

REATA NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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Office of the State Auditor

September 28, 2018

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Board of Directors
Reata North Metropolitan District
Douglas County, Colorado

Independent Auditors' Report

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 (the "District") as of and for the year ended December 31, 2017, 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 Reata North Metropolitan District as of December 31, 2017, 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles general 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 supplemental 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 supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 28, 2018

REATA NORTH METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS					
Cash	\$ 95,831	\$ -	\$ 95,831	\$ -	\$ 95,831
Cash - restricted	53	-	53	-	53
Receivable county treasurer	3,117	3,117	6,234	-	6,234
Property taxes receivable	25,228	703,568	728,796	-	728,796
Due to/Due from Other Funds	7,238	-	7,238	(7,238)	-
Prepaid expenses	2,013	-	2,013	-	2,013
Total Assets	<u>133,480</u>	<u>706,685</u>	<u>840,165</u>	<u>(7,238)</u>	<u>832,927</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	158,763	158,763
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,763</u>	<u>158,763</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 133,480</u>	<u>\$ 706,685</u>	<u>\$ 840,165</u>		
LIABILITIES					
Accounts payable	\$ 16,145	\$ -	\$ 16,145	-	16,145
Due to/Due from Other Funds	-	7,238	7,238	(7,238)	-
Accrued interest on loans	-	-	-	30,548	30,548
Long-term liabilities:					
Due within one year	-	-	-	410,000	410,000
Due in more than one year	-	-	-	10,650,000	10,650,000
Total Liabilities	<u>16,145</u>	<u>7,238</u>	<u>23,383</u>	<u>11,083,310</u>	<u>11,106,693</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	25,228	703,568	728,796	-	728,796
Total Deferred Inflows of Resources	<u>25,228</u>	<u>703,568</u>	<u>728,796</u>	<u>-</u>	<u>728,796</u>
FUND BALANCE					
Nonspendable:					
Prepays	2,013	-	2,013	(2,013)	-
Restricted:					
Emergencies	53	-	53	(53)	-
Unassigned	90,041	(4,121)	85,920	(85,920)	-
Total Fund Balances	<u>92,107</u>	<u>(4,121)</u>	<u>87,986</u>	<u>(87,986)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 133,480</u>	<u>\$ 706,685</u>	<u>\$ 840,165</u>		
NET POSITION					
Restricted for:					
Emergencies				53	53
Unrestricted				<u>(10,843,852)</u>	<u>(10,843,852)</u>
Total Net Position (Deficit)				<u>\$ (10,843,799)</u>	<u>\$ (10,843,799)</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 BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES					
Accounting and audit	\$ 11,749	\$ -	\$ 11,749	\$ -	\$ 11,749
Insurance	2,333	-	2,333	-	2,333
Legal	23,778	-	23,778	-	23,778
Treasurer's fees	-	12,561	12,561	-	12,561
Paying agent fees	-	667	667	-	667
Miscellaneous expense	137	2,513	2,650	-	2,650
Loan interest expense	-	279,693	279,693	309,151	588,844
Loan issuance costs	-	136,351	136,351	-	136,351
Registered interest coupons	-	-	-	44,302	44,302
Total Expenditures	<u>37,997</u>	<u>431,785</u>	<u>469,782</u>	<u>353,453</u>	<u>823,235</u>
GENERAL REVENUES					
Property taxes	-	836,739	836,739	-	836,739
Specific ownership taxes	<u>46,539</u>	<u>46,539</u>	<u>93,078</u>	-	<u>93,078</u>
Total General Revenues	<u>46,539</u>	<u>883,278</u>	<u>929,817</u>	-	<u>929,817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,542	451,493	460,035	(353,453)	106,582
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	11,060,000	11,060,000	(11,060,000)	-
Transfer to escrow agent		(11,559,474)	(11,559,474)	11,559,474	-
Transfer to/(from) other funds	<u>(33,423)</u>	<u>33,423</u>	-	-	-
Total Other Financing Source (Uses)	<u>(33,423)</u>	<u>(466,051)</u>	<u>(499,474)</u>	<u>499,474</u>	-
NET CHANGE IN FUND BALANCE	(24,881)	(14,558)	(39,439)	39,439	
CHANGES IN NET POSITION				(106,582)	106,582
FUND BALANCE/NET POSITION:					
BEGINNING OF YEAR	<u>116,988</u>	<u>10,437</u>	<u>127,425</u>	<u>(11,077,806)</u>	<u>(10,950,381)</u>
END OF YEAR	<u>\$ 92,107</u>	<u>\$ (4,121)</u>	<u>\$ 87,986</u>	<u>\$ (11,431,259)</u>	<u>\$ (10,843,799)</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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Specific ownership taxes	\$ 29,739	\$ 29,739	\$ 46,539	\$ 16,800
Interest income	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
 Total Revenues	 <u>30,039</u>	 <u>30,039</u>	 <u>46,539</u>	 <u>16,500</u>
 EXPENDITURES				
Accounting and audit	11,000	10,310	11,749	(1,439)
Insurance	2,600	2,333	2,333	-
Legal	10,000	8,777	23,778	(15,001)
Miscellaneous expenses	-	-	137	(137)
Contingency	33,041	-	-	-
Emergency reserve	<u>892</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>57,533</u>	 <u>21,420</u>	 <u>37,997</u>	 <u>(16,577)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(27,494)</u>	 <u>8,619</u>	 <u>8,542</u>	 <u>(77)</u>
 OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	<u>-</u>	<u>(50,000)</u>	<u>(33,423)</u>	<u>16,577</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>(50,000)</u>	 <u>(33,423)</u>	 <u>16,577</u>
 NET CHANGE IN FUND BALANCE	 <u>(27,494)</u>	 <u>(41,381)</u>	 <u>(24,881)</u>	 <u>16,500</u>
 FUND BALANCE - BEGINNING OF YEAR	 <u>27,494</u>	 <u>116,988</u>	 <u>116,988</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ -</u></u>	 <u><u>\$ 75,607</u></u>	 <u><u>\$ 92,107</u></u>	 <u><u>\$ 16,500</u></u>

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

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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, 2017

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, 2017

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.

During 2017, the District amended its total appropriations in the General Fund from \$57,533 to \$71,420 primarily due to a transfer to the Debt Service Fund and in the Debt Service Fund from \$1,271,626 to \$12,024,745 primarily due to the refunding of all of the District's outstanding debt.

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, 2017, 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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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:

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$2,013 represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$53 of the General Fund balance has been reserved in compliance with this requirement.

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.

Deficits

The Debt Service Fund reported a deficit fund balance in the fund financial statements of \$(4,121) due to some abatements in the property taxes. The District anticipates eliminating the deficits with property taxes in 2018.

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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

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.

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, 2017, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash	\$ 95,831
Cash - Restricted	<u>53</u>
Total	<u>\$ 95,884</u>

Cash as of December 31, 2017, consists of the following:

Deposits with financial institutions	<u>\$ 95,884</u>
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REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2017, 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. During 2017, the Series 2005 Bonds were refunded with the issuance of the Series 2017A Loan and the Series 2017B Loan.

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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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. During 2017, the Series 2007 Bonds were refunded with the issuance of the Series 2017A Loan and the Series 2017B Loan.

Limited Tax General Obligation Refunding Loan Series 2017A and Limited Tax General Obligation Refunding Loan Series 2017B

On November 28, 2017 the District approved a Loan Agreement with Guaranty Bank and Trust and authorized the issuance of Limited Tax General Obligation Refunding Loan Series 2017A (“Series 2017A Loan”) and Limited Tax General Obligation Refunding Loan Series 2017B (“Series 2017B Loan”) or combined (the “Loan”) for the purpose of advance refunding the Series 2005 Bonds and the Series 2007 Bonds and paying the costs of the issuance of the Loan. The 2017A Loan bears interest at the rate of 3.00% payable semiannually on each June 1 and December 1, commencing on June 1, 2018, and matures on December 1, 2037. The 2017B Loan bears interest at the rate of 4.62% payable semiannually on each June 1 and December 1, commencing on June 1, 2018, and matures on December 1, 2020. The Loan is subject to optional prepayment at the option of the District, as a whole with a prepayment fee as further defined in the Loan agreement before December 1, 2024. The Loan is subject to optional prepayment at the option of the District on or after December 1, 2024 with no prepayment penalty. The Loan is subject to mandatory sinking fund redemption commencing on December 1, 2018.

Advance refunding of debt

The Loan was issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2005 Bonds and the Series 2007 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$159,935. This amount is recorded as a deferred inflow and is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the remaining life of the old debt and resulted in an economic gain of \$1,753,217.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 410,000	\$ 336,026	\$ 746,026
2019	425,000	319,500	744,500
2020	435,000	306,750	741,750
2021	450,000	293,700	743,700
2022	465,000	280,200	745,200
2023-2027	2,535,000	1,183,650	3,718,650
2028-2032	2,940,000	779,850	3,719,850
2033-2037	3,400,000	312,000	3,712,000
	<u>\$ 11,060,000</u>	<u>\$ 3,811,676</u>	<u>\$ 14,871,676</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Current</u> <u>Portion</u>
Series 2005 Bonds	\$ 1,965,000	\$ -	\$ 1,965,000	\$ -	\$ -
Series 2007 Bonds	7,800,000	-	7,800,000	-	-
Series 2007 Detached					
Registered Coupons	963,635	44,302	1,007,937	-	-
Series 2017A Loan	-	10,000,000	-	10,000,000	-
Series 2017B Loan	-	1,060,000	-	1,060,000	410,000
	<u>\$ 10,728,635</u>	<u>\$ 11,104,302</u>	<u>\$ 10,772,937</u>	<u>\$ 11,060,000</u>	<u>\$ 410,000</u>

As of December 31, 2017, the District had remaining voted debt authorization of approximately \$50,000,000. The District has not budgeted to issue any additional debt in 2018. 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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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, 2017, 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

As of the May 2018 election, no members of the Board of Directors are employees, owners or are otherwise associated with the Developer or have any conflicts of interest in dealing with the District, that have been disclosed to the Board.

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, 2017, 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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

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: Interfund and Operating Transfers

The transfer of \$33,423 from the General Fund to Debt Service Fund was transferred for the purpose of funding some of the costs of debt issuance.

Note 9: 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.

REATA NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

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;
- 2) governmental funds report loan proceeds as revenue; and,
- 3) 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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 849,682	\$ 849,682	\$ 836,739	\$ (12,943)
Specific ownership taxes	29,739	43,188	46,539	3,351
Facility fee	60,000	-	-	-
Interest/Principal shortfall	<u>328,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,268,285</u>	<u>892,870</u>	<u>883,278</u>	<u>(9,592)</u>
EXPENDITURES				
Loan interest expense	559,388	493,069	279,693	213,376
Loan issuance costs	-	150,950	136,351	14,599
Prior unpaid interest	438,493	776,981	-	776,981
Detached "B" Coupon	260,000	260,000	-	260,000
Miscellaneous expense	-	-	2,513	(2,513)
Treasurer's fees	12,745	12,745	12,561	184
Paying agent fees	<u>1,000</u>	<u>1,000</u>	<u>667</u>	<u>333</u>
Total Expenditures	<u>1,271,626</u>	<u>1,694,745</u>	<u>431,785</u>	<u>1,262,960</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,341)	(801,875)	451,493	1,253,368
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	11,078,534	11,060,000	(18,534)
Transfer to escrow agent	-	(10,330,000)	(11,559,474)	(1,229,474)
Transfer to/(from) other funds	<u>-</u>	<u>50,000</u>	<u>33,423</u>	<u>(16,577)</u>
Total Other Financing Sources (Uses)	-	798,534	(466,051)	(1,264,585)
CHANGE IN FUND BALANCE	(3,341)	(3,341)	(14,558)	(11,217)
FUND BALANCE - BEGINNING OF YEAR	<u>3,341</u>	<u>3,341</u>	<u>10,437</u>	<u>7,096</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,121)</u>	<u>\$ (4,121)</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, 2017

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<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%
2017	\$ 24,276,630	0.000	35.000	\$ 849,682	\$ 836,739	98.48%
Estimated for year ending December 31, 2018	\$ 28,030,600	0.900	25.100	\$ 728,796		

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.