

TALLGRASS METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditors' Report

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## Independent Auditors' Report

Board of Directors  
Tallgrass Metropolitan District  
Arapahoe County, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Tallgrass Metropolitan District (the “District”) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 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 (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary 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 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Tatton and Company, LLC*

Cedaredge, CO  
September 9, 2024

**TALLGRASS METROPOLITAN DISTRICT**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ 322,719	\$ -	\$ 322,719	\$ -	\$ 322,719
Cash and investments - restricted	1,325	711,488	712,813	-	712,813
Receivable - County Treasurer	227	4,147	4,374	-	4,374
Property taxes receivable	51,109	955,509	1,006,618	-	1,006,618
Prepaid expenses	<u>2,526</u>	<u>-</u>	<u>2,526</u>	<u>-</u>	<u>2,526</u>
 Total Assets	 <u>\$ 377,906</u>	 <u>\$ 1,671,144</u>	 <u>\$ 2,049,050</u>	 <u>-</u>	 <u>2,049,050</u>
 <b>LIABILITIES</b>					
Accounts payable	\$ 573	\$ -	\$ 573	\$ -	\$ 573
Accrued interest on notes payable	-	-	-	27,997	27,997
Current portion of long-term debt	-	-	-	630,000	630,000
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,875,000</u>	<u>11,875,000</u>
 Total Liabilities	 <u>573</u>	 <u>-</u>	 <u>573</u>	 <u>12,532,997</u>	 <u>12,533,570</u>
 <b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred property taxes	<u>51,109</u>	<u>955,509</u>	<u>1,006,618</u>	<u>-</u>	<u>1,006,618</u>
 Total Deferred Inflows of Resources	 <u>51,109</u>	 <u>955,509</u>	 <u>1,006,618</u>	 <u>-</u>	 <u>1,006,618</u>
 <b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Nonspendable:					
Prepays	2,526	-	2,526	(2,526)	-
Restricted:					
Emergencies	1,325	-	1,325	(1,325)	-
Debt Service	-	715,635	715,635	(715,635)	-
Capital	-	-	-	-	-
Unassigned	<u>322,373</u>	<u>-</u>	<u>322,373</u>	<u>(322,373)</u>	<u>-</u>
 Total Fund Balances	 <u>326,224</u>	 <u>715,635</u>	 <u>1,041,859</u>	 <u>(1,041,859)</u>	 <u>-</u>
 Total Liabilities, Deferred Inflows of of Resources and Fund Balances	 <u>\$ 377,906</u>	 <u>\$ 1,671,144</u>	 <u>\$ 2,049,050</u>		
 <b>Net Position:</b>					
Restricted for:					
Emergencies				1,325	1,325
Debt service				687,638	687,638
Unrestricted				<u>(12,180,101)</u>	<u>(12,180,101)</u>
 Total Net Position				 <u>\$ (11,491,138)</u>	 <u>\$ (11,491,138)</u>

The notes to the financial statements are an integral part of these statements.

**TALLGRASS METROPOLITAN DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
General expenses:					
Audit	\$ 8,050	\$ -	\$ 8,050	\$ -	\$ 8,050
Dues and fees	315	-	315	-	315
Directors' fees	1,600	-	1,600	-	1,600
Election	1,867	-	1,867	-	1,867
Insurance	3,716	-	3,716	-	3,716
Legal	10,962	-	10,962	-	10,962
Office	1,053	-	1,053	-	1,053
Management and accounting	15,360	-	15,360	-	15,360
Payroll taxes	122	-	122	-	122
Storage	300	-	300	-	300
Treasurer's fees	804	14,666	15,470	-	15,470
Debt service:					
Note interest expense	-	345,462	345,462	(1,343)	344,119
Note Principal	-	600,000	600,000	(600,000)	-
	<u>44,149</u>	<u>960,128</u>	<u>1,004,277</u>	<u>(601,343)</u>	<u>402,934</u>
<b>GENERAL REVENUES</b>					
Property taxes	53,599	977,275	1,030,874	-	1,030,874
Specific ownership taxes	3,512	64,034	67,546	-	67,546
Interest income	18,239	49,445	67,684	-	67,684
	<u>75,350</u>	<u>1,090,754</u>	<u>1,166,104</u>	<u>-</u>	<u>1,166,104</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	31,201	130,626	161,827	601,343	763,170
<b>NET CHANGES IN FUND BALANCES</b>	31,201	130,626	161,827	(161,827)	
<b>CHANGE IN NET POSITION</b>				763,170	763,170
<b>FUND BALANCES/NET POSITION:</b>					
BEGINNING OF YEAR	<u>295,023</u>	<u>585,009</u>	<u>880,032</u>	<u>(13,134,340)</u>	<u>(12,254,308)</u>
END OF YEAR	<u>\$ 326,224</u>	<u>\$ 715,635</u>	<u>\$ 1,041,859</u>	<u>\$ (12,532,997)</u>	<u>\$ (11,491,138)</u>

The notes to the financial statements are an integral part of these statements.

**TALLGRASS METROPOLITAN DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-  
GENERAL FUND

For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 53,599	\$ 53,599	\$ -
Specific ownership taxes	3,216	3,512	296
Interest income	<u>3,786</u>	<u>18,239</u>	<u>14,453</u>
Total Revenues	<u>60,601</u>	<u>75,350</u>	<u>14,749</u>
<b>EXPENDITURES</b>			
Audit	8,500	8,050	450
Dues and fees	338	315	23
Directors' fees	900	1,600	(700)
Election	15,000	1,867	13,133
Insurance	3,242	3,716	(474)
Legal	15,000	10,962	4,038
Office	500	1,053	(553)
Management and accounting	15,360	15,360	-
Payroll taxes	69	122	(53)
Storage	-	300	(300)
Treasurer's fees	804	804	-
Contingency	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Total Expenditures	<u>66,213</u>	<u>44,149</u>	<u>22,064</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,612)	31,201	36,813
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>252,387</u>	<u>295,023</u>	<u>42,636</u>
END OF YEAR	<u>\$ 246,775</u>	<u>\$ 326,224</u>	<u>\$ 79,449</u>

The notes to the financial statements are an integral part of these statements.

# TALLGRASS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2023

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Tallgrass Metropolitan District ("the District"), located in Arapahoe County, Colorado, (the "County"), conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized in December 2002, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide for the acquisition, construction, installation and completion of improvements in the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the

# TALLGRASS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2023

District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

# TALLGRASS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2023

### Budgetary Accounting

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

### Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

#### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of December 31, 2023, the District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

# TALLGRASS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2023

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

### Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$2,526 represents prepaid expenditures.

### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,325 of the General Fund balance has been restricted in compliance with this requirement.

TALLGRASS METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2023

The restricted fund balance in the Debt Service Fund in the amount of \$715,635 is restricted for the payment of the costs associated with the Series 2016 Notes Payable, as defined below. (See Note 3)

Committed Fund Balance

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

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District may report three categories of net position, as follows:

Net investment in capital assets - consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

# TALLGRASS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2023

### Note 2: Cash and investments

As of December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 322,719
Cash and investments – restricted	<u>712,813</u>
	<u>\$ 1,035,532</u>

Cash and investments as of December 31, 202X consist of the following:

Deposits with financial institutions	\$ 116,991
Investments - COLOTRUST	<u>918,541</u>
	<u>\$ 1,035,532</u>

#### Deposits

##### Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the 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.

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

#### Investments

##### Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment, is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value (NAV) per share.

#### Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

TALLGRASS METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2023

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Colostrust

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2023, the District had \$918,541 invested in COLOTRUST.

Note 3: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Current</u> <u>Portion</u>
<u>Direct Borrowings</u>					
Series 2016 Note Payable	<u>\$ 13,105,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 12,505,000</u>	<u>\$ 630,000</u>
Total	<u>\$ 13,105,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 12,505,000</u>	<u>\$ 630,000</u>

A description of the long-term obligations as of December 31, 2023, is as follows:

Tax-Exempt Note Series 2016

In 2016, the District entered into a Loan Agreement with PNC Bank (the "Lender") and issued a Note Payable in the amount of \$16,835,000 the proceeds of which were used to refund the District's previously issued Series 2007 Bonds and to fund the issuance and closing costs associated with the issuance of the Note Payable.

## TALLGRASS METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2023

The Note Payable has a final maturity date of December 1, 2026 and requires annual principal payments beginning on December 1, 2016. In addition, the Note Payable may be prepaid in whole or in part only in accordance with the terms of the Loan Agreement. Specifically, on December 1, 2017, and on any date thereafter, the District may prepay the principal of the Note Payable in amounts up to \$200,000 annually, at a price of par plus any accrued interest, without prepayment fees, premiums or penalties. On December 1, 2023, and on any date thereafter, the District may prepay the principal of the Note Payable in whole or in any part, at a price of par plus any accrued interest, without prepayment fees, premiums or penalties.

The Note Payable requires semi-annual interest payments on June 1 and December 1 at a rate of 2.6%. Interest is to be calculated on the basis of a 360-day year and the actual number of days elapsed in the applicable period.

The Note Payable is to be paid solely from Pledged Revenue as defined in the Loan Agreement.

The occurrence or existence of any one or more of the following events shall be an Event of Default under the Loan Agreement: (a) the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Loan Agreement; (b) the District fails to pay the principal of or interest on the Note Payable or any other amount payable to the Lender when due; (c) the District fails to observe or perform any of the material covenants, agreements, duties or conditions on the part of the District in the Financing Documents, and fails to remedy the same within thirty (30) days after notice thereof; (d) any representation or warranty made by the District in any Financing Document or any certificate, instrument, financial or other statement furnished by the District to the Lender, proves to have been untrue or incomplete in any material respect when made or deemed made; (e) the pledge of the Pledged Revenue, the Collateral, or any other security interest created in the Loan Agreement fails to be fully enforceable with the priority required thereunder; (f) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay or satisfy such judgment or court order for 30 days; (g) a change occurs in the financial or operating condition of the District, or the occurrence of any other event that, in the Lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate Pledged Revenue sufficient to satisfy the District's obligations under the Loan Agreement or its other obligations, and the District fails to cure such condition within the time specified by the Lender in a written notice thereof from the Lender; (h) the District shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the District shall make a general assignment for the benefit of its creditors; (i) any Financing Document or any material provision (i) ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District or the District denies it has any or further liability under any such document to which it is a party or (ii) any pledge or security interest created under the Financing Documents fails to be fully enforceable with the priority required in the Loan Agreement; (j) the District shall initiate, acquiesce, or consent to any proceedings to dissolve itself or to consolidate itself with other similar entities into a single entity, or the District shall otherwise

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December 31, 2023

cease to exist; and (k) any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established hereunder shall become subject to any writ, judgment, warrant, attachment, execution, or similar process. Due to the limited nature of the Pledged Revenue, the Loan Agreement acknowledges that the failure to pay the principal of or interest on the Note Payable when due does not, in and of itself, constitute an Event of Default under the Loan Agreement.

In the event of default, the Lender shall have the following remedies 1) exercise any and all remedies available under the Loan Agreement, 2) apply all amounts constituting Collateral to the amounts due, in any order of priority determined by the Lender, 3) proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Lender, and 4) take any other action or exercise any other remedy available under the Financing Documents, at law or in equity. Acceleration of the Note Payable is not an available remedy for an event of default.

The following is a summary of the annual long-term debt principal and interest requirements.

Year Ending, December 31,	Principal	Interest	Total
2024	\$ 630,000	\$ 330,550	\$ 960,550
2025	650,000	313,040	963,040
2026	11,225,000	295,903	11,520,903
	<u>\$ 12,505,000</u>	<u>\$ 939,493</u>	<u>\$ 13,444,493</u>

Debt Authorization

As of December 31, 2023, the District had \$11,708,387 of voted but unissued debt for providing public improvements and \$9,431,613 remaining for the refunding of debt. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. The District has not budgeted to issue any debt during 2024.

Note 4: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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

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

Note 5: Risk Management

Except as provided in the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 6: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Long-term liabilities such as notes payable and accrued notes payable interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTARY INFORMATION

**TALLGRASS METROPOLITAN DISTRICT**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-  
DEBT SERVICE FUND

For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 977,244	\$ 977,275	\$ 31
Specific ownership taxes	58,635	64,034	5,399
Interest income	<u>-</u>	<u>49,445</u>	<u>49,445</u>
Total Revenues	<u>1,035,879</u>	<u>1,090,754</u>	<u>54,875</u>
<b>EXPENDITURES</b>			
Note interest expense	345,470	345,462	8
Note Principal	700,000	600,000	100,000
Paying agent/trustee fees	100	-	100
Treasurer's fees	<u>14,659</u>	<u>14,666</u>	<u>(7)</u>
Total Expenditures	<u>1,060,229</u>	<u>960,128</u>	<u>100,101</u>
<b>NET CHANGE IN FUND BALANCE</b>	(24,350)	130,626	154,976
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>543,114</u>	<u>585,009</u>	<u>41,895</u>
END OF YEAR	<u>\$ 518,764</u>	<u>\$ 715,635</u>	<u>\$ 196,871</u>