

TALLMAN GULCH METROPOLITAN DISTRICT

Douglas County, Colorado

FINANCIAL STATEMENTS

Year Ended December 31, 2025

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tallman Gulch Metropolitan District
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Tallman Gulch Metropolitan District, as of and for the year ended December 31, 2025, 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 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 Tallman Gulch Metropolitan District, as of December 31, 2025, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tallman Gulch 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 Tallman Gulch 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.

Auditors' 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 auditors' 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 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 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 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 Tallman Gulch 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 Tallman Gulch 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 opinion on the basic financial statements is 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 Tallman Gulch Metropolitan District's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as listed in the table of contents, included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Sincerely,

A handwritten signature in black ink, appearing to read "Haynie", with a stylized, cursive script.

Haynie

Littleton, Colorado

July 28, 2026

BASIC FINANCIAL STATEMENTS

TALLMAN GULCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2025

	Governmental Activities
ASSETS	
Cash and investments - restricted	\$ 1,399,965
Receivable from county treasurer	3,895
Prepaid expense	4,180
Property taxes receivable	688,269
Capital assets, not being depreciated	1,407,480
Total assets	<u>3,503,789</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>1,522,320</u>
Total deferred outflows of resources	<u>1,522,320</u>
LIABILITIES	
Accounts payable	17,880
Accrued interest payable	73,125
Bonds payable - due within one year	140,000
Noncurrent liabilities:	
Bonds payable	<u>12,718,741</u>
Total liabilities	<u>12,949,746</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>688,269</u>
Total deferred inflows of resources	<u>688,269</u>
NET POSITION (DEFICIT)	
Restricted for:	
Emergency reserves	2,700
Unrestricted	<u>(8,614,606)</u>
Total net position (deficit)	<u><u>\$ (8,611,906)</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TALLMAN GULCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 95,283	\$ -	\$ -	\$ -	\$ (95,283)
Developer capital contributions	-	-	-	6,501,132	6,501,132
Developer operating contributions	-	-	570,282	-	570,282
Interest and other costs on long-term debt	1,104,777	-	-	-	(1,104,777)
	<u>\$ 1,200,060</u>	<u>\$ -</u>	<u>\$ 570,282</u>	<u>\$ 6,501,132</u>	<u>5,871,354</u>
General revenues:					
Property taxes					605,981
Specific ownership taxes					46,642
Easement					108,443
Impact fees					150,000
Interest					64,512
Total general revenues					<u>975,578</u>
Change in net position					6,846,932
Net position (deficit) - beginning of year					(15,458,838)
Net position (deficit) - end of year					<u>\$ (8,611,906)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**TALLMAN GULCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025**

	<u>General</u>	<u>Debt Service and Improvements</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments - restricted	\$ -	\$ 1,399,965	\$ 1,399,965
Receivable from county treasurer	366	3,529	3,895
Prepaid expenditures	4,180	-	4,180
Property taxes receivable	65,460	622,809	688,269
Due from other funds	-	88,278	88,278
Total assets	<u>\$ 70,006</u>	<u>\$ 2,114,581</u>	<u>\$ 2,184,587</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 17,880	\$ -	\$ 17,880
Due to other funds	88,278	-	88,278
Total liabilities	<u>106,158</u>	<u>-</u>	<u>106,158</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	65,460	622,809	688,269
Total deferred inflows of resources	<u>65,460</u>	<u>622,809</u>	<u>688,269</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid expenditures	4,180	-	4,180
Restricted for:			
Emergency reserves	2,700	-	2,700
Debt service and improvements	-	1,491,772	1,491,772
Unassigned	(108,492)	-	(108,492)
Total fund balances (deficit)	<u>(101,612)</u>	<u>1,491,772</u>	<u>1,390,160</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)			
	<u>\$ 70,006</u>	<u>\$ 2,114,581</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			1,407,480
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Bond refunding loss, net			1,522,320
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:			
Bond discount			141,259
Bonds payable			(13,000,000)
Accrued interest on long-term obligations			(73,125)
Net position of governmental activities			<u>\$ (8,611,906)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TALLMAN GULCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

	<u>General</u>	<u>Debt Service and Improvements</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 57,028	\$ 548,953	\$ 605,981
Specific ownership taxes	4,387	42,255	46,642
Easement	108,443	-	108,443
Impact fees	-	150,000	150,000
Interest	794	63,718	64,512
Total revenues	<u>170,652</u>	<u>804,926</u>	<u>975,578</u>
EXPENDITURES			
<u>General</u>			
ADA compliance	2,602	-	2,602
Audit	16,595	-	16,595
County treasurer fees	861	8,246	9,107
District management and accounting	33,788	-	33,788
Dues and subscriptions	849	-	849
Elections	1,248	-	1,248
Insurance and bonds	4,045	-	4,045
Legal	25,409	-	25,409
Maintenance	1,640	-	1,640
<u>Debt service and Improvements</u>			
Bond interest - Series 2024	-	1,118,813	1,118,813
Paying agent fees	-	3,000	3,000
Total expenditures	<u>87,037</u>	<u>1,130,059</u>	<u>1,217,096</u>
NET CHANGE IN FUND BALANCE	83,615	(325,133)	(241,518)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(185,227)</u>	<u>1,816,905</u>	<u>1,631,678</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (101,612)</u>	<u>\$ 1,491,772</u>	<u>\$ 1,390,160</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TALLMAN GULCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2025**

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

Net change in fund balances - total governmental funds		\$ (241,518)
Developer advances and related accrued interest forgiven and recognized as contributions in the governmental-wide statements.		
Developer capital contributions	6,501,132	
Developer operating contributions	570,282	7,071,414
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Bond discount amortization	(6,719)	
Debt refunding deferred loss amortization	(66,188)	
Net change in accrued interest on long-term liabilities	<u>89,943</u>	<u>17,036</u>
Change in net position of governmental activities		<u><u>\$ 6,846,932</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TALLMAN GULCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Property taxes	\$ 57,028	\$ 57,028	\$ 57,028	\$ -
Specific ownership taxes	3,990	3,990	4,387	397
Easement	-	-	108,443	108,443
Interest	100	700	794	94
Total revenues	61,118	61,718	170,652	108,934
EXPENDITURES				
ADA compliance	5,000	3,000	2,602	398
Audit	12,000	16,595	16,595	-
County treasurer fees	860	860	861	(1)
District management and accounting	20,000	29,000	33,788	(4,788)
Dues and subscriptions	600	309	849	(540)
Elections	3,000	670	1,248	(578)
Insurance and bonds	4,200	4,045	4,045	-
Legal	12,000	32,000	25,409	6,591
Maintenance	-	-	1,640	(1,640)
Miscellaneous	-	100	-	100
Website	500	500	-	500
Emergency reserve	1,800	-	-	-
Total expenditures	59,960	87,079	87,037	42
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	1,158	(25,361)	83,615	108,976
OTHER FINANCING SOURCES				
Developer advances	90,000	-	-	-
Total other financing sources	90,000	-	-	-
NET CHANGE IN FUND BALANCE	91,158	(25,361)	83,615	108,976
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(90,719)	(185,227)	(185,227)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 439	\$ (210,588)	\$ (101,612)	\$ 108,976

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - DEFINITION OF REPORTING ENTITY

Tallman Gulch Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on May 2, 2006 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was organized to finance, acquire and construct certain public improvements, including streets and safety controls, water and storm service, park and recreation facilities, mosquito control and television relay.

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

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 District organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

The Debt Service and Improvements Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on long-term general obligation debt and for the acquisition and construction of public infrastructure and capital assets of the governmental funds.

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

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

For the year ended December 31, 2025, supplementary appropriations approved by the District's Board of Directors modified the appropriation in the General Fund from \$59,960 to \$87,079.

Pooled Cash and Investments

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

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

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

Capital Assets

Capital assets, which include land and infrastructure assets (streets, water, sanitation, parks and recreation and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net 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 position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. The deferred loss on refunding is being amortized over the term of the bonds using the straight-line method. At December 31, 2025, the accumulated amortization was \$1,522,320.

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the deferred property tax revenue are deferred and recognize as inflows of resources in the period that the amount becomes available.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Non-spendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

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

**TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Fees

The District imposes impact fees on property within the District. The fees are required to be paid prior to the issuance of a building permit by the City. The District records the revenue when the fees are paid and received. These are restricted for capital expenses per state statute and are pledged revenue for 2024 Bond.

Easement Revenue

In connection with development of property adjacent to the Tallman Gulch community, the Parker Water and Sanitation District (“PWSD”) requires Toll Southwest LLC to install certain sanitary sewer improvements on the District’s property, which shall be dedicated by Toll Southwest LLC to PWSD. Pursuant to the associated Escrow Agreement between the District, Toll Southwest LLC, Walden – Hill Top, LLC, and First American Title Company dated April 28, 2025, the District received \$108,443 as consideration for such sanitary sewer easements.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying statement of net position as follows:

Cash and investments - restricted	\$ 1,399,965
Total cash and investments	<u>\$ 1,399,965</u>

Cash and investments as of December 31, 2025, consist of the following:

Deposits with financial institutions	\$ 31,205
Investments	<u>1,368,760</u>
Total cash and investments	<u>\$ 1,399,965</u>

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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

As of December 31, 2025, the District's cash deposits had a bank balance of \$31,205 and carrying balance of \$31,205.

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
BOK Financial – Invesco Treasury Portfolio – Class Personal	Weighted average under 60 days	<u>\$ 1,368,760</u>

During 2025, the District invested in Invesco Treasury Portfolio – Class Personal. The Fund primarily invests its assets in U.S. Treasury Obligations backed by full faith and credit of the U.S. government maturing within 397 calendar days of the date of purchase, with certain exceptions permitted by applicable regulations, and repurchase agreements fully collateralized by U.S. Treasury Obligations.

The Fund is a Government Money Market Fund, as defined by rule 2a-7 under the Investment Company Act of 1940, as amended (Rule 2a-7), that seeks to maintain a stable price of \$1.00 per share by using the amortized cost method to value portfolio securities and rounding the share value to the nearest cent.

Cash and investments of \$1,399,965 are restricted in the Debt Service and Improvements Fund for servicing the District's bond debt (Note 5) and for the payment of project costs.

Investment Valuation

Certain investments measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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 investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in BOK Financial at year end for which the investment valuations were determined as follows.

BOK Financial determines the NAV of the shares of Invesco Treasury Portfolio – Class Personal as of the close of business on each day. Each Fund values portfolio securities on the basis of amortized cost, which approximates market value. This method of valuation is designed to

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

enable a Fund to price its shares at \$1.00 per share. The Fund cannot guarantee that their net asset value will always remain at \$1.00 per share.

NOTE 4 – CAPITAL ASSETS

The following is an analysis of the change in capital assets for the year ended December 31, 2025:

Governmental Activities	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Capital assets, not being depreciated:				
Land and improvements	\$ 1,407,480	\$ -	\$ -	\$ 1,407,480
Total capital assets, not being depreciated	1,407,480	-	-	1,407,480
Governmental activities capital assets	<u>\$ 1,407,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,407,480</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
<i>Bonded debt</i>					
G.O. and Special Revenue Refunding and Improvement Bonds, Series 2024	\$ 13,000,000	\$ -	\$ -	\$ 13,000,000	\$ 140,000
Discount, Series 2024	(147,978)	-	(6,719)	(141,259)	-
Total bonded debt	<u>\$ 12,852,022</u>	<u>\$ -</u>	<u>\$ (6,719)</u>	<u>\$ 12,858,741</u>	<u>\$ 140,000</u>
<i>Other long-term liabilities</i>					
Developer advances					
Infrastructure acquisition	\$ 6,199,755	\$ -	\$ 6,199,755	\$ -	\$ -
Operation & maintenance	347,763	-	347,763	-	-
Total other long-term liabilities	<u>\$ 6,547,518</u>	<u>\$ -</u>	<u>\$ 6,547,518</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 19,399,540</u>	<u>\$ -</u>	<u>\$ 6,540,799</u>	<u>\$ 12,858,741</u>	<u>\$ 140,000</u>

During 2025, developer advances totaling \$6,547,518 and related accrued interest of \$523,896 were forgiven. Based on the nature of the underlying advances, the District recognized developer capital contributions of \$6,501,132 and developer operating contributions of \$570,282 in the government-wide financial statements.

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

A description of the long-term obligations as of December 31, 2025 is as follows:

Direct Borrowing Debt:

Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2024

On August 22, 2024, the District issued Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2024 (Series 2024 Bonds) in the principal amount of \$13,000,000. Proceeds of the Series 2024 Bonds were issued for the purpose of (i) financing the costs of certain public improvements that benefit the District, (ii) refunding the District's Series 2018A Bonds, Series 2018B Bonds, and Series 2018C Bonds, (iii) funding a debt service reserve fund and (iv) payment costs in connection with the issuance of the Series 2024 Bonds.

Interest on the Series 2024 Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2025, at an interest rate of 6.75%. The 2024 Bonds are secured by and payable from pledged revenue which consists of the monies derived by the District from the following sources: (i) the required mill levy; (ii) impact fees, (iii) the portion of the specific ownership tax which is collected as a result of imposition of the senior required mill levy; and (iv) any other legally available monies which the District determines to transfer to the trustee for application as senior pledged revenue. The required mill levy is defined, generally, as an ad valorem mill levy imposed on all taxable property of the District each year in an amount that is sufficient to pay the Series 2024 Bonds, but not in excess of 50 mills. The Series 2024 Bonds are also secured by amounts held by the trustee in the reserve fund. The required reserve fund amount is \$1,284,615. As of December 31, 2025, the balance of the reserve fund was \$1,347,616.

The Series 2024 Bonds are subject to optional redemption, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2034, and on any date thereafter, at the redemption price of 103% prior to December 1, 2035, 102% prior to December 31, 2036, 101% prior to December 31, 2037, and 100% on and after December 1, 2038, together with interest accrued and unpaid thereon to the date fixed for redemption.

Significant events of default under the bond include (i) failure to impose the required mill levy or to apply pledged revenue as required, (ii) failure to meet financial performance of the covenants, agreements, or conditions and failure to remedy the same after notice, (iii) a petition if filed for bankruptcy or insolvency.

There was a loss on the refunding in the amount of \$1,588,508, which is included as a deferred outflow of resources in the statement of net position, net of accumulated amortization of \$66,188.

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2024 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	140,000	877,500	1,017,500
2027	150,000	868,050	1,018,050
2028	175,000	857,925	1,032,925
2029	285,000	846,112	1,131,112
2030	320,000	826,875	1,146,875
2031-2035	1,950,000	3,781,013	5,731,013
2036-2040	2,790,000	3,017,587	5,807,587
2041-2045	3,915,000	1,933,875	5,848,875
2046-2048	3,275,000	439,088	3,714,088
	<u>\$ 13,000,000</u>	<u>\$ 13,448,025</u>	<u>\$ 26,448,025</u>

Developer Advances

Advance and Reimbursement Agreements by and between Tallman Gulch Metropolitan District and CRAFT-AREP III Tallman Associates, LLC

The District entered into an Advance and Reimbursement Agreement with CRAFT-AREP III Tallman Associates, LLC (CRAFT-AREP) on March 3, 2015 (the Advance and Reimbursement Agreement) to establish the terms and conditions pursuant to which CRAFT-AREP would make advances for operations and maintenance costs to the District and the District would reimburse CRAFT-AREP for the advances. Under the Advance and Reimbursement Agreement, the District was required to reimburse CRAFT-AREP for advances with interest at a rate of seven percent (7%) per annum. Payments made by the District were subject to annual appropriation and budget approval and were not to be made from funds otherwise required for operations, capital improvements and debt service costs and expenses of the District. Amounts payable under the Advance and Reimbursement Agreement were subordinate to any bonded indebtedness of the District.

On April 29, 2025 the District approved the Termination of Advance and Reimbursement Agreement for the Operations and Maintenance Costs and Waiver and Release of Unpaid Reimbursement Rights and Unpaid Payment due Thereunder (The Termination Agreement). Amounts due under this agreement were released as of April 20, 2025. This resulted in forgiveness of principal of \$347,763 and interest of \$222,519, thus significantly increasing of the net position of the District.

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Infrastructure Acquisition Agreement

The District entered into an Infrastructure Acquisition Agreement with CRAFT-AREP III Tallman Associates, LLC (CRAFT-AREP) on March 3, 2015, amended on July 6, 2017, for the purpose of providing certain public improvements, facilities and services to and for the use and benefit of the District. The District had requested CRAFT-AREP to design and construct these improvements on behalf of the District with the understanding that the District would acquire these improvements from CRAFT-AREP. The District was required to reimburse CRAFT-AREP for advances with interest at a rate of seven percent (7%) per annum. Payments made by the District were subject to annual appropriation and budget approval and were not to be made from funds otherwise required for operations, capital improvements and debt service costs and expenses of the District. Amounts payable under the Infrastructure Acquisition Agreement were subordinate to any bonded indebtedness of the District.

On April 29, 2025, the District approved the Termination of Advance and Reimbursement Agreement for the Infrastructure Acquisition Agreement and Waiver and Release of Unpaid Reimbursement Rights and Unpaid Payment due Thereunder (The Termination Agreement). Amounts due under this agreement were released as of April 20, 2025. This resulted in forgiveness of principal of \$6,199,755 and interest of \$301,377, thus significantly increasing of the net position of the District.

Authorized Debt

At December 31, 2025, the District has no authorized debt under the service plan.

NOTE 6 – FUND EQUITY

At December 31, 2025, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$2,700 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the amount of \$1,491,772 is to be used exclusively for debt service and improvements requirements.

Unassigned Fund Balance

The District anticipates that the deficit unassigned fund balance in the amount of \$108,492 is expected to be recovered through additional reimbursement request from the Developer (see Note 10).

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 7 - NET POSITION (DEFICIT)

The District's net position (deficit) consists of two components – restricted and unrestricted.

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2025 consists of \$2,700 for emergency reserves.

In the government-wide financial statements, the District's unrestricted net deficit as of December 31, 2025, totaled \$8,614,606, primarily due to capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

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

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 - 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, except Enterprise.

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.

TALLMAN GULCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

On May 2, 2006, a majority of the District's electors authorized the District to collect, retain and spend any and all amounts annually from any revenue sources whatsoever, other than ad valorem taxes, as a voter-approved revenue change without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution and without limiting in any year the amount of other revenues that may be collected and spent by the District.

NOTE 10 – SUBSEQUENT EVENT

A Settlement and Release Agreement with the District and Craft AREP III Tallman Associates, LLC. (the Developer) was approved by the Board of Directors at the July 28, 2026, special Board meeting. Following execution of the O&M Advance Termination Agreement it was discovered that certain amounts due for operations and maintenance shortfalls related to periods prior to the O&M Advance Termination Agreement had been billed and were still outstanding and due from the Developer. The Developer is expected to pay \$214,963.54 to cover these shortfalls within 7 days of the execution of the Settlement and Release Agreement.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

TALLMAN GULCH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE AND IMPROVEMENTS FUND
Year Ended December 31, 2025

	Budget Amounts Original-Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 548,953	\$ 548,953	\$ -
Specific ownership taxes	38,427	42,255	3,828
Impact fees	45,000	150,000	105,000
Interest	25,000	63,718	38,718
Total revenues	<u>657,380</u>	<u>804,926</u>	<u>147,546</u>
EXPENDITURES			
<u>Debt Service and Improvements</u>			
County treasurer fees	8,234	8,246	(12)
Bond interest - Series 2024	1,118,813	1,118,813	-
Paying agent fees	20,000	3,000	17,000
Total expenditures	<u>1,147,047</u>	<u>1,130,059</u>	<u>16,988</u>
NET CHANGE IN FUND BALANCE	(489,667)	(325,133)	164,534
FUND BALANCE - BEGINNING OF YEAR	<u>1,753,183</u>	<u>1,816,905</u>	<u>63,722</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,263,516</u></u>	<u><u>\$ 1,491,772</u></u>	<u><u>\$ 228,256</u></u>

OTHER INFORMATION

**TALLMAN GULCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

December 31, 2025

\$13,000,000

**Limited Tax General Obligation and Special Revenue Refunding
And Improvement Bonds**

Series 2024

Dated August 22, 2024

Interest Rate 6.75%

Interest payable June 1 and December 1; Principal due December 1

	Principal	Interest	Total
2026	\$ 140,000	\$ 877,500	\$ 1,017,500
2027	150,000	868,050	1,018,050
2028	175,000	857,925	1,032,925
2029	285,000	846,112	1,131,112
2030	320,000	826,875	1,146,875
2031	335,000	805,275	1,140,275
2032	365,000	782,663	1,147,663
2033	390,000	758,025	1,148,025
2034	420,000	731,700	1,151,700
2035	440,000	703,350	1,143,350
2036	485,000	673,650	1,158,650
2037	515,000	640,912	1,155,912
2038	560,000	606,150	1,166,150
2039	590,000	568,350	1,158,350
2040	640,000	528,525	1,168,525
2041	680,000	485,325	1,165,325
2042	730,000	439,425	1,169,425
2043	775,000	390,150	1,165,150
2044	840,000	337,838	1,177,838
2045	890,000	281,137	1,171,137
2046	960,000	221,063	1,181,063
2047	1,400,000	156,262	1,556,262
2048	915,000	61,763	976,763
	<u>\$ 13,000,000</u>	<u>\$ 13,448,025</u>	<u>\$ 26,448,025</u>

**TALLMAN GULCH METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2025**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2015	\$ 531,370	55.000	\$ 29,225	\$ 29,226	100.00%
2016	\$ 513,130	55.000	\$ 28,223	\$ 28,222	100.00%
2017	\$ 737,710	55.000	\$ 40,574	\$ 40,574	100.00%
2018	\$ 1,883,220	58.741	\$ 110,622	\$ 110,622	100.00%
2019	\$ 4,346,780	58.741	\$ 255,334	\$ 252,073	98.72%
2020	\$ 4,993,440	58.741	\$ 293,320	\$ 246,174	83.93%
2021	\$ 5,148,050	67.741	\$ 348,733	\$ 340,232	97.56%
2022	\$ 6,360,140	60.078	\$ 382,105	\$ 382,105	100.00%
2023	\$ 6,797,070	58.741	\$ 399,266	\$ 399,267	100.00%
2024	\$ 8,501,420	58.741	\$ 499,382	\$ 499,382	100.00%
2025	\$ 10,316,150	58.741	\$ 605,981	\$ 605,981	100.00%
Estimated for the year ending December 31, 2026	\$ 11,358,130	60.597	\$ 688,269		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.