

TALLYN'S REACH AUTHORITY

Financial Statements

Period Ended December 31, 2018

with

Independent Auditors' Report

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Board of Directors  
Tallyn's Reach Authority  
Arapahoe 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 Tallyn's Reach Authority (the "Authority") as of and for the period ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Tallyn's Reach Authority as of December 31, 2018, and the respective changes in the financial position and the respective budgetary comparison for the general fund for the period 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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority'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*

July 16, 2019

**TALLYN'S REACH AUTHORITY**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2018

|                                      | <u>General</u>      | <u>Capital<br/>Projects</u> | <u>Total</u>        | <u>Adjustments</u>   | <u>Statement<br/>of<br/>Net Position</u> |
|--------------------------------------|---------------------|-----------------------------|---------------------|----------------------|------------------------------------------|
| <b>ASSETS</b>                        |                     |                             |                     |                      |                                          |
| Cash and investments                 | \$ 800,642          | \$ -                        | \$ 800,642          | \$ -                 | \$ 800,642                               |
| Cash and investments - restricted    | -                   | 26,724                      | 26,724              | -                    | 26,724                                   |
| Accounts receivable:                 |                     |                             |                     |                      |                                          |
| Assessments                          | 41,211              | -                           | 41,211              | -                    | 41,211                                   |
| Due from District No. 2              | 516,752             | -                           | 516,752             | -                    | 516,752                                  |
| Capital assets not being depreciated | -                   | -                           | -                   | 44,392,980           | 44,392,980                               |
| Capital assets, net of depreciation  | <u>-</u>            | <u>-</u>                    | <u>-</u>            | <u>801,158</u>       | <u>801,158</u>                           |
| Total Assets                         | <u>\$ 1,358,605</u> | <u>\$ 26,724</u>            | <u>\$ 1,385,329</u> | <u>45,194,138</u>    | <u>46,579,467</u>                        |
| <b>LIABILITIES</b>                   |                     |                             |                     |                      |                                          |
| Accounts payable                     | <u>\$ 78,805</u>    | <u>\$ -</u>                 | <u>\$ 78,805</u>    | <u>-</u>             | <u>78,805</u>                            |
| Total Liabilities                    | <u>78,805</u>       | <u>-</u>                    | <u>78,805</u>       | <u>-</u>             | <u>78,805</u>                            |
| <b>FUND BALANCES/NET POSITION</b>    |                     |                             |                     |                      |                                          |
| Fund Balances:                       |                     |                             |                     |                      |                                          |
| Restricted:                          |                     |                             |                     |                      |                                          |
| Capital projects                     | -                   | 26,724                      | 26,724              | (26,724)             | -                                        |
| Unassigned                           | <u>1,279,800</u>    | <u>-</u>                    | <u>1,279,800</u>    | <u>(1,279,800)</u>   | <u>-</u>                                 |
| Total Fund Balances                  | <u>1,279,800</u>    | <u>26,724</u>               | <u>1,306,524</u>    | <u>(1,306,524)</u>   | <u>-</u>                                 |
| Total Liabilities and Fund Balances  | <u>\$ 1,358,605</u> | <u>\$ 26,724</u>            | <u>\$ 1,385,329</u> |                      |                                          |
| Net Position:                        |                     |                             |                     |                      |                                          |
| Net investment in capital assets     |                     |                             |                     | 45,194,138           | 45,194,138                               |
| Restricted for:                      |                     |                             |                     |                      |                                          |
| Capital projects                     |                     |                             |                     | 26,724               | 26,724                                   |
| Unrestricted                         |                     |                             |                     | <u>1,279,800</u>     | <u>1,279,800</u>                         |
| Total Net Position                   |                     |                             |                     | <u>\$ 46,500,662</u> | <u>\$ 46,500,662</u>                     |

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

## TALLYN'S REACH AUTHORITY

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

For the Period Ended December 31, 2018

|                                     | <u>General</u>      | <u>Capital<br/>Project</u> | <u>Total</u>        | <u>Adjustments</u>   | <u>Statement<br/>of<br/>Activities</u> |
|-------------------------------------|---------------------|----------------------------|---------------------|----------------------|----------------------------------------|
| <b>EXPENDITURES</b>                 |                     |                            |                     |                      |                                        |
| Administration                      | \$ 200,198          | \$ -                       | \$ 200,198          | \$ -                 | \$ 200,198                             |
| Grounds expenses                    | 522,700             | -                          | 522,700             | -                    | 522,700                                |
| Recreation expenses                 | 139,165             | -                          | 139,165             | -                    | 139,165                                |
| Utilities expenses                  | 461,113             | -                          | 461,113             | -                    | 461,113                                |
| Depreciation                        | -                   | -                          | -                   | 48,555               | 48,555                                 |
| Total Expenditures                  | <u>1,323,176</u>    | <u>-</u>                   | <u>1,323,176</u>    | <u>48,555</u>        | <u>1,371,731</u>                       |
| <b>PROGRAM REVENUES</b>             |                     |                            |                     |                      |                                        |
| General operations fees             | 654,330             | -                          | 654,330             | -                    | 654,330                                |
| Sanctuary assessments               | 94,860              | -                          | 94,860              | -                    | 94,860                                 |
| Legal/late/collection income        | 15,620              | -                          | 15,620              | -                    | 15,620                                 |
| Penalties                           | 15,926              | -                          | 15,926              | -                    | 15,926                                 |
| Processing fees                     | 1,200               | -                          | 1,200               | -                    | 1,200                                  |
| Clubhouse rental                    | 13,455              | -                          | 13,455              | -                    | 13,455                                 |
| Total Program Revenues              | <u>795,391</u>      | <u>-</u>                   | <u>795,391</u>      | <u>-</u>             | <u>795,391</u>                         |
| Net Program Income (Expense)        | (527,785)           | -                          | (527,785)           | (48,555)             | (576,340)                              |
| <b>GENERAL REVENUES</b>             |                     |                            |                     |                      |                                        |
| Transfer from District No. 1        | 1,532,585           | 23,991                     | 1,556,576           | 45,242,693           | 46,799,269                             |
| Transfer from District No. 2        | 275,000             | -                          | 275,000             | -                    | 275,000                                |
| Interest income                     | -                   | 2,733                      | 2,733               | -                    | 2,733                                  |
| Total General Revenues              | <u>1,807,585</u>    | <u>26,724</u>              | <u>1,834,309</u>    | <u>45,242,693</u>    | <u>47,077,002</u>                      |
| <b>NET CHANGES IN FUND BALANCES</b> | 1,279,800           | 26,724                     | 1,306,524           | (1,306,524)          |                                        |
| <b>CHANGES IN NET POSITION</b>      |                     |                            |                     | 46,500,662           | 46,500,662                             |
| <b>FUND BALANCES/NET POSITION</b>   |                     |                            |                     |                      |                                        |
| BEGINNING OF YEAR                   | <u>-</u>            | <u>-</u>                   | <u>-</u>            | <u>-</u>             | <u>-</u>                               |
| END OF YEAR                         | <u>\$ 1,279,800</u> | <u>\$ 26,724</u>           | <u>\$ 1,306,524</u> | <u>\$ 45,194,138</u> | <u>\$ 46,500,662</u>                   |

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

## TALLYN'S REACH AUTHORITY

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

For the Period Ended December 31, 2018

|                                                              | Original & Final<br><u>Budget</u> | <u>Actual</u> | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|--------------------------------------------------------------|-----------------------------------|---------------|-----------------------------------------------|
| <b>REVENUES</b>                                              |                                   |               |                                               |
| General operations fees                                      | \$ 1,006,632                      | \$ 654,330    | \$ (352,302)                                  |
| Sanctuary assessments                                        | 71,145                            | 94,860        | 23,715                                        |
| Legal/late/collection income                                 | 1,500                             | 15,620        | 14,120                                        |
| Penalties                                                    | -                                 | 15,926        | 15,926                                        |
| Processing fees                                              | 1,500                             | 1,200         | (300)                                         |
| Clubhouse rental                                             | 6,750                             | 13,455        | 6,705                                         |
| Pool keys                                                    | 1,500                             | -             | (1,500)                                       |
| Miscellaneous income                                         | 1,500                             | -             | (1,500)                                       |
| Interest income                                              | 450                               | -             | (450)                                         |
| Transfer from District No. 1                                 | -                                 | 1,532,585     | 1,532,585                                     |
| Transfer from District No. 2                                 | 206,250                           | 275,000       | 68,750                                        |
| Total Revenues                                               | 1,297,227                         | 2,602,976     | 1,305,749                                     |
| <b>EXPENDITURES</b>                                          |                                   |               |                                               |
| Administration                                               | 168,762                           | 200,198       | (31,436)                                      |
| Grounds expenses                                             | 494,000                           | 522,700       | (28,700)                                      |
| Recreation expenses                                          | 131,750                           | 139,165       | (7,415)                                       |
| Utilities expenses                                           | 405,900                           | 461,113       | (55,213)                                      |
| Miscellaneous                                                | 10,000                            | -             | 10,000                                        |
| Emergency reserve                                            | 36,312                            | -             | 36,312                                        |
| Contingency                                                  | 87,000                            | -             | 87,000                                        |
| Reserve for Repairs - prior year                             | 750,000                           | -             | 750,000                                       |
| Reserve for Repairs - current year                           | 450,000                           | -             | 450,000                                       |
| Total Expenditures                                           | 2,533,724                         | 1,323,176     | 1,210,548                                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (1,236,497)                       | 1,279,800     | 2,516,297                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                   |               |                                               |
| Transfer to/from other funds                                 | 6,750                             | -             | (6,750)                                       |
| Total Other Financing Sources (Uses)                         | 6,750                             | -             | (6,750)                                       |
| <b>NET CHANGE IN FUND BALANCE</b>                            | (1,229,747)                       | 1,279,800     | 2,509,547                                     |
| <b>FUND BALANCE:</b>                                         |                                   |               |                                               |
| BEGINNING OF YEAR                                            | 1,229,747                         | -             | (1,229,747)                                   |
| END OF YEAR                                                  | \$ -                              | \$ 1,279,800  | \$ 1,279,800                                  |

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

# TALLYN'S REACH AUTHORITY

## Notes to Financial Statements December 31, 2018

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Tallyn's Reach Authority, located in Arapahoe 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 Tallyn's Reach Authority ("Authority") was established on February 12, 2018, pursuant to the Tallyn's Reach Authority Establishment Agreement whereby the Tallyn's Reach Metropolitan District No. 2 ("District No. 2") and Tallyn's Reach Metropolitan District No. 3 ("District No. 3") agreed to establish the Authority. The Authority was organized for the purpose of planning, financing, designing, constructing, installing, operating, maintaining, repairing and replacing public improvements and facilities and providing services to the residents of the Tallyn's Reach districts. Tallyn's Reach Metropolitan District No. 1 ("District No. 1"), District No. 2 and District No. 3 were originally organized on November 6, 1998, as quasi-municipal organizations established under the State of Colorado Special District Act. All three districts are governed by the same Service Plan, which provides that District No. 1 is the "Operating District" and District No. 2 and District No. 3 are the "Taxing Districts". District No. 1 was established to provide water, street, traffic and safety control, television relay and translator, transportation, parks and recreation and sanitation improvements that benefit the citizens of the District. The Taxing Districts are to provide funding to the Operating District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. As of May 9, 2018, District No. 1 assigned all of its assets, liabilities, rights and obligations to the Authority after which District No.1 was dissolved. The Authority's primary revenues are homeowner assessments and other fees. The Taxing Districts' primary revenues are property taxes. The Authority is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority 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.



# TALLYN'S REACH AUTHORITY

## Notes to Financial Statements December 31, 2018

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

The Authority 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.

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 Authority. The statement of net position reports all financial and capital resources of the Authority. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the Authority 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.

# TALLYN'S REACH AUTHORITY

## Notes to Financial Statements December 31, 2018

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 Authority 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 Authority reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for 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 non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the Authority'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 Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

### Assets, Liabilities and Net Position

#### Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2018, 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.

## TALLYN'S REACH AUTHORITY

### Notes to Financial Statements December 31, 2018

#### Deposits and Investments

The Authority'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. Investments for the government are reported at fair value.

The Authority 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.

During 2018, upon the dissolution of District No. 1, all cash and investments of District No. 1 were transferred to the Authority. (See Note 6)

#### Estimates

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority 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 Authority has no items that qualify for reporting in this category.

#### 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 Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

# TALLYN'S REACH AUTHORITY

## Notes to Financial Statements December 31, 2018

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 Authority 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:

|                      |          |
|----------------------|----------|
| Parks and recreation | 25 years |
|----------------------|----------|

During 2018, upon the dissolution of District No. 1, all capital assets of District No. 1 were transferred to the Authority (see Note 6).

### 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. As of December 31, 2018, the Authority had no long-term debt.

### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

### Nonspendable Fund Balance

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

### 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 Capital Projects Fund in the amount of \$26,724 is restricted for the payment of the costs for capital improvements within the Authority.

## TALLYN'S REACH AUTHORITY

Notes to Financial Statements  
December 31, 2018

### 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 Authority intends to use for a specific purpose. Intent can be expressed by the Authority'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, all funds can report negative amounts.

For the classification of Governmental Fund balances, the Authority considers an expenditure to be made from the most restrictive first when more than one classification is available.

### Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority 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 Authority.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority will use the most restrictive net position first.

TALLYN'S REACH AUTHORITY

Notes to Financial Statements  
December 31, 2018

Note 2: Cash and Investments

As of December 31, 2018, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

|                                   |                   |
|-----------------------------------|-------------------|
| Cash and investments              | \$ 800,642        |
| Cash and investments – Restricted | <u>26,724</u>     |
| Total                             | \$ <u>827,366</u> |

Cash and investments as of December 31, 2018, consist of the following:

|                                      |                   |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 631,063        |
| Investments - COLOTRUST              | <u>196,303</u>    |
|                                      | \$ <u>827,366</u> |

Deposits

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 Authority follows state statutes for deposits. None of the Authority's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The Authority has not adopted a formal investment policy; however the Authority follows state statutes regarding 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 Authority's investments are subject to custodial or concentration of credit risk.

## TALLYN'S REACH AUTHORITY

Notes to Financial Statements  
December 31, 2018

### Interest Rate Risk

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

### 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. The Authority's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value (NAV) per share.

As of December 31, 2018, the Authority had the following investments:

### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's and the maturity is weighted average under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the Authority had \$196,303 invested in COLOTRUST.

During 2018, upon the dissolution of District No. 1, all cash and investments of District No. 1 were transferred to the Authority. (See Note 6)

TALLYN'S REACH AUTHORITY

Notes to Financial Statements  
December 31, 2018

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2018, follows:

| <u>Governmental Activities:</u>              | <u>Balance<br/>1/1/2018</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Balance<br/>12/31/2018</u> |
|----------------------------------------------|-----------------------------|---------------------|------------------|-------------------------------|
| <u>Capital assets not being depreciated:</u> |                             |                     |                  |                               |
| Construction in progress                     | \$ -                        | \$44,392,980        | \$ -             | \$ 44,392,980                 |
| Total capital assets not being depreciated   | -                           | 44,392,980          | -                | 44,392,980                    |
| <u>Capital assets being depreciated:</u>     |                             |                     |                  |                               |
| Recreation center and pool                   | -                           | 1,820,820           | -                | 1,820,820                     |
| Total capital assets                         | -                           | 1,820,820           | -                | 1,820,820                     |
| Accumulated Depreciation                     | -                           | 1,019,662           | -                | 1,019,662                     |
| Net capital assets being depreciated         | -                           | 801,158             | -                | 801,158                       |
| Government type assets, net                  | <u>\$ -</u>                 | <u>\$45,194,138</u> | <u>\$ -</u>      | <u>\$ 45,194,138</u>          |

Upon completion and acceptance, all fixed assets except for the recreation center, some community landscape, and the pool will be conveyed by the Authority to the City of Aurora and/or other local governments. The Authority will not be responsible for the maintenance of the improvements to be conveyed.

During 2018, upon the dissolution of District No. 1, all capital assets of District No. 1 were transferred to the Authority. (See Note 6)

Note 4: 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.



## TALLYN'S REACH AUTHORITY

### Notes to Financial Statements December 31, 2018

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 Authority's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 7, 2000, a majority of the electors of District Nos. 1-3 authorized District Nos. 1-3 to collect and spend or retain in a reserve all currently levied taxes and fees without regard to any limitations under Article X, Section 20 of the Colorado Constitution. The Authority does not levy taxes. The Tallyn's Reach Authority Establishment Agreement, dated May 9, 2018, provides that the Authority may impose, spend and reserve fees for facilities, services and programs furnished by the Authority.

#### Note 5: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority 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 Authority 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 Authority 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 Authority 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.

## TALLYN'S REACH AUTHORITY

### Notes to Financial Statements December 31, 2018

Note 6: District & Authority Agreements

District Facilities Construction and Service Agreement

On January 1, 2002, and as amended on December 17, 2003 and February 13, 2007, District No. 1 entered into a District Facilities Construction and Service Agreement with District No. 2 and District No. 3. The agreement states that District No. 2 and District No. 3 will pay District No. 1 for the capital costs of designing, acquiring, construction, operation and maintenance of the District facilities. The amendment states that until such time as any bonds issued by the Taxing Districts are discharged, all remaining obligations of the Taxing Districts to make payments to the Operating District will be fully subordinate to the bonds. The agreement allows District No. 1 to establish various fees. (See Note 7)

On May 13, 2008, the First Amendment to the Amended and Restated District Facilities Construction and Service Agreement was approved which reaffirmed that the maximum amounts of authorized service and capital costs are not permitted to exceed the Service Plan aggregate of \$66,350,000.

This agreement was terminated by District Nos. 1, 2 and 3 on May 9, 2018, through the Termination of the District Facilities Construction and Service Agreement.

Tallyn's Reach Authority Establishment Agreement

On February 12, 2018, Tallyn's Reach Metropolitan District No. 2 and Tallyn's Reach Metropolitan District No. 3 (collectively "the Districts") entered into the Tallyn's Reach Authority Establishment Agreement for the purpose of establishing the Tallyn's Reach Authority which is organized for the purpose of planning, financing, designing, constructing, installing, operating, maintaining, repairing and replacing public improvements and facilities and providing services to the residents of the Districts. During 2018 District No. 1 assigned all of its assets, liabilities, rights and obligations to the Authority after which District No.1 was dissolved.

Note 7: Development and Operations Fees

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

On August 24, 1999, and as amended and/or restated in 2000, 2001, 2002, 2003, 2005, 2007, 2010 and 2012, District Nos. 1, 2 and 3 entered into a Joint Resolution Concerning the Imposition of District Development Fees which authorized District No. 1 to impose a development fee due not later than thirty days after the date upon which a building permit is issued to a buyer by the City of Aurora. The fee was initially set in 2001 at \$3,000 per detached single family residence. Various multi-family rates also apply. The fee can increase by 5% per year. Late in 2017, the fee for 2018 was set at \$6,850.

## TALLYN'S REACH AUTHORITY

### Notes to Financial Statements December 31, 2018

The resolution also established a General Operations Fee which is to be used to cover the costs associated with the operation and maintenance of Tallyn's Reach facilities. On December 9, 2014, District Nos. 1, 2 and 3 approved an Amended and Restated Joint Resolution Regarding the Imposition of District Fees which further clarified the fees and established a schedule of fees for 2015 which is adjusted on an annual basis. For 2018, the operations fee remained at \$62 per month for single family residences.

Pursuant to the Tallyn's Reach Authority Establishment Agreement, the Authority is authorized to impose development fees, which remained at \$6,850 for single family detached units during 2018. During the period ended December 31, 2018, the Authority earned no development fees.

Pursuant to the Tallyn's Reach Authority Establishment Agreement, the Authority is also now authorized to impose General Operations fees. During the period ended December 31, 2018, the Authority collected \$654,330 of these fees including late fee charges.

#### Note 8: 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.

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 held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives.

## SUPPLEMENTAL INFORMATION

# TALLYN'S REACH AUTHORITY

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Period Ended December 31, 2018

|                                   | Original & Final<br><u>Budget</u> | <u>Actual</u>    | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|-----------------------------------|-----------------------------------|------------------|-----------------------------------------------|
| <b>REVENUES</b>                   |                                   |                  |                                               |
| Interest income                   | \$ 2,000                          | \$ 2,733         | \$ 733                                        |
| Transfer from District No. 1      | <u>50,000</u>                     | <u>23,991</u>    | <u>(26,009)</u>                               |
| Total Revenues                    | <u>52,000</u>                     | <u>26,724</u>    | <u>(25,276)</u>                               |
| <b>EXPENDITURES</b>               |                                   |                  |                                               |
| Miscellaneous                     | 1,000                             | -                | 1,000                                         |
| Capital improvements              | <u>51,000</u>                     | <u>-</u>         | <u>51,000</u>                                 |
| Total Expenditures                | <u>52,000</u>                     | <u>-</u>         | <u>52,000</u>                                 |
| <b>NET CHANGE IN FUND BALANCE</b> | -                                 | 26,724           | 26,724                                        |
| <b>FUND BALANCE:</b>              |                                   |                  |                                               |
| BEGINNING OF YEAR                 | <u>-</u>                          | <u>-</u>         | <u>-</u>                                      |
| END OF YEAR                       | <u>\$ -</u>                       | <u>\$ 26,724</u> | <u>\$ 26,724</u>                              |

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

TALLYN'S REACH AUTHORITY

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL -  
GENERAL FUND  
For the Period Ended December 31, 2018

| EXPENDITURES                       | Original & Final |           | Variance                   |
|------------------------------------|------------------|-----------|----------------------------|
|                                    | Budget           | Actual    | Favorable<br>(Unfavorable) |
| <u>Administration</u>              |                  |           |                            |
| Accounting                         | \$ 18,000        | \$ 21,093 | \$ (3,093)                 |
| Administrative                     | 11,250           | 13,245    | (1,995)                    |
| Auditing                           | 9,500            | 9,570     | (70)                       |
| Bank Charges                       | 262              | 112       | 150                        |
| Bad Debts                          | -                | 1,551     | (1,551)                    |
| CAI Fees                           | 1,500            | -         | 1,500                      |
| Elections                          | 2,000            | 31,826    | (29,826)                   |
| Insurance and Bonds                | 26,500           | -         | 26,500                     |
| Legal Collections                  | 11,250           | 15,243    | (3,993)                    |
| Legal                              | 52,500           | 48,804    | 3,696                      |
| Property management                | 36,000           | 47,010    | (11,010)                   |
| District mapping services          | -                | 7,650     | (7,650)                    |
| Miscellaneous                      | -                | 4,094     | (4,094)                    |
| Total Administration               | 168,762          | 200,198   | (31,436)                   |
| <u>Grounds expenses</u>            |                  |           |                            |
| Flag maintenance                   | 2,500            | 486       | 2,014                      |
| Fountain maintenance               | 1,500            | 1,003     | 497                        |
| Seasonal décor                     | 12,000           | 12,000    | -                          |
| Lighting/electrical repairs        | 1,500            | 3,595     | (2,095)                    |
| Landscape contract                 | 225,000          | 264,736   | (39,736)                   |
| Irrigation repairs                 | 50,000           | 127,444   | (77,444)                   |
| Pest control                       | 1,000            | 6,350     | (5,350)                    |
| Common area maintenance            | 90,000           | -         | 90,000                     |
| Retaining walls                    | 2,000            | -         | 2,000                      |
| Tree and shrub maintenance         | 65,000           | 7,325     | 57,675                     |
| Planting/foundation beds           | 10,000           | 94,904    | (84,904)                   |
| Landscape improvements             | 10,000           | -         | 10,000                     |
| Snow removal                       | 13,500           | 4,710     | 8,790                      |
| Signage                            | 10,000           | 147       | 9,853                      |
| Total Grounds expenses             | 494,000          | 522,700   | (28,700)                   |
| <u>Recreation expenses</u>         |                  |           |                            |
| Pool contacts                      | 60,750           | 98,372    | (37,622)                   |
| Pool repairs                       | 25,000           | 3,797     | 21,203                     |
| Pool chemicals                     | 5,000            | 6,455     | (1,455)                    |
| Pool furniture                     | 5,000            | 138       | 4,862                      |
| Pool equipment                     | -                | 1,561     | (1,561)                    |
| Kiddie pool                        | 5,000            | -         | 5,000                      |
| Clubhouse and district management  | -                | 13,000    | (13,000)                   |
| Storage building                   | 2,000            | -         | 2,000                      |
| Security system                    | 2,625            | 2,434     | 191                        |
| Clubhouse main supplies            | 2,250            | 1,329     | 921                        |
| Indoor building maint              | 7,500            | 4,623     | 2,877                      |
| Outside building maint             | 7,500            | -         | 7,500                      |
| Janitorial/housekeeping            | 5,250            | 4,658     | 592                        |
| Playground equipment               | 800              | -         | 800                        |
| Telephone/access control           | 3,075            | 2,798     | 277                        |
| Total Recreation expenses          | 131,750          | 139,165   | (7,415)                    |
| <u>Utilities expenses</u>          |                  |           |                            |
| Water/sewer                        | 396,100          | 451,582   | (55,482)                   |
| Gas/electric                       | 9,800            | 9,531     | 269                        |
| Total Utilities expenses           | 405,900          | 461,113   | (55,213)                   |
| Miscellaneous                      | 10,000           | -         | 10,000                     |
| Emergency reserve                  | 36,312           | -         | 36,312                     |
| Contingency                        | 87,000           | -         | 87,000                     |
| Reserve for Repairs - prior year   | 750,000          | -         | 750,000                    |
| Reserve for Repairs - current year | 450,000          | -         | 450,000                    |
| Total Expenditures                 | 2,533,724        | 1,323,176 | 1,210,548                  |

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