

Reata South Metropolitan District  
Financial Statements  
Year Ended December 31, 2024  
with  
Independent Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Reata South Metropolitan District  
Douglas County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Reata South Metropolitan District (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of District, as of December 31, 2024, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

#### Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Castle Pines, Colorado  
June 4, 2025

**Reata South Metropolitan District  
Unincorporated Douglas County, Colorado  
Management's Discussion and Analysis  
For the Year Ended December 31, 2024**

As management of the Reata South Metropolitan District, unincorporated Douglas County, Colorado (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our annual audited financial statements.

Reata South Metropolitan District was established in 2005 as a special district proposed to serve the needs of a residential planned development in unincorporated Douglas County, Colorado, generally known as the Colorado Golf Club or Reata South Planned Development (the Development). The District remained inactive for all intents and purposes until 2007 when the infrastructure of the Development was conveyed to the District and general obligation bonds were issued to pay for a portion of the improvements that were transferred to the District.

Accordingly, the activity presented in these financial statements represents all material activity for the District since its inception in 2005.

### **Financial Highlights**

- The liabilities and deferred inflows of resources of the District exceeded its assets at the close of the most recent fiscal year by \$33,020,358 (net position deficit). Of total assets, \$12,350,189 was capital assets (net of accumulated depreciation) of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.
- The District's cash increased by \$1,309,562 during 2024 primarily due to an increase in property taxes and interest income. Overall, the District's total net position decreased by \$615,417 primarily due to an increase in expenses in 2024. It should be noted that the District recognized depreciation expense (a non-cash expense) in the amount of \$856,731 during 2024. Excluding the charge for depreciation expense, net position increased by \$241,314.

### **Overview of the Financial Statements**

This discussion and analysis report is intended to serve as an introduction to the District's basic financial statements. The District's governmental-type fund financial statements are comprised of three components: 1) basic financial statements, 2) notes to the financial statements and 3) required supplementary information that provides comparisons of budget to actual on the US GAAP (Generally Accepted Accounting Principles in the United States of America) budgetary basis.

**Government-wide financial statements.** The Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows or resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present activities that are intended to recover all or a significant portion of their costs through property and specific ownership taxes, and fees. The government-wide financial statements can be found on pages 1 through 2 of the financial statements.

**Notes to the financial statements** - the notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$33,020,358 at the close of the most recent fiscal year.

By far the largest portion of the District's net position is invested in capital assets, less, any related debt used to acquire those assets is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### District Net Position

	<u>12/31/2024</u>	<u>12/31/2023</u>
Current assets	\$ 4,803,616	\$ 4,996,066
Restricted assets	4,624,433	3,404,497
Capital assets, net of accumulated depreciation	<u>12,350,189</u>	<u>13,116,303</u>
Total assets	<u>21,778,238</u>	<u>21,516,866</u>
Long-term obligations:		
General Obligation Bonds	19,415,107	19,420,414
Funding Agreement	12,266,051	12,266,051
Letter of Credit Draw	2,925,530	2,925,530
Accrued interest payable	18,276,445	17,119,332
Other liabilities	<u>60,064</u>	<u>38,278</u>
Total liabilities	<u>52,943,197</u>	<u>51,769,605</u>
Deferred property tax revenue	<u>1,855,399</u>	<u>2,152,201</u>
Total deferred inflows	1,855,399	2,152,201
Invested in capital assets	(18,786,806)	(18,025,999)
Restricted	32,370	29,331
Unrestricted	<u>(14,265,922)</u>	<u>(14,408,272)</u>
Total net position (deficit)	<u>\$ (33,020,358)</u>	<u>\$ (32,404,940)</u>

### Change in the District's Net Position

	<u>Year Ended</u> <u>December 31,</u> <u>2024</u>	<u>Year Ended</u> <u>December 31,</u> <u>2023</u>
User charges:		
Facility Fees	\$ -	\$ 2,000
Property and specific ownership taxes	2,317,205	1,853,714
Operating service fee	790,331	752,993
Other	<u>379,407</u>	<u>311,003</u>
Total revenues	<u>3,486,943</u>	<u>2,919,710</u>
 Expenses		
Operating	1,891,686	1,862,063
Debt service	<u>2,210,674</u>	<u>2,207,513</u>
Total expenses	<u>4,102,360</u>	<u>4,069,576</u>
Other Financing Sources (Uses)	<u>-</u>	<u>85,000</u>
Decrease (increase) in net position	(615,417)	(1,064,866)
Net position – beginning of year	<u>(32,404,940)</u>	<u>(31,340,074)</u>
Net position – end of year	<u>\$ (33,020,358)</u>	<u>\$ (32,404,940)</u>

#### ***Capital Asset and Debt Administration***

**Capital assets** – The District's investment in capital assets for its government-type activities as of December 31, 2024, is \$12,350,189 (net of accumulated depreciation). The investment in capital assets includes land, land improvements, buildings, equipment, leasehold improvements, and vehicles. In 2024, the District purchased new gate security arms, new stop signs and new well lights. All of which are being depreciated.

#### **District Capital Assets**

	<u>12/31/2024</u>	<u>12/31/2023</u>
Land	\$ 42,610	\$ 42,610
Streets, equipment and vehicles	12,228,672	13,072,034
Landscape improvements	<u>78,907</u>	<u>1,659</u>
Total	<u>\$ 12,350,189</u>	<u>\$ 13,116,303</u>

**Long-term debt** – In 2018, the District refunded the Series 2007A Bonds for the General Obligation Refunding Bonds Series 2018. This lowered the interest rates to between 5.375% and 5.500% from the rate of 7.250% paid on the Series 2007A Bonds. At the end of the current fiscal year, the District had general obligation debt outstanding for construction of the Development infrastructure in the amount of \$19,330,000 which matures December 1, 2047. The total amount due on the Debt Service Guaranty Agreement is \$2,925,530 and accrued interest of \$1,500,949. The District also had a funding agreement with the developer comprised of \$12,266,051 in principal and accrued interest totaling \$16,687,549. Additional information on the District's long-term debt can be found in Note 4 of the audit footnotes.

### ***Board of Directors Emphasis for the 2024 and 2025 budget years***

The District concentrated on implementing policies and procedures necessary to provide expected services to the Development. The District's infrastructure was substantially completed in prior years.

In developing the budget for the 2025 fiscal year, the District is imposing a 40.000 mill levy to service the bond debt and a 10.000 mill levy to pay a portion of the operating expenses. An operating service fee on each property will be assessed to cover expenditures in excess of the mill levy. The proposed operating service fees in the 2025 budget are \$789,700 and tax revenues are budgeted to be \$371,080 for operations and \$1,484,319 for debt service. Operating expenses are budgeted to be \$1,084,576 and \$32,370 for an emergency reserve. Interest on the Series 2018 Bonds is budgeted to be \$1,055,369. The principal payments on the Series 2018 Bonds do not commence until December 1, 2026. The General Fund ending fund balance reflects a budgeted amount \$1,408,408 as of December 31, 2025, reserved for future infrastructure maintenance and/or replacement. In 2024, the Debt Service Fund met the maximum requirement of the surplus fund of the Series 2018 Bonds. Regarding the Capital Projects Fund, the District has budgeted \$1,350,000 for capital expenditures. This will be funded by a transfer of \$1,350,000 from the General Fund.

### ***Factors Affecting Financial Condition***

Home construction activity has been robust in the Reata South Metro District, resulting in an increase in the assessed valuation from the construction and completion of many new residential units within the boundaries of the District. That, along with the Refinanced Series 2018 Bonds, which lowered the interest rate to 5.375 – 5.5%, over a 2% decrease in the interest rate, has enhanced the District's ability to meet the scheduled repayment of the 2018 Bonds. In 2025, the District is budgeted to show a positive net income minus expense in the Debt Service Fund, thus increasing the Year End fund balance. The Developer Guaranty, which the District was required to draw on previously to meet Bond repayment obligations, has been terminated as a result of the refinancing of the Bonds. Principal and interest as shown on the Balance Sheet are still obligations of the District.

### ***Steps taken by the Board to Increase Forecasted Revenues***

On September 23, 2014, the District entered into a Purchase and Sale Agreement with Betts Lake, LLC (the "Buyer"). The Buyer agreed to purchase approximately 38 acres of the District's Open Space area. The resulting increased density has benefited the District from both the agreed upon proceeds from the sale of additional lots platted in this area and the increase in assessed valuation, resulting in increased tax revenue. The rezoning of this area was approved by Douglas County in 2020, designating two segments: (i) nine (9) custom lots along the north side of Preservation Trail; and (ii) the Village area, which includes 33 patio homes and 1 additional custom lot. The Village area is west of the intersection of Preservation Trail and Forest Keep Circle. The County approved the final plat of the nine custom lots in April 2021 and infrastructure construction began in September 2021. The final plat for the Village area was presented to the County at the end of 2021 and was approved in 2022. The last custom lot was sold in 2023.

### ***Requests for Information***

**This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:**

District Accountant – Reata South Metropolitan District  
Simmons & Wheeler P.C.  
304 Inverness Way South, Suite 490  
Englewood, CO 80112

Reata South Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION (DEFICIT)  
 GOVERNMENTAL FUNDS  
 December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 2,872,636	\$ -	\$ -	\$ 2,872,636	\$ -	\$ 2,872,636
Cash and investments - restricted	32,370	4,592,063	-	4,624,433	-	4,624,433
Accounts receivable:						
Cash with county treasurer	1,253	13,197	-	14,450	-	14,450
Taxes receivable	371,080	1,484,319	-	1,855,399	-	1,855,399
Operating service fees	24,687	-	-	24,687	-	24,687
Other	1,250	-	-	1,250	-	1,250
Prepaid expenses	35,194	-	-	35,194	-	35,194
Capital assets not being depreciated	-	-	-	-	42,610	42,610
Capital assets, net of accumulated depreciation	-	-	-	-	12,307,579	12,307,579
Total Assets:	<u>\$ 3,338,470</u>	<u>\$ 6,089,579</u>	<u>\$ -</u>	<u>\$ 9,428,049</u>	<u>12,350,189</u>	<u>21,778,238</u>
<b>LIABILITIES</b>						
Accounts payable	60,064	\$ -	\$ -	\$ 60,064	-	60,064
Accrued interest	-	-	-	-	18,276,445	18,276,445
Long-term liabilities:						
Due in more than one year	-	-	-	-	34,606,688	34,606,688
Total Liabilities	<u>60,064</u>	<u>-</u>	<u>-</u>	<u>60,064</u>	<u>52,883,133</u>	<u>52,943,197</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenue	<u>371,080</u>	<u>1,484,319</u>	<u>-</u>	<u>1,855,399</u>	<u>-</u>	<u>1,855,399</u>
Total Deferred Inflows of Resources	<u>371,080</u>	<u>1,484,319</u>	<u>-</u>	<u>1,855,399</u>	<u>-</u>	<u>1,855,399</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	35,194	-	-	35,194	(35,194)	-
Restricted:						
Emergencies	32,370	-	-	32,370	(32,370)	-
Debt service	-	4,605,260	-	4,605,260	(4,605,260)	-
Assigned:						
Maintenance reserve	2,426,311	-	-	2,426,311	(2,426,311)	-
Unassigned	<u>413,451</u>	<u>-</u>	<u>-</u>	<u>413,451</u>	<u>(413,451)</u>	<u>-</u>
Total Fund Balances	<u>2,907,326</u>	<u>4,605,260</u>	<u>-</u>	<u>7,512,586</u>	<u>(7,512,586)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,338,470</u>	<u>\$ 6,089,579</u>	<u>\$ -</u>	<u>\$ 9,428,049</u>		
Net Position:						
Net investment in capital assets					(18,786,806)	(18,786,806)
Restricted for:						
Emergencies					32,370	32,370
Unrestricted					<u>(14,265,922)</u>	<u>(14,265,922)</u>
Total Net Position (Deficit)					<u>\$ (33,020,358)</u>	<u>\$ (33,020,358)</u>

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

Reata South Metropolitan District  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2024

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
<b>EXPENDITURES</b>						
Accounting	\$ 39,205	\$ -	\$ -	\$ 39,205	\$ -	\$ 39,205
Audit	8,500	-	-	8,500	-	8,500
Legal	28,672	-	-	28,672	-	28,672
Legal - Special projects	9,381	-	-	9,381	-	9,381
Security Personnel	315,114	-	-	315,114	-	315,114
District manager	107,728	-	-	107,728	-	107,728
Payroll taxes	36,372	-	-	36,372	-	36,372
Payroll processing fee	7,481	-	-	7,481	-	7,481
Workers' comp insurance	16,472	-	-	16,472	-	16,472
Security equip/supplies	12,973	-	-	12,973	-	12,973
Access control operating system	21,200	-	-	21,200	-	21,200
Vehicle expenses	7,501	-	-	7,501	-	7,501
Fuel/repair/equip	9,527	-	-	9,527	-	9,527
Building maintenance	7,378	-	-	7,378	-	7,378
Landscape maintenance - entries	29,181	-	-	29,181	-	29,181
Insurance (incl: vehicles)	18,273	-	-	18,273	-	18,273
Office expense	4,732	-	-	4,732	-	4,732
Website	1,046	-	-	1,046	-	1,046
Utilities - electric	11,345	-	-	11,345	-	11,345
Utilities - locates	10	-	-	10	-	10
Utilities - cell phone	2,032	-	-	2,032	-	2,032
Utilities - irrigation water	11,475	-	-	11,475	-	11,475
Gate repair & maintenance	5,730	-	-	5,730	-	5,730
Monument maintenance	4,548	-	-	4,548	-	4,548
Miscellaneous	862	-	-	862	-	862
Fence repair & replacement	5,160	-	-	5,160	-	5,160
Pest control	63,201	-	-	63,201	-	63,201
Landscape improvements	4,757	-	-	4,757	-	4,757
Weed control:						
Mowing	13,270	-	-	13,270	-	13,270
Spraying	8,554	-	-	8,554	-	8,554
Sidewalk repair & maintenance	10,162	-	-	10,162	-	10,162
Curb, gutter and pavers repair	4,100	-	-	4,100	-	4,100
Streets-sweeping & maintenance	55,026	-	-	55,026	-	55,026
Streets-snow removal	57,491	-	-	57,491	-	57,491
Storm Drain Maintenance	9,788	-	-	9,788	-	9,788
Erosion Control	6,169	-	-	6,169	-	6,169
Trail maintenance	15,650	-	-	15,650	-	15,650
Lake maintenance	31,513	-	-	31,513	-	31,513
Memberships-Special Districts Pool	917	-	-	917	-	917
Treasurer fees	2,814	29,645	-	32,459	-	32,459
Interest expense	-	1,055,369	-	1,055,369	1,151,805	2,207,174
Paying agent fees	-	3,500	-	3,500	-	3,500
Capital outlay	-	-	90,617	90,617	(90,617)	-
Depreciation	-	-	-	-	856,731	856,731
Total Expenditures	<u>1,005,310</u>	<u>1,088,514</u>	<u>90,617</u>	<u>2,184,441</u>	<u>1,917,919</u>	<u>4,102,360</u>
<b>PROGRAM REVENUES</b>						
Operating service fees	790,331	-	-	790,331	-	790,331
Total Program Revenues	<u>790,331</u>	<u>-</u>	<u>-</u>	<u>790,331</u>	<u>-</u>	<u>790,331</u>
Net Program Income (Expenses)	(214,979)	(1,088,514)	(90,617)	(1,394,110)	(1,917,919)	(3,312,029)
<b>GENERAL REVENUES</b>						
Property taxes	186,921	1,969,077	-	2,155,998	-	2,155,998
Specific ownership taxes	13,977	147,230	-	161,207	-	161,207
Interest income	185,417	192,920	-	378,337	-	378,337
Miscellaneous income	1,070	-	-	1,070	-	1,070
Total General Revenues	<u>387,385</u>	<u>2,309,227</u>	<u>-</u>	<u>2,696,612</u>	<u>-</u>	<u>2,696,612</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	172,406	1,220,713	(90,617)	1,302,502	(1,917,919)	(615,417)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in/(out)	(90,617)	-	90,617	-	-	-
Total Other Financing Sources (Uses)	<u>(90,617)</u>	<u>-</u>	<u>90,617</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	81,789	1,220,713	-	1,302,502	(1,302,502)	-
<b>CHANGE IN NET POSITION</b>					(615,417)	(615,417)
<b>FUND BALANCES/NET POSITION (DEFICIT):</b>						
BEGINNING OF YEAR	2,825,537	3,384,547	-	6,210,084	(38,615,024)	(32,404,940)
END OF YEAR	<u>\$ 2,907,326</u>	<u>\$ 4,605,260</u>	<u>\$ -</u>	<u>\$ 7,512,586</u>	<u>\$ (40,532,944)</u>	<u>\$ (33,020,358)</u>

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

Reata South Metropolitan District

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

For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 186,592	\$ 186,921	\$ 329
Specific ownership taxes	11,260	13,977	2,717
Operating service fees	789,700	790,331	631
Interest income	100,000	185,417	85,417
Miscellaneous income	500	1,070	570
<b>Total Revenues</b>	<u>1,088,052</u>	<u>1,177,716</u>	<u>89,664</u>
<b>EXPENDITURES</b>			
Accounting	26,000	39,205	(13,205)
Audit	8,500	8,500	-
Legal	30,000	28,672	1,328
Legal - Special projects	15,000	9,381	5,619
Security Personnel	323,957	315,114	8,843
District manager	104,946	107,728	(2,782)
Payroll taxes	32,811	36,372	(3,561)
Payroll processing fee	8,000	7,481	519
Workers' comp insurance	12,167	16,472	(4,305)
Security equip/supplies	13,300	12,973	327
Access control operating system	24,600	21,200	3,400
Vehicle expenses	10,130	7,501	2,629
Fuel/repair/equip	9,000	9,527	(527)
Building maintenance	8,000	7,378	622
Landscape maintenance - entries	29,300	29,181	119
Insurance (incl: vehicles)	16,000	18,273	(2,273)
Office expense	5,500	4,732	768
Website	2,400	1,046	1,354
Utilities - electric	11,500	11,345	155
Utilities - locates	-	10	(10)
Utilities - cell phone	2,200	2,032	168
Utilities - irrigation water	10,000	11,475	(1,475)
Gate repair & maintenance	15,000	5,730	9,270
Monument maintenance	6,500	4,548	1,952
Miscellaneous	1,000	862	138
Fence repair & replacement	5,000	5,160	(160)
Pest control	58,400	63,201	(4,801)
Landscape improvements	5,000	4,757	243
Weed control:			
Mowing	16,500	13,270	3,230
Spraying	8,000	8,554	(554)
Sidewalk repair & maintenance	10,000	10,162	(162)
Curb, gutter and pavers repair	5,000	4,100	900
Streets-sweeping & maintenance	55,000	55,026	(26)
Streets-snow removal	35,000	57,491	(22,491)
Storm Drain Maintenance	10,000	9,788	212
Erosion Control	-	6,169	(6,169)
Trail maintenance	15,000	15,650	(650)
Lake maintenance	28,000	31,513	(3,513)
Memberships-Special Districts Pool	1,000	917	83
Treasurer fees	2,800	2,814	(14)
Contingency	312,097	-	312,097
Emergency reserves	29,331	-	29,331
<b>Total Expenditures</b>	<u>1,321,939</u>	<u>1,005,310</u>	<u>316,629</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(233,887)</b>	<b>172,406</b>	<b>406,293</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in/(out)	<u>(100,000)</u>	<u>(90,617)</u>	<u>9,383</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(100,000)</u>	<u>(90,617)</u>	<u>9,383</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(333,887)</b>	<b>81,789</b>	<b>415,676</b>
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>2,760,198</u>	<u>2,825,537</u>	<u>65,339</u>
END OF YEAR	<u>\$ 2,426,311</u>	<u>\$ 2,907,326</u>	<u>\$ 481,015</u>

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

Reata South Metropolitan District

Notes to Financial Statements

December 31, 2024

1: Summary of significant accounting policies:

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

Definition of Reporting Entity

The District was organized in November 2005, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

The District employs security personnel and a facility manager; all other functions are contracted.

Basis of Presentation

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

Reata South Metropolitan District

Notes to Financial Statements

December 31, 2024

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.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

The District reports the following governmental funds:

*General fund* – is the general operating fund of the District. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

*Debt service fund* – accounts for the accumulation of resources for the repayment of long-term debt.

*Capital Projects Fund* – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a 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, Deferred Inflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

Reata South Metropolitan District

Notes to Financial Statements

December 31, 2024

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

Estimates

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

Interfund balances

Activities between funds are representative of lending/borrowing arrangements outstanding at the end of the year and are reported as "internal balances" on the Statement of Net Position. Transactions that transfer revenue/expenditures between funds are reported as "transfer to/from other funds" on the Statement of Activities. These amounts are eliminated in the applicable statements.

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.

Original issue premium

The original issue premium from the Series 2018 Bonds (See Note 4) is being amortized over the term of the bonds using the interest method. Accumulated amortization of the original issue premium amounted to \$35,754 at December 31, 2024.

Reata South Metropolitan District

Notes to Financial Statements

December 31, 2024

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	30 years
Landscaping	10 years
Vehicles, equipment, and computer equipment	5 years

Deferred inflows / outflows 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 has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

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 prepaids or inventory) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$35,194 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 \$32,370 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$4,605,260 is restricted for the payment of the debt service costs associated with the Series 2018 Bonds (see Note 4).

Committed Fund Balance

Committed fund balance includes a 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.

The assigned fund balance in the General Fund of \$2,426,311 represents amounts to be used for infrastructure maintenance and/or replacement.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

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 or resources. The District reports 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.

*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.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

2. Cash and investments:

As of December 31, 2024, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 2,872,636
Cash and investments - Restricted	<u>4,624,433</u>
Total	<u>\$ 7,497,069</u>

Cash and investments as of December 31, 2024, consist of the following:

Deposits with financial institutions	\$ 215,879
Investments - COLOTRUST	4,484,241
Investments - CSAFE	<u>2,796,949</u>
	<u>\$ 7,497,069</u>

Deposits:

Custodial Credit Risk

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes (CRS) require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). 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 South Metropolitan District

Notes to Financial Statements  
December 31, 2024

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2024, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”), is rated AAAM by Standard & Poor’s for the COLOTRUST Plus+ and the COLOTRUST Prime portfolios and the Edge portfolio is rated AAAs/S1 in Fitch Ratings, with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST Plus+. COLOTRUST Plus+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2024, the District had \$4,484,241 invested in COLOTRUST Plus+.

Reata South Metropolitan District

Notes to Financial Statements

December 31, 2024

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”) is rated AAmmf by Fitch Ratings with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. At December 31, 2024, the District had \$2,796,949 invested in CSAFE.

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

3. Capital assets:

Capital asset activity for the year ended December 31, 2024, was as follows:

Governmental Type Activities:	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
<i>Capital assets not being depreciated:</i>				
Land and buildings	\$ 42,610	\$ -	\$ -	\$ 42,610
Total capital assets not being depreciated	<u>42,610</u>	<u>-</u>	<u>-</u>	<u>42,610</u>
<i>Capital assets being depreciated:</i>				
Streets	25,300,874	-	-	25,300,874
Equipment	50,426	90,617	-	141,043
Computer Equipment	7,460	-	-	7,460
Landscape Improvement	16,568	-	-	16,568
Vehicles	12,085	-	-	12,085
Total capital assets being depreciated	<u>25,387,413</u>	<u>90,617</u>	<u>-</u>	<u>25,478,030</u>
<i>Accumulated Depreciation:</i>				
Streets	(12,228,840)	(843,362)	-	(13,072,202)
Equipment	(50,426)	(12,537)	-	(62,963)
Computer Equipment	(7,460)	-	-	(7,460)
Landscape Improvement	(14,909)	(832)	-	(15,741)
Vehicles	(12,085)	-	-	(12,085)
Total accumulated depreciation	<u>(12,313,720)</u>	<u>(856,731)</u>	<u>-</u>	<u>(13,170,451)</u>
Net capital assets being depreciated	<u>13,073,693</u>	<u>(766,114)</u>	<u>-</u>	<u>12,307,579</u>
Government type assets, net	<u>\$ 13,116,303</u>	<u>\$ (766,114)</u>	<u>\$ -</u>	<u>\$ 12,350,189</u>

The District retains the right to maintain ownership in certain facilities and/or retain responsibility for operations and maintenance. The Board authorized the District to set aside funds for the maintenance and / or replacement of assets. It is reflected on the Balance Sheet as a Maintenance reserve in the amount of \$2,426,311.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

4. Long-term debt:

The District issued bonds to provide funds for the acquiring, designing, constructing, relocating, installing, and completing water, sanitation, street, and parks and recreation improvements and facilities.

Changes in long - term debt obligations for the year ended December 31, 2024, are as follows:

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024	Current Portion
<u>General Obligation Bonds</u>					
General Obligation Bonds - 2018	\$ 19,330,000	\$ -	\$ -	\$ 19,330,000	\$ -
Original issue premium	90,414	-	5,308	85,107	-
Total	<u>19,420,414</u>	<u>-</u>	<u>5,308</u>	<u>19,415,107</u>	<u>-</u>
<u>Other - Developer Advances</u>					
Funding agreement	12,266,051	-	-	12,266,051	-
Developer guaranty agreement	2,925,530	-	-	2,925,530	-
Total	<u>15,191,581</u>	<u>-</u>	<u>-</u>	<u>15,191,581</u>	<u>-</u>
Total Debt	<u>\$ 34,611,995</u>	<u>\$ -</u>	<u>\$ 5,308</u>	<u>\$ 34,606,688</u>	<u>\$ -</u>

General Obligation Refunding Bonds Series 2018

On March 6, 2018, the District issued the Limited Tax General Obligation Refunding Bonds Series 2018, (the "Series 2018 Bonds"), in the amount of \$19,330,000, for refunding of the outstanding Limited Tax General Obligation Bonds Series 2007A. The Series 2018 Bonds are term bonds due on December 1, 2047. The Series 2018 Bonds bear interest at rates between 5.375% and 5.500%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018. The Series 2018 Bonds are secured by Pledged Revenues including a Required Mill Levy, Specific Ownership Taxes, Facility Fees, and other legally available funds that the District deems appropriate. The District is required to impose a mill levy of 50 mills, adjusted for changes in the calculations of assessed valuations, until the Surplus Fund exceeds \$3,866,000 or the ratio of outstanding debt to assessed valuation is 50% or less. The District realized a net present value savings of \$2,536,539 by refunding the Series 2007A Bonds.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

The Series 2018 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2023, to November 30, 2024	3.00%
December 1, 2024, to November 30, 2025	2.00
December 1, 2025, to November 30, 2026	1.00
December 1, 2026, and thereafter	0.00

Accrued interest at December 31, 2024, on the Series 2018 Bonds was \$87,947.

The District's annual debt service requirements to maturity for the Series 2018 Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 1,055,369	\$ 1,055,369
2026	300,000	1,055,369	1,355,369
2027	340,000	1,039,244	1,379,244
2028	385,000	1,020,968	1,405,968
2029	405,000	1,000,275	1,405,275
2030-2034	2,660,000	4,629,425	7,289,425
2035-2039	3,845,000	3,793,381	7,638,381
2040-2044	5,465,000	2,572,900	8,037,900
2045-2047	<u>5,930,000</u>	<u>754,875</u>	<u>6,684,875</u>
	<u>\$ 19,330,000</u>	<u>\$ 16,921,806</u>	<u>\$ 36,251,806</u>

Reata South Metropolitan District

Notes to Financial Statements

December 31, 2024

Debt Service Guaranty Agreement

The District entered into a Debt Service Guaranty Agreement (the “2007 Guaranty”) dated August 1, 2007, with Colorado Golf Club, LLC (the “Developer”) and Colorado State Bank & Trust (“2007 Trustee”). The Developer agreed to guarantee the payment of the principal and interest on the Series 2007A Bonds in the amount of \$6,500,000. Subsequently, this amount was reduced to \$3,250,000 in the form of a Letter of Credit. In 2014, the Letter of Credit was cashed out by the Developer, with the proceeds held by the 2007 Trustee to be used by the District for shortfalls in debt service payments on the Series 2007A Bonds. The repayment of the 2007 Guaranty funds to the Developer is subordinate to the General Obligation Bonds. During 2011, Betts Lake, LLC, in its capacity as the sole member of CGC Real Estate, LLC and CGC Real Estate II, LLC, became the successor in interest to the Developer’s interest in the 2007 Guaranty. In 2018, the District redeemed the Series 2007A Bonds with proceeds from the issuance of the Series 2018 Bonds, and the remaining funds from the 2007 Guaranty were no longer needed. As of December 31, 2024, the District had used \$2,925,530 of such funds to make debt service payments on the original Series 2007A Bonds. Accrued interest is based on a rate per annum which is 325 basis points in excess of the MMD benchmark yields for AAA bonds on the date of creation of any drawn amount. As of December 31, 2024, accrued interest is \$1,500,949. The District still has the obligation to repay this principal and interest to the Developer.

Funding Agreement - Developer

On February 9, 2006, the District entered into a Funding Agreement with the Developer, whereby the Developer agreed to loan the District one or more sums of money not to exceed \$29,000,000 for capital expenses and certain operating expenses. The advances bear simple interest at a rate of 8% per annum from the date any advance is made. During 2011, Betts Lake, LLC, in its capacity as the sole member of CGC Real Estate, LLC and CGC Real Estate II, LLC, became the successor in interest to the Developer’s interest in the Funding Agreement. The Funding Agreement is subordinate to the General Obligation Bonds. The collection of any revenues to repay the agreement is at the Board’s discretion and is subject to annual appropriation by the Board in any given year. The Funding Agreement terminates on Dec. 1, 2036, at which time all terms and provisions of this Agreement, including the provisions related to repayment shall terminate completely and unconditionally. The principal balance as of December 31, 2024 was \$12,266,051 with accrued interest of \$16,687,549.

5. Debt Authorization:

In 2005, the electors of the District authorized the issuance of indebtedness of \$135,450,000 for public improvements. As of December 31, 2024, the amount of debt authorized by the District’s electorate but unissued was \$112,850,000. The District has not budgeted to issue any new debt in 2024. Per the District’s Service Plan, the District cannot issue debt in excess of \$19,350,000.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

6. Agreements:

Purchase and Sale Agreement

On September 23, 2014, the District entered into a Purchase and Sale Agreement with Betts Lake, LLC (the “Buyer”), pursuant to which the Buyer agreed to purchase approximately 38 acres of Reata Open Space land. Since that date, this Agreement was amended eighteen (18) times by the parties, the latest of which is dated December 6, 2021. The resulting increased density consists of two distinct areas: (i) nine (9) custom lots (each a “Custom Lot”) along the north side of Preservation Trail; and (ii) the Village lots comprised of 33 single family cluster homes (each a “Village Lot”) and one (1) custom lot (each a “Custom Lot”) northwest of the intersection of Preservation Trail and Forest Keep Circle. The Buyer received Douglas County rezoning approval in 2020 for both the Village Lots and Custom Lots. The Buyer’s final plat submission for the 9 Custom Lots along Preservation Trail was approved by Douglas County in April 2021. In 2021, the Buyer sold 8 Custom Lots for which the District received \$693,400 in proceeds. The remaining Custom Lot, and 33 of the Village Lots were sold in 2022 for which the District received a total of \$1,405,277. In 2023, the last lot was sold for \$85,000.

Facility fees

Facility Fees are imposed and collected by the District in the amount of \$2,000 per residential lot and \$.50 per square foot of constructed commercial building. The fees are due and payable pursuant to the Fee Resolution as follows: i) residential lots purchased prior to January 1, 2007, are due on the date that the water connection permit for a building improvement is issued, ii) fees on residential lots purchased after January 1, 2007, are due on the date of conveyance of such lots, and iii) commercial building fees are due on the date of issuance of water connection permit. The fees are paid or remitted to the District to be applied to fund the costs of construction, completion, maintenance, or replacement of the Facilities, including the payment of the Bonds used for financing the facilities. In 2024, the District received \$0 in Facility Fee Revenue.

Reata South Metropolitan District

Notes to Financial Statements  
December 31, 2024

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 (“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. No distributions were made during the year ended December 31, 2024.

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’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 South Metropolitan District

Notes to Financial Statements  
December 31, 2024

On November 1, 2005, 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.

9: Interfund and Operating Transfers

The transfer of \$90,617 from the General Fund to Capital Projects Fund was transferred for the purpose of purchasing a water tap for new irrigation.

10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements:

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

- 1) capital improvements used in government activities are not financial resources and, therefore, are not reported in the funds; and
- 2) unamortized debt insurance, deferred cost on refunding and original issue premium are not financial resources and, therefore are not reported in the funds; and,
- 3) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) governmental funds report capital outlays as expenditures, however, in the Statement of Activities, the costs of those assets are depreciated over their useful lives;
- 2) 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.

SUPPLEMENTAL INFORMATION

Reata South Metropolitan District

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

For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,965,609	\$ 1,969,077	\$ 3,468
Specific ownership taxes	118,586	147,230	28,644
Interest income	<u>120,000</u>	<u>192,920</u>	<u>72,920</u>
Total Revenues	<u>2,204,195</u>	<u>2,309,227</u>	<u>105,032</u>
EXPENDITURES			
Interest expense	1,055,369	1,055,369	-
Trustee fees	10,000	3,500	6,500
Treasurers fees	<u>29,484</u>	<u>29,645</u>	<u>(161)</u>
Total Expenditures	<u>1,094,853</u>	<u>1,088,514</u>	<u>6,339</u>
NET CHANGE IN FUND BALANCE	1,109,342	1,220,713	111,371
FUND BALANCE:			
BEGINNING OF YEAR	<u>3,293,581</u>	<u>3,384,547</u>	<u>90,966</u>
END OF YEAR	<u>\$ 4,402,923</u>	<u>\$ 4,605,260</u>	<u>\$ 202,337</u>

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

## Reata South Metropolitan District

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital improvements	<u>100,000</u>	<u>90,617</u>	<u>9,383</u>
Total Expenditures	<u>100,000</u>	<u>90,617</u>	<u>9,383</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(100,000)	(90,617)	9,383
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	<u>100,000</u>	<u>90,617</u>	<u>(9,383)</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>90,617</u>	<u>(9,383)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

## Reata South Metropolitan District

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

December 31, 2024

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2007	\$ 4,434,170	45.000	0.000	\$ 199,538	\$ 199,537	100.00%
2008	\$ 8,303,900	10.000	40.000	\$ 415,195	\$ 418,548	100.81%
2009	\$ 20,390,300	10.000	40.000	\$1,019,515	\$ 890,706	87.37%
2010	\$ 26,229,470	10.000	40.000	\$1,311,474	\$ 1,311,471	100.00%
2011	\$ 26,792,560	10.000	40.000	\$1,339,628	\$ 1,339,855	100.02%
2012	\$ 15,678,560	5.000	50.000	\$ 862,321	\$ 848,895	98.44%
2013	\$ 16,021,120	5.000	50.000	\$ 881,162	\$ 875,070	99.31%
2014	\$ 14,280,955	5.000	50.000	\$ 785,453	\$ 771,288	98.20%
2015	\$ 14,237,820	5.000	50.000	\$ 783,080	\$ 783,080	100.00%
2016	\$ 14,596,380	5.000	50.000	\$ 802,801	\$ 802,801	100.00%
2017	\$ 14,827,420	5.000	50.000	\$ 815,508	\$ 815,509	100.00%
2018	\$ 13,063,460	5.266	52.664	\$ 756,766	\$ 756,766	100.00%
2019	\$ 14,312,600	5.291	52.916	\$ 833,094	\$ 747,012	89.67% (1)
2020	\$ 22,372,410	5.274	52.734	\$1,297,780	\$ 1,295,197	99.80%
2021	\$ 23,756,390	5.305	53.054	\$1,386,400	\$ 1,382,093	99.69%
2022	\$ 27,264,750	5.321	53.214	\$1,595,942	\$ 1,595,942	100.00%
2023	\$ 28,899,210	5.411	54.124	\$1,720,515	\$ 1,694,163	98.47%
2024	\$ 34,483,760	5.411	57.001	\$2,152,201	\$ 1,694,163	78.72%
Estimated for year ending December 31, 2025	\$ 37,107,970	10.000	40.000	\$1,855,399		

**NOTES:**

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.

(1) In 2019, there were some abatements within the boundaries of the District resulting in a net reduction of revenue by \$84,735.