

**Talon Pointe Coordinating Metropolitan District
Adams County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2019

Talon Pointe Coordinating Metropolitan District

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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Talon Pointe Coordinating Metropolitan District
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Talon Pointe Coordinating Metropolitan District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Talon Pointe Coordinating Metropolitan District, as of December 31, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational costs. As discussed in Note 9, the District may be dependent upon the developer of the District's service area to provide cash for such expenditures.

Required Supplementary Information

Management has omitted 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other 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 supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental 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 supplemental 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
November 30, 2020

BASIC FINANCIAL STATEMENTS

Talon Pointe Coordinating Metropolitan District
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities
Assets	
Cash	\$ 9,510
Due from Talon Pointe Metropolitan District	1,254
Total assets	10,764
Liabilities	
Accounts payable	6,470
Noncurrent liabilities:	
Due in more than one year	3,206,430
Total liabilities	3,212,900
Net position (deficit)	
Restricted	
Emergency reserve	2,202
Unrestricted	(3,204,338)
Total net position (deficit)	\$ (3,202,136)

The accompanying Notes to Financial Statements are an integral part of these statements.

Talon Pointe Coordinating Metropolitan District
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs:	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government					Governmental Activities
General government	\$ 73,386	\$ -	\$ 70,406	\$ -	\$ (2,980)
Interest on long-term debt and related costs	51,546	-	-	-	(51,546)
Conveyance of assets to Talon Pointe Metropolitan District	7,972,935	-	-	4,916,005	(3,056,930)
Total primary government	\$ 8,097,867	\$ -	\$ 70,406	\$ 4,916,005	(3,111,456)
General Revenues:					
					27,214
					400
					27,614
					(3,083,842)
					(118,294)
					\$ (3,202,136)

The accompanying Notes to Financial Statements are an integral part of these statements.

Talon Pointe Coordinating Metropolitan District

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2019

	General	Capital Projects	Total Governmental Funds
Assets			
Cash	\$ 9,510	\$ -	\$ 9,510
Due from Talon Pointe Metropolitan District	1,254	-	1,254
Total assets	10,764	-	10,764
Liabilities and fund balances			
Liabilities			
Accounts payable	6,470	-	6,470
Total liabilities	6,470	-	6,470
Fund balance			
Restricted			
Emergency reserve	2,202	-	2,202
Unassigned	2,092	-	2,092
Total fund balances	4,294	-	4,294
Total liabilities and fund balances	\$ 10,764	\$ -	

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

Long-term liabilities, including developer advance payable and accrued interest, are not due and payable in the current period, and therefore, are not reported in the funds:

Developer advance payable - operations	(94,000)
Developer advance payable - capital	(3,056,930)
Accrued interest Developer advance - operations	(7,612)
Accrued interest Developer advance - capital	(47,888)
	(3,205,430)
Net position (deficit) of governmental activities	\$ (3,202,136)

The accompanying Notes to Financial Statements are an integral part of these statements.

Talon Pointe Coordinating Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Transfer from Talon Pointe Metropolitan District	\$ 27,214	\$ 4,916,005	\$ 4,943,219
Miscellaneous income	400	-	400
Total revenues	<u>27,614</u>	<u>4,916,005</u>	<u>4,943,619</u>
Expenditures			
General government			
Accounting and audit	25,601	-	25,601
District management	5,083	-	5,083
Insurance	4,372	-	4,372
Legal	36,619	-	36,619
Administration costs	1,711	-	1,711
Capital outlay	-	7,972,935	7,972,935
Total expenditures	<u>73,386</u>	<u>7,972,935</u>	<u>8,046,321</u>
Excess of revenue over/(under)			
expenditures	<u>(45,772)</u>	<u>(3,056,930)</u>	<u>(3,102,702)</u>
Other financing sources/(uses)			
Developer advance	46,000	7,972,935	8,018,935
Developer contributions	70,406	-	70,406
Repayment of Developer advance - principal	-	(4,916,005)	(4,916,005)
Total other financing sources/(uses)	<u>116,406</u>	<u>3,056,930</u>	<u>3,173,336</u>
Net change in fund balances	70,634	-	70,634
Fund balances (deficit) - beginning (restated)	<u>(66,340)</u>	<u>-</u>	<u>(66,340)</u>
Fund balances - ending	<u>\$ 4,294</u>	<u>\$ -</u>	<u>\$ 4,294</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Talon Pointe Coordinating Metropolitan District
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds \$ 70,634

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

Long-term debt (e.g. bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Developer advances - operations	(46,000)
Developer advances - capital	(7,972,935)
Repayment of Developer advance - principal	4,916,005

Some revenues and 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 payable developer advances - change in liability	(51,546)
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Change in net position of governmental activities	\$ (3,083,842)
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Talon Pointe Coordinating Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2019

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Transfer from Talon Pointe Metro District	\$ 10,057	\$ 27,214	\$ 27,214	\$ -
Miscellaneous income	-	-	400	400
Total revenues	<u>10,057</u>	<u>27,214</u>	<u>27,614</u>	<u>400</u>
EXPENDITURES				
General government				
Accounting and audit	-	23,142	25,601	(2,459)
District management	14,250	22,500	5,083	17,417
Insurance	2,500	2,500	4,372	(1,872)
Legal	24,000	35,000	36,619	(1,619)
Administration costs	500	500	1,711	(1,211)
Operational maintenance				
Snow removal	5,000	5,000	-	5,000
Utilities	750	750	-	750
Total expenditures	<u>47,000</u>	<u>89,392</u>	<u>73,386</u>	<u>16,006</u>
Excess of revenue over/(under) expenditures	<u>(36,943)</u>	<u>(62,178)</u>	<u>(45,772)</u>	<u>16,406</u>
Other financing sources/(uses)				
Developer advance	36,943	149,406	46,000	(103,406)
Developer contributions	-	-	70,406	70,406
Total other financing sources/(uses)	<u>36,943</u>	<u>149,406</u>	<u>116,406</u>	<u>(33,000)</u>
Net change in fund balance	-	87,228	70,634	(16,594)
Fund balance (deficit) - beginning (restated)	<u>-</u>	<u>(71,061)</u>	<u>(66,340)</u>	<u>4,721</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 16,167</u>	<u>\$ 4,294</u>	<u>\$ (11,873)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Talon Pointe Coordinating Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Note 1 – Reporting entity

Talon Pointe Coordinating District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on February 20, 2014, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Adams County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of Public Improvements.

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

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

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 (i.e., the statement of net position and the statement of activities) report information on 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 assets and liabilities of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segments 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,

Talon Pointe Coordinating Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2019

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The District reports the following major governmental funds:

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

The capital projects fund is used to account for financial resources to be used for the purchase, construction, operation, and maintenance of capital equipment and facilities.

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

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures, other than interest on long-term obligations, generally are recorded when a liability is incurred or the long-term obligation is paid.

Talon Pointe Coordinating Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Property taxes

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

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

Equity

Net Position

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

Fund Balance

Fund balances are categorized to make the nature and extent of the constraints placed on the District's fund balances transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

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

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Talon Pointe Coordinating Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2019

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 above criteria.

If more than one classification of fund balance is available for use when expenditure is incurred, it is the District's policy to use the most restrictive classification first.

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 total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting.

The District amended its general fund budget during 2019. The District exceeded its total budgeted appropriations in the capital projects fund, which may be a violation of State budget law.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater and useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements for which the District retains title are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

Talon Pointe Coordinating Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2019 Statement of Net Position as follows:

Cash	\$ 9,510
Total cash	<u>\$ 9,510</u>

Cash as of December 31, 2019 consists of the following:

Deposits with financial institutions	\$ 9,510
Total cash	<u>\$ 9,510</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. As of December 31, 2019, the federal insurance limit was \$250,000. 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 equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$11,594 and a carrying balance of \$9,510.

Investments

The District has not adopted a formal investment policy but follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District.

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper

Talon Pointe Coordinating Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2019

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2019, the District has no investments.

Note 4 – Capital assets

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 7,972,935	\$ 7,972,935	\$ -
Total capital assets, not being depreciated	-	7,972,935	7,972,935	-
Capital assets, net	\$ -	\$ 7,972,935	\$ 7,972,935	\$ -

During 2019, the District conveyed to Talon Pointe Metropolitan District Public Improvements in the amount of \$7,972,935 in accordance with the Acquisition Resolution Pursuant to the Infrastructure Acquisition and Reimbursement Agreement executed by the District's Board of Directors.

Note 5 – Long-term obligations

The District's outstanding long-term obligations at December 31, 2019 are as follows:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019	Due Within One Year
Developer advances - operations	\$ 48,000	\$ 46,000	\$ -	\$ 94,000	\$ -
Developer advances - capital	-	7,972,935	4,916,005	3,056,930	-
Accrued Interest Developer advances - operations	3,954	3,658	-	7,612	-
Accrued Interest on Developer advances - capital	-	47,888	-	47,888	-
	<u>\$ 51,954</u>	<u>\$ 8,070,481</u>	<u>\$ 4,916,005</u>	<u>\$ 3,206,430</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Developer Advances

Funding and Reimbursement Agreement

On June 20, 2017 the District entered into a Funding and Reimbursement Agreement with ELG Investors, LLC (the Developer) whereby the District agreed to reimburse the Developer for organization and other capital costs and costs related to the operations of the District by the Developer in an amount not to exceed \$200,000 through December 31, 2017 at a rate of prime plus 2%. On November 14, 2017, the District

Talon Pointe Coordinating Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

entered into a First Amendment to the agreement to amend the term of the agreement to automatically renew for an additional one year term commencing on January 1 of the next succeeding year. The District further amended the agreement by entering into a Second Amendment to the Funding and Reimbursement Agreement on July 31, 2019, to be effective January 1, 2018 to extend the funding term to December 31, 2020 and to increase the maximum loan amount to \$400,000.

Infrastructure Acquisition and Reimbursement Agreement

On June 20, 2017 the District entered into an Infrastructure Acquisition and Reimbursement Agreement with the Developer whereby the District agreed to reimburse the Developer for "District Eligible Costs" for public infrastructure improvements constructed by the Developer on behalf of the District. The District is obligated to reimburse the Developer when the District adopts an Acquisition Resolution concluding the Developer has satisfied conditions for the District to acquire the public infrastructure. The repayment obligations incurred under this agreement shall bear simple interest at a rate of 8%. The District is permitted to prepay any reimbursement obligation, in whole or in part, at any time without redemption premium or other penalty, but with interest accrued to the date of the prepayments on the principal amount prepaid. The District's Board of Directors adopted an Acquisition Resolution on November 4, 2019 initiating a reimbursement obligation by the District in the amount of \$7,972,935. \$4,916,005 was reimbursed to the Developer in November of 2019.

Note 6 – Agreements

Intergovernmental Agreement – City of Thornton

On March 18, 2014 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 shall convey the improvements to the City or to other governmental entities. Upon acceptance, the government or agency is responsible for ownership, operation, maintenance, and repair of such improvements. The District is required and obligated to operate and maintain park and recreation improvements within the District's boundaries.

District Coordinating Services Agreement

On November 1, 2018, the District entered into the District Coordinating Services Agreement with Talon Pointe Metropolitan District. The District will be the coordinating district and Talon Pointe Metropolitan District will be the financing district. The agreement sets forth the services the District will perform on behalf of Talon Pointe Metropolitan District related to administrative services and ownership, operation and

Talon Pointe Coordinating Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

maintenance of public improvements. The agreement is subject to annual appropriation and does not constitute a multiple fiscal year obligation.

Note 7 – Net position

The District reports net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets 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. As of December 31, 2019, the District had restricted net position for emergency reserves of \$2,202.

The District's unrestricted net position deficit at December 31, 2019 is (\$3,204,338). The deficit is a result of the District being responsible for the repayment of long-term obligations partially consisting of public improvements which were conveyed to Talon Pointe Metropolitan District and which costs were removed from the District's financial records.

Note 8 – Related parties

Certain members of the Board of Directors of the District are employees, owners or otherwise associated with the Developer and/or its affiliates and may have conflicts of interest with respect to certain transactions which come before the Board.

Note 9 – Economic dependency

The District has not yet established a revenue base sufficient to pay the District's operational costs. 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 District Property and Liability Pool (the Pool) as of December 31, 2019. 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 and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool,

Talon Pointe Coordinating Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2019

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 which apply to the State of Colorado and all local governments.

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

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

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

Note 12 – Noncompliance with Colorado Revised Statutes

Colorado Revised Statutes require that local governments submit audited financial statements for calendar year-end by July 31, or September 30 if granted an extension, of the following year. The District was not in compliance with this statutory requirement for the year ended December 31, 2019.

Note 13 – Restatement

The beginning net position was adjusted by \$53,269 for 2018 developer advances related to operations and for adjustments to operating expenditures. The beginning fund balance in the general fund was restated by (\$4,722) for operating expenditures related to 2019.

SUPPLEMENTAL INFORMATION

Talon Pointe Coordinating Metropolitan District
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Transfer from Talon Pointe Metropolitan District	\$ -	\$ 4,916,005	\$ 4,916,005
Total revenues	\$ -	\$ 4,916,005	\$ 4,916,005
EXPENDITURES			
Capital outlay	-	7,972,935	(7,972,935)
Total expenditures	-	7,972,935	(7,972,935)
Excess of revenue over/(under) expenditures	-	(3,056,930)	(3,056,930)
Other financing sources/(uses)			
Developer advance	-	7,972,935	7,972,935
Repayment of Developer advance - principal	-	(4,916,005)	(4,916,005)
Total other financing sources/(uses)	-	3,056,930	3,056,930
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -