

**TALLYN'S REACH METRO DISTRICT NO. 2**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

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## Independent Auditor's Report

Board of Directors  
Tallyn's Reach Metropolitan District No. 2  
Arapahoe County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Tallyn's Reach Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

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 Tallyn's Reach Metropolitan District No. 2 as of December 31, 2020, and the respective changes in the 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.

## Other Matters

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
May 4, 2021

## **BASIC FINANCIAL STATEMENTS**

**TALLYN'S REACH METRO DISTRICT NO. 2  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 99,187
Accounts Receivable - County Treasurer	5,589
Property Taxes Receivable	1,164,478
Total Assets	1,269,254
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Refunding	66,446
Total Deferred Outflows of Resources	66,446
<b>LIABILITIES</b>	
Accrued Interest Payable	2,989
Noncurrent Liabilities:	
Due Within One Year	905,000
Due in More Than One Year	620,000
Total Liabilities	1,527,989
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	1,164,478
Total Deferred Inflows of Resources	1,164,478
<b>NET POSITION</b>	
Restricted for:	
Debt Service	101,787
Unrestricted	(1,458,554)
Total Net Position	\$ (1,356,767)

See accompanying Notes to Basic Financial Statements.



**TALLYN'S REACH METRO DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2020**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 99,187
Receivable - County Treasurer	5,589
Property Taxes Receivable	1,164,478
Total Assets	<u>\$ 1,269,254</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Total Liabilities	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	1,164,478
Total Deferred Inflows of Resources	<u>1,164,478</u>
<b>FUND BALANCES</b>	
Restricted For:	
Debt Service	104,776
Total Fund Balances	<u>104,776</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Loans Payable	(1,525,000)
Cost of Refunding	66,446
Accrued Loan Interest Payable	<u>(2,989)</u>
Net Position of Governmental Activities	<u>\$ (1,356,767)</u>

See accompanying Notes to Basic Financial Statements.



**TALLYN'S REACH METRO DISTRICT NO. 2  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 1,141,928
Specific Ownership Taxes	80,950
Net Investment Income	1,534
Total Revenues	<u>1,224,412</u>
<b>EXPENDITURES</b>	
Bank Fees	110
County Treasurer's Fees	17,136
Transfers to TRA	250,000
Bond Principal	1,101,366
Interest Expense - Bonds	63,972
Yield Maintenance Fee	18,795
Total Expenditures	<u>1,451,379</u>
<b>NET CHANGE IN FUND BALANCE</b>	(226,967)
Fund Balance - Beginning of Year	<u>331,743</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 104,776</u></u>

See accompanying Notes to Basic Financial Statements.

**TALLYN'S REACH METRO DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ (226,967)

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Principal, Current Year	1,101,366
Amortization of Cost of Refunding	(62,582)
Change in Accrued Interest Payable	<u>2,357</u>

Change in Net Position of Governmental Activities \$ 814,174

**TALLYN'S REACH METRO DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,142,309	\$ 1,142,309	\$ 1,141,928	\$ (381)
Specific Ownership Taxes	79,962	79,962	80,950	988
Net Investment Income	600	600	1,534	934
Total Revenues	<u>1,222,871</u>	<u>1,222,871</u>	<u>1,224,412</u>	<u>1,541</u>
<b>EXPENDITURES</b>				
County Treasurer's Fees	17,135	17,135	17,136	(1)
Miscellaneous	5,000	2,916	-	2,916
Bank Fees	500	150	110	40
Transfers to District No. 1 & TRA	250,000	250,000	250,000	-
Loan Interest - 2012	52,834	52,834	52,690	144
Loan Interest - 2014	11,312	11,312	11,282	30
Loan Principal - 2012	540,000	715,000	715,000	-
Loan Principal - 2014	92,411	386,500	386,366	134
Trustee Fees	2,000	500	-	500
Yield Maintenance Fee	-	18,800	18,795	5
Total Expenditures	<u>971,192</u>	<u>1,455,147</u>	<u>1,451,379</u>	<u>3,768</u>
<b>NET CHANGE IN FUND BALANCE</b>	251,679	(232,276)	(226,967)	5,309
Fund Balance - Beginning of Year	<u>310,559</u>	<u>331,743</u>	<u>331,743</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 562,238</u>	<u>\$ 99,467</u>	<u>\$ 104,776</u>	<u>\$ 5,309</u>

See accompanying Notes to Basic Financial Statements.

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Tallyn's Reach Metro District No. 2 (the District), a quasi-municipal corporation, and political subdivision of the State of Colorado, The District was organized on November 6, 1998, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide water, street, traffic and safety control, television relay and translator, transportation, parks and recreation, and sanitation improvements that benefit the citizens of the District. At the time of formation, Tallyn's Reach Metropolitan District No. 1 (District No. 1) and the Tallyn's Reach Metropolitan District No. 3 (District No. 3) were also formed. All three districts are governed by the same Service Plan, which provides that District No. 1 is the "Operating District" and the District and District No. 3 are the "Taxing Districts". The Taxing Districts are to provide funding to the Operating District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. During 2018 the District and District No. 3 formed Tallyn's Reach Authority to perform the duties and obligations of the Operating District. Subsequently all contracts and agreements were modified such that all responsibilities and obligations of Tallyn's Reach Metropolitan District No. 1 were assigned to Tallyn's Reach Authority and Tallyn's Reach Metropolitan District No. 1 was subsequently dissolved. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

**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.

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses 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.

**TALLYN'S REACH METRO DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets (Continued)**

The District has amended its annual budget for the year ended December 31, 2020.

**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.

**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 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period 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. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

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

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

Fund Balance (Continued)

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

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

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Cash and Investments - Restricted	\$ 99,187
Total Cash and Investments	\$ 99,187

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 63,687
Investments	35,500
Total Cash and Investments	\$ 99,187

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions**

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

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

At December 31, 2020, the District's cash deposits had a bank and carrying balance of \$63,687.

**Investments**

The District has adopted a formal investment policy which is consistent with state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, 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 or investment custodial risk disclosure requirements 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.

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

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



**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 35,500
Total		<u>\$ 35,500</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
General Obligation Loans Payable:					
2012 Loan	\$ 2,240,000	\$ -	\$ 715,000	\$ 1,525,000	\$ 905,000
2014 Loan	386,366	-	386,366	-	-
Total Loans Payable	<u>\$ 2,626,366</u>	<u>\$ -</u>	<u>\$ 1,101,366</u>	<u>\$ 1,525,000</u>	<u>\$ 905,000</u>

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$5,905,000 General Obligation Refunding Loan – 2012**

\$5,905,000 General Obligation Refunding Loan, Series 2012, dated August 6, 2012, with a maturity date of December 1, 2023 and a fixed interest rate of 2.32%, consisting of interest due on June 1 and December 1 calculated on the basis of a 360-day year and the actual number of days elapsed in the applicable accrual period. The District may, at its option, prepay the 2012 Loan in whole or in part on any interest payment date at a prepayment price equal to the sum of the (a) the principal so prepaid; (b) accrued interest thereon at the rate then borne by the 2012 Loan to the date of such prepayment; (c) a Prepayment Penalty, if any, equal to 3% of the outstanding principal, and (d) a Yield Maintenance Fee, if any.

The Pledged Revenue for the repayment of the 2012 Loan is a debt service mill levy fixed at 48.96 mills (which can be adjusted to account for changes in law) and specific ownership taxes. The 2012 Loan requires that a Loan Payment Fund be credited an amount of Pledged Revenue each loan year which is equal to the loan requirements for the then current year. The 2012 Loan is secured by collateral made up of (a) the Pledged Revenue, (b) all amounts on deposit in the Loan Payment Fund; and (c) all monies of the District legally available.

In the government-wide statements, the District incurred a loss on bond refunding in the amount of \$473,108 which has been deferred and is being amortized over the life of the new debt. As of December 31, 2020, accumulated amortization totaled \$406,662.

**\$856,400 General Obligation Loan – 2014**

\$856,400 General Obligation Loan, Series 2014, dated June 24, 2014, with a fixed interest rate of 2.88%, consisting of interest due on June 1 and December 1 on the basis of a 360-day year and the actual number of days elapsed in the applicable accrual period. The 2014 Loan was issued to provide funds for the purpose of financing certain costs of public improvements and facilities. The District may, at its option, prepay the 2014 Loan in whole or in part on any interest payment date at a prepayment price equal to the sum of the (a) the principal so prepaid; (b) accrued interest thereon at the rate then borne by the 2012 Loan to the date of such prepayment; (c) a Prepayment Penalty, if any, and (d) a Yield Maintenance Fee, if any.

The Pledged Revenue for the repayment of the 2014 Loan is a debt service mill levy fixed at 48.96 mills (which can be adjusted to account for changes in law) and specific ownership taxes. The 2014 Loan requires that a Loan Payment Fund be credited an amount of Pledged Revenue each loan year which is equal to the loan requirements for the then current year. The 2014 Loan is secured by collateral made up of (a) the Pledged Revenue, (b) all amounts on deposit in the Loan Payment Fund; and (c) all monies of the District legally available. In 2020, using current available funds, the District paid the remaining principal balance on the 2014 General Obligation Refunding Loan.

**Authorized Debt**

As of December 31, 2020, the District had no remaining voted debt authorization.

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5 NET POSITION**

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

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020, as follows:

Restricted Net Position:

Debt Service	\$ 101,787
Total Restricted Net Position	<u>\$ 101,787</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 6 AGREEMENTS**

**Amended and Restated Joint Resolution Concerning the Imposition of District Development Fees**

On August 24, 1999, and as amended and/or restated during 2000, 2001, 2002, 2003, 2005, 2007, 2010, and 2012, the District entered into a Joint Resolution Concerning the Imposition of District Development Fees with District No. 1 and District No. 3. The agreement establishes development fees, transfer fees and monthly operations fees to be imposed on all residents of the Districts.

On December 3, 2013, the District approved an Amended and Restated Joint Resolution Regarding the Imposition of District Fees along with District No. 1 and District No. 3 which further clarified the District fees and established a schedule of fees for 2015 which is adjusted on an annual basis.

For 2020, the District established an operations fee of \$200 per quarter for single family residences and \$75 per quarter for apartment homes which is imposed by Tallyn's Reach Authority.

**Tallyn's Reach Authority Establishment Agreement**

On February 12, 2018, the District and District No. 3 (collectively "the Districts") entered into the Tallyn's Reach Authority Establishment Agreement for the purpose of establishing the Tallyn's Reach Authority which is organized for the purpose of planning, financing, designing, constructing, installing, operating, maintaining, repairing and replacing public improvements and facilities and providing services to the residents of the Districts. During 2018, Tallyn's Reach Metropolitan District No. 1 assigned all of its assets, liabilities, rights and obligations to the Authority after which the Tallyn's Reach Metropolitan District No. 1 was dissolved.

**TALLYN'S REACH METRO DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 7 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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 property 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 8 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.

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 has no General Fund as all operating costs are paid by District No. 1 and therefore has no 3% reserve.

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 November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

## **OTHER INFORMATION**

**TALLYN'S REACH METRO DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Percent Increase (Decrease)	Total District Mill Levy	Total Property Taxes		Percent Collected to Levied
				Levied	Collected	
2016	\$ 16,585,638	12.78	48.960	\$ 812,033	812,033	100.00 %
2017	16,591,914	0.04	48.960	812,340	812,340	100.00
2018	17,322,969	4.41	54.128	937,658	937,658	100.00
2019	17,330,720	0.04	54.128	938,077	938,077	100.00
2020	20,959,797	20.94	54.500	1,142,309	1,141,928	99.97

Estimate for  
Calendar Year Ending  
December 31,  
2021

\$ 21,366,577                      1.94                      54.500                      \$ 1,164,478

**Note:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.

**TALLYN'S REACH METRO DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2020**

	\$5,905,000 General Obligation Refunding Loan Dated August 6, 2012 Principal due December 1 Interest Rate 2.32% Payable June 1 and December 1		
Loans and Interest Maturing in the <u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 905,000	\$ 35,381	\$ 940,381
2022	565,000	30,972	595,972
2023	55,000	1,276	56,276
Total	<u>\$ 1,525,000</u>	<u>\$ 67,629</u>	<u>\$ 1,592,629</u>

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION –  
UNAUDITED**



**TALLYN'S REACH METRO DISTRICT NO. 2  
 SELECTED DEBT RATIOS OF THE DISTRICT  
 (UNAUDITED)  
 DECEMBER 31, 2020**

Direct Debt	<u>\$ 1,525,000</u>
2020 District Assessed Valuation	\$ 20,959,797
Direct Debt to Assessed Valuation	7.28%
2020 District Estimated Statutory "Actual" Value (1)	\$ 289,387,346
Direct Debt to Estimated Statutory "Actual" Value	0.53%

(1) Statutory "actual value has been calculated using a statutory formula under which assessed valuation is calculated as 7.15% of the statutory "actual" value of residential property and 29% of the statutory "actual" value of all other classes of property (with certain specific exceptions). Statutory "actual" value is not intended to represent market value.