

REATA NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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## **Independent Auditor's Report**

Board of Directors

**Reata North Metropolitan District**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Reata North Metropolitan District as of and for the year ended December 31, 2016, 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 generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe 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 the Reata North Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity 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 are 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 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.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
August 28, 2017

**REATA NORTH METROPOLITAN DISTRICT**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2016

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
<b>ASSETS</b>					
Cash	\$ 117,611	\$ -	\$ 117,611	\$ -	\$ 117,611
Cash - restricted	892	7,420	8,312	-	8,312
Receivable county treasurer	3,017	3,017	6,034	-	6,034
Property taxes receivable	<u>-</u>	<u>849,682</u>	<u>849,682</u>	<u>-</u>	<u>849,682</u>
Total Assets	<u>\$ 121,520</u>	<u>\$ 860,119</u>	<u>\$ 981,639</u>	<u>-</u>	<u>981,639</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,532	\$ -	\$ 4,532	-	4,532
Accrued interest on bonds	-	-	-	349,171	349,171
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,728,635</u>	<u>10,728,635</u>
Total Liabilities	<u>4,532</u>	<u>-</u>	<u>4,532</u>	<u>11,077,806</u>	<u>11,082,338</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	<u>-</u>	<u>849,682</u>	<u>849,682</u>	<u>-</u>	<u>849,682</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>849,682</u>	<u>849,682</u>	<u>-</u>	<u>849,682</u>
<b>FUND BALANCE</b>					
Restricted:					
Emergencies	892	-	892	(892)	-
Debt service	-	10,437	10,437	(10,437)	-
Unassigned	<u>116,096</u>	<u>-</u>	<u>116,096</u>	<u>(116,096)</u>	<u>-</u>
Total Fund Balances	<u>116,988</u>	<u>10,437</u>	<u>127,425</u>	<u>(127,425)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 121,520</u>	<u>\$ 860,119</u>	<u>\$ 981,639</u>		
<b>NET POSITION</b>					
Restricted for:					
Emergencies				892	892
Unrestricted				<u>(10,951,273)</u>	<u>(10,951,273)</u>
Total Net Position (Deficit)				<u>\$ (10,950,381)</u>	<u>\$ (10,950,381)</u>

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

**REATA NORTH METROPOLITAN DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
Accounting and audit	\$ 7,440	\$ -	\$ 7,440	\$ -	\$ 7,440
Insurance	2,390	-	2,390	-	2,390
Legal	6,285	-	6,285	-	6,285
Treasurer's fees	-	11,567	11,567	-	11,567
Paying agent fees	-	1,100	1,100	-	1,100
Bond interest expense	-	610,903	610,903	(63,186)	547,717
Registered interest coupons	-	181,330	181,330	(124,258)	57,072
	<u>16,115</u>	<u>804,900</u>	<u>821,015</u>	<u>(187,444)</u>	<u>633,571</u>
Total Expenditures					
Net Program Income (Expenses)	(16,115)	(804,900)	(821,015)	187,444	(633,571)
<b>GENERAL REVENUES</b>					
Property taxes	-	770,261	770,261	-	770,261
Specific ownership taxes	35,667	35,667	71,334	-	71,334
	<u>35,667</u>	<u>805,928</u>	<u>841,595</u>	<u>-</u>	<u>841,595</u>
Total General Revenues					
NET CHANGE IN FUND BALANCE	19,552	1,028	20,580	(20,580)	
CHANGES IN NET POSITION				208,024	208,024
<b>FUND BALANCE/NET POSITION:</b>					
BEGINNING OF YEAR	<u>97,436</u>	<u>9,409</u>	<u>106,845</u>	<u>(11,265,250)</u>	<u>(11,158,405)</u>
END OF YEAR	<u>\$ 116,988</u>	<u>\$ 10,437</u>	<u>\$ 127,425</u>	<u>\$ (11,077,806)</u>	<u>\$ (10,950,381)</u>

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

**REATA NORTH METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2016

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Specific ownership taxes	\$ 27,137	\$ 35,667	\$ 8,530
Interest income	<u>300</u>	<u>-</u>	<u>(300)</u>
 Total Revenues	 <u>27,437</u>	 <u>35,667</u>	 <u>8,230</u>
 <b>EXPENDITURES</b>			
Accounting and audit	11,000	7,440	3,560
Insurance	2,500	2,390	110
Legal	10,000	6,285	3,715
Election	5,000	-	5,000
Transfer to Debt Service Fund	57,000	-	57,000
Contingency	33,390	-	33,390
Emergency reserve	<u>814</u>	<u>-</u>	<u>814</u>
 Total Expenditures	 <u>119,704</u>	 <u>16,115</u>	 <u>103,589</u>
 NET CHANGE IN FUND BALANCE	 (92,267)	 19,552	 111,819
 FUND BALANCE - BEGINNING OF YEAR	 <u>92,267</u>	 <u>97,436</u>	 <u>5,169</u>
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 116,988</u>	 <u>\$ 116,988</u>

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

# REATA NORTH METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2016

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Reata North Metropolitan District, located in the Town of Parker, Colorado in Douglas County, Colorado, 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 on May 20, 2004, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide for streets, drainage, sanitation and water facilities, parks and trails and other public improvements. 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 the GASB pronouncements which provide 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.

## REATA NORTH METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2016

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 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.

## REATA NORTH METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2016

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.

#### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. 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 and Net Position

##### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, facility fees receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, 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

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.

##### 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

## REATA NORTH METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2016

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 position 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.

#### 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.

## REATA NORTH METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2016

#### 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 \$892 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$10,437 is restricted for the payment of the debt service costs associated with the Series 2005 Bonds and the Series 2007 Bonds (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.

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 can 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 or resources related to those assets. The District does not have any amount to report in this category.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2016

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.

Note 2: Cash

As of December 31, 2016, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash	\$117,611
Cash - Restricted	<u>8,312</u>
Total	<u>\$ 125,923</u>

Cash as of December 31, 2016 consists of the following:

Deposits with financial institutions	<u>\$ 125,923</u>
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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 follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

## REATA NORTH METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2016

#### Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2016, is as follows:

##### Limited Tax General Obligation Bonds, Series 2005

On May 23, 2005 the District issued \$2,200,000 of Limited Tax General Obligation Bonds Series 2005 ("Series 2005 Bonds") for the purpose of paying project costs and cost of issuance of the bonds. The Series 2005 Bonds bear interest at 6.75% payable semiannually on each June 1 and December 1, commencing on December 1, 2005. Principal payments are due annually commencing on December 1, 2009, with final maturity in 2025. The Series 2005 Bonds are subject to redemption at the option of the District on and after December 1, 2010, upon payment of par and accrued interest. The Series 2005 Bonds are secured by Pledged Revenue, which consists of moneys derived by the District from the following sources: Limited Mill Levy on taxable property, facility fees and any other legally available funds of the District for deposit into the debt fund. The Limited Mill Levy shall not exceed 35.000 mills adjusted for changes occurring after the issuance of the bonds in the ratio of assessed values to market values. However in no event may the total mill levy exceed 50.000 mills.

##### Limited Tax General Obligation Bonds, Series 2007

On April 9, 2007 the District issued, \$7,800,000 of Limited Tax General Obligation Bonds, Series 2007 ("Series 2007 Bonds") for the purpose of paying project costs providing capitalized interest and paying the cost of issuance of the bonds. Principal payments due annually commencing on December 1, 2020, with final maturity in 2032. The Series 2007 Bonds bear interest at rates ranging from 5.375% to 5.50% payable semiannually on June 1 and December 1. The Series 2007 Bonds are subject to redemption at the option of the District on and after December 1, 2010, at par. The Series 2007 Bonds also bear supplemental interest designated as "B" interest which is evidenced by the Registered Coupons in the amount of \$1,525,000 and are not subject to redemption prior to maturity on December 1, 2019.

The Series 2007 Bonds are secured by Pledged Revenue, which consists of moneys derived by the District from the following sources: Limited Mill Levy on taxable property, facility fees and any other legally available funds of the District for deposit into the debt fund. The Limited Mill Levy shall not exceed 35.000 mills adjusted for changes occurring after the issuance of the bonds in the ratio of assessed values to market values. However in no event may the total mill levy exceed 50.000 mills.

The District has not established a revenue base sufficient to pay the District's debt service requirements. Since December 1, 2012 the District has been unable to pay the full required principal or interest payments due under the Bond Resolutions for the Series 2005 and Series 2007 Bonds. Unpaid interest accrues additional interest at the respective coupon rates of the bonds semi-annually. As of December 1, 2016 the unpaid interest was \$52,155 for the Series 2005 Bonds, \$251,827 for the Series 2007 Bonds and \$216,403 for the Series 2007 Detached Registered Coupons.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2016

Failure to make scheduled principal and interest payments as a result of insufficient ad valorem tax revenues from the limited mill levy does not constitute a default under the Bond Resolutions. Outstanding interest compounds on each interest payment date at the interest rate borne by the Bonds.

Due to the uncertainty in the timing of payments of principal and interest a schedule of the timing of these payments is not available.

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
Series 2005 Bonds	\$ 1,965,000	\$ -	\$ -	\$ 1,965,000	\$ -
Series 2007 Bonds	7,800,000	-	-	7,800,000	-
Series 2007 Detached Registered Coupons	<u>1,087,893</u>	<u>57,072</u>	<u>181,330</u>	<u>963,635</u>	<u>-</u>
	<u>\$ 10,852,893</u>	<u>\$ 57,072</u>	<u>\$ 181,330</u>	<u>\$ 10,728,635</u>	<u>\$ -</u>

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$50,000,000. The District has not budgeted to issue any additional debt in 2017. Per the District’s Service Plan, the District has a debt limitation of \$10,000,000 which has been reached.

The District historically received advances from the Developer in the form of infrastructure which the District conveys to the Town of Parker (“Town”). The District’s liability for repayment to the Developer is contingent solely on the District’s ability to repay and is only required to make payments if it has been appropriated in the current year. The District’s liability to the Developer is subordinate to all other debt. If the balance is not paid within two years of the sale of the last parcel of land, the obligation will cease.

During 2009, the Developer received a \$453,084 reimbursement from the Town and wrote off \$12,000 which reduced the unpaid Developer advances. As of December 31, 2016 there was \$4,733,436 of unpaid Developer advances. Due to the restrictive nature of the obligation and that the likelihood of repayment is remote, no payable has been provided for in the financial statements. No principal or interest payments are due.

Note 4: Related Party

Two members of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

## REATA NORTH METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2016

Note 5: Agreements

Facilities Fee Agreement - On November 17, 2004, and as amended and restated on May 11, 2005, the Developer and the District entered into a Capital Facilities Fee Agreement (the Facilities Fee Agreement), which authorizes the Facilities Fee to be assessed against property within the District in the amount of \$1,000 per single-family unit, townhome, condominium or apartment and per acre of commercial, office or industrial use. As of December 31, 2016, the District has received \$790,000 of fees for residential units and \$1,000 for commercial use. Of the residential fees, \$300,000 was paid pursuant to the Fee Credit Agreement.

Note 6: 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 benefits 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 4, 2004, 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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2016

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

The Statement of Governmental Fund 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.

SUPPLEMENTAL INFORMATION

**REATA NORTH METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2016

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 775,342	\$ 770,261	\$ (5,081)
Specific ownership taxes	27,137	35,667	8,530
Facility fee	60,000	-	(60,000)
Transfer from General Fund	<u>57,000</u>	<u>-</u>	<u>(57,000)</u>
 Total Revenues	 <u>919,479</u>	 <u>805,928</u>	 <u>(113,551)</u>
<b>EXPENDITURES</b>			
Bond interest	532,725	610,903	(78,178)
Bond principal	115,000	-	115,000
Interest/Principal Shortfall	38,243	-	38,243
Detached "B" Coupon	225,000	181,330	43,670
Treasurer's fees	11,630	11,567	63
Paying agent fees	<u>1,000</u>	<u>1,100</u>	<u>(100)</u>
 Total Expenditures	 <u>923,598</u>	 <u>804,900</u>	 <u>118,698</u>
 CHANGE IN FUND BALANCE	 (4,119)	 1,028	 5,147
 FUND BALANCE - BEGINNING OF YEAR	 <u>6,075</u>	 <u>9,409</u>	 <u>3,334</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 1,956</u>	 <u>\$ 10,437</u>	 <u>\$ 8,481</u>

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

# REATA NORTH METROPOLITAN DISTRICT

## SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2016

<u>Year Ended</u> <u>December 31,</u>	<b>Prior</b> <b>Year Assessed</b> <b>Valuation</b> <b>for Current</b> <b>Year Property</b> <b>Tax Levy</b>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<b>Percent</b> <b>Collected</b> <b>to Levied</b>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2007	\$ 6,624,800	35.000	0.000	\$ 231,868	\$ 223,597	96.43%
2008	\$ 10,489,190	35.000	0.000	\$ 367,122	\$ 358,344	97.61%
2009	\$ 12,674,360	35.000	0.000	\$ 443,603	\$ 434,387	97.92%
2010	\$ 13,723,050	35.000	0.000	\$ 480,307	\$ 489,878	101.99%
2011	\$ 13,474,330	35.000	0.000	\$ 471,602	\$ 471,532	99.99%
2012	\$ 11,851,180	35.000	0.000	\$ 414,791	\$ 414,884	100.02%
2013	\$ 13,077,780	0.000	35.000	\$ 457,722	\$ 457,680	99.99%
2014	\$ 14,997,557	0.000	35.000	\$ 524,914	\$ 517,935	98.67%
2015	\$ 16,638,580	0.000	35.000	\$ 582,350	\$ 579,579	99.52%
2016	\$ 22,152,630	0.000	35.000	\$ 775,342	\$ 770,711	99.40%
Estimated for year ending December 31, 2017	\$ 24,276,630	0.000	35.000	\$ 849,682		

### NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.