

NORTH RANGE METROPOLITAN DISTRICT NO. 1
Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Independent Auditor's Report

Members of the Board of Directors
North Range Metropolitan District No. 1
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major funds of North Range Metropolitan District No. 1 as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of North Range Metropolitan District No. 1, as of December 31, 2016 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.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the special revenue funds, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. This 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. Such 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Range Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such 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.



Littleton, Colorado
June 12, 2017

BASIC FINANCIAL STATEMENTS

NORTH RANGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Investments	\$ 77,783
Investments - Restricted	2,477,673
Receivables - County Treasurer	21,785
Property taxes receivable	3,827,218
Due from other governments	165,975
Total assets	<u>6,570,434</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of refunding	<u>513,238</u>
Total deferred outflows of resources	<u>513,238</u>
LIABILITIES	
Accrued interest payable	107,931
Noncurrent liabilities:	
Due within one year	999,655
Due in more than one year	46,778,449
Total liabilities	<u>47,886,035</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>3,827,218</u>
Total deferred inflows of resources	<u>3,827,218</u>
NET POSITION	
Restricted for:	
Emergency reserve	33,700
Debt service	2,351,686
HOA Fund	165,975
Unrestricted	(47,180,942)
Total net position	<u>\$ (44,629,581)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Government activities:					
General government	\$ 32,656	\$ -	\$ -	\$ -	\$ (32,656)
Intergovernmental	10,962,317	293,858	-	-	(10,668,459)
Interest on long-term debt and related costs	4,528,119	-	-	-	(4,528,119)
	<u>\$ 15,523,092</u>	<u>\$ 293,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(15,229,234)</u>
General revenues:					
Property taxes					3,692,745
Specific ownership taxes					304,756
Net investment income					19,097
Total general revenues					<u>4,016,598</u>
Change in net position					(11,212,636)
Net position - Beginning					<u>(33,416,945)</u>
Net position - Ending					<u>\$ (44,629,581)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Special Revenue		Total Governmental Funds
			HOA	Subdistrict	
ASSETS					
Investments	\$ 1,813	\$ -	\$ -	\$ 75,970	\$ 77,783
Investments - Restricted	33,700	2,443,973	-	-	2,477,673
Receivables - County Treasurer	6,098	15,644	-	43	21,785
Property taxes receivable	1,071,173	2,748,468	-	7,577	3,827,218
Due from other governments	-	-	165,975	-	165,975
TOTAL ASSETS	\$ 1,112,784	\$ 5,208,085	\$ 165,975	\$ 83,590	\$ 6,570,434
DEFERRED INFLOWS OF RESOURCES					
Property tax revenue	1,071,173	2,748,468	-	7,577	3,827,218
Total deferred inflows of resources	1,071,173	2,748,468	-	7,577	3,827,218
FUND BALANCES					
Restricted for:					
Emergency reserve (TABOR)	33,700	-	-	-	33,700
Debt service	-	2,459,617	-	-	2,459,617
Assigned	-	-	165,975	76,013	241,988
Unassigned	7,911	-	-	-	7,911
Total fund balance	41,611	2,459,617	165,975	76,013	2,743,216
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,112,784	\$ 5,208,085	\$ 165,975	\$ 83,590	

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

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Deferred cost on refunding	513,238
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not in the funds.	
Accrued interest payable	(107,931)
Bonds payable	(37,615,000)
Bonds premium	(235,932)
Developer advance payable	(9,927,172)
Net position of governmental activities	<u>\$ (44,629,581)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General Fund</u>	<u>Debt Service</u>	<u>Special Revenue</u>		<u>Total Governmental Funds</u>
			<u>HOA</u>	<u>Subdistrict</u>	
REVENUES					
Property taxes	\$ 1,033,614	\$ 2,651,868	\$ -	\$ 7,263	\$ 3,692,745
Specific ownership taxes	85,312	218,843	-	601	304,756
Intergovernmental	-	-	293,858	-	293,858
Net investment income	2,874	15,744	-	479	19,097
Total revenues	<u>1,121,800</u>	<u>2,886,455</u>	<u>293,858</u>	<u>8,343</u>	<u>4,310,456</u>
EXPENDITURES					
County Treasurer's fees	15,516	39,809	-	109	55,434
Miscellaneous	-	-	-	-	-
Transfer to Reunion General Fund	1,332,775	-	-	-	1,332,775
Audit	4,200	-	-	-	4,200
Directors' fees	500	-	-	-	500
Insurance and bonds	4,485	-	-	-	4,485
Legal services	6,660	-	-	-	6,660
Payroll expense	38	-	-	-	38
Memberships	1,148	-	-	-	1,148
HOA operations	-	-	304,592	-	304,592
Debt service					
Principal - Bonds	-	310,000	-	-	310,000
Interest - Bonds	-	821,010	-	-	821,010
Transfer from Reunion MD	-	9,324,950	-	-	9,324,950
Refunding escrow payment	-	27,885,308	-	-	27,885,308
Cost of issuance	-	447,904	-	-	447,904
Total expenditures	<u>1,365,322</u>	<u>38,828,981</u>	<u>304,592</u>	<u>109</u>	<u>40,499,004</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(243,522)</u>	<u>(35,942,526)</u>	<u>(10,734)</u>	<u>8,234</u>	<u>(36,188,548)</u>
OTHER FINANCING SOURCES (USES)					
Developer advance	250,000	-	-	-	250,000
Bond issuance	-	37,925,000	-	-	37,925,000
Bond premium	-	239,951	-	-	239,951
Developer advance repayment	-	(2,175,050)	-	-	(2,175,050)
Total other financing sources	<u>250,000</u>	<u>35,989,901</u>	<u>-</u>	<u>-</u>	<u>36,239,901</u>
NET CHANGE IN FUND BALANCE	6,478	47,375	(10,734)	8,234	51,353
FUND BALANCES - BEGINNING OF YEAR	<u>35,133</u>	<u>2,412,242</u>	<u>176,709</u>	<u>67,779</u>	<u>2,691,863</u>
FUND BALANCES - END OF YEAR	<u>\$ 41,611</u>	<u>\$ 2,459,617</u>	<u>\$ 165,975</u>	<u>\$ 76,013</u>	<u>\$ 2,743,216</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ 51,353
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The issuance of long-term debt (e.g., Bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Bond issuance	(37,925,000)
Bond principal payment	310,000
Bond premium	(239,951)
Developer advance	(250,000)
Refunding principal payment	26,705,000
Developer advance repayment	2,175,050

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond premium - 2016 Bonds	4,019
Amortization of loss on refunding - 2016 Bonds	(35,673)
Loss on Bond refunding - 2016 Bonds	548,911
Removal of prior cost of refunding - 2007 Bonds	(2,223,605)
Removal of prior issuance bond discount -2007 Bonds	(158,792)
Removal of prior issuance bond premium - 2007	271,085
Accrued bond interest - Change in liability	(56,021)
Unpaid interest on Developer advance payable added to principal	<u>(389,012)</u>

Changes in net position of governmental activities	<u><u>\$ (11,212,636)</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 1,035,012	\$ 1,033,614	\$ (1,398)
Specific ownership taxes	82,800	85,312	2,512
Net investment income	600	2,874	2,274
Total revenues	<u>1,118,412</u>	<u>1,121,800</u>	<u>3,388</u>
EXPENDITURES			
County Treasurer's fees	15,500	15,516	(16)
Transfer to Reunion General Fund	1,337,800	1,332,775	5,025
Payroll expense	-	38	(38)
Audit	4,200	4,200	-
Directors' fees	1,000	500	500
Insurance and bonds	2,300	4,485	(2,185)
Legal services	5,000	6,660	(1,660)
Memberships	1,200	1,148	52
Miscellaneous expense	1,000	-	1,000
Total expenditures	<u>1,368,000</u>	<u>1,365,322</u>	<u>2,678</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(249,588)</u>	<u>(243,522)</u>	<u>6,066</u>
OTHER FINANCING SOURCES			
Developer advance	250,000	250,000	-
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	412	6,478	6,066
FUND BALANCES - BEGINNING OF YEAR	<u>36,035</u>	<u>35,133</u>	<u>(902)</u>
FUND BALANCES - END OF YEAR	<u>\$ 36,447</u>	<u>\$ 41,611</u>	<u>\$ 5,164</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

North Range Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by Court Order and Decree of the District Court on December 27, 2000, and is governed pursuant to provisions of the Colorado Special District Act, Title 32, Article 1, Colorado Revised Statutes. The District's service area is located within the City of Commerce City, Adams County, Colorado. The District was organized in conjunction with North Range Metropolitan District Nos. 2, 3, 4, and 5 (collectively, NRMD's), and the Reunion Metropolitan District (Reunion). Reunion and the NRMD's have entered into intergovernmental agreements whereby Reunion provides the construction for street improvements, storm drainage improvements, safety protection facilities, water and wastewater improvements, sanitation, park and recreation, transportation and mosquito control. The service plan anticipates that Reunion will be responsible for managing the construction, operation and maintenance of such improvements and facilities and that the NRMD's will provide the necessary funding to Reunion.

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

The District has no employees and contracts for all of its management and professional services.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The major sources of revenue susceptible to accrual are property taxes and development fees due from Reunion. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Special Revenue Fund - HOA accounts for all financial resources directly related to the operation of Reunion's HOA as the result of an intergovernmental agreement. HOA fees and expenditures are booked in detail in the financial statements of Reunion. The District only records corresponding intergovernmental revenues and expenditures equal to the total amount recorded by Reunion.

The Special Revenue Fund - Subdistrict is used to account for the accumulation of resources for, and the payment of expenditures related to the maintenance of property located within the sub district.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting, unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2016.

Pooled Cash

The District follows the practice of pooling cash and investments of all funds to maximize interest earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. 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.

Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Amortization

Original Issue Premium and Original Issue Discount

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 reports the unamortized deferred cost of refunding in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Investments	\$ 77,783
Investments - Restricted	<u>2,477,673</u>
Total cash and investments	<u>\$ 2,555,456</u>

Deposits with Financial Institutions

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

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

At December 31, 2016, the District did not have any cash deposits.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors; such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements 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; and 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.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 1,833,177
Colorado Surplus Asset Fund Trusts (CSAFE)	Weighted average under 60 days	722,277
First American Government Obligations Fund	Weighted average under 60 days	<u>2</u>
		<u>\$ 2,555,456</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which 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 a custodian agreement. 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 custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

First American Government Obligation Fund

The debt service money that is included in the trust accounts at U.S. Bank is invested in the First American Government Obligation Fund. This portfolio is a money market mutual fund which invests in U.S. Government Securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 43 days or less and repurchase agreements collateralized by U.S. Government Securities. The Fund is rated AAAM by Standard & Poor's.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

The details of the District's long-term obligations are as follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirements/ Refunding</u>	<u>Balance at December 31, 2016</u>	<u>Current Portion</u>	<u>Final Maturity Date</u>
Governmental Activities:						
General obligation bonds payable:						
Series 2007	\$ 26,705,000	\$ -	\$ 26,705,000	\$ -	\$ -	
Series 2016A	-	25,745,000	310,000	25,435,000	990,000	
Series 2016B	-	12,180,000	-	12,180,000	-	
Premium	271,085	239,951	275,104	235,932	9,655	
Discount	(158,792)	-	(158,792)	-	-	
Total bonds payable	<u>26,817,293</u>	<u>38,164,951</u>	<u>27,131,312</u>	<u>37,850,932</u>	<u>999,655</u>	
Developer advance payable:						
Series 2001	353,007	13,450	-	366,457	-	12/31/2031
Series 2002	330,726	12,601	-	343,327	-	12/31/2032
Series 2003	817,677	31,153	-	848,830	-	12/31/2033
Series 2004	1,201,318	45,770	-	1,247,088	-	12/31/2034
Series 2005	1,236,874	47,125	-	1,283,999	-	12/31/2035
Series 2006	1,248,230	47,558	-	1,295,788	-	12/31/2036
Series 2007	821,124	31,285	-	852,409	-	12/31/2037
Series 2008	877,654	33,439	-	911,093	-	12/31/2038
Series 2009	819,228	31,213	-	850,441	-	12/31/2039
Series 2011	427,349	16,282	-	443,631	-	12/31/2041
Series 2012	412,622	15,721	-	428,343	-	12/31/2042
Series 2013	266,825	10,166	-	276,991	-	12/31/2043
Series 2014	258,313	9,842	-	268,155	-	12/31/2044
Series 2015	250,290	9,536	-	259,826	-	12/31/2045
Series 2016	-	250,794	-	250,794	-	12/31/2046
Debt service reserve advances	2,141,973	33,077	2,175,050	-	-	Various
Total Developer advance payable	<u>11,463,210</u>	<u>639,012</u>	<u>2,175,050</u>	<u>9,927,172</u>	<u>-</u>	
	<u>\$ 38,280,503</u>	<u>\$ 38,803,963</u>	<u>\$ 29,306,362</u>	<u>\$ 47,778,104</u>	<u>\$ 999,655</u>	

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 – LONG TERM OBLIGATIONS (CONTINUED)

Series 2007 - Limited Tax General Obligation Refunding Bonds

The outstanding Series 2007 Limited Tax General Obligation Refunding bonds, dated February 13, 2007, in the original amount of \$35,300,000 are comprised of:

- . Various serial bonds with maturities from 2010 through 2019 with rates from 4.0% to 5.0%
- . Term bonds due December 15, 2021, at a fixed rate of 5.0%
- . Term bonds due December 15, 2024, at a fixed rate of 5.0%
- . Term bonds due December 15, 2027, at a fixed rate of 4.5%
- . Term bonds due December 15, 2031, at a fixed rate of 4.5%

The bonds are subject to mandatory sinking fund redemption provisions by lot beginning in 2021. Interest is payable semi-annually on June 15 and December 15. The bonds maturing on and after December 15, 2017, are callable on any date with 60 days notice at the option of the District beginning December 15, 2016, at par.

During 2016, all of the Series 2007 Bonds were advance refunded and defeased (debt legally satisfied) through the issuance of the Series 2016A Bonds (see below). The District reduced its total debt service payments over the next 19 years by almost \$3,028,800 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,770,410. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$27,885,308 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in their entirety from the remaining funds in the escrow account. As of December 31, 2016, the outstanding principal balance of the defeased bonds is \$-0-.

Series 2016A - Taxable /Tax Exempt Refunding Bonds

On June 3, 2016, the District issued its Series 2016A Bonds in the principal amount of \$25,745,000. The proceeds of which were used to advance refund the Series 2007 Bonds and pay the costs of issuance of the Series 2016A Bonds. The Series 2016A Bonds have a final maturity date of December 1, 2035. The principal amount of the Series 2016A Bonds is expected to fully amortize and be subject to mandatory sinking fund payments prior to their final maturity date. The Series 2016A Bonds were issued as taxable bonds bearing interest at the rate of 4.61% and converted to tax exempt on December 1, 2016, and will bear a rate of 3.23% thereafter. The Series 2016A Bonds are secured by a pledge of the District's unlimited debt service mill levy, specific ownership taxes collected as a result of the imposition of such unlimited debt service mill levy, and any other legally available funds. The Series 2016A Bonds will also be secured by the Series 2016A Debt Service Surplus Fund which has a maximum Surplus amount of \$1,280,000.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 – LONG TERM OBLIGATIONS (CONTINUED)

Series 2016B - General Obligation Bonds

On June 3, 2016, the District issued its Series 2016B Bonds in the principal amount of \$12,800,000. The proceeds from the sale of the Series 2016B Bonds will be used to prepay and cancel the 2007 Repayment Obligation incurred under the 2007 Advance and Reimbursement Agreement, finance the costs of certain public improvements, fund the Debt Service Surplus Fund, and pay the costs of issuing the Series 2016B Bonds. The Series 2016B Bonds are term bonds with the first term due December 1, 2038, and bearing interest of 3.50% and the second term bonds due December 1, 2045 and bearing and interest rate of 5.00%. The Series 2016B Bonds are secured by a pledge of the District's unlimited debt service mill levy, specific ownership taxes collected as a result of the imposition of such unlimited debt service mill levy, and any other legally available funds. The Series 2016B Bonds will also be secured by the Series 2016B Debt Service Surplus Fund which has a maximum Surplus amount of \$720,000.

Amended and Restated Advance and Reimbursement Agreement

As additional security for the 2007 bonds, the District has entered into an Amended and Restated Advance and Reimbursement Agreement on February 1, 2007, pursuant to which Shea Homes Limited Partnership (Developer) is required, on an annual basis, to deposit any amounts necessary to replenish the Reserve Fund to the Reserve Fund Requirement within 10 business days after it receives notice from the Trustee, which occurs subsequent to year end, until such time as it is released from the obligation which occurs when Pledged revenue covers 100% of debt service expenditures. During the year ended December 31, 2015, the District exceeded the coverage requirement and the Developer was released of this requirement. Additionally, all amounts due and owing under this agreement were repaid with the issuance of the 2016 Bonds.

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 990,000	\$ 1,295,176	\$ 2,285,176
2018	1,025,000	1,263,199	2,288,199
2019	1,055,000	1,230,091	2,285,091
2020	1,090,000	1,196,015	2,286,015
2021	1,125,000	1,160,808	2,285,808
2022 - 2026	6,200,000	5,234,750	11,434,750
2027 - 2031	7,255,000	4,167,235	11,422,235
2032 - 2036	7,695,000	2,917,387	10,612,387
2037 - 2041	5,760,000	1,619,175	7,379,175
2042 - 2046	5,420,000	482,475	5,902,475
	<u>\$ 37,615,000</u>	<u>\$ 20,566,311</u>	<u>\$ 58,181,311</u>

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 – LONG TERM OBLIGATIONS (CONTINUED)

Operations Funding Agreement

The District has entered into annual Operations Funding Agreements with Reunion and the Developer. The agreements provide that the Developer will advance to the District funds required to be paid to Reunion for the District’s share of budgeted operations and maintenance expense that cannot otherwise be paid from other available funding, including property taxes.

The Operations Funding Agreement advances are obligations approved on an annual basis as identified in the table due on December 31, thirty years after the year of issuance. Interest accrues at variable rates based on LIBOR plus 3% with a maximum interest rate of 18% due semi-annually June 1 and December 1. Cumulative interest that could not be paid as of the above dates was, pursuant to terms of the agreement, added to the principal. The advances on the Operations Funding Agreements may be prepaid at any date at the par amount plus any accrued interest.

Debt Authorization

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,036,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts for the following purposes:

	Authorized November 7, 2000 Election	Authorization Used, Series 2001 Bonds	Authorization Used, Series 2007 Bonds	Authorization Used, Series 2016A Bonds	Authorization Used, Series 2016B Bonds	Remaining at December 31, 2016
Streets	\$ 110,168,085	\$ 27,955,000	\$ -	\$ -	\$ 11,147,000	\$ 71,066,085
Parks and recreation	39,221,657	2,590,000	-	-	1,033,000	35,598,657
Water	35,963,127	-	-	-	-	35,963,127
Sewer	94,647,131	-	-	-	-	94,647,131
Transportation	20,000,000	-	-	-	-	20,000,000
Television relay	20,000,000	-	-	-	-	20,000,000
Mosquito control	2,000,000	-	-	-	-	2,000,000
Fire protection	20,000,000	-	-	-	-	20,000,000
Refunding	342,000,000	-	4,755,000	25,745,000	-	311,500,000
Intergovernmental	342,000,000	-	-	-	-	342,000,000
Reimbursement	10,000,000	-	-	-	-	10,000,000
	<u>\$ 1,036,000,000</u>	<u>\$ 30,545,000</u>	<u>\$ 4,755,000</u>	<u>\$ 25,745,000</u>	<u>\$ 12,180,000</u>	<u>\$ 962,775,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$280,000,000.

In the future, the District may issue a portion of all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District’s service area.

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016**

NOTE 5 - NET POSITION

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted a net position as of December 31, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergency reserve	\$ 33,700
Debt service	2,351,686
HOA Fund	214,665
Total restricted net position	\$ 2,600,051

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

NOTE 6 - RELATED PARTIES

Developer

The Developer of the property which constitutes the District is Shea Homes Limited Partnership. A majority of the members of the Board of Directors are employees, owners, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 7 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS

Facilities Agreement

The District, Reunion, and North Range Metropolitan Districts Nos. 2, 3, 4 and 5 entered into a Facilities Funding, Construction and Operations Agreement dated March 12, 2002 (the Facilities Agreement). Pursuant to the Facilities Agreement, Reunion has agreed to construct, acquire, own, operate, and maintain certain public improvements and services for the NRMD's and to conduct and manage the finances of the NRMD's, all in a manner that is expected to result in cost savings and efficiencies and in the fair and equitable allocation of capital costs and

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

operating and maintenance expenditures. The District has agreed to either issue bonds or to provide property tax revenues to Reunion to support bonds issued by Reunion to fund the District's fair and equitable share of capital expenditures for public infrastructure in the Reunion development.

In 2016, the Districts terminated the Facilities Agreement and entered into the Mill Levy Equalization and Pledge Agreement and the District Operating Services Agreement.

Mill Levy Equalization and Pledge Agreement payment to Reunion

On June 3, 2016, the District entered into a Mill Levy Equalization and Pledge Agreement (MLEPA) with Reunion, District No. 2, District No. 3, and District No. 4 (collectively, the "MLEPA Districts" and individually, a "MLEPA District") in order to promote the integrated plan of development set forth in the Service Plans for the MLEPA Districts. The MLEPA is intended to ensure an equitable allocation among the MLEPA Districts of the costs of acquiring, installing, constructing, designing, administering, financing, operating, and maintaining streets, water, sanitation and various other public improvements (collectively, the "Public Improvements") and services, as well as covenant enforcement services within Reunion.

Pursuant to the MLEPA, each applicable North Range District agrees to impose an Equalization Mill Levy consisting of the Debt Service Mill Levy plus the Operations and Maintenance Mill Levy in order to pay the Developer Debt, the Senior Bonds (Series 2016A and 2016B), and the operations and maintenance costs of the Districts. The MLEPA generally defines the term "Developer Debt" as (i) amounts owed to the Developer by any applicable North Range District for advancing of guaranty payments on the Senior Bonds, for the provision of Public Improvements or for advancing of amounts to fund operations shortfalls and (ii) any other repayment obligations incurred by the MLEPA Districts in connection with advances made by the Developer to the MLEPA Districts for the purpose of paying the costs of designing, acquiring, installing, and constructing the Public Improvements or paying the operations and maintenance costs of the MLEPA Districts. The MLEPA defines the term "Senior Bonds" as all bonds issued by the applicable North Range Districts (now or in the future) which bonds shall be senior to any obligations of the applicable North Range District under the MLEPA as to the Developer Debt.

The District has levied the required operations and debt services mill levies under the MLEPA and will transfer Surplus Debt Mill Levy Revenues to Reunion to administer payment on Developer Debt accordingly.

District Operating Services Agreement

On June 3, 2016 the District entered into the (the "District Operating Services Agreement") with all Districts that are a party to the MLEPA as previously described. While the MLEPA sets forth the terms on which the District imposes the Equalization Mill Levy and transfers specified proceeds thereof to the Reunion District, the District Operating Services sets forth the obligations of Reunion with respect to such proceeds and with respect to its role as the "Service District", as contemplated by the MLEPA Districts Service Plan. The District Operating Services Agreement states that, pursuant to the MLEPA Districts Service Plan, the MLEPA Districts are intended to coordinate their efforts with respect to all activities authorized by the MLEPA

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Districts Service Plan, including, without limitation, management and administration, structuring of financing, construction, and operations and maintenance of the Regional Public Improvements necessary and appropriate for the development of Reunion (defined as the "Public Improvements" for purposes of the District Operating Services Agreement), with Reunion acting on behalf of the applicable North Range Districts to lead such coordination.

In order to facilitate such coordination, the District Operating Services Agreement requires that Reunion provide Administrative Services and O&M Services to the applicable North Range Districts on the condition that the applicable North Range Districts observe and perform certain covenants and agreements, and are not otherwise in default under the District Operating Services Agreement. "Administrative Services" as defined by the District Operating Services Agreement, includes, among other services, coordination of board meetings and financial reporting, insurance and election administration, budget preparation, supervision of contractors, investment oversight, coordination of professional services, and obtaining any and all governmental and/or administrative approvals necessary to the provision of the Public Improvements. "O&M Services" as defined by the District Operating Services Agreement includes the provision of the administrative services, and ownership, operation and maintenance of certain Public Improvements along with the Covenant Services. The District Operating Service Agreement also states that the Reunion District may provide architectural review and covenant enforcement services to property within the MLEPA Districts for the benefit of the MLEPA Districts through an agreement with an owners association, or as set forth in a declaration of covenants, conditions or restrictions, or similar instrument, as otherwise permitted by Title 32, C.R.S.

The District Operating Services Agreement further authorizes the Reunion District to establish from time to time a fair and equitable fee to provide a source of funding to pay for the O&M Services. Each applicable North Range District acknowledges in the District Operating Services Agreement that the Reunion District will make determinations as to the appropriate User Fees on an annual basis, taking into account mill levy revenues received under the MLEPA in each fiscal year. They further acknowledge that they shall be responsible for any and all costs, fees, charges and expenses incurred by the Reunion District in providing the Administrative Services and O&M Services through the imposition of the Operations and Maintenance Mill Levy, as well as the Debt Service Mill Levy to the extent the Reunion District borrows revenues to pay the Operating Services. In the event revenues from the Operations and Maintenance Mill Levy received by the Reunion District under the MLEPA are not appropriated by the applicable North Range Districts or are otherwise insufficient to pay the Costs for whatever reason, the Reunion District may impose User Fees to pay all such Costs in accordance with the District Operating Services Agreement. The Reunion District agrees to apply revenues from the Operations and Maintenance Mill Levy received by it under the MLEPA to pay the Costs of the Operating Services in accordance with the MLEPA and the District Operating Services Agreement.

System Development Fee Pledge Agreement

Reunion has agreed to impose and collect certain system development fees on all property within the development and to use the revenue collected from those fees to fund public infrastructure within the development. A portion of the system development fees collected by Reunion from property within the District, up to a maximum of \$7,853,750, is pledged to pay the bonds. During the current year, the District did not record system development fees. Cumulative system development fees totaled \$5,499,973 as of December 31, 2016.

NORTH RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

No amounts were received by the District in 2016 as the pledge was removed with the refunding of 2007 bonds.

NOTE 9 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's 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.

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

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.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
SPECIAL REVENUE FUND - HOA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 198,350	\$243,350	\$ 293,858	\$ 50,508
Total revenues	<u>198,350</u>	<u>243,350</u>	<u>293,858</u>	<u>50,508</u>
EXPENDITURES				
HOA operations	204,616	310,000	304,592	5,408
Total expenditures	<u>204,616</u>	<u>310,000</u>	<u>304,592</u>	<u>5,408</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,266)	(66,650)	(10,734)	55,916
FUND BALANCES - BEGINNING OF YEAR	<u>155,117</u>	<u>155,117</u>	<u>176,709</u>	<u>21,592</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 148,851</u></u>	<u><u>\$ 88,467</u></u>	<u><u>\$ 165,975</u></u>	<u><u>\$ 77,508</u></u>

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
SPECIAL REVENUE FUND - SUBDISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 7,296	\$ 7,263	\$ (33)
Specific ownership taxes	600	601	1
Net investment income	90	479	389
Total revenues	<u>7,986</u>	<u>8,343</u>	<u>357</u>
EXPENDITURES			
County Treasurer's fees	100	109	(9)
Intergovernmental funding	3,100	-	3,100
Total expenditures	<u>3,200</u>	<u>109</u>	<u>3,091</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,786	8,234	3,448
FUND BALANCES - BEGINNING OF YEAR	<u>64,654</u>	<u>67,779</u>	<u>3,125</u>
FUND BALANCES - END OF YEAR	<u>\$ 69,440</u>	<u>\$ 76,013</u>	<u>\$ 6,573</u>

SUPPLEMENTARY INFORMATION

NORTH RANGE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 2,655,454	\$ 2,655,454	\$ 2,651,868	\$ (3,586)
Specific ownership tax	212,400	212,400	218,843	6,443
Net investment income	1,500	1,500	15,744	14,244
System development fees	434,565	-	-	-
Total revenues	<u>3,303,919</u>	<u>2,869,354</u>	<u>2,886,455</u>	<u>17,101</u>
EXPENDITURES				
County Treasurer's fees	39,800	39,800	39,809	(9)
Bond principal - Series 2007	1,150,000	-	-	-
Bond principal - Series 2016A	-	365,000	310,000	55,000
Bond interest - Series 2007	1,245,850	-	-	-
Bond interest - Series 2016A	-	742,436	586,829	155,607
Bond interest - Series 2016B	-	342,188	234,181	108,007
Transfer to Reunion MD	-	9,330,000	9,324,950	5,050
Refunding escrow payment	-	27,863,950	27,885,308	(21,358)
Cost of issuance	-	437,990	447,904	(9,914)
Paying agent fees	7,700	10,000	-	10,000
Contingency	-	61,576	-	61,576
Total expenditures	<u>2,443,350</u>	<u>39,192,940</u>	<u>38,828,981</u>	<u>302,383</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>860,569</u>	<u>(36,323,586)</u>	<u>(35,942,526)</u>	<u>381,060</u>
OTHER FINANCING SOURCES				
Bond issuance	-	36,970,000	37,925,000	955,000
Bond premium	-	1,154,731	239,951	(914,780)
Developer advance repayment	(853,505)	(2,170,000)	(2,175,050)	(5,050)
Total other financing sources	<u>(853,505)</u>	<u>35,954,731</u>	<u>35,989,901</u>	<u>35,170</u>
NET CHANGE IN FUND BALANCE	7,064	(368,855)	47,375	416,230
FUND BALANCES - BEGINNING OF YEAR	<u>2,423,975</u>	<u>2,423,975</u>	<u>2,412,242</u>	<u>(11,733)</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,431,039</u>	<u>\$ 2,055,120</u>	<u>\$ 2,459,617</u>	<u>\$ 404,497</u>

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$27,745,000 G.O. Refunding Bonds
Series 2016A
Dated June 3, 2016
Principal due December 1
Interest Rate 3.23% to 4.61% Payable
June 1 and December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 990,000	\$ 821,551	\$ 1,811,551
2018	1,025,000	789,574	1,814,574
2019	1,055,000	756,466	1,811,466
2020	1,090,000	722,390	1,812,390
2021	1,125,000	687,183	1,812,183
2022	1,160,000	650,845	1,810,845
2023	1,200,000	613,377	1,813,377
2024	1,240,000	574,617	1,814,617
2025	1,280,000	534,565	1,814,565
2026	1,320,000	493,221	1,813,221
2027	1,360,000	450,585	1,810,585
2028	1,405,000	406,657	1,811,657
2029	1,450,000	361,276	1,811,276
2030	1,495,000	314,441	1,809,441
2031	1,545,000	266,152	1,811,152
2032	1,595,000	216,249	1,811,249
2033	1,645,000	164,730	1,809,730
2034	1,700,000	111,597	1,811,597
2035	1,755,000	56,683	1,811,683
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
	<u>\$ 25,435,000</u>	<u>\$ 8,992,159</u>	<u>\$ 34,427,159</u>

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$12,180,000 G.O. Bonds
Series 2016B
Dated June 3, 2016
Principal due December 1
Interest Rate 3.50% to 5.00% Payable
June 1 and December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 473,625	\$ 473,625
2018	-	473,625	473,625
2019	-	473,625	473,625
2020	-	473,625	473,625
2021	-	473,625	473,625
2022	-	473,625	473,625
2023	-	473,625	473,625
2024	-	473,625	473,625
2025	-	473,625	473,625
2026	-	473,625	473,625
2027	-	473,625	473,625
2028	-	473,625	473,625
2029	-	473,625	473,625
2030	-	473,625	473,625
2031	-	473,625	473,625
2032	-	473,625	473,625
2033	-	473,625	473,625
2034	-	473,625	473,625
2035	-	473,625	473,625
2036	1,000,000	473,625	1,473,625
2037	1,050,000	423,625	1,473,625
2038	1,105,000	371,125	1,476,125
2039	1,160,000	315,875	1,475,875
2040	1,200,000	275,275	1,475,275
2041	1,245,000	233,275	1,478,275
2042	1,285,000	189,700	1,474,700
2043	1,330,000	144,725	1,474,725
2044	1,380,000	98,175	1,478,175
2045	1,425,000	49,875	1,474,875
	<u>\$ 12,180,000</u>	<u>\$ 11,574,150</u>	<u>\$ 23,754,150</u>

NORTH RANGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 990,000	\$ 1,295,176	\$ 2,285,176
2018	1,025,000	1,263,199	2,288,199
2019	1,055,000	1,230,091	2,285,091
2020	1,090,000	1,196,015	2,286,015
2021	1,125,000	1,160,808	2,285,808
2022	1,160,000	1,124,470	2,284,470
2023	1,200,000	1,087,002	2,287,002
2024	1,240,000	1,048,242	2,288,242
2025	1,280,000	1,008,190	2,288,190
2026	1,320,000	966,846	2,286,846
2027	1,360,000	924,210	2,284,210
2028	1,405,000	880,282	2,285,282
2029	1,450,000	834,901	2,284,901
2030	1,495,000	788,066	2,283,066
2031	1,545,000	739,777	2,284,777
2032	1,595,000	689,874	2,284,874
2033	1,645,000	638,355	2,283,355
2034	1,700,000	585,222	2,285,222
2035	1,755,000	530,308	2,285,308
2036	1,000,000	473,625	1,473,625
2037	1,050,000	423,625	1,473,625
2038	1,105,000	371,125	1,476,125
2039	1,160,000	315,875	1,475,875
2040	1,200,000	275,275	1,475,275
2041	1,245,000	233,275	1,478,275
2042	1,285,000	189,700	1,474,700
2043	1,330,000	144,725	1,474,725
2044	1,380,000	98,175	1,478,175
2045	1,425,000	49,875	1,474,875
	<u>\$37,615,000</u>	<u>\$ 20,566,309</u>	<u>\$58,181,309</u>

**NORTH RANGE METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31</u>		Assessed Valuation for Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
<u>Assessment Year</u>	<u>Collection Year</u>			<u>Levied</u>	<u>Collected</u>	
2011	2012	\$ 36,530,420	69.400	\$ 2,535,211	\$ 2,519,972	99.40%
2012	2013	\$ 37,563,640	73.400	\$ 2,757,171	\$ 2,755,983	99.96%
2013	2014	\$ 36,324,600	77.400	\$ 2,811,524	\$ 2,784,786	99.05%
2014	2015	\$ 37,288,170	79.870	\$ 2,978,206	\$ 2,978,441	100.01%
2015	2016	\$ 46,205,910	79.870	\$ 3,690,466	\$ 3,685,482	99.86%
Estimated 2016	2017	\$ 47,820,240	79.870	\$ 3,819,641		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.

Property taxes collected from the Subdistrict are not included in the above analysis.