

**NORTH RANGE METROPOLITAN  
DISTRICT NO. 2  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019**

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
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YEAR ENDED DECEMBER 31, 2019**

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## Independent Auditor's Report

To the Board of Directors  
North Range Metropolitan District No. 2

We have audited the accompanying financial statements of the governmental activities and the major funds of North Range Metropolitan District No. 2 as of and for the year ended December 31, 2019 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. 2, as of December 31, 2019 and the respective changes in financial position and the budgetary comparison for the General Fund and Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

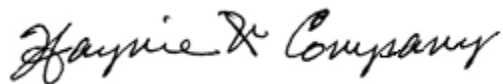
### *Required Supplementary Information*

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.

### *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. 2'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 15, 2020

## **BASIC FINANCIAL STATEMENTS**

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Investments	\$ 12,645
Investments - Restricted	5,006,177
Receivable from County Treasurer	8,993
Due from Other Governments	148,111
Property Taxes Receivable	2,179,764
Total Assets	7,355,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Refunding	662,873
Total Deferred Outflows of Resources	662,873
<b>LIABILITIES</b>	
Due to Other Governments	3,144
Retainage Payable	54,791
Accrued Interest Payable	147,247
Noncurrent Liabilities:	
Due in More Than One Year	40,420,361
Total Liabilities	40,625,543
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	2,179,764
Total Deferred Inflows of Resources	2,179,764
<b>NET POSITION</b>	
Restricted for:	
Emergency	10,100
Debt Service	874,469
Capital Projects	57,669
Unrestricted	(35,728,982)
Total Net Position	\$ (34,786,744)

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Governmental Activities:					
General Government	\$ 13,241	\$ -	\$ -	\$ -	\$ (13,241)
Intergovernmental	467,603	49,606	-	-	(417,997)
Interest on Long-Term Debt and Related costs	2,530,272	-	-	1,674,506	(855,766)
Transfer of Assets to Reunion MD	1,155,493	-	-	-	(1,155,493)
	<u>\$ 4,166,609</u>	<u>\$ 49,606</u>	<u>\$ -</u>	<u>\$ 1,674,506</u>	<u>(2,442,497)</u>
<b>GENERAL REVENUES</b>					
Property Taxes					1,443,464
Specific Ownership Taxes					114,780
Net Investment Income					107,132
Total General Revenues					<u>1,665,376</u>
<b>CHANGE IN NET POSITION</b>					(777,121)
Net Position - Beginning of Year					<u>(34,009,623)</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ (34,786,744)</u>

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

<b>ASSETS</b>	General	Special Revenue Fund Carriage Homes	Debt Service	Capital Projects Service	Total Governmental Funds
Investments	\$ 12,645	\$ -	\$ -	\$ -	\$ 12,645
Investments - Restricted	10,100	-	4,883,617	112,460	5,006,177
Accounts Receivable	-	-	-	-	-
Receivable from County Treasurer	2,522	-	6,471	-	8,993
Due from Other Governments	-	-	148,111	-	148,111
Property Taxes Receivable	600,327	-	1,579,437	-	2,179,764
Total Assets	\$ 625,594	\$ -	\$ 6,617,636	\$ 112,460	\$ 7,355,690
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to Other Governments	\$ 3,144	\$ -	\$ -	\$ -	\$ 3,144
Retainage Payable	-	-	-	54,791	54,791
Total Liabilities	3,144	-	-	54,791	57,935
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Tax Revenue	600,327	-	1,579,437	-	2,179,764
Total Deferred Inflows of Resources	600,327	-	1,579,437	-	2,179,764
<b>FUND BALANCES</b>					
Restricted for:					
Emergency Reserve (TABOR)	10,100	-	-	-	10,100
Debt Service	-	-	5,038,199	-	5,038,199
Capital Projects	-	-	-	57,669	57,669
Unassigned	12,023	-	-	-	12,023
Total Fund Balances	22,123	-	5,038,199	57,669	5,117,991
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 625,594	\$ -	\$ 6,617,636	\$ 112,460	

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 of Refunding	662,873
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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.

Bonds Payable	(37,631,000)
Accrued Bond Interest Payable	(1,563,730)
Developer Advance Payable	(1,211,910)
Developer Advance Payable - Interest	(160,968)
	(39,567,608)

Net Position of Governmental Activities	\$ (34,786,744)
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See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General Fund	Special Revenue Fund - Carriage Homes	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 404,801	\$ -	\$ 1,038,663	\$ -	\$ 1,443,464
Specific Ownership Tax	32,189	-	82,591	-	114,780
Net Investment Income	1,942	-	86,659	18,531	107,132
System Development Fees	-	-	1,064,000	-	1,064,000
Sales Tax Sharing	-	-	255,025	-	255,025
Impact Fees	-	-	355,481	-	355,481
Carriage Home Fees	-	49,606	-	-	49,606
Total Revenues	438,932	49,606	2,882,419	18,531	3,389,488
<b>EXPENDITURES</b>					
Current:					
County Treasurer's Fee	6,073	-	-	-	6,073
Audits	2,700	-	-	-	2,700
Dues and Memberships	608	-	-	-	608
Insurance and Bonds	3,860	-	-	-	3,860
Intergovernmental - Reunion Operations	417,997	49,606	-	-	467,603
Debt Service:					
County Treasurer's Fee	-	-	15,583	-	15,583
Paying Agent Fees	-	-	5,500	-	5,500
Bond interest - Series 2017A	-	-	1,766,969	-	1,766,969
Capital Projects:					
NR#2 Filing 19, 23 ,25 & 26 Improvements	-	-	-	1,155,493	1,155,493
Total Expenditures	431,238	49,606	1,788,052	1,155,493	3,424,389
<b>NET CHANGE IN FUND BALANCE</b>	7,694	-	1,094,367	(1,136,962)	(34,901)
Fund Balances - Beginning of Year	14,429	-	3,943,832	1,194,631	5,152,892
<b>FUND BALANCES - END OF YEAR</b>	\$ 22,123	\$ -	\$ 5,038,199	\$ 57,669	\$ 5,117,991

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (34,901)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life.

Capital Outlay	1,155,493
Transfer of Assets to Reunion MD	(1,155,493)

The issuance of long-term debt (e.g., bonds, leases) 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.

Interest on Developer Advances	(96,953)
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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 Loss on Refunding - 2017A Bonds	(41,018)
Accrued Bond Interest - Change in Liability	<u>(604,249)</u>

Changes in Net Position of Governmental Activities	<u><u>\$ (777,121)</u></u>
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**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 404,802	\$ 404,801	\$ (1)
Specific Ownership Tax	28,336	32,189	3,853
Net Investment Income	1,000	1,942	942
Total Revenues	<u>434,138</u>	<u>438,932</u>	<u>4,794</u>
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	6,072	6,073	(1)
Intergovernmental - Reunion operations	415,113	417,997	(2,884)
Audit	2,700	2,700	-
Dues and Memberships	650	608	42
Insurance and Bonds	3,800	3,860	(60)
Miscellaneous	2,903	-	2,903
Total Expenditures	<u>431,238</u>	<u>431,238</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,900	7,694	4,794
Fund Balance - Beginning of Year	<u>10,200</u>	<u>14,429</u>	<u>4,229</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 13,100</u>	<u>\$ 22,123</u>	<u>\$ 9,023</u>

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Carriage Home Fees	\$ 60,000	\$ 49,606	\$ (10,394)
Total Revenues	<u>60,000</u>	<u>49,606</u>	<u>(10,394)</u>
<b>EXPENDITURES</b>			
Current:			
Intergovernmental - Reunion operations	60,000	49,606	10,394
Total Expenditures	<u>60,000</u>	<u>49,606</u>	<u>10,394</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

North Range Metropolitan District No. 2 (the 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. 1, 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 may provide the construction for street improvements, storm drainage improvements, safety protection facilities, water and wastewater improvements, sanitation, park and recreation transportation, and mosquito control. NRMD No. 5 is not a party to the District Operating Services Agreement or the Mill Levy Equalization and Pledge Agreement. 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 for the improvements.

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.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide and Fund Financial Statements (Continued)**

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.

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. Development fees are recorded as revenue when received. 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 Special Revenue Fund - Carriage Homes accounts for revenues earned and expenditures incurred in connection with the operation and maintenance of the Carriage Homes Subdistrict.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

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 Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**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.

**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.

**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**

**Cost of Bond Refunding**

In the government-wide financial statements [and proprietary fund types in the fund financial statements], the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflows of resources.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets, which include infrastructure (e.g. streets), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets component of the District's net position.

**Deferred Inflows/Outflows 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred cost of refunding, is deferred, and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes 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:

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance (Continued)**

*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.

*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, 2019, are classified in the accompanying financial statements as follows:

**Note 3 - Cash and Investments**

Statement of Net Assets:

Investments	\$ 12,645
Investments - Restricted	5,006,177
Total Cash and Investments	\$ 5,018,822

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**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, 2019, the District did not have any cash deposits.

**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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 5,018,822</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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019, follows:

	Balance at December 31, 2018	Additions	Retirements/ Transfers	Balance at December 31, 2019
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ -	\$ 1,155,493	\$ 1,155,493	\$ -

The District transferred assets funded by the District to Reunion for operations and maintenance and/or for the dedication to other governmental entities.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Retirements/ Refunding	Balance at December 31, 2019	Current Portion
<b>Governmental Activities:</b>					
General Obligation Bonds Payable:					
Series 2017A	\$ 30,965,000	\$ -	\$ -	\$ 30,965,000	\$ -
Series 2017B	6,666,000	-	-	6,666,000	-
Series 2017B - Unpaid Interest	812,234	604,249	-	1,416,483	-
Facilities Acquisition Agreement -					
Capital	1,211,910	-	-	1,211,910	-
Interest	64,015	96,953	-	160,968	-
	<u>\$ 39,719,159</u>	<u>\$ 701,202</u>	<u>\$ -</u>	<u>\$ 40,420,361</u>	<u>\$ -</u>

The detail of the District's long-term obligations is as follows:

**Series 2017A and 2017B Bonds**

On May 19, 2017, the District issued its 2017A Bonds and its 2017B Bonds in the amounts of \$30,965,000 and \$6,666,000, respectively. The proceeds from the sale of the 2017A Bonds and a prior reserve fund were used to:

- (a) advance refund the District's Limited Tax General Obligation Bonds, Series 2007;
- (b) finance the acquisition, construction, and installation of certain public improvements;
- (c) fund the Reserve Fund;
- (d) fund a portion of the Surplus Fund; and
- (e) pay the costs of issuing the 2017A Bonds and the 2017B Bonds.

The proceeds from the sale of the 2017B Bonds will be used to finance the acquisition, construction, and installation of certain public improvements.

The 2017A Bonds bear interest at rates ranging from 5.625% to 5.750%, payable semi-annually on June 1 and December 1 each year, to the extent of Senior Pledged Revenue available therefor, beginning on December 1, 2017. Annual mandatory sinking fund principal payments on the 2017A Bonds are due on December 1, beginning on December 1, 2023. The 2017A Bonds mature on December 1, 2047.

The 2017B Bonds bear interest rate of 7.75% per annum and payable annually on December 15, but only to the extent of available Subordinate Pledged Revenue. The 2017B Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the 2017B Bonds compounds annually on each December 15.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2017A and 2017B Bonds (Continued)**

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$766,785, which has been deferred and is being amortized over the life of the new debt.

In the event that, on December 15, 2057 any amount of principal of or interest on the 2017B Bonds remains unpaid after application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the 2017B Bonds and the lien of the Subordinate Indenture securing payment thereof is to be deemed discharged.

The 2017A Bonds are secured by and payable solely from and to the extent of the Senior Pledged Revenue, net of any costs of collection, which is defined generally in the 2017A Indenture as:

- (a) the Required Mill Levy;
- (b) the Pledge Agreement Revenue;
- (c) the Specific Ownership Tax Revenue attributable to the Required Mill Levy; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The 2017A Bonds are further secured by amounts on deposit in the Reserve Fund, which will be funded with proceeds of the 2017A Bonds in the amount of \$1,800,000 and by amounts on deposit in the Surplus Fund. A portion of the Surplus Fund will be funded on the date of issuance of the 2017A Bonds in the amount of \$800,000. The remaining portion of the Surplus Fund, up to the Maximum Surplus Amount of \$3,096,500 will be funded with Senior Pledged Revenue to the extent available.

The 2017B Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, net of any costs of collection, which is defined generally in the 2017B Indenture as:

- (a) the Required Subordinate Mill Levy;
- (b) the Specific Ownership Tax Revenue attributable to the Required Subordinate Mill Levy;
- (c) the Excess Senior Pledged Revenue; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2017A and 2017B Bonds (Continued)**

The District's Series 2017A Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 1,766,969	\$ 1,766,969
2021	-	1,766,969	1,766,969
2022	-	1,766,969	1,766,969
2023	235,000	1,766,969	2,001,969
2024	395,000	1,753,750	2,148,750
2025-2029	2,660,000	8,386,531	11,046,531
2030-2034	4,145,000	7,481,750	11,626,750
2035-2039	6,095,000	6,107,037	12,202,037
2040-2044	8,760,000	4,075,601	12,835,601
2045-2047	8,675,000	1,118,951	9,793,951
Total	<u>\$ 30,965,000</u>	<u>\$ 35,991,496</u>	<u>\$ 66,956,496</u>

**Facilities Acquisition Agreement**

On December 19, 2017, The District and the Developer entered in to Facilities Acquisition Agreement whereby the Developer agrees to cause Public Infrastructure to be designed, constructed, and completed subject to the terms and conditions set forth in the Agreement. In order to provide certainty as to the Public Infrastructure that will be constructed by the Developer on behalf of the District, such Public Infrastructure shall be identified in an addendum to the Agreement from time to time, which shall include a description of the Public Infrastructure to be constructed, the estimated cost of the Public Infrastructure, and the estimated completion date of the construction of such Public Infrastructure.

Upon acquisition, the District will become obligated to reimburse the Developer when the Developer has provided an executed Application for Acquisition, and all applicable information required. Interest will accrue at a rate of equal to the Municipal Market Data (MMD) BAA 30 year index, plus 5%, not to exceed a maximum interest rate of 8% simple interest, determined at the time at which the Repayment Obligation is incurred, to accrue from the date any such Repayment Obligation is incurred.

On May 3, 2018 the District approved a resolution recognizing costs in the amount of \$1,580,653. The District immediately reimbursed the Developer in the amount of \$368,743. As of December 31, 2019, outstanding advances under the agreement totaled \$1,211,910 and accrued interest totaled \$160,968.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

On November 7, 2000, and November 4, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,036,000,000 and \$1,180,000,000, respectively, at an interest rate not to exceed 18% per annum. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts for the following purposes:

	Authorized November 7, 2000 Election	Authorized November 4, 2014 Election	Authorization Used, Series 2007 Bonds	Authorization Used, Series 2017 Bonds	Authorization Used, Developer Advances	Remaining at December 31, 2019
Streets	\$ 110,168,085	\$ 88,000,000	\$ 10,880,000	\$ 5,400,000	\$ 3,552,144	\$ 178,335,941
Parks and Recreation	39,221,657	30,000,000	2,620,000	2,700,000	855,388	63,046,269
Sewer	35,963,127	24,000,000	12,875,000	4,916,000	4,203,481	37,968,646
Water	94,647,131	80,000,000	-	-	-	174,647,131
Transportation	20,000,000	12,000,000	-	-	-	32,000,000
Television Relay	20,000,000	12,000,000	-	-	-	32,000,000
Mosquito Control	2,000,000	2,000,000	-	-	-	4,000,000
Fire Protection	20,000,000	12,000,000	-	-	-	32,000,000
Refunding	342,000,000	280,000,000	-	24,615,000	-	597,385,000
Intergovernmental	342,000,000	280,000,000	-	-	-	622,000,000
Operations	-	10,000,000	-	-	40,341	9,959,659
Safety Protection	-	5,000,000	-	-	-	5,000,000
Security	-	5,000,000	-	-	-	5,000,000
Reimbursement	10,000,000	-	-	-	-	10,000,000
Total	<u>\$ 1,036,000,000</u>	<u>\$ 840,000,000</u>	<u>\$ 26,375,000</u>	<u>\$ 37,631,000</u>	<u>\$ 8,651,354</u>	<u>\$ 1,803,342,646</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. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 NET POSITION**

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

The restricted component of net position includes assets that are restricted for use either externally imposed by auditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2019, as follows:

Restricted Net Position:	
Emergency Reserve	\$ 10,100
Debt Service	874,469
Capital Projects	<u>57,669</u>
Total Restricted Net Position	<u><u>\$ 942,238</u></u>

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 conveyed to other governmental entities.

**NOTE 7 RELATED PARTIES**

**Developer**

The Developer of the property which constitutes the District is Shea Homes Limited Partnership. During 2017, Shea Homes sold the undeveloped property to Clayton Properties Group II, Inc. (the New Developer). Shea Homes will continue to develop and construct certain improvements on behalf of the District. The members of the Board of Directors are employees, owners, or otherwise associated with the Developer or the New Developer, and may have conflicts of interest in dealing with the District.

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS**

**Pledge Agreement**

Concurrently with the issuance of the 2017 Bonds, the District, Reunion, and the Trustee entered into a Capital Pledge Agreement dated May 19, 2017 whereby Reunion agrees to pay Pledge Agreement Revenue to the District for payment on the 2017 Bonds. Pledge Agreement Revenue is defined as City Agreement Revenue and System Development Fees.

**City Agreement**

Reunion and the City entered into an Intergovernmental Agreement on February 24, 2003 (as amended, the City Agreement) which sets forth a revenue-sharing arrangement. In consideration of Reunion's financing, construction or acquisition of certain public improvements, the City agreed to pay Reunion certain revenue including, but not limited to, 33% of any City sales tax (not to exceed 33% of a 3% sales tax) collected within the boundaries of the Districts. The City further agreed to pay such sales tax to Reunion for a period of 20 years starting from January 1, 2002.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**City Agreement (Continued)**

The City Agreement also permits Reunion to impose credit fees prior to the issuance of building permits within the Districts with the understanding that the payers of such credit fees to Reunion would receive a credit against Impact Fees otherwise charged by the City at the time of issuance of a building permit. The City currently imposes a Road Impact Fee in the amount of \$1,181 for each single family detached residential unit and in varying amounts for multi-family units and nonresidential property.

Reunion adopted a City Credit Fee Resolution pursuant to which it imposed City Credit Fees on all real property within the boundaries of the Districts equal to the amount of certain currently imposed impact fees, including the Road Impact Fee, charged by the City.

City Credit Fee Revenues is defined in the Pledge Agreement as the revenues collected from the first \$1,181 of each City Credit Fee, which revenues are required to be remitted by Reunion to the District under the Pledge Agreement; provided that if the City Credit Fee is imposed in an amount less than \$1,181, then the full amount of such City Credit Fee shall be remitted by Reunion to the District under the Pledge Agreement. During 2019, the District received \$355,481 in City Credit Fee Revenue.

Sales Tax Revenue is defined in the Pledge Agreement as revenues collected from the Sales Tax collected by the City pursuant to the City Agreement, which revenues shall be remitted by Reunion to the District pursuant to the Pledge Agreement in the following amounts: (a) for the Fiscal Year ending December 31, 2017, the first \$250,000 of Sales Tax received by Reunion for such year; (b) for the Fiscal Year ending December 31, 2018, the first \$252,500 of Sales Tax received by Reunion for such year; (c) for the Fiscal Year ending December 31, 2019, the first \$255,025 of Sales Tax received by Reunion for such year; (d) for the Fiscal Year ending December 31, 2020, the first \$257,575 of Sales Tax received by Reunion for such year; and (e) for the Fiscal Year ending December 31, 2021, the first \$260,151 of Sales Tax received by Reunion for such year; provided that for any Fiscal Year in which Reunion does not receive Sales Tax that is at least equal to the amounts due to the District for such Fiscal Year, as set forth in (a)-(e) above, Reunion shall remit all Sales Tax received for such Fiscal Year to the District. During 2019, the District received \$255,025 in Sales Tax Revenue.

**System Development Fees**

In accordance with a resolution of Reunion (the Reunion SDF Resolution dated December 6, 2001), property in the District is subject to system development fees ("SDFs") imposed and collected by Reunion for the right to connect to or gain access to public infrastructure improvements within the Reunion Development. SDFs are collected by Reunion at the time a building permit is issued, and are charged on a per unit basis. Pursuant to the Pledge Agreement, Reunion has pledged revenues collected from the first \$3,500 of each SDF to the District for the purposes of paying the Bonds. During 2019, the District received \$1,064,000 in SDFs.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Mill Levy Equalization and Pledge Agreement**

On June 3, 2016, the District entered into a Mill Levy Equalization and Pledge Agreement (MLEPA) with Reunion, District No. 1, District No. 3, and District No. 4 (collectively, the MLEPA Districts and individually, an MLEPA District) and was amended on May 1, 2017 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, the Reunion Debt, 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 obligation 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 generally defines the term Senior Bonds as all bonds issued by the North Range Districts, now or in the future, which bonds shall be senior to any obligations of the North Range Districts under the MLEPA. The term Reunion Debt generally means all bonds, agreements or other financial obligations issued or incurred by Reunion or assumed by Reunion from any North Range District, specifically including the 2017 Reunion Bonds.

**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 Reunion, 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 Districts Service Plan, including, without limitation, management and administration, structuring of financing, construction, and operations and maintenance of the 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.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**District Operating Services Agreement (Continued)**

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 Reunion 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 Reunion 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 Reunion 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 Reunion 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 Reunion borrows revenues to pay the Operating Services. In the event revenues from the Operations and Maintenance Mill Levy received by Reunion under the MLEPA are not appropriated by the applicable North Range Districts or are otherwise insufficient to pay the Costs for whatever reason, Reunion may impose User Fees to pay all such Costs in accordance with the District Operating Services Agreement. Reunion 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.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, and November 4, 2014, 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.

## **SUPPLEMENTARY INFORMATION**

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,038,665	\$ 1,038,663	\$ (2)
Specific Ownership Tax	72,707	82,591	9,884
Net Investment Income	55,200	86,659	31,459
System Development Fees	875,000	1,064,000	189,000
Sales Tax Sharing	255,025	255,025	-
Impact Fees	295,250	355,481	60,231
Total Revenues	<u>2,591,847</u>	<u>2,882,419</u>	<u>290,572</u>
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	15,580	15,583	(3)
Bond interest - Series 2017A	1,766,969	1,766,969	-
Contingency	22,395	-	22,395
Paying Agent Fees	10,000	5,500	4,500
Total Expenditures	<u>1,814,944</u>	<u>1,788,052</u>	<u>26,892</u>
<b>NET CHANGE IN FUND BALANCE</b>	776,903	1,094,367	317,464
Fund Balance - Beginning of Year	<u>3,679,163</u>	<u>3,943,832</u>	<u>264,669</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,456,066</u>	<u>\$ 5,038,199</u>	<u>\$ 582,133</u>

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Net Investment Income	\$ 22,000	\$ 18,531	\$ (3,469)
Total Revenues	<u>22,000</u>	<u>18,531</u>	<u>(3,469)</u>
<b>EXPENDITURES</b>			
Capital Projects:			
Contingency	359,145	-	359,145
NR#2 Filing 19, 23 ,25 & 26 Improvements	505,582	1,155,493	(649,911)
ERU Fee	275,916	-	275,916
Connection Fee	46,096	-	46,096
Reunion Phase 3D - Connection Fee	282,849	-	282,849
Reunion Phase 3D - Landscape	1,283,854	-	1,283,854
Total Expenditures	<u>2,753,442</u>	<u>1,155,493</u>	<u>1,597,949</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,731,442)	(1,136,962)	1,594,480
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	937,076	-	(937,076)
Total Other Financing Sources (Uses)	<u>937,076</u>	<u>-</u>	<u>(937,076)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,794,366)	(1,136,962)	657,404
Fund Balance - Beginning of Year	<u>1,794,366</u>	<u>1,194,631</u>	<u>(599,735)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 57,669</u>	<u>\$ 57,669</u>

## **OTHER INFORMATION**

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2019**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		\$30,965,000	
		Limited Tax G.O. and Special Revenue	
		Refunding and Improvement Bonds	
		Series 2017A	
		Dated May 19, 2017	
		Principal due December 1	
		Interest Rates 5.625 - 5.750% Payable	
		June 1 and December 1	
2020	\$ -	\$ 1,766,969	\$ 1,766,969
2021	-	1,766,969	1,766,969
2022	-	1,766,969	1,766,969
2023	235,000	1,766,969	2,001,969
2024	395,000	1,753,750	2,148,750
2025	425,000	1,731,531	2,156,531
2026	495,000	1,707,625	2,202,625
2027	520,000	1,679,781	2,199,781
2028	595,000	1,650,531	2,245,531
2029	625,000	1,617,063	2,242,063
2030	705,000	1,581,906	2,286,906
2031	745,000	1,542,250	2,287,250
2032	835,000	1,500,344	2,335,344
2033	880,000	1,453,375	2,333,375
2034	980,000	1,403,875	2,383,875
2035	1,035,000	1,348,750	2,383,750
2036	1,140,000	1,290,531	2,430,531
2037	1,205,000	1,226,406	2,431,406
2038	1,320,000	1,158,625	2,478,625
2039	1,395,000	1,082,725	2,477,725
2040	1,525,000	1,002,513	2,527,513
2041	1,610,000	914,825	2,524,825
2042	1,755,000	822,250	2,577,250
2043	1,855,000	721,338	2,576,338
2044	2,015,000	614,675	2,629,675
2045	2,130,000	498,813	2,628,813
2046	2,305,000	376,338	2,681,338
2047	4,240,000	243,800	4,483,800
<b>Total</b>	<b>\$ 30,965,000</b>	<b>\$ 35,991,496</b>	<b>\$ 66,956,496</b>

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2019**

Year Ended December 31,		Assessed Valuation for Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
Assessment Year	Collection Year			Levied	Collected	
2014	2015	\$ 5,632,960	79.870	\$ 449,904	\$ 449,904	100.00%
2015	2016	6,806,110	79.870	575,568	576,754	100.21
2016	2017	8,255,490	79.870	659,407	652,035	98.88
2017	2018	12,509,370	88.305	1,104,640	1,100,441	99.62
2018	2019	16,346,370	88.305	1,443,467	1,443,464	99.99
Estimated 2019	2020	\$ 24,684,490	88.305	\$ 2,179,764		

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.