



**COMMERCE CITY, COLORADO**



**ANNUAL FINANCIAL STATEMENTS**

**December 31, 2022**

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of North Range Metro District No 2

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Range Metro District No 2 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the North Range Metro District No 2'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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Range Metro District No 2 as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Range Metro District No 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Range Metro 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 the North Range Metro District No 2's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Range Metro District No 2's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

B F Borgers CPA PC

BF Borgers CPA PC

Lakewood, Colorado

September 25, 2023

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 72,584
Cash and investments – restricted	4,960,076
Specific ownership tax receivable	20,274
Property taxes receivable	4,081,900
Prepaid expenses	9,266
<b>Total Assets</b>	<b>9,144,100</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on bond refinancing	621,855
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	-
Accrued interest payable	171,213
Current portion of bonds	235,000
General obligation refunding bonds	37,368,000
<b>Total Liabilities</b>	<b>37,774,213</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	4,081,900
<b>NET POSITION (DEFICIT)</b>	
Restricted:	
Emergency reserves	3,800
Debt service	4,974,766
Non-spendable	9,266
Unassigned:	(37,077,990)
<b>Net Position (Deficit)</b>	<b>\$ (32,090,158)</b>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
For the 12-Month Period Ended  
December 31, 2022

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary Government:</b>					
Government Activities:					
General government activities	\$ (1,012,948)	\$ 47,557	\$ -	\$ -	\$ (965,391)
Interest and related costs on long-term debt	(2,257,819)	-	142,319	-	(2,115,500)
	<u>\$ (3,270,767)</u>	<u>\$ 47,557</u>	<u>\$ 142,319</u>	<u>\$ -</u>	<u>\$ (3,080,891)</u>
<b>General Revenues</b>					
Property taxes					3,450,753
Specific ownership taxes					259,275
Net investment income					110,593
<b>Total general revenue</b>					<u>3,820,621</u>
Change in net position					<u>739,730</u>
<b>Net Position (Deficit) – Beginning of Year [As Adjusted, See Note 6]</b>					<u>(32,829,888)</u>
<b>Net Position (Deficit) – End of Year</b>					<u>\$ (32,090,158)</u>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**December 31, 2022**

	General Fund	Special Revenue Fund Subdistrict No 1	Debt Service Fund	Total Government Funds
<b>ASSETS</b>				
Cash and investments	\$ 72,584	\$ -	\$ -	\$ 72,584
Cash and investments - Restricted	-	-	4,960,076	4,960,076
Specific ownership taxes receivable	5,584	-	14,690	20,274
Property taxes receivable	1,351,700	-	2,730,200	4,081,900
Prepaid expenses	9,266	-	-	9,266
<b>TOTAL ASSETS</b>	<b>1,439,134</b>	<b>-</b>	<b>7,704,966</b>	<b>9,144,100</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	1,351,700	-	2,730,200	4,081,900
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,351,700</b>	<b>-</b>	<b>2,730,200</b>	<b>4,081,900</b>
<b>FUND BALANCES</b>				
Restricted:				
Emergencies (TABOR)	3,800	-	-	3,800
Debt service	-	-	4,974,766	4,974,766
Non-spendable	9,266	-	-	9,266
Unrestricted	74,368	-	-	74,368
<b>Total Fund Balances</b>	<b>87,434</b>	<b>-</b>	<b>4,974,766</b>	<b>5,062,200</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,439,134</b>	<b>\$ -</b>	<b>\$ 7,704,966</b>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(37,603,000)
Accrued interest payable	(171,213)
Deferred loss on bond refinancing	621,855
<b>Net position of governmental activities</b>	<b>\$ (32,090,158)</b>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**12-Month Period Ended**  
**December 31, 2022**

	General Fund	Special Revenue Fund Subdistrict No 1	Debt Service Fund	Total Government Funds
<b>REVENUES</b>				
Property taxes	\$ 950,358	\$ -	\$ 2,500,395	\$ 3,450,753
Specific ownership taxes	71,406	-	187,869	259,275
Reunion Metro District contributions	-	-	(1,181)	(1,181)
System development fees	-	-	143,500	143,500
Covenant enforcement fines and fees	16,688	-	-	16,688
Collection cost reimbursements	30,869	-	-	30,869
Net investment income	1,495	-	109,098	110,593
<b>Total Revenues</b>	<b>1,070,816</b>	<b>-</b>	<b>2,939,681</b>	<b>4,010,497</b>
<b>EXPENDITURES</b>				
Direct and indirect collection costs	87,367	-	43,811	131,178
Covenant enforcement services	121,953	-	-	121,953
Park & open space operations and maintenance cost subsidies paid to Reunion Metropolitan District	803,628	-	-	803,628
Debt service				
Bond interest	-	-	2,779,246	2,779,246
Bond principal	-	-	28,000	28,000
<b>Total Expenditures</b>	<b>1,012,948</b>	<b>-</b>	<b>2,851,057</b>	<b>3,864,005</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>57,868</b>	<b>-</b>	<b>88,624</b>	<b>146,492</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Transfers In / (Out)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES</b>	<b>57,868</b>	<b>-</b>	<b>88,624</b>	<b>146,492</b>
<b>FUND BALANCES – BEGINNING</b>	<b>29,566</b>	<b>-</b>	<b>4,886,142</b>	<b>4,915,708</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ 87,434</b>	<b>\$ -</b>	<b>\$ 4,974,766</b>	<b>\$ 5,062,200</b>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
12-Month Period Ended  
December 31, 2022**

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

Net change in fund balances – Total government funds	\$	146,492
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The issuance of long-term debt (e.g., bonds) 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. Neither transaction, however, has any effect on net position.

Principal payment on bonds		28,000
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.		
Decrease in accrued bond interest payable		565,238
<b>Changes in net position of governmental activities</b>	<b>\$</b>	<b>739,730</b>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**12-Month Period Ended**  
**December 31, 2022**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$ 947,214	\$ 950,358	\$ 3,144
Specific ownership taxes	66,305	71,406	5,101
Covenant enforcement fines and fees	-	16,688	16,688
Collection cost reimbursements	-	30,869	30,869
Net investment income	-	1,495	1,495
<b>Total Revenues</b>	<u>1,013,519</u>	<u>1,070,816</u>	<u>57,297</u>
<b>EXPENDITURES</b>			
General and administration	53,969	87,367	(33,398)
Covenant enforcement services	-	121,953	(121,953)
Park & open space operations and maintenance cost subsidies paid to Reunion Metropolitan District	954,275	803,628	150,647
<b>Total Expenditures</b>	<u>1,008,244</u>	<u>1,012,948</u>	<u>(4,704)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,275</u>	<u>57,868</u>	<u>52,593</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER</b>	<u>5,275</u>	<u>57,868</u>	<u>52,593</u>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>25,200</u>	<u>29,566</u>	<u>4,366</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 30,475</u>	<u>\$ 87,434</u>	<u>\$ 56,959</u>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
EXPENDITURE DETAILS - BUDGET AND ACTUAL  
12-Month Period Ended  
December 31, 2022**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>GENERAL AND ADMINISTRATION</b>			
District management and accounting fees	\$ -	\$ 54,656	\$ (54,656)
Administrative costs	2,161	4,306	(2,145)
Audit fees	3,000	7,150	(4,150)
Collection fees – County Treasurer	14,208	14,251	(43)
Board of Directors’ fees	2,100	3,800	(1,700)
Board training and conferences	-	1,480	(1,480)
Election services	25,000	-	25,000
Insurance	5,000	-	5,000
Legal fees	2,500	1,724	776
<b>Total General and Administration</b>	<b><u>\$ 53,969</u></b>	<b><u>\$ 87,367</u></b>	<b><u>\$ (33,398)</u></b>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**SPECIAL REVEUE FUND - SUBDISTRICT NO 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**12-Month Period Ended**  
**December 31, 2022**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Specific ownership taxes	-	-	-
Maintenance fees	189,540	-	(189,540)
Net investment income	-	-	-
<b>Total Revenues</b>	<b>189,540</b>	<b>-</b>	<b>(189,540)</b>
<b>EXPENDITURES</b>			
General and administration	-	-	-
MLEPA Transfers to Reunion Metro District	189,540	-	189,540
<b>Total Expenditures</b>	<b>189,540</b>	<b>-</b>	<b>189,540</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE – END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

NORTH RANGE METROPOLITAN DISTRICT NO. 2  
**NOTES TO FINANCIAL STATEMENTS**  
12-Month Period Ended December 31, 2022

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

North Range Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order of the District Court in and for Adams County on December 27, 2000, as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed by an elected Board of Directors.

The District operates under a service plan approved by the City of Commerce City (City) on August 21, 2000 as amended with City approval on August 6, 2001. The District's service area is located in Commerce City, Colorado and is currently comprised of 1,175 single family home Lots within the Reunion Community. The District was established to provide financing for the design, acquisition, construction and installation of various public improvements within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was also created to provide certain essential public-purpose facilities and public services for the use and benefit of all anticipated residents and taxpayers of real property located within the boundaries of the District.

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 organizations 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 organizations 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 all operations and administrative functions are contracted.

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 significant accounting policies of the District are 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 property taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred inflows and the sum of liabilities and deferred outflows of the District 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 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

The Special Revenue Fund for Subdistrict No 1 accounts for resources accumulated and payments made to provide public services unique to the 250 carriage homes within the District. Such services includes (1) maintenance of the driveways shared by the carriage homes, including snow removal and concrete repair and replacement, (2) maintenance of perimeter fencing around each home lot, (3) maintenance of landscaping on and around each home lot (excluding the fenced in backyard) and (4) removal of snow from the sidewalks located on and around each home lot (excluding any sidewalks within the fenced in backyard).

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

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

### **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 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. On November 9, 2021, the Board adopted the District's 2022 budget.

### **Pooled Cash and Investments**

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

Investments are carried at fair value.

### **Property Taxes**

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

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

### **Specific Ownership Taxes**

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the County. In 2022, the District's share of Specific ownership taxes was equal to approximately 7.5% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

### **Maintenance Fee Revenue**

Subdistrict No. 1 imposes a monthly maintenance fee of \$65 per month on all occupied residential properties within the boundaries of the Subdistrict in order to fund the service specific to the property owners of the Subdistrict. There are currently 250 units within the Subdistrict.

### **System Development Fee Revenue**

On December 6, 2001, Reunion Metropolitan District (Reunion MD) adopted a resolution subjecting commercial and residential lots within the District to one-time system development fees for the right to connect lots to or gain access

to public infrastructure improvements within the Reunion Development. System Development Fees are collected by Reunion MD at the time a building permit is issued and are charged on a per lot basis.

Concurrently with the issuance of the District's 2017 Bonds, the District, Reunion MD, and the 2017 Bond Trustee entered into a Capital Pledge Agreement whereby Reunion MD agreed to remit to the District all System Development Fees collected on lots located within the District. (See Note 7)

### **Credit Fee Revenue**

Reunion MD and the City entered into an revenue-sharing intergovernmental agreement on February 24, 2003, (the Reunion/City RSIGA). The RSIGA also permits Reunion MD to impose Credit Fees on each residential and commercial lot prior to the issuance of building permits within NRMD1 through NRMD5 with the understanding that the payers of such Credit Fees to Reunion MD would receive a credit against Road Impact Fees 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.

Concurrently with the issuance of the District's 2017 Bonds, the District, Reunion MD, and the 2017 Bond Trustee entered into a Capital Pledge Agreement whereby Reunion MD agreed to remit to the District all Credit Fees collected on lots located within the District. (See Note 7)

### **Covenant Enforcement and Design Review Service Revenue and Costs**

Per the Master CCRs (see Note 7), the District is obligated to provide covenant enforcement and design review services to all property owners within the District. Service fees, enforcement fines and related assessments are reported and recognized as revenue in the District's general fund. Pursuant to 32-1-1001(1)(j)(l) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien. Costs related to providing such services are also recorded in the District's general fund.

Per the 2016 Operations Service Agreement (OSA) with Reunion MD, the District has contracted with Reunion MD to perform the District's responsibilities and obligations under the Master CCRs and 2007 HOA Assignment Agreement on a cost reimbursement basis. Per the OSA, if Reunion MD experiences funding shortfalls related to providing such services to the District, Reunion MD may (1) suspend or curtail providing such services or (2) impose fees on Users within the District to cover such funding shortfalls. For the year ended December 31, 2022, costs incurred by Reunion MD providing covenant enforcement services on behalf of the District totaled \$121,953.

Service fees, enforcement fines and other assessments charged by Reunion MD on behalf of the District related to providing covenant enforcement and design review services are retained by Reunion MD. Such District revenue retained by Reunion MD is recorded by the District as additional contributions to Reunion MD under the Mill Levy Equalization Agreement (see Note 7).

See Note 7 regarding the terms of the OSA. See Note 8 – Related Parties regarding the OSA, which was ratified by both the District and Reunion MD when both boards were controlled by the Developer.

### **General and Administrative Costs**

The District contracts directly with third-party contractors to provide the District with accounting, legal, audit, insurance and other administrative services. Per the OSA, Reunion MD and the District have agreed for Reunion MD to pay the District's administrative services on a cost-reimbursement basis. Costs incurred directly by Reunion MD providing administrative services to the District are also reimbursable to Reunion MD by the District. Per the OSA, if funds received from the District fail to fully reimburse Reunion MD for payments made on behalf of the District,

Reunion MD may (1) suspend or curtail providing administrative services to the District and/or suspend paying the District's administrative contractors or (2) impose fees on homeowners within the District to cover shortfalls in cost reimbursements due to Reunion MD. For 2022, District reimbursements paid to Reunion MD for District administrative expenses totaled \$17,880.

See Note 7 regarding the terms of the OSA. See Note 8 – Related Parties regarding the OSA, which was ratified by both the District and Reunion MD when both boards were controlled by the Developer.

### **Parks and Open Space Maintenance Cost Subsidies – Paid to Reunion MD**

Reunion MD owns and maintains all parks and open spaces throughout the Reunion Community, which is comprised of the District, North Range Metropolitan District No 1 and North Range Metropolitan District No 3. Per the OSA, the District has agreed to subsidize costs incurred by Reunion MD to operate and maintain the public parks and open spaces throughout the Reunion Community. Per the OSA, if Reunion MD experiences funding shortfalls related to operating and maintaining the parks and open spaces, Reunion MD may (1) suspend or curtail providing such services or (2) impose fees on Users within the District to cover such funding shortfalls. For the year ended December 31, 2022, subsidies paid by the District to Reunion MD totaled \$803,628.

See Note 7 regarding the terms of the OSA. See Note 8 – Related Parties regarding the OSA, which was ratified by both the District and Reunion MD when both boards were controlled by the Developer.

### **Amortization of Loss from 2017 Bond Refunding**

In the government-wide financial statements [and proprietary fund types in the fund financial statements], the deferred loss from the refunding of the 2007 bonds with the 2017A Senior Bonds is being amortized using the interest method over the life of the 2017A Senior Bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2022 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

### **Equity**

#### **Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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: non-spendable, 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:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a 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 a 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 a 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 a 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 policy to use the most restrictive classification first.

## NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments – unrestricted	\$ 72,584
Cash and investments – restricted	4,960,076
<b>Total cash and investments</b>	<b>\$ 5,032,660</b>

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	\$ 14,713
Investments	5,017,947
<b>Total cash and investments</b>	<b>\$ 5,032,660</b>

## 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.

As of December 31, 2022, the District had a bank balance of \$14,913 and a carrying balance of \$14,713.

## 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 listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2022, the District’s investments were comprised of the following:

<b>Investment</b>	<b>Maturity</b>	<b>Amortized Cost</b>
ColoTrust Plus+ (Colotrust)	Weighted Average Under 60 Days	\$ 4,925,783
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	96,164
	<b>Total</b>	<b>\$ 5,017,947</b>

## **COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus finds. 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. 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. No limitations exist on the District’s ability to withdraw funds invested in Colotrust. Colotrust is rated AAAM by Standard & Poor's.

## **CSAFE**

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District’s ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

## **NOTE 4 – PUBLIC FACILITIES**

The District does not own any public facilities or capital assets.

There are 171 land tracts totaling approximately 135 acres within the Reunion Community – comprised of all territory within the District, North Range Metro District No 1 and North Range Metro District No 3 – designated for parks, open spaces and recreational facilities. Recreational facilities situated on these land tracts include (1) the Reunion Recreation Center and outdoor community pool, (2) Southlawn community pool, (3) Southlawn amphitheater, (4)

seven playgrounds, (5) two parking lots, (6) two small lakes, (7) concession building, (8) perimeter fencing and (9) several miles of trails through the open spaces. All of these facilities, parks and open space land tracts are owned by Reunion MD.

## NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2022:

	Balance at Dec. 31, 2021	Additions	Retirements	Balance at Dec. 31, 2022	Due within one year
Series 2017A G.O. Bonds	\$ 30,965,000	\$ -	\$ -	\$ 30,965,000	\$ 235,000
Accrued Interest – Series 2017A G.O. Bonds	147,247	2,824	-	150,071	-
Series 2017B G.O. Bonds	6,666,000	-	( 28,000)	6,638,000	-
Accrued Interest – Series 2017B G.O. Bonds	589,204	-	( 568,062)	21,142	-
<b>Total</b>	<b>\$ 38,367,451</b>	<b>\$ 2,824</b>	<b>(\$ 596,062)</b>	<b>\$ 37,774,213</b>	<b>\$ 235,000</b>

Details regarding the District's long-term obligations are as follows:

### Series 2017A General Obligation and Special Revenue Refunding and Improvement Bonds (Senior Bonds)

On May 19, 2017, the District issued General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2017A in the amount of \$30,965,000. The Senior Bonds are comprised of two issues. The first issue is \$10,815,000 with a stated interest rate of 5.625% and a maturity date of December 1, 2037. The second issue is \$20,150,000 with a stated interest rate of 5.750% and a maturity date of December 1, 2047. The Senior Bonds are payable semi-annually on June 1 and December 1, beginning on December 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2017.

The proceeds from the sale of the Senior Bonds were used as follows:

Bond proceeds	\$ 30,965,000
District available funds	2,014,562
Less:	
Refund Series 2007 Bonds	( 25,818,476)
Funds restricted for the Senior Reserve Fund	( 1,800,000)
Funds restricted for the Senior Surplus Fund	( 800,000)
Underwriter's discount	( 619,300)
Legal, accounting and other costs of issuance	( 352,776)
<b>Net bond proceeds available for funding costs of public improvements within and without the District</b>	<b>\$ 3,589,010</b>

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
- b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
- c) all contributions due from the Reunion Metro District under the Capital Pledge Agreement; and
- d) any other legally available amounts that the District may designate towards payment of the Senior Bonds.

The 2017 Indenture of Trust Agreement for the 2017A Senior Bonds establishes a Maximum Debt Mill levy the District is permitted to impose on taxable property within the District to fund the repayment of the Senior Bonds. The Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since August 21, 2000 – at which time, the ratio was 9.15%. The ratio for the 2022 collection year was 7.15%, which causes the District’s Maximum Debt Mill Levy for debt service for 2022 to be 63.986.

Amounts on deposit in the Senior Reserve Fund and the Senior Surplus Fund also secure payment of the Senior Bonds. After payment of any amounts due on the Senior Bonds, any remaining Senior Pledged Revenue, if any, is to be used to (1) fund the Reserve Fund up to the Reserve Requirement of \$1,800,000 and then (2) fund the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of \$3,096,500. Any Senior Pledged Revenue remaining after fully funding the Reserve Fund and the Surplus Fund (“Excess Senior Pledged Revenue”) is to be applied towards the repayment of the Subordinate Bonds. As of December 31, 2022, the cash balance held in the Reserve Fund and the Senior Surplus Fund was \$1,808,953 and \$3,111,902, respectively.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2022, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 1, 2022, to November 30, 2023	3.0%	\$ 928,950
December 1, 2023, to November 30, 2024	2.0%	\$ 614,600
December 1, 2024, to November 30, 2025	1.0%	\$ 303,350
December 1, 2025, and thereafter	0.0%	\$ -

Outstanding bond principal and interest on the Senior Bonds mature as follows:

	Principal	Interest	Total
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
2028-2032	3,505,000	7,892,094	11,397,094
2033-2037	5,240,000	6,722,937	11,962,937
2038-2042	7,605,000	4,980,938	12,585,938
2043-2047	12,545,000	2,454,964	14,999,964
<b>Total</b>	<b>\$ 30,965,000</b>	<b>\$ 30,690,589</b>	<b>\$ 61,655,589</b>

The District’s detail debt service schedule for its Senior Bonds is provided on page 34.

### **Series2017B Subordinate Limited Tax General Obligation and Special Revenue Bonds (Subordinate Bonds)**

On May 19, 2017, the District issued Subordinate Limited Tax General Obligation and Special Revenue Bonds, Series 2017B in the amount of \$6,666,000. The stated interest rate on the Subordinate Bonds is 7.750% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2017, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2047. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In the event any amounts due

and owing on the Subordinate Bonds remain outstanding on December 15, 2056, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The proceeds from the sale of the Subordinate Bonds were used as follows:

Bond proceeds	\$ 6,666,000
Less:	
Underwriter's discount	( 199,980)
<b>Net bond proceeds available for funding costs of public improvements within and without the District</b>	<b>\$ 6,466,020</b>

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- a) all Subordinate Property Taxes (generated by the imposition of the Required Subordinate Mill Levy);
- b) all Subordinate Specific Ownership Taxes (attributable to the Required Subordinate Mill Levy);
- c) any Excess Senior Pledged Revenue;
- d) any other legally available amounts that the District may designate towards payment of the Subordinate Bonds.

The Subordinate Indenture of Trust also contains a restriction prohibiting the District from levying a combined mill levy for operations and debt service of more than 99 mills.

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District on December 15, 2022, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 15, 2022, to December 14, 2023	3.0%	\$ 199,980
December 15, 2023, to December 14, 2024	2.0%	\$ 133,320
December 15, 2024, to December 14, 2025	1.0%	\$ 66,660
December 15, 2025, and thereafter	0.0%	\$ -

Per the 2017 Financial Forecast included with the Subordinate Bond Offering document, repayments on the Subordinate Bonds are projected to total approximately \$28.8 million through 2056, which equates to an annual net effective interest rate of 10.9%.

### Debt Authorization – TABOR

On November 7, 2000, the District's seven electors (all of whom were employees or spouses of employees of and qualified to vote by the owner of all land within the District at that time - Shea Homes) unanimously voted to authorize the District to issue debt at net effective interest rates not to exceed 18% per annum in amounts not totaling more than \$684 million to fund infrastructure improvements, \$10 million to fund the District's operations and maintenance costs and \$342 million to refund any outstanding debt.

On November 4, 2014, seven of the District's nine electors (all of whom were employees or spouses of employees of and qualified to vote by the owner of all land within the District at that time - Shea Homes) voted to authorize the District to issue debt – in addition to the November 7, 2000 debt authorization amounts - at net effective interest

rates not to exceed 18% per annum in amounts not totaling more than \$550 million to fund infrastructure improvements, \$10 million to fund the District's operations and maintenance costs and \$280 million to refund any outstanding debt.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	<b>Authorized Nov. 2000 Election</b>	<b>Authorized Nov. 2014 Election</b>	<b>Total Voter- Authorized Debt</b>
Street improvements	\$ 110,168,085	\$ 88,000,000	\$ 198,168,085
Water	94,647,131	80,000,000	174,647,131
Storm water and sanitary sewers	35,963,127	24,000,000	59,963,127
Park & recreation facilities	39,221,657	30,000,000	69,221,657
Transportation facilities	20,000,000	12,000,000	32,000,000
Fire protection	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
Safety protection	-	5,000,000	5,000,000
Security facilities and equipment	-	5,000,000	5,000,000
Operations	10,000,000	10,000,000	20,000,000
Intergovernmental agreements	342,000,000	280,000,000	622,000,000
<b>Subtotal</b>	<b>694,000,000</b>	<b>560,000,000</b>	<b>1,254,000,000</b>
Refunding of debt	342,000,000	280,000,000	622,000,000
<b>Total</b>	<b>\$1,036,000,000</b>	<b>\$ 840,000,000</b>	<b>\$1,876,000,000</b>

**Voter Authorization Used**

	<b>Series 2007 Bonds</b>	<b>Series 2017 Bonds</b>	<b>Voter Authorization Expired</b>	<b>Authorization Remaining at Dec. 31, 2022</b>
Street improvements	(\$ 10,880,000)	(\$ 5,400,000)	(\$ 93,888,085)	\$ 88,000,000
Water	-	-	( 94,647,131)	80,000,000
Storm water and sanitary sewers	( 12,875,000)	( 4,916,000)	( 18,172,127)	24,000,000
Park & recreation facilities	( 2,620,000)	( 2,700,000)	( 33,901,657)	30,000,000
Transportation facilities	-	-	( 20,000,000)	12,000,000
Fire protection	-	-	( 20,000,000)	12,000,000
Television relay	-	-	( 20,000,000)	12,000,000
Mosquito control	-	-	( 2,000,000)	2,000,000
Safety protection	-	-	-	5,000,000
Security facilities and equipment	-	-	-	5,000,000
Operations	-	-	( 10,000,000)	10,000,000
Intergovernmental agreements	-	-	( 342,000,000)	280,000,000
<b>Subtotal</b>	<b>(\$ 26,375,000)</b>	<b>(\$ 13,016,000)</b>	<b>(\$654,609,000)</b>	<b>560,000,000</b>
Refunding of debt	-	(\$ 24,615,000)	( 317,385,000)	280,000,000
<b>Total</b>	<b>(\$ 26,375,000)</b>	<b>(\$ 37,631,000)</b>	<b>(\$971,994,000)</b>	<b>\$ 840,000,000</b>

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire in November 2034 - 20 years after the original debt authorization election.

## Debt Authorization – Service Plan

The District’s Service Plan authorizes the District to issue up to \$280 million in debt and establishes a Maximum Mill Levy, subject to certain conditions and restrictions, the District is permitted to impose on taxable property within the District for the payment of debt. The Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since August 21, 2000 – at which time, the ratio was 9.74%. The ratio for the 2022 collection year was 7.15%, which causes the District’s Maximum Debt Mill Levy for debt service for 2022 to be 68.112.

As of December 31, 2022, total remaining debt issuance authorization under the District’s Amended and Restated Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	\$ 280,000,000
Less:	
2007 General Obligation Bonds	( 26,375,000)
2017A Senior Bonds	( 30,965,000)
2017B Subordinate Bonds	( 6,666,000)
<b>Unused, authorized debt issuance</b>	<b><u>\$ 215,994,000</u></b>

## NOTE 6 – NET POSITION (DEFICIT)

### Restricted Net Position

The District’s restricted net position as of December 31, 2022 in the general fund, special revenue fund subdistrict No 1 and debt service fund totaled \$3,800, \$0 and \$4,974,766, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 10 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2017 Bonds.

### Non-Spendable Net Position

The District’s non-spendable net position as of December 31, 2022 in the general fund, special revenue fund and debt service fund totaled \$9,266, \$0 and \$0, respectively.

### Unassigned Net Position

The District's unassigned net position as of December 31, 2022 totaled (\$37,077,990). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Commerce City and other entities.

## NOTE 7 – CONTRACTUAL AGREEMENTS

### Facilities Acquisition Agreement

On December 19, 2017, the District and Shea Homes entered into Facilities Acquisition Agreement (FAA) whereby Shea Homes agreed to design and construct Public Infrastructure to be designed, constructed, and completed subject to the terms and conditions set forth in the Agreement. The District agreed to fund amounts submitted by Shea Homes to the District for reimbursement – subject to annual appropriation by the District – if (1) Shea Homes submits documentation requested by the District to support such cost claims and (2) the District’s engineer and accountant conclude that such cost reimbursements requested by Shea Homes is reasonable.

Per the FAA, the District is not obligated to fund public infrastructure costs claimed by the Developer until after the Developer conveys such public infrastructure to other governmental entities (including Commerce City, South Adams County Water and Sanitation District and Reunion MD) and such governmental entities accept the dedication of such public infrastructure. Once the District becomes obligated – subject to annual appropriation by the District – to fund public infrastructure costs claimed by the Developer, such contingent claims accrue simple interest at a rate equal to the Municipal Market Data BAA 30-year index plus five percent, not to exceed a maximum interest rate of 8%. Because the interest rate for the Municipal Market Data BAA 30-year index exceeded 3% for the 12-month period ended December 31, 2022, the interest rate applicable to outstanding accrued claims by the Developer under the FAA was capped at 8% for 2022.

For the 12-month period ended December 31, 2022, District payments made, advances received and interest accrued under the FAA is as follows:

	<u>Cash advances net of repayments</u>	<u>Accrued interest net of repayments</u>	<u>Total</u>
Beginning Balance (Dec. 31, 2021)	\$ 1,211,910	\$ 354,874	\$ 1,566,784
Additional advances	-	-	-
Accrued interest		96,953	96,953
Payments to the Developer	-	-	-
<b>Ending Balance (Dec. 31, 2022)</b>	<b>\$ 1,211,910</b>	<b>\$ 451,827</b>	<b>\$ 1,663,737</b>

When the District executed the FAA with the Developer in 2017, all directors serving on the District’s board were also employees of Shea Homes. (See Note 8 – Related Parties.)

### Capital Pledge Agreement w Reunion Metro District

Concurrently with the issuance of the 2017 Bonds, the District, Reunion MD, and the 2017 Bond Trustee entered into a Capital Pledge Agreement whereby Reunion MD agreed to remit to the District certain funds collected by Reunion MD under a 2003 Revenue-Sharing IGA between Reunion MD and the City. (A summary of the terms of 2003 Revenue-Sharing IGA between Reunion MD and the City is provided further below.) Funds to be remitted by Reunion MD to the District under the Capital Pledge Agreement for payment on the 2017 Bonds are as follows:

- All City Credit Fees – up to a maximum fee of \$1,181 per lot – imposed by the City and collected by the Reunion MD on all 9 commercial and 1,175 residential lots within the District at the time a building permit is issued.
- All System Development Fees – up to a maximum Fee of \$3,500 per lot – imposed by Reunion MD on all 9 commercial and 1,175 residential lots constructed within the District. System Development Fees are one-time fees assessed by Reunion MD on residential and commercial lots at the time a building permit is issued.

Lot fees remitted by Reunion MD to the District under the Capital Pledge Agreement are as follows:

	# of Lots	City Credit Fees	System Development Fees
Fees remitted from Reunion MD through December 31, 2021	1,143	\$ 1,404,444	\$ 4,000,500
Fees remitted from Reunion MD in 2022	41	-	143,500
Fees remitted from Reunion MD through December 31, 2022	1,184	\$ 1,404,444	\$ 4,144,000
Remaining fees expected to be collected subsequent to December 31, 2022	0	\$ 0	\$ 0

**2003 Intergovernmental Revenue-Sharing Agreement between Reunion MD and the City:** Reunion MD and the City entered into an revenue-sharing intergovernmental agreement on February 24, 2003, (the Reunion/City RSIGA). In consideration of Reunion MD’s financing, construction or acquisition of certain public improvements, the City agreed to remit to Reunion MD certain City revenues 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 NRMD1 through NRMD5. The City further agreed to pay such sales tax to Reunion MD for a period of 20 years starting from January 1, 2002 through December 31, 2021.

The Reunion/City RSIGA also permits Reunion MD to impose Credit Fees on each residential and commercial lot prior to the issuance of building permits within NRMD1 through NRMD5 with the understanding that the payers of such Credit Fees to Reunion MD would receive a credit against Road Impact Fees 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 MD adopted a resolution pursuant to which Reunion MD imposed a Credit Fee on all commercial and residential lots within the boundaries of NRMD1 through NRMD5 equal to the amount of certain currently imposed impact fees, including the Road Impact Fee, charged by the City.

**System Development Fees:** On December 6, 2001, the Reunion MD adopted a resolution subjecting commercial and residential lots within the District to one-time system development fees for the right to connect lots to or gain access to public infrastructure improvements within the Reunion Development. System Development Fees are collected by Reunion MD at the time a building permit is issued and are charged on a per lot basis.

### Mill Levy Equalization Agreement (MLEPA)

Reunion MD is a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by Court Order and Decree of the Adams County 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 boundaries of Reunion MD encompass the following two land tracts – (1) a tax exempt 5.2-acre public land parcel that holds the public recreational facilities serving the Reunion Community and (2) an undeveloped 0.23 acre of land located on the east side of E-470 and owned by CPG2 (defined in Note 8). CPG2 purchased the 0.23-acre land tract from Shae Homes LP in August 2017.

On June 3, 2016, North Range Metropolitan District No. 1, No. 2, No. 3 and No. 4 (“NRMD1”, the District, “NRMD3” and “NRMD4” and collectively, the “North Range Districts”) and Reunion MD (collectively, the MLEPA Districts) entered into a Mill Levy Equalization and Pledge Agreement (MLEPA). At the time the MLEPA was ratified by the MLEPA Districts, all directors serving on Reunion MD and North Range Metro Districts No. 2, No. 3 and No. 4 and three of the five directors serving on North Range Metro District No 1 were officers/employees of Shea Homes LP and all such directors reported conflicts of interest regarding their service as directors on the MLEPA Districts.

Per the MELPA, the North Range Districts:

- 1) Agreed to ensure the aggregate mill levy each year – comprised of an operations mill levy and a debt mill levy – adopted by each North Range District would be the same and such aggregate mill levy would not exceed 99 mills (MLEPA Cap);
- 2) Pledged all Surplus Debt Mill Levy Revenue (defined below) to Reunion MD for the repayment of any debt issued by Reunion MD up to a maximum principal amount of \$280 million;
- 3) Agreed to adopt a debt mill levy each year as directed by Reunion MD;
- 4) Agreed to adopt an operations mill levy as directed by Reunion MD each year in perpetuity; and
- 5) Agreed to transfer to Reunion MD within ten days after receipt of monthly tax collections received from the County Treasurer all Surplus Debt Mill Levy Revenue and all operations mill levy revenue;

The MLEPA Cap is subject to adjustment due to the 50-mill debt limit placed on each North Range District in each District’s respective service plan that is subject to adjustment by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since August 2000/2001 – at which time, the ratio was 9.15%. The ratio for the 2022 collection year was 7.15%, which caused the maximum debt mill levy for each North Range District to be 63.986. Thus, the adjusted MLEPA Cap for 2022 is 112.986.

Surplus Debt Mill Levy Revenues is defined as that portion of property tax revenue and related specific ownership tax revenue collected by each North Range District under its annual debt mill levy that remains, if any, after remitting any and all such funds pledged towards the repayment of any debt issued by the respective North Range Districts.

Per the MLEPA, all bonds issued by the North Range Districts are senior in priority of repayment to any obligations of the North Range Districts created under the MLEPA. If any of the North Range Districts issue additional debt in the future, all North Range Districts agree to remit the proceeds from such debt to the Reunion MD within 10 days of issuing such debt.

If any of the North Range Districts fail to levy the operations mill levy directed by Reunion MD, the North Range Districts agree to allow Reunion MD to levy fees and charges outside of Reunion MD’s boundaries on the property owners of land within the North Range Districts to recover any unreimbursed operating costs incurred by Reunion MD.

On May 1, 2017, the MLEPA Districts amended the MLEPA to require the District and NRMD2 to levy the maximum allowed debt mill levy (63.986 for 2022) each year and remit Surplus Debt Mill Levy Revenue to Reunion MD until the Series 2017 bonds issued by Reunion MD to Shae Homes LP (the 2017 Reunion MD Bonds) is paid in full. The original par amount of the 2017 Reunion MD bonds was \$16.6 million with a final par amount of \$21.6 million. Interest accrues on this debt at a simple rate of 4% per annum. The 2017 Reunion MD Bonds are secured and payable from the following revenue sources: (1) Surplus Debt Mill Levy Revenue remitted by the District and NRMD2, (2) system development fees not otherwise pledged to the District and NRMD2, (3) City Credit Fee revenues and (4) any sales

and use tax revenues received from the City through revenue-sharing agreements that are not otherwise pledged to the District and NRMD2. As of December 31, 2022, the outstanding balance due on the 2017 Reunion MD Bonds was \$15.85 million plus accrued, unpaid interest totaling approximately \$2.56 million.

The amended MLEPA also prohibits the North Range Districts from (1) issuing any additional debt without the consent of the Reunion MD and (2) levying an operating mill levy to generate property tax revenue in any subdistricts within the North Range Districts.

Per section 2.09 of the MLEPA, appropriations of the operations portion of the Equalization Mill Levy shall occur on an annual basis at the discretion of each of the Board of Directors of the North Range Districts and therefore such annual appropriations are not intended to constitute a multiple fiscal year indebtedness or financial obligations subject to the requirements of Article X, Section 20 of the State Constitution ("TABOR").

None of the directors serving on the Reunion MD board are elected by nor subject to recall by the eligible electors of the North Range Districts.

The MLEPA cannot be amended or terminated without the consent of Reunion MD.

Series 2017 Senior and Subordinate Bonds: Per the "best estimate" financial forecast attached to the District's 2017 bond offering documents, the District is projected to generate no Surplus Debt Mill Levy Revenue that could be remitted to Reunion MD and applied to Reunion MD's 2017 bonds until 2043 at the earliest.

NRMD3 Series 2020A and Series 2020B Bonds: Per the debt repayment projections contained in the NRMD3's Series 2020A and Series 2020B bond offering documents, NRMD3 is projected to generate no Surplus Debt Mill Levy Revenues under the MLEPA until after the NRMD3's Series 2020A and Series 2020B bonds are projected to be paid in full by December 2050.

Thus, NRMD1 is the only party to the MLEPA that, based on the District's and NRMD3's public bond offering documents, is projected to generate and remit to Reunion MD Surplus Debt Mill Levy Revenue each year through 2043.

### **Operations Service Agreement with Reunion Metro District**

On June 3, 2016 the North Range Districts entered into an Operations Service Agreement (OSA) with Reunion MD whereby Reunion MD would (1) own, operate and maintain all parks and recreational facilities located within the North Range Districts [see **Note 4**], (2) perform the North Range Districts' covenant enforcement and design review responsibilities provided under the Master CCRs and HOA CCRs [defined below] and (3) provide administrative services to the District not otherwise contracted out by the District to third-party contractors. Such administrative services to be provided by Reunion MD included paying the District contractors using reimbursement funds received from the District under the MLEPA.

Since inception of the OSA, the District has elected each year to hire third party accountants, managers, attorneys, insurance providers and auditors to perform most or all of the District's administrative services.

The District has agreed to remit its Operations and Maintenance Mill Levy revenues to Reunion MD to (1) subsidize expenses incurred by Reunion MD to operate and maintain the public parks and open spaces within the North Range Districts, (2) reimburse Reunion MD for costs it incurs providing covenant enforcement and design review services to District homeowners on behalf of the District and (3) reimburse Reunion MD for (i) direct costs incurred by Reunion MD providing administrative services to the District and (ii) paying District contractors' invoices.

In the event the North Range Districts' Operations and Maintenance Mill Levy revenue remitted to Reunion MD under the MLEPA are insufficient to reimburse Reunion MD in full for costs it incurred in providing these services, Reunion MD may (1) suspend or curtail services provided to the North Range Districts and/or (2) impose user fees to recover all costs incurred by Reunion MD.

The OSA allows any of the North Range Districts to terminate subsidizing Reunion MD's costs to operate and maintain the public parks and open spaces if a written termination plan is submitted and written approval is provided by all North Range Districts. (North Range Metro District No 3 and No 4 were controlled by directors who also serve as directors on Reunion MD). The written termination plan must include, but not limited to, the following: (1) a description of how the North Range Districts will repay all debts and obligations incurred by Reunion MD and (2) an indemnification clause where the North Range Districts will indemnify Reunion MD against all injuries, losses and other events of damage associated with any outstanding agreements to which Reunion MD is a party.

After providing 90 days written notice, each of the North Range Districts are authorized under the OSA to terminate receiving administrative services from the Reunion MD. On February 01, 2022, the District's Board unanimously voted to terminate all administrative services provided by Reunion MD effective February 01, 2022. The District will rely solely on third-party accountants, attorneys, insurance providers, auditors and other contractors to perform all administrative functions of the District.

At the time the OSA was ratified by the North Range Districts and Reunion MD, all directors serving on Reunion MD and North Range Metro Districts No. 2, No. 3 and No. 4 and three of the five directors serving on North Range Metro District No 1 were officers/employees of Shea Homes LP and all such directors reported conflicts of interest regarding their service as directors on the MLEPA Districts.

None of the directors serving on the Reunion MD board are elected by nor subject to recall by the eligible electors of the North Range Districts.

The OSA cannot be amended or terminated without the consent of Reunion MD.

### **Declaration of Covenants Conditions and Restrictions (Master CCRs)**

On December 16, 2014 Shea Homes, LP (Shea Homes) filed with the Adams County Clerk & Recorder's Office a Declaration of Covenants, Conditions and Restrictions for North Range Metropolitan District No. 2 Area within Reunion ("Master CCRs"). The purpose of the Master CCRs is to (1) protect and enhance the quality, value, desirability and attractiveness of all property within the District; (2) empower the District to provide covenant enforcement and design review services for the benefit of property owners within the District, (3) define the duties, powers and rights of the District granted by the Master CCRs and (4) define certain duties, power and rights of property owners whose land is subject to the Master CCRs.

Between December 14, 2014 and December 31, 2020, all 1,175 home lots were annexed into the Master CCRs.

The following covenants conditions and restrictions were created and filed with Adams County as a supplement to the Master CCRs:

**Supplemental CCRs – Carriage Homes:** On November 30, 2018, CPG2 (defined below) filed with the Adams County Clerk & Recorder's Office a Supplemental Declaration of Covenants Conditions and Restrictions for Reunion Carriage House Filing No 20, First Amendment, and on April 16, 2020, CPG2 filed with the Adams County Clerk & Recorder's Office a Supplemental Declaration of Covenants, Conditions and Restrictions for Reunion Carriage House Filing No 34, Amendment No 1 and Supplemental Declaration of Covenants, Conditions and Restrictions for Reunion Carriage House Filing No 34, Amendment No 2 (collectively, the three documents are referred to as the "Carriage Home

CCRs”). The 251 carriage home lots subject to the Carriage Home CCRs are all located within Subdistrict No 1. Per the Carriage Home CCRs, the carriage home lots are subject to certain additional covenants, conditions and restrictions regarding the use and maintenance of such lots. In addition, the Carriage Home CCRs require the Subdistrict No 1 to provide the following services to the carriage home lots: (1) maintain, repair and replace Perimeter Fencing, (2) maintain, repair and replace Front Yard Landscaping on each lot, (3) irrigation water to maintain all landscaping on each lot, (4) snow removal from the Auto Courts (i.e. shared automobile courtyard/driveway) and sidewalks and (5) maintenance and repair of the Auto Courts.

On April 16, 2020, Subdistrict No 1 assigned to Reunion MD and Reunion MD accepted all rights and obligations under the Carriage Home CCRs.

**Supplemental CCRs – Reunion Duets:** On April 16, 2020, CPG2 filed with the Adams County Clerk & Recorder’s Office a Supplemental Declaration of Covenants, Conditions and Restrictions for Reunion Duets Filing No 36 (“Reunion Duets CCRs”). Per the Reunion Duet CCRs, the 146 duet lots are subject to certain additional covenants, conditions and restrictions regarding the use and maintenance of such lots. In addition, the Reunion Duet CCRs require the District to provide the following services to the duet lots: (1) maintain, repair and replace Front Yard Landscaping on each lot, (2) irrigation water to maintain all landscaping on each lot, (3) snow removal from the non-City owned streets and sidewalks and (4) maintenance and repair of the non-City owned streets and sidewalks.

On April 16, 2020, the District assigned to Reunion MD and Reunion MD accepted all rights and obligations under the Reunion Duets CCRs.

**Supplemental CCRs – Horizon Single Family Homes:** On August 19, 2020, CPG2 filed with the Adams County Clerk & Recorder’s Office a Supplemental Declaration of Covenants, Conditions and Restrictions for Reunion Horizon and Meridian Filing No 35 (“Horizon CCRs”). Per the Horizon CCRs, the 86 single family home lots are subject to certain additional covenants, conditions and restrictions regarding the use and maintenance of such lots. In addition, the Horizon CCRs require the District to maintain, repair and replace Perimeter Fencing.

On August 20, 2020, the District assigned to Reunion MD and Reunion MD accepted all rights and obligations under the Horizon CCRs.

## **NOTE 8 – RELATED PARTIES**

Clayton Properties Group II, Inc. (CPG2) – a subsidiary of Berkshire Hathaway Inc (BRK.A: NYSE) – owns Oakwood Homes, which owns and is developing a significant number of residential home lots within the District and within NRMD1 and NRMD3.

In 2017, Shea Homes sold the majority of land within the District and within NRMD1 and NRMD3 to CPG2.

For the 12-month period ended December 31, 2022, the District’s board was comprised of five directors – three of whom reported no conflicts of interest regarding their service on the board. Two directors reported conflicts of interest regarding their service on the Board. The two conflicted directors were employees of CPG2.

Through May 3, 2022, two directors who reported conflicts of interest serving on the District’s board also served as directors on the boards of Reunion MD and NRMD3. After the May 3, 2022 board election, none of the directors serving on the District’s board reported conflicts of interest regarding their public service on the District’s board.

Of the five directors serving on the Reunion MD board in 2022, three directors were officers/employees of CPG2 and two directors were offices/employees of Shea Homes. To qualify themselves to serve as directors on Reunion MD’s board, the directors rely on land purchase contracts they entered into with CPG2. Per these land purchase option

contracts, CPG2 had unilateral authority to cancel these purchase option contracts at any time to disqualify such directors from continuing to serve on the Board.

None of the five directors serving on the NRMD1 board in 2022 reported conflicts of interest serving on the board.

All five directors serving on the NRMD3 board in 2022 were officers/employees of CPG2.

All five directors serving on the NRMD4 board in 2022 were officers/employees of Shea Homes.

At the time the MLEPA was ratified by the MLEPA Districts, all directors serving on Reunion MD and the District, NRMD3 and NRMD4 and three of the five directors serving on NRMD1 were officers/employees of Shea Homes and all such directors reported conflicts of interest regarding their service as directors on the MLEPA Districts.

At the time the OSA was ratified by the North Range Districts and Reunion MD, all directors serving on Reunion MD and the District, NRMD3, NRMD4 and three of the five directors serving on NRMD1 were officers/employees of Shea Homes and all such directors reported conflicts of interest regarding their service as directors on the MLEPA Districts.

When the District executed the FAA with Shea Homes in 2017, all directors serving on the District's board were also employees of Shea Homes.

Reunion MD Series 2017 Bonds (totaling outstanding – including accrued unpaid interest – as of December 31, 2022 is \$18.89 million) is owned by Shea Homes.

#### **NOTE 9 – RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be 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, public officials' liability, and workers compensation 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 4, 2014, the District's seven electors (all of whom were employees or spouses of employees of and qualified to vote by the owner of all land within the District at that time - Shea Homes) unanimously voted to authorize the District to levy up to \$320,000,000 in property taxes annually (exclusive of property taxes levied for debt service) for the following purposes:

- assess property taxes at no more than \$20,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses;
- assess property taxes at no more than \$20,000,000 annually, without limitation to rate, to pay for capital costs of public improvements; and
- assess property taxes at no more than \$280,000,000 annually, without limitation to rate, to fund intergovernmental agreements, other contracts or regional improvement costs.

Additionally, the District's electors voted unanimously to approve a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

#### **NOTE 11 – LITIGATION WITH REUNION MD**

On December 08, 2022, Reunion MD filed a lawsuit in Adams County District Court against the District and NRMD1 after the District and NRMD1 adopted budgets reflecting no property tax revenue be remitted to Reunion MD in 2023. Reunion MD is demanding the District and NRMD1 comply with the terms of the MLEPA and OSA and all property taxes the District and NRMD1 collect from the property owners within the Reunion Community be remitted to and under the sole control of Reunion MD (see Note 8 – Related Parties). Reunion MD argues that, per the terms of the MLEPA (which was ratified in 2016 when the majority of directors on all district boards was comprised of SHLP employees), the MLEPA cannot be amended or terminated without the consent of the Reunion MD board – all of whom are employees of CPG2 and SHLP.

On January 23, 2023, the District and NRMD1 filed a response and counter claims against Reunion MD. The District claims the MLEPA is void as an illegal contract on the grounds that the MLEPA violates various Colorado statutes, violates the Taxpayer Bill of Rights within the Colorado Constitution, is an unfair and unconscionable contract and is contrary to public policy. The District also claims Reunion MD breached the contractual terms of the MLEPA, if the court deems the MLEPA to be a valid contract.

On May 09, 2023, District Court granted Reunion MD's request that the District and NRMD1 be placed into receivership. Through the receivership order, all tax and related revenue collected under each district's general mill levy is to be remitted by the court-appointed receiver (Receiver) to Reunion MD. In addition, surplus funds generated under the District's debt mill levy (i.e. debt mill levy revenues net of principal and interest payments due on the District's debt) is also to be remitted by the Receiver to Reunion MD in accordance with the terms of the MLEPA.

Under the District Court's current receivership order, the District has been denied retaining any funds to defend itself against Reunion MD's lawsuit and to pay its contractors – including attorneys, accountants and consultants required to operate the District. In addition, under the Court's current receivership order, Reunion MD has amended its 2023

budget to authorize spending \$300,000 of funds received from the District under the MLEPA to fund Reunion MD's litigation against the District. Reunion MD's proposed 2024 budget reflects spending \$500,000 of District funds to support Reunion MD's litigation against the District. Finally, under the current receivership order, Reunion MD has elected to use District funds to pay for certain administrative costs of the District including insurance and audit fees but has elected to not to use the District's funds to pay for the legal counsel, managers and accountants hired by the District's board of directors.

Under Adams County District court's current receivership order, it is possible the District (which serves over 5,100 residents and taxpayers) and its publicly elected board will not be able to defend itself, and Reunion MD (which serves a single 0.23-acre land tract owned by CPG2 and is not accountable to any District taxpayers) will control the taxation powers and finances of the District through the MLEPA and OSA. Because the litigation process is subject to many uncertainties, and the outcome is not predictable with assurance, the District cannot predict the ultimate outcome of this lawsuit or the impact it may have on the District's financial condition.

#### **NOTE 12 – SUBSEQUENT EVENTS**

The District is involved in certain litigation matters. Certain events occurred subsequent to December 31, 2022 related to litigation and are disclosed in Note 11.

**SUPPLEMENTARY INFORMATION**

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**12 -Month Period Ended**  
**December 31, 2022**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$ 2,492,122	\$ 2,500,395	\$ 8,273
Specific ownership taxes	174,449	187,869	13,420
Reunion MD contributions	-	(1,181)	(1,181)
Syetem development fees	147,000	143,500	(3,500)
Net investment income	-	109,098	109,098
<b>Total Revenues</b>	<u>2,813,571</u>	<u>2,939,681</u>	<u>126,110</u>
<b>EXPENDITURES</b>			
Direct and indirect collection costs	44,435	43,811	624
Debt service			
Bond interest	1,766,969	2,779,246	(1,012,277)
Bond principal	116,000	28,000	88,000
<b>Total Expenditures</b>	<u>1,927,404</u>	<u>2,851,057</u>	<u>(923,653)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>886,167</u>	<u>88,624</u>	<u>(797,543)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>886,167</u>	<u>88,624</u>	<u>(797,543)</u>
<b>FUND BALANCE – BEGINNING</b>	4,896,500	4,886,142	(10,358)
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 5,782,667</u>	<u>\$ 4,974,766</u>	<u>\$ (807,901)</u>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**COLLECTION COST DETAILS - BUDGET AND ACTUAL**  
**12 -Month Period Ended**  
**December 31, 2022**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>DIRECT AND INDIRECT COLLECTION COSTS</b>			
Indirect collection cost allocation	\$ -	\$ -	\$ -
Collection fees – County Treasurer	37,382	37,494	(112)
Legal fees	-	-	-
Bond paying agent fees	5,500	5,500	-
Miscellaneous costs	1,553	817	736
<b>Total Direct and Indirect Collection Costs</b>	<b>\$ 44,435</b>	<b>\$ 43,811</b>	<b>\$ 624</b>

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

**NORTH RANGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
December 31, 2022

The District's repayment schedule for its Series 2017A general obligation bonds is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
<b>2023</b>	\$ 235,000	\$ 1,766,969	5.625% - 5.75%	\$ 2,001,969
<b>2024</b>	395,000	1,753,750	5.625% - 5.75%	2,148,750
<b>2025</b>	425,000	1,731,531	5.625% - 5.75%	2,156,531
<b>2026</b>	495,000	1,707,625	5.625% - 5.75%	2,202,625
<b>2027</b>	520,000	1,679,781	5.625% - 5.75%	2,199,781
<b>2028</b>	595,000	1,650,531	5.625% - 5.75%	2,245,531
<b>2029</b>	625,000	1,617,063	5.625% - 5.75%	2,242,063
<b>2030</b>	705,000	1,581,906	5.625% - 5.75%	2,286,906
<b>2031</b>	745,000	1,542,250	5.625% - 5.75%	2,287,250
<b>2032</b>	835,000	1,500,344	5.625% - 5.75%	2,335,344
<b>2033</b>	880,000	1,453,375	5.625% - 5.75%	2,333,375
<b>2034</b>	980,000	1,403,875	5.625% - 5.75%	2,383,875
<b>2035</b>	1,035,000	1,348,750	5.625% - 5.75%	2,383,750
<b>2036</b>	1,140,000	1,290,531	5.625% - 5.75%	2,430,531
<b>2037</b>	1,205,000	1,226,406	5.625% - 5.75%	2,431,406
<b>2038</b>	1,320,000	1,158,625	5.75%	2,478,625
<b>2039</b>	1,395,000	1,082,725	5.75%	2,477,725
<b>2040</b>	1,525,000	1,002,513	5.75%	2,527,513
<b>2041</b>	1,610,000	914,825	5.75%	2,524,825
<b>2042</b>	1,755,000	822,250	5.75%	2,577,250
<b>2043</b>	1,855,000	721,338	5.75%	2,576,338
<b>2044</b>	2,015,000	614,675	5.75%	2,629,675
<b>2045</b>	2,130,000	498,813	5.75%	2,628,813
<b>2046</b>	2,305,000	376,338	5.75%	2,681,338
<b>2047</b>	4,240,000	243,800	5.75%	4,483,800
	<u>\$ 30,965,000</u>	<u>\$ 30,690,589</u>		<u>\$ 61,655,589</u>

NORTH RANGE METROPOLITAN DISTRICT NO. 2  
**SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED**  
December 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes Collected		Percent Collected to Levied
		Operations	Debt	Levied	(Note A)	
2017	\$ 8,255,490	22.400	57.470	\$ 652,035	\$ 652,035	100.0%
2018	12,509,370	24.764	63.541	1,104,638	1,100,441	99.6%
2019	16,346,370	24.764	63.541	1,443,467	1,443,464	100.0%
2020	24,684,490	24.320	63.985	2,177,189	2,177,189	100.0%
2021	32,415,050	24.320	63.986	2,862,451	2,848,284	99.5%
2022	38,947,930	24.320	63.986	3,439,336	3,450,753	100.3%
2023	41,474,880	32.592	65.827	4,081,900	[TBD]	[TBD]

SUBDISTRICT 1						
Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes Collected		Percent Collected to Levied
		Operations	Debt	Levied	(Note A)	
2017	\$ -	0.000	0.000	\$ -	\$ -	N/A
2018	-	0.000	0.000	-	-	N/A
2019	206,400	0.000	0.000	-	-	N/A
2020	1,492,920	0.000	0.000	-	-	N/A
2021	2,200,450	0.000	0.000	-	-	N/A
2022	2,389,500	0.000	0.000	-	-	N/A
2023	6,590,980	29.586	0.000	195,000	[TBD]	[TBD]

**NOTE A:** Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

## OTHER SUPPLEMENTARY INFORMATION

NORTH RANGE METROPOLITAN DISTRICT NO. 2  
**CHANGE IN TOTAL OVERLAPPING MILL LEVY**  
 December 31, 2022

	2022 Mill Levy *	2021 Mill Levy **	Change
North Range Metropolitan District No. 2	98.419	88.306	10.113
Brighton School District No. 27J	56.290	49.866	6.424
Commerce City North Infrastructure General Improvement District	14.000	20.000	(6.000)
Adams County	26.967	27.069	(0.102)
South Adams Fire District No. 4	14.750	14.750	-
Rangeview Library District	3.615	3.689	(0.074)
City of Commerce City	3.110	2.920	0.190
South Adams County Water and Sanitation District	2.424	2.277	0.147
Urban Drainage and Flood Control	0.900	0.900	-
Urban Drainage and Flood Control – South Platte	0.100	0.100	-
<b>Total Mill Levy (Tax Area 459)</b>	<b>220.575</b>	<b>209.877</b>	<b>10.698</b>

\* -- For property tax collections in 2023

\*\* -- For property tax collections in 2022

NORTH RANGE METROPOLITAN DISTRICT NO. 2  
**HISTORICAL DEBT RATIOS**  
 December 31, 2022

	2018	2019	2020	2021	2022
General Obligation Bonds	\$ 37,631,000	\$ 37,631,000	\$ 37,631,000	\$ 37,631,000	\$ 37,603,000
Accrued, unpaid interest - Bonds	812,234	1,416,483	2,042,875	571,484	171,213
Restricted Cash in Bond Funds	( 3,146,584)	( 4,883,617)	( 6,006,921)	( 5,108,364)	( 4,960,076)
Combined assessed property values within the District	16,346,370	24,684,490	32,415,050	38,947,930	41,474,880
Ratio of debt to assessed property values	215.9%	138.4%	103.9%	85.0%	79.1%