and the Subordinate Project Fund shall be terminated. On October 31, 2022 all requirement for the release of the restricted project funds were met, and the funds are no longer subject to restriction.

Non-revolving Line of Credit Note (Junior) Series 2020

On August 13, 2020, the District authorized the issuance of its Non-revolving Line of Credit Note (Junior), Series 2020, in an amount not to exceed \$2,090,000 As of December 31, 2023 \$2,090,000 has been advanced under this note.

The Note will accrue interest at a rate of 8% per annum. Principal and interest shall be payable annually on December 16 of each year after all payments due and owing on the Senior Obligations, including the Series 2019B Subordinate Bonds, in that year have been fully paid, commencing on December 16, 2021 and shall mature on December 16, 2046.

To the extent principal on the Note is not paid when due, such principal shall remain outstanding until paid. To the extent interest on the Note is not paid when due, such interest shall compound annually, on each December 16, at the rate then borne by the Note. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the note, including all payments of principal, premium if any, and interest, and the Note will be deemed defeased and no longer outstanding upon the payment by the District of such amount. The Note shall be deemed paid, satisfied, and discharged on December 16, 2053 (the Note Termination Date), regardless of the amount of principal and interest paid prior to the Note Termination Date.

The Note is subject to redemption, at the option of the District, in whole or in part, on any date, upon payment of par and accrued interest, without redemption premium. The Note is subject to mandatory redemption in part by lot on December 16 of each year (Mandatory Redemption Date) to the extent of moneys on deposit, if any, in the Mandatory Redemption Account on December 16 of each year, at a redemption price equal to the principal amount (with no redemption premium), plus accrued interest to the redemption date.

The Note is a limited tax obligation of the District secured by a Required Mill Levy, including the portion of the specific ownership tax that is collected as a result of the imposition of the Required Mill Levy, and any other legally available revenues which the District determines to credit to payment of the Note.

The District's Note contains a provision regarding certain events of default, for which acceleration is not a remedy. Events of default occur if the District fails to collect the Pledged Revenue or apply the Pledged Revenue as required by the Resolution authorizing the issuance of the Note, to impose the Required Mill Levy as provided in the Resolution to the extent any such mill levy is available pursuant to the Senior Bond documents, and other customary terms and conditions consistent with normal municipal financings.

**Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 4 Long-term Debt (Continued)

The Changes in Long-term Debt during 2023 were as follows:

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amounts Due Within One Year
Bonds Payable:					
2019A General Obligation Bonds	\$ 21,315,000	\$ -	\$ (90,000)	\$ 21,225,000	\$ 205,000
2019B Subordinate General Obligation Bonds	2,595,000	-	-	2,595,000	-
Other Debt:					
Series 2020 note	529,019	1,560,981	-	2,090,000	-
Developer advances - operations	60,882	-	(60,882)	-	-
Developer advances - capital	-	-	-	-	-
Subtotal	24,499,901	1,560,981	(150,882)	25,910,000	205,000
Premium on 2019A Bonds	417,483	-	(20,250)	397,233	20,164
Total Long-term Debt	<u>\$ 24,917,384</u>	<u>\$ 1,560,981</u>	<u>\$ (171,132)</u>	<u>\$ 26,307,233</u>	<u>\$ 225,164</u>

The District's long-term obligations for the Series A Bonds will mature as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$ 205,000	\$ 1,114,313	\$ 1,319,313
2025	120,000	1,103,550	1,223,550
2026	235,000	1,097,250	1,332,250
2027	240,000	1,084,913	1,324,913
2028	285,000	1,072,313	1,357,313
2029-2033	1,845,000	5,110,613	6,955,613
2034-2038	2,810,000	4,529,700	7,339,700
2039-2043	4,015,000	3,672,113	7,687,113
2044-2048	5,610,000	2,458,313	8,068,313
2049-2051	5,860,000	709,013	6,569,013
Total	<u>\$ 21,225,000</u>	<u>\$21,952,091</u>	<u>\$ 43,177,091</u>

The repayment of the Series B Bonds, and the Non-revolving Line of Credit Note (Junior) series 2020 are dependent on available cash flows, therefore a maturity schedule cannot be determined.

Debt Authorization

On November 7, 2006 and November 6, 2007, the District's electorate authorized total indebtedness of \$163,400,000 for the purpose of providing certain improvements and facilities. The District's Service Plan limits the amount of bonds that the District has the authority to issue to \$26,000,000. After the issuance of the 2019 Bonds and the Series 2020 Non-revolving Line of Credit Note, the District's remaining debt authorization under its Service Plan is \$0.

Note 5 Agreements

Intergovernmental Agreement – City of Thornton

On September 10, 2013 the District entered into an agreement with the City of Thornton, pursuant to the Service Plan, whereby the District will finance and construct public improvements which are necessary to provide municipal services within the District's boundaries as set forth in the Service Plan. Upon completion of the improvements, the District is planning to convey the improvements to other governmental entities. Upon acceptance, the

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 5 Agreements (Continued)

government or agency is responsible for ownership, operation, maintenance, and repair of such improvements. Debt service on the cost of the improvements will be funded in part through a mill levy on taxable property. During the year ended December 31, 2023 the City accepted \$6,251,672 of infrastructure conveyed by the District.

District Coordinating Services Agreement

On November 1, 2018, the District entered into the District Coordinating Services Agreement with TPCMD. TPCMD will be the coordinating district and the District will be the financing district. The agreement sets forth the services TPCMD will perform on behalf of the District related to administrative services and ownership, operation and maintenance of public improvements. The agreement is subject to annual appropriation and does not constitute a multiple fiscal year obligation. This agreement was terminated on June 29, 2023 and all remaining balances were forgiven.

Funding and Reimbursement Agreement

On October 13, 2010 the District entered into the Funding and Reimbursement Agreement with ELG Development, LLC (ELG), whereby the District agreed to reimburse ELG for District operating costs incurred, including interest at prime plus 2%. The agreement was modified by an Extension of Funding and Reimbursement Agreement dated November 16, 2016 and then amended by the First Amendment to Funding and Reimbursement Agreement dated July 31, 2019. The amended agreement extends the funding agreement to December 31, 2021, and increases the maximum funding amount from \$200,000 to \$400,000. On April 5, 2023 this agreement was terminated and all remaining balances were forgiven.

Infrastructure Acquisition and Reimbursement Agreement

In 2010 the District entered into the Infrastructure Acquisition and Reimbursement Agreement with ELG Development, LLC (ELG), whereby the District agrees to reimburse ELG for "District Eligible Costs" (Costs) for public infrastructure improvements constructed on behalf of the District. Reimbursement is subject to the receipt by the District of a Cost Certification and an Engineer's Certification that verifies that all improvements are fit for their intended purpose and were constructed in accordance with their design. The District will issue an acceptance letter to ELG, and will issue a Bill of Sale to the District. Amounts owing to ELG under this agreement bear interest at 8% from the date of acceptance to the date of reimbursement. On June 29, 2023 this agreement was terminated and all remaining balances were forgiven.

On September 10, 2020 the District entered into the Infrastructure and Reimbursement Agreement with ELG Investors, LLC (ELGI) whereby the District agrees to reimburse ELGI for "District Eligible Costs" incurred for the construction of Public Infrastructure on behalf of the District. Reimbursement is subject to the receipt by the District of a Cost Certification and Engineer's Certification that verifies all improvements are fit for their intended purpose and were constructed substantially in accordance with their design. The District will evidence its acceptance of the Public Infrastructure by issuing an Acceptance Letter. Amounts owing to ELGI under this agreement shall bear simple interest at the rate of 8% from the date of acceptance by the District to the date of payment of such amount in full. On June 29, 2023 this agreement was terminated and all remaining balances were forgiven.

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, the Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

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.

TABOR requires local governments to establish emergency reserves, which 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. As of December 31, 2023, the District had \$11,101 restricted under TABOR.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation, and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded the District's commercial coverage in the last three years.

Note 8 Related Parties

During a portion of 2023 some members of the Board of Directors were officers or employees of owners (or affiliated entities) of the Developer. These members may have conflicts of interest with respect to certain transactions which come before the Board.

Talon Pointe Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 9 Extraordinary Items

On June 29, 2023, the District approved the Termination of Infrastructure Acquisition and Reimbursement Agreement and Funding and Reimbursement Agreements. As part of this agreement the developer agreed to forever waive and discharge any and all obligations associated with interest payments, principal payments and/or repayment of any sums due under the Agreements. This resulted in the forgiveness of principal in the amount of \$60,882 and forgiveness of interest in the amount of \$276,170. The termination of these debts have reduced long-term obligations and has been reported as an extraordinary item on the Statement of Activities.

Other Supplemental Information

Talon Pointe Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 478,519	\$ 477,845	\$ (674)
Specific ownership taxes	31,104	32,090	986
System development fees	348,000	128,000	(220,000)
LOC fees	87,000	32,000	(55,000)
Interest income	16,000	33,152	17,152
Total Revenue	<u>960,623</u>	<u>703,087</u>	<u>(257,536)</u>
Expenditures			
Treasurer's fees	7,178	7,175	3
Debt Service:			-
Bond interest	1,119,038	1,119,038	-
Principal payments on long-term debt	90,000	90,000	-
LOC fee payment	87,000	32,000	55,000
Contingency	25,000	-	25,000
Total Expenditures	<u>1,328,216</u>	<u>1,248,213</u>	<u>80,003</u>
Revenue Over (Under) Expenditures	<u>(367,593)</u>	<u>(545,126)</u>	<u>(177,533)</u>
Net Change in Fund Balance	<u>(367,593)</u>	<u>(545,126)</u>	<u>(177,533)</u>
Fund Balance, Beginning of Year	<u>779,680</u>	<u>872,281</u>	<u>92,601</u>
Fund Balance, End of Year	<u>\$ 412,087</u>	<u>\$ 327,155</u>	<u>\$ (84,932)</u>

The accompanying notes are an integral part of these financial statements

Talon Pointe Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest income	\$ -	\$ 600	\$ 496	\$ (104)
Total Revenue	<u>-</u>	<u>600</u>	<u>496</u>	<u>(104)</u>
Expenditures				
Debt Service:				
Capital Outlay	-	1,560,982	1,560,981	1
Total Expenditures	<u>-</u>	<u>1,560,982</u>	<u>1,560,981</u>	<u>1</u>
Revenue Over (Under) Expenditures	<u>-</u>	<u>(1,560,382)</u>	<u>(1,560,485)</u>	<u>(103)</u>
Other Financing Sources and (Uses)				
Loan proceeds	-	1,560,982	1,560,981	(1)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>1,560,982</u>	<u>1,560,981</u>	<u>(1)</u>
Net Change in Fund Balance	<u>-</u>	<u>600</u>	<u>496</u>	<u>(104)</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>6,674</u>	<u>6,674</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 7,274</u>	<u>\$ 7,170</u>	<u>\$ (104)</u>

The accompanying notes are an integral part of these financial statements