

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


**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
SPECIAL REVENUE FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	7
NOTES TO BASIC FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	25
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	26
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	28
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	29



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of North Range Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Range Metropolitan District No. 2, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Range Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Range Metropolitan District No. 2's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Range Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Range Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

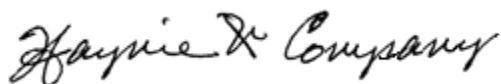
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 opinions on the financial statements that collectively comprise North Range Metropolitan District No. 2's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section, as listed in the table of contents, not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado
June 16, 2021

BASIC FINANCIAL STATEMENTS

NORTH RANGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Investments	\$ 27,328
Investments - Restricted	6,026,321
Receivable from County Treasurer	12,251
Due from Other Governments	107,663
Property Taxes Receivable	2,862,443
Total Assets	9,036,006
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	621,855
Total Deferred Outflows of Resources	621,855
LIABILITIES	
Due to Other Governments	30,420
Accrued Interest Payable	147,247
Noncurrent Liabilities:	
Due in More Than One Year	41,143,706
Total Liabilities	41,321,373
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2,862,443
Total Deferred Inflows of Resources	2,862,443
NET POSITION	
Restricted for:	
Emergency	19,400
Debt Service	1,333,352
Unrestricted	(35,878,707)
Total Net Position	\$ (34,525,955)

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 42,368	\$ -	\$ -	\$ -	\$ (42,368)
Intergovernmental	821,872	161,494	-	-	(660,378)
Interest on Long-Term Debt and Related costs	2,560,503	-	-	1,150,750	(1,409,753)
Transfer of Assets to Reunion MD	1,896	-	-	-	(1,896)
	<u>\$ 3,426,639</u>	<u>\$ 161,494</u>	<u>\$ -</u>	<u>\$ 1,150,750</u>	<u>(2,114,395)</u>
 GENERAL REVENUES					
					2,177,189
					159,968
					38,027
					<u>2,375,184</u>
 CHANGE IN NET POSITION					
					260,789
					<u>(34,786,744)</u>
 NET POSITION - END OF YEAR					
					<u>\$ (34,525,955)</u>

See accompanying Notes to Basic Financial Statements.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Special Revenue Fund - Carriage Homes	Debt Service	Capital Projects Service	Total Governmental Funds
ASSETS					
Investments	\$ 27,328	\$ -	\$ -	\$ -	\$ 27,328
Investments - Restricted	19,400	-	6,006,921	-	6,026,321
Receivable from County Treasurer	3,361	-	8,890	-	12,251
Due from Other Governments	-	-	107,663	-	107,663
Property Taxes Receivable	788,334	-	2,074,109	-	2,862,443
Total Assets	\$ 838,423	\$ -	\$ 8,197,583	\$ -	\$ 9,036,006
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Due to Other Governments	\$ 30,420	\$ -	\$ -	\$ -	\$ 30,420
Total Liabilities	30,420	-	-	-	30,420
 DEFERRED INFLOWS OF RESOURCES					
Property Tax Revenue	788,334	-	2,074,109	-	2,862,443
Total Deferred Inflows of Resources	788,334	-	2,074,109	-	2,862,443
 FUND BALANCES					
Restricted for:					
Emergency Reserve (TABOR)	19,400	-	-	-	19,400
Debt Service	-	-	6,123,474	-	6,123,474
Unassigned	269	-	-	-	269
Total Fund Balances	19,669	-	6,123,474	-	6,143,143
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 838,423	\$ -	\$ 8,197,583	\$ -	

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

621,855

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

(2,190,122)

Developer Advance Payable

(1,211,910)

Developer Advance Payable - Interest

(257,921)

Net Position of Governmental Activities

\$ (34,525,955)

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, 2020

	General	Special Revenue Fund - Carriage Homes	Debt Service	Capital Projects Service	Total Governmental Funds
REVENUES					
Property Taxes	\$ 599,618	\$ -	\$ 1,577,571	\$ -	\$ 2,177,189
Specific Ownership Tax	43,877	-	116,091	-	159,968
Net Investment Income	928	-	37,003	96	38,027
System Development Fees	-	-	717,500	-	717,500
Sales Tax Sharing	-	-	257,575	-	257,575
Impact Fees	-	-	175,675	-	175,675
Carriage Home Fees	-	161,494	-	-	161,494
Total Revenues	<u>644,423</u>	<u>161,494</u>	<u>2,881,415</u>	<u>96</u>	<u>3,687,428</u>
EXPENDITURES					
Current:					
County Treasurer's Fee	8,997	-	-	-	8,997
Audits	2,800	-	-	-	2,800
Dues and Memberships	746	-	-	-	746
Insurance and Bonds	4,934	-	-	-	4,934
Intergovernmental - Reunion Operations	604,509	161,494	-	55,869	821,872
Elections	23,383	-	-	-	23,383
Payroll Taxes	108	-	-	-	108
Director Fees	1,400	-	-	-	1,400
Debt Service:					
County Treasurer's Fee	-	-	23,671	-	23,671
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	-	-	-	1,896	1,896
Total Expenditures	<u>646,877</u>	<u>161,494</u>	<u>1,796,140</u>	<u>57,765</u>	<u>2,662,276</u>
NET CHANGE IN FUND BALANCE	(2,454)	-	1,085,275	(57,669)	1,025,152
Fund Balances - Beginning of Year	<u>22,123</u>	<u>-</u>	<u>5,038,199</u>	<u>57,669</u>	<u>5,117,991</u>
FUND BALANCES - END OF YEAR	<u>\$ 19,669</u>	<u>\$ -</u>	<u>\$ 6,123,474</u>	<u>\$ -</u>	<u>\$ 6,143,143</u>

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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 1,025,152

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	1,896
Transfer of Assets to Reunion MD	(1,896)

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)
--------------------------------	----------

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	(626,392)
	(667,410)

Changes in Net Position of Governmental Activities	\$ 260,789
--	------------

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 600,327	\$ 599,618	\$ (709)
Specific Ownership Tax	48,000	43,877	(4,123)
Net Investment Income	200	928	728
Total Revenues	<u>648,527</u>	<u>644,423</u>	<u>(4,104)</u>
EXPENDITURES			
Current:			
County Treasurer's Fee	9,005	8,997	8
Intergovernmental - Reunion Operations	619,988	604,509	15,479
Audit	2,800	2,800	-
Dues and Memberships	750	746	4
Legal Services	5,000	-	5,000
Director Fees	1,000	1,400	(400)
Insurance and Bonds	4,000	4,934	(934)
Miscellaneous	3,000	-	3,000
Elections	3,000	23,383	(20,383)
Payroll Taxes	77	108	(31)
Total Expenditures	<u>648,620</u>	<u>646,877</u>	<u>1,743</u>
NET CHANGE IN FUND BALANCE	(93)	(2,454)	(2,361)
Fund Balance - Beginning of Year	<u>19,593</u>	<u>22,123</u>	<u>2,530</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,500</u>	<u>\$ 19,669</u>	<u>\$ 169</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, 2020**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Carriage Home Fees	\$ 60,000	\$ 162,000	\$ 161,494	\$ (506)
Total Revenues	<u>60,000</u>	<u>162,000</u>	<u>161,494</u>	<u>(506)</u>
EXPENDITURES				
Current:				
Intergovernmental - Reunion Operations	60,000	162,000	161,494	506
Total Expenditures	<u>60,000</u>	<u>162,000</u>	<u>161,494</u>	<u>506</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<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, 2020

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. 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.

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. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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. 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.

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.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020.

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 outflow of resources.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 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, 2020**

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, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Investments	\$ 27,328
Investments - Restricted	6,026,321
Total Cash and Investments	<u>\$ 6,053,649</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.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2020, 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

As of December 31, 2020, 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	\$ 6,053,649

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2020, follows:

	Balance at December 31, 2019	Additions	Retirements/ Transfers	Balance at December 31, 2020
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 1,896	\$ 1,896	\$ -

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, 2020

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, 2020:

	Balance at December 31, 2019	Additions	Retirements/ Refunding	Balance at December 31, 2020	Due Within One Year
Bonds Payable					
General Obligation Bonds Payable:					
Series 2017A	\$ 30,965,000	\$ -	\$ -	\$ 30,965,000	\$ -
Series 2017B	6,666,000	-	-	6,666,000	-
Series 2017B - Unpaid Interest	1,416,483	626,392	-	2,042,875	-
Subtotal of Bonds Payable	39,047,483	626,392	-	39,673,875	-
Other Debts					
Facilities Acquisition Agreement -					
Capital	1,211,910	-	-	1,211,910	-
Interest	160,968	96,953	-	257,921	-
Subtotal of Other Debts	1,372,878	96,953	-	1,469,831	-
Total Long-Term Obligations	<u>\$ 40,420,361</u>	<u>\$ 723,345</u>	<u>\$ -</u>	<u>\$ 41,143,706</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.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2017A and 2017B Bonds (Continued)

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 15.

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, 2020**

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>Governmental Activities</u>		
	<u>Bonded Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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
2026-2030	2,940,000	8,236,906	11,176,906
2031-2035	4,475,000	7,248,594	11,723,594
2036-2040	6,585,000	5,760,800	12,345,800
2041-2045	9,365,000	3,571,901	12,936,901
2046-2047	6,545,000	620,138	7,165,138
Total	<u>\$ 30,965,000</u>	<u>\$ 34,224,527</u>	<u>\$ 65,189,527</u>

Facilities Acquisition Agreement

On December 19, 2017, The District and the Developer entered into 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, 2020, outstanding advances under the agreement totaled \$1,211,910 and accrued interest totaled \$257,921.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020
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	\$ 1,036,000,000	\$ 840,000,000	\$ 26,375,000	\$ 37,631,000	\$ 8,651,354	\$ 1,803,342,646

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.

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, 2020, as follows:

Restricted Net Position:	
Emergency Reserve	\$ 19,400
Debt Service	<u>1,333,352</u>
Total Restricted Net Position	<u><u>\$ 1,352,752</u></u>

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 NET POSITION (CONTINUED)

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. Some 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.

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.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

City Agreement (Continued)

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 2020, the District received \$175,675 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 2020, the District received \$257,575 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 2020, the District received \$717,500 in SDFs.

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.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Mill Levy Equalization and Pledge Agreement (Continued)

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, 2020

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.

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.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 RISK MANAGEMENT (CONTINUED)

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, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,579,437	\$ 1,577,571	\$ (1,866)
Specific Ownership Tax	127,000	116,091	(10,909)
Net Investment Income	45,000	37,003	(7,997)
System Development Fees	1,260,000	717,500	(542,500)
Sales Tax Sharing	257,575	257,575	-
Impact Fees	425,160	175,675	(249,485)
Total Revenues	<u>3,694,172</u>	<u>2,881,415</u>	<u>(812,757)</u>
EXPENDITURES			
Current:			
County Treasurer's Fee	23,692	23,671	21
Bond Interest - Series 2017A	1,766,969	1,766,969	-
Bond Interest - Series 2017B	1,739,554	-	1,739,554
Paying Agent Fees	5,500	5,500	-
Total Expenditures	<u>3,535,715</u>	<u>1,796,140</u>	<u>1,739,575</u>
NET CHANGE IN FUND BALANCE	158,457	1,085,275	926,818
Fund Balance - Beginning of Year	<u>4,738,043</u>	<u>5,038,199</u>	<u>300,156</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,896,500</u>	<u>\$ 6,123,474</u>	<u>\$ 1,226,974</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, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ -	\$ 96	\$ 96
Total Revenues	<u>-</u>	<u>96</u>	<u>96</u>
EXPENDITURES			
Capital Projects:			
Intergovernmental - Reunion Operations	-	55,869	(55,869)
NR#2 Filing 19, 23 ,25 & 26 Improvements	200,000	1,896	198,104
Total Expenditures	<u>200,000</u>	<u>57,765</u>	<u>142,235</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(200,000)	(57,669)	142,331
OTHER FINANCING SOURCES (USES)			
Transfer from Reunion	33,369	-	(33,369)
Total Other Financing Sources (Uses)	<u>33,369</u>	<u>-</u>	<u>(33,369)</u>
NET CHANGE IN FUND BALANCE	(166,631)	(57,669)	108,962
Fund Balance - Beginning of Year	<u>166,631</u>	<u>57,669</u>	<u>(108,962)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

\$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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Total	<u>\$ 30,965,000</u>	<u>\$ 34,224,527</u>	<u>\$ 65,189,527</u>

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

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	
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	100.00
2019	2020	24,684,490	88.305	2,179,764	2,177,189	99.88
Estimated						
2020	2021	\$ 32,415,050	88.306	\$ 2,862,443		

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.