NORTH RANGE METRO DISTRICT NO 3

Serving the Reunion Community

COMMERCE CITY, COLORADO

ANNUAL FINANCIAL STATEMENTS

December 31, 2023

Table of Contents

FLYNN CPA, LLC
Bill@flynn-cpa.com
(303) 970-9698

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

North Range Metropolitan District No. 3

Adams County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of North Range Metropolitan District No. 3 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of District, as of December 31, 2023, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 District, 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 District'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 District'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 District'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.

Other Matters

<u>Required Supplementary Information</u>

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

<u>Supplementary Information</u>

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of legal compliance and additional analysis and is 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

<u>Other Information</u>

Management is responsible for the other information, as identified in the table of contents. The other information 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 provide any 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.

Flynn CPA, LLC

Castle Pines, Colorado
September 16, 2024

NORTH RANGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
December 31, 2023

		Governmental Activities
ASSETS		
Cash and investments	$	-
Cash and investments – restricted		7,525,574
Specific ownership tax receivable		9,786
Property taxes receivable		3,110,600
Prepaid expenses		2,589
Total Assets		**10,648,549**
LIABILITIES		
Accounts payable and accrued liabilities		60,350
Accrued interest payable		639,067
Current portion of bonds		-
General obligation refunding bonds		55,566,000
Total Liabilities		**56,265,417**
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		3,110,600
NET POSITION (DEFICIT)		
Restricted:		
Emergency reserves		33,700
Debt service		7,523,810
Non-spendable		2,589
Unassigned:		(56,287,567)
Net Position (Deficit)	**$**	**(48,727,468)**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended
December 31, 2023

		Program Revenue			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges For Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government:					
Government Activities:					
General government activities	$ (826,565)	$ 23,161	$ -	$ -	$ (803,404)
Interest and related costs on long-term debt	(2,950,779)	-	458,850	-	(2,491,929)
	$ (3,777,344)	$ 23,161	$ 458,850	$ -	(3,295,333)
General Revenues					
Property taxes					1,752,521
Specific ownership taxes					115,626
Net investment income					427,313
Total general revenue					2,295,460
Change in net position					(999,873)
Net Position (Deficit) – Beginning of Year					(47,727,595)
Net Position (Deficit) – End of Year					**$ (48,727,468)**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	Debt Service Fund	Total Government Funds
ASSETS			
Cash and investments	$ -	$ -	$ -
Cash and investments - Restricted	7,650	7,517,924	7,525,574
Specific ownership taxes receivable	3,900	5,886	9,786
Property taxes receivable	992,400	2,118,200	3,110,600
Prepaid expenses	2,589	-	2,589
TOTAL ASSETS	**1,006,539**	**9,642,010**	**10,648,549**
LIABILITIES			
Accounts payable and accrued liabilities	60,350	-	60,350
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	992,400	2,118,200	3,110,600
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,052,750	2,118,200	3,170,950
FUND BALANCES			
Restricted:			
Emergencies (TABOR)	33,700	-	33,700
Debt service	-	7,523,810	7,523,810
Non-spendable	2,589	-	2,589
Unrestricted	(82,500)	-	(82,500)
Total Fund Balances	(46,211)	7,523,810	7,477,599
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	**$ 1,006,539**	**$ 9,642,010**	

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	(55,566,000)
Accrued interest payable	(639,067)
Net position of governmental activities	**$ (48,727,468)**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended
December 31, 2023

	General Fund	Debt Service Fund	Total Government Funds
REVENUES			
Property taxes	$ 698,500	$ 1,054,021	$ 1,752,521
Specific ownership taxes	46,085	69,541	115,626
Reunion Metro District contributions	-	-	-
System development fees	-	458,850	458,850
Covenant enforcement fines and fees	8,564	-	8,564
Collection cost reimbursements	14,597	-	14,597
Net investment income	5,908	421,405	427,313
Total Revenues	**773,654**	**2,003,817**	**2,777,471**
EXPENDITURES			
Direct and indirect collection costs	129,254	22,823	152,077
Covenant enforcement services	75,234	-	75,234
Litigation services	-	-	-
Park & open space operations and maintenance cost subsidies paid to Reunion Metropolitan District	622,077	-	622,077
Debt service			
Bond interest	-	2,652,350	2,652,350
Bond principal	-	-	-
Total Expenditures	826,565	2,675,173	3,501,738
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,911)	(671,356)	(724,267)
OTHER FINANCING SOURCES (USES)			
Fund Transfers In / (Out)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	(52,911)	(671,356)	(724,267)
FIND BALANCES – BEGINNING	6,700	8,195,166	8,201,866
FUND BALANCES – END OF YEAR	$ (46,211)	$ 7,523,810	$ 7,477,599

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
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, 2023

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – Total government funds	$	(724,267)
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		-
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.		
Increase in accrued bond interest payable		(275,606)
Changes in net position of governmental activities	**$**	**(999,873)**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	$ 698,489	$ 698,500	$ 11
Specific ownership taxes	48,894	46,085	(2,809)
Covenant enforcement fines and fees	-	8,564	8,564
Legal cost reimbursements	-	14,597	14,597
Net investment income	5,001	5,908	907
Total Revenues	752,384	773,654	21,270
EXPENDITURES			
General and administration	39,249	129,254	(90,005)
Covenant enforcement services	-	75,234	(75,234)
Litigation services	-	-	-
Park & open space operations and maintenance cost subsidies paid to Reunion Metropolitan District	696,735	622,077	74,658
Total Expenditures	735,984	826,565	(90,581)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,400	(52,911)	(69,311)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER	16,400	(52,911)	(69,311)
FUND BALANCE – BEGINNING OF YEAR	6,200	6,700	500
FUND BALANCE – END OF YEAR	**$ 22,600**	**$ (46,211)**	**$ (68,811)**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
GENERAL FUND
EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
GENERAL AND ADMINISTRATION			
District management and accounting fees	$ -	$ 62,378	$ (62,378)
Administrative costs	1,100	6,403	(5,303)
Audit fees	5,200	-	5,200
Collection fees – County Treasurer	10,477	10,486	(9)
Board of Directors' fees	972	1,600	(628)
Board training and conferences	-	1,337	(1,337)
Election services	15,000	12,000	3,000
Newsletter publication and mailing services	-	-	-
Insurance	3,500	-	3,500
Legal fees	3,000	35,050	(32,050)
Total General and Administration	**$ 39,249**	**$ 129,254**	**$ (90,005)**

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

NOTE 1 – DEFINITION OF REPORTING ENTITY

North Range Metropolitan District No. 3 (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 04, 2001, 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 06, 2001. The District's service area is located in Commerce City, Colorado and is currently comprised of 1,203 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.

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 17, 2022, the Board adopted the District’s 2023 budget.

Actual expenditures in the General Fund exceed budgeted amounts. This may be a violation of State law.

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.

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 2023, the District's share of Specific ownership taxes was equal to approximately 6.6% 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.

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 2020 Bonds, the District, Reunion MD, and the District's 2020 Bond Trustee entered into a Capital Pledge Agreement whereby Reunion MD agreed to remit to the District all System Development Fees – up to a maximum of $2,850 per Lot – collected on residential and commercial lots located within the District.

Covenant Enforcement and Design Review Service Revenue and Costs

Enforcement fines and other assessments charged by Reunion MD on behalf of the District related to providing covenant enforcement and design review services are funded by Reunion MD. Per the MLEPA [defined below], the District reimburses Reunion MD for costs Reunion MD incurs providing such services and the District records such costs as an expense of the District.

Per Reunion MD's 2024 budget, the cost of providing covenant enforcement and design review services to the Reunion Community in 2023 was estimated to be approximately $386,500. The District estimates $75,234 (or 19.5%) of such service costs is allocable to the District based on the number of homes within the District compared to all homes within the Reunion Community.

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 2023, District reimbursements paid to Reunion MD for District administrative and election expenses is estimated at $30,000.

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 NRMD1, NRMD2 and the District. Per the OSA [defined below], 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.

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, 2023 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 find 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, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments – unrestricted	$ -
Cash and investments – restricted	7,525,574
Total cash and investments	**$ 7,525,574**

Cash and investments as of December 31, 2023 consist of the following:

Deposits with financial institutions	$ 58,038
Investments	7,467,536
Total cash and investments	**$ 7,525,574**

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, 2023, the District had a bank balance of $58,135 and a carrying balance of $58,038.

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, 2023, the District's investments were comprised of the following:

Investment	Maturity	Amortized Cost
ColoTrust Plus+ (Colotrust)	Weighted Average Under 60 Days	$ 7,438,254
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	29,282
	Total	**$ 7,467,536**

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, 2023:

	Balance at Dec. 31, 2022	Additions	Retirements	Balance at Dec. 31, 2023	Due within one year
Series 2020A G.O. Bonds	$ 51,115,000	$ -	$ -	$ 51,115,000	$ -
Accrued Interest – Series 2020A G.O. Bonds	221,029	2,652,350	(2,652,350)	221,029	-
Series 2020B G.O. Bonds	4,451,000	-	-	4,451,000	-
Accrued Interest – Series 2020B G.O. Bonds	142,432	275,606	-	418,038	-
Total	**$ 55,929,461**	**$2,927,956**	**($2,652,350)**	**$ 56,205,067**	**$ -**

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

Series 2020A Limited Tax General Obligation Bonds (Senior Bonds)

On November 05, 2020, the District issued Limited Tax General Obligation Bonds, Series 2020A in the amount of $51,115,000. The Senior Bonds are comprised of two issues. The first issue is $12,475,000 with a stated interest rate of 5.000% and a maturity date of December 1, 2040. The second issue is $38,640,000 with a stated interest rate of 5.250% and a maturity date of December 1, 2050. 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, 2026.

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 System Development Fees; and
d) any other legally available amounts that the District may designate towards payment of the Senior Bonds.

The 2020 Indenture of Trust Agreement for the 2020A 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 06, 2001 – at which time, the ratios for residential and vacant land was 9.15% and 29.0%, respectively. The residential and vacant land ratios for the 2023 collection year was 6.95% and 29%, respectively, which caused the District's Maximum Debt Mill Levy for debt service for 2023 to be 53.110.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2025, 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, 2025, to November 30, 2026	3.0%	$ 1,533,450
December 1, 2026, to November 30, 2027	2.0%	$ 1,021,700
December 1, 2027, to November 30, 2028	1.0%	$ 510,100
December 1, 2028, and thereafter	0.0%	$ -

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

	Principal	Interest	Total
2024	$ -	$ 2,652,350	$ 2,652,350
2025	-	2,652,350	2,652,350
2026	30,000	2,652,350	2,682,350
2027	75,000	2,650,850	2,725,850
2028	240,000	2,647,100	2,887,100
2029-2033	2,520,000	12,979,250	15,499,250
2034-2038	5,995,000	12,025,750	18,020,750
2039-2043	10,630,000	10,078,913	20,708,913
2044-2048	17,455,000	6,633,638	24,088,638
2049-2050	14,170,000	1,256,062	15,426,062
Total	**$ 51,115,000**	**$ 56,228,613**	**$107,343,613**

The District's detail debt service schedule for its Senior Bonds is provided on page 31.

Series 2020B Subordinate Limited Tax General Obligation Bond (Subordinate Bond)

On March 09, 2022, the District issued Subordinate Limited Tax General Obligation Bond, Series 2020B in the amount of $4,451,000. The stated interest rate on the Subordinate Bonds is 6.00% per annum through December 15, 2025 and 8.00% annum thereafter. The Subordinate Bonds are payable annually on December 15, beginning December 15, 2022, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2050. 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, 2060, such amounts shall be deemed discharged and shall no longer be due and outstanding.

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 Subordinate Pledged Fee 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, 2023, 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 01, 2025, to November 30, 2026	3.0%	$ 133,530
December 01, 2026, to November 30, 2027	2.0%	$ 89,020
December 10, 2027, to November 30, 2028	1.0%	$ 44,510
December 01, 2028, and thereafter	0.0%	$ -

Per the 2020 Financial Forecast included with the Subordinate Bond Offering document, repayments on the Subordinate Bonds are projected to total approximately $21.9 million through 2050, ***which equates to an annual net effective interest rate of 12.6%.***

The owner of the Subordinate Service 2020B Bonds is CMH Capital, Inc, an entity under common control and affiliated with CPG2, the Developer. The Subordinate Bonds were issued when all directors on the District's board were employees of CPG2 and reported conflicts of interest regarding their service on the District's board.

Series 2020A and Series 2020B Events of Default

The following events are considered events of default under the Series 2020A and Series 2020B bond indentures of trust: (1) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture of Trust, (2) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution and fails to remedy the same after notice thereof is provided to the District by the Trustee, Bond Insurer or Bond Owners or (3) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default. Available remedies for an Event of Default are (1) placing the district in receivership, (2) Trustee initiating a lawsuit against the District and (3) compelling the District to cure the default via mandamus or any other suit, action, or proceeding at law or in equity. Acceleration of the repayment of the Bonds is not an available remedy for an Event of Default.

Debt Authorization – TABOR

On November 6, 2001, the District's five 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, 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) voted to authorize the District to issue debt – in addition to the November 6, 2001 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:

	Authorized Nov. 2001 Election	Authorized Nov. 2014 Election	Total Voter-Authorized Debt
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
Subtotal	**694,000,000**	**560,000,000**	**1,254,000,000**
Refunding of debt	342,000,000	280,000,000	622,000,000
Total	**$1,036,000,000**	**$ 840,000,000**	**$1,876,000,000**

	Voter Authorization Used			
	Series 2020A Bonds	**Series 2020B Bonds**	**Voter Authorization Expired**	**Authorization Remaining at Dec. 31, 2023**
Street improvements	($ 33,107,000)	($ 613,946)	($ 76,447,139)	$ 88,000,000
Water	(8,516,000)	(1,395,308)	(84,735,823)	80,000,000
Storm water and sanitary sewers	(8,853,000)	(1,315,507)	(25,794,620)	24,000,000
Park & recreation facilities	(639,000)	(1,126,239)	(37,456,418)	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
Subtotal	**($ 51,115,000)**	**($ 4,451,000)**	**($638,434,000)**	**560,000,000**
Refunding of debt	-	-	(342,000,000)	280,000,000
Total	**($ 51,115,000)**	**($ 4,451,000)**	**($980,434,000)**	**$ 840,000,000**

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, 2001 – at which time, the ratio was 9.15%. The ratio for the 2023 collection year was 6.95%, which caused the District's Maximum Debt Mill Levy for debt service for 2023 to be 53.110[1].

As of December 31, 2023, total remaining debt issuance authorization under the District's Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	$ 280,000,000
Less:	
2020A Senior Bonds	(51,115,000)
2020B Subordinate Bonds	(4,451,000)
Unused, authorized debt issuance	**$ 224,434,000**

[1] Adjusted mill levy calculation is also impacted by the allocation of total property value among commercial, residential and other property valuation types and land valuation exemptions granted by the State to residential and commercial real property.

NOTE 6 – NET POSITION (DEFICIT)

Restricted Net Position

The District's restricted net position as of December 31, 2023 in the general fund and debt service fund totaled $33,700 and $7,523,810, 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, 2023 in the general fund and debt service fund totaled $2,589 and $0, respectively.

Unassigned Net Position

The District's unassigned net position as of December 31, 2023 totaled ($56,287,567). 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 CPG2 entered into Facilities Acquisition Agreement (FAA) whereby CPG2 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 terms of the FAA were amended on July 2, 2019 and October 21, 2020. The District agreed to fund amounts submitted by CPG2 to the District for reimbursement – subject to annual appropriation by the District – if (1) CPG2 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 CPG2 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, 2023, the interest rate applicable to outstanding accrued claims by the Developer under the FAA was capped at 8% for 2023.

When the District executed the FAA with the CPG2 in 2017, all directors serving on the District's board were also employees of CPG2. (See Note 8 – Related Parties.)

As of December 31, 2023, no amounts are owed to Shea Homes from the District under the FAA.

Capital Pledge Agreement w Reunion Metro District

Concurrently with the issuance of the 2020 Bonds, the District, Reunion MD, and the 2020 Bond Trustee entered into a Pledge Agreement whereby Reunion MD agreed to remit to the District all System Development Fees (defined below) – up to a maximum of $2,850 per lot – imposed by Reunion MD on all 1,203 residential lots constructed within the District. The District pledged all System Development Fees received from Reunion MD towards the repayment of the District's 2020 Bonds.

System Development Fees remitted by Reunion MD to the District under the Pledge Agreement are as follows:

	# of Residential Lots	System Development Fees
Fees remitted from Reunion MD through December 31, 2021	700	$ 1,995,000
Fees remitted from Reunion MD in 2022	214	609,900
Fees remitted from Reunion MD through December 31, 2022	914	2,604,900
Fees remitted from Reunion MD in 2023	161	458,850
Fees remitted from Reunion MD through December 31, 2023	1,075	3,063,750
Remaining fees expected to be collected subsequent to December 31, 2023	128	$ 364,800

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", "NRMD2", the District 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 2023 collection year was 6.95%, which caused the maximum debt mill levy for the District to be 53.110. Thus, the adjusted MLEPA Cap for 2023 is 102.110.

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 only NRMD1 and NRMD2 to levy the maximum allowed debt mill levy 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.

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").

NRMD3 Exempt from repayent of Reunion MD's 2017 Bonds: In connection with the issuance of the District's Series 2020 Bonds, Reunion MD signed and Acknowledgement and Consent dated October 30, 2020 stating that the District "…is not obligated to repay the 2017 Reunion Bonds that are currently authorized and outstanding."

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.

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. (NRMD4 is 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 May 17, 2023, the District's Board unanimously voted to terminate its legal, accounting and management contracts effective May 17, 2023 with contractors who also contracted with Reunion MD to provide such services to Reunion MD. The District now relies 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 10, 2020 Clayton Properties Group II, Inc (CPG2) filed with the Adams County Clerk & Recorder's Office a Declaration of Covenants, Conditions and Restrictions for North Range Metropolitan District No. 3 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.

All 1,203 home lots have been 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:

<u>Supplemental CCRs – Carriage Homes</u>: On March 03, 2021, the Developer filed with the Adams County Clerk & Recorder's Office a Supplemental Declaration of Covenants Conditions and Restrictions for Reunion Ridge Carriage House and Porchlight (Filing No 1) ("Carriage Home CCRs"). Per the Carriage Home CCRs, all 490 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 District 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 May 10, 2021, the District assigned to Reunion MD and Reunion MD accepted all rights and obligations under the Carriage Home 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.

Between January 01, 2023 and May 3, 2023, all directors serving on the District' board reported conflicts of interest with the Developer regarding their service on the board. Three directors were subject to election at the May 3, 2023 regular board election and all three directors elected on May 3, 2023 reported no financial or contractual relationships with the Developer. Between May 4, 2023 and December 31, 2023, two directors (who were not subject to election in 2023) serving on the District's board were executives employed by CPG2.

Of the five directors serving on the Reunion MD board in 2023, 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 and NRMD2 boards in 2023 reported conflicts of interest serving on those respective boards.

All directors serving on the NRMD4 board in 2023 were officers/employees of Shea Homes.

At the time the MLEPA was ratified by the MLEPA Districts, all directors serving on Reunion MD and NRMD2, 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 NRMD2, 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 CPG2 in 2017 and executed two subsequent amendments to the FFA, all directors serving on the District's board were also employees of CPG2.

Reunion MD Series 2017 Bonds (totaling outstanding – including accrued unpaid interest – as of December 31, 2023 is $18.89 million) is owned by Shea Homes.

The owner of the Subordinate Service 2020B Bonds is CMH Capital, Inc, an entity under common control and affiliated with CPG2, the Developer. The Subordinate Bonds were issued when all directors on the District's board were employees of CPG2 and reported conflicts of interest regarding their service on the District's board.

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) 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 NRMD1 and NRMD2 after NRMD1 and NRMD2 adopted budgets reflecting no property tax revenue be remitted to Reunion MD in 2023. Reunion MD demanded NRMD1 and NRMD2 comply with the terms of the MLEPA and OSA and all property taxes NRMD1 and NRMD2 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, NRMD1 and NRMD2 filed a response and counter claims against Reunion MD. NRMD1 and NRMD2 claim 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. NRMD1 and NRMD2 also claim 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 NRMD1 and NRMD2 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.

On July 3, 2023 – one month after three homeowners with no relationships to the Developer were elected to the District's 5-member board – Reunion MD amended its complaint to include the District as a defendant. On November 29, 2023, District Court granted Reunion MD's request and added NRMD3 as a defendant in the Reunion MD lawsuit. However, no court order has been issued placing NRMD3 into receivership.

Under the District Court's current receivership order, NRMD1 and NRMD2 have been denied retaining any funds to defend themselves against Reunion MD's lawsuit and to pay their 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, NRMD1 and NRMD2 under the MLEPA to fund Reunion MD's litigation against NRMD1, NRMD2 and NRMD3. Reunion MD's proposed 2024 budget reflects spending $500,000 of District funds to support Reunion MD's litigation against NRMD1, NRMD2 and NRMD3.

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.

SUPPLEMENTARY INFORMATION

NORTH RANGE METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12 -Month Period Ended
December 31, 2023

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	$ 1,054,005	$ 1,054,021	$ 16
Specific ownership taxes	73,780	69,541	(4,239)
Reunion MD contributions	-	-	-
Syetem development fees	427,500	458,850	31,350
Net investment income	117,000	421,405	304,405
Total Revenues	1,672,285	2,003,817	331,532
EXPENDITURES			
Direct and indirect collection costs	35,650	22,823	12,827
Debt service			
Bond interest	2,652,350	2,652,350	-
Bond principal	-	-	-
Total Expenditures	2,688,000	2,675,173	12,827
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,015,715)	(671,356)	344,359
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,015,715)	(671,356)	344,359
FUND BALANCE – BEGINNING	8,403,526	8,195,166	(208,360)
FUND BALANCE – END OF YEAR	**$ 7,387,811**	**$ 7,523,810**	**$ 135,999**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
COLLECTION COST DETAILS - BUDGET AND ACTUAL
12 -Month Period Ended
December 31, 2023

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
DIRECT AND INDIRECT COLLECTION COSTS			
Collection fees – County Treasurer	$ 15,810	$ 15,823	$ (13)
Legal fees	-	-	-
Bond paying agent fees	7,000	7,000	-
Miscellaneous costs	12,840	-	12,840
Total Direct and Indirect Collection Costs	**$ 35,650**	**$ 22,823**	**$ 12,827**

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

NORTH RANGE METROPOLITAN DISTRICT NO. 3

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2023

The District's repayment schedule for its Series 2020A general obligation bonds is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2024	$ -	$ 2,652,350	5.00% - 5.25%	$ 2,652,350
2025	-	2,652,350	5.00% - 5.25%	2,652,350
2026	30,000	2,652,350	5.00% - 5.25%	2,682,350
2027	75,000	2,650,850	5.00% - 5.25%	2,725,850
2028	240,000	2,647,100	5.00% - 5.25%	2,887,100
2029	255,000	2,635,100	5.00% - 5.25%	2,890,100
2030	440,000	2,622,350	5.00% - 5.25%	3,062,350
2031	460,000	2,600,350	5.00% - 5.25%	3,060,350
2032	665,000	2,577,350	5.00% - 5.25%	3,242,350
2033	700,000	2,544,100	5.00% - 5.25%	3,244,100
2034	930,000	2,509,100	5.00% - 5.25%	3,439,100
2035	975,000	2,462,600	5.00% - 5.25%	3,437,600
2036	1,230,000	2,413,850	5.00% - 5.25%	3,643,850
2037	1,290,000	2,352,350	5.00% - 5.25%	3,642,350
2038	1,570,000	2,287,850	5.00% - 5.25%	3,857,850
2039	1,650,000	2,209,350	5.00% - 5.25%	3,859,350
2040	1,965,000	2,126,850	5.00% - 5.25%	4,091,850
2041	2,060,000	2,028,600	5.25%	4,088,600
2042	2,415,000	1,920,450	5.25%	4,335,450
2043	2,540,000	1,793,663	5.25%	4,333,663
2044	2,935,000	1,660,313	5.25%	4,595,313
2045	3,090,000	1,506,225	5.25%	4,596,225
2046	3,525,000	1,344,000	5.25%	4,869,000
2047	3,710,000	1,158,938	5.25%	4,868,938
2048	4,195,000	964,163	5.25%	5,159,163
2049	4,415,000	743,925	5.25%	5,158,925
2050	9,755,000	512,138	5.25%	10,267,138
	$ 51,115,000	**$ 56,228,613**		**$107,343,613**

The original face value of these bonds totaled $51,115,000. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

No debt-to-maturity schedule is provided for the Series 2020B Subordinate Bonds because such obligations are payable from Subordinate Pledged Revenue, if and when such revenue is available to repay these bonds.

NORTH RANGE METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2023

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2018	$ 409,060	24.764	63.541	$ 36,122	$ 36,122	100.0%
2019	19,870	24.764	63.541	1,755	1,755	100.0%
2020	20,590	24.320	63.986	1,818	1,818	100.0%
2021	437,210	24.320	63.986	38,608	38,600	100.0%
2022	8,447,430	24.320	63.986	745,900	745,933	100.0%
2023	19,845,700	35.196	53.110	1,752,500	1,752,521	100.0%
2024	31,659,500	31.345	66.905	3,110,600	[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. 3

CHANGE IN TOTAL OVERLAPPING MILL LEVY

December 31, 2023

	2022 Mill Levy *	2023 Mill Levy **	Change
North Range Metropolitan District No. 3	98.419	98.250	(0.169)
Brighton School District No. 27J	56.290	56.290	0.000
Commerce City North Infrastructure General Improvement District	14.000	8.000	(6.000)
Adams County	26.967	26.835	(0.132)
South Adams Fire District No. 4	14.750	14.750	0.000
Rangeview Library District	3.615	3.653	0.038
City of Commerce City	3.110	2.550	(0.560)
South Adams County Water and Sanitation District	2.424	1.966	(0.458)
Urban Drainage and Flood Control	0.900	0.900	0.000
Urban Drainage and Flood Control – South Platte	0.100	0.100	0.000
Total Mill Levy (Tax Area 459)	**220.575**	**213.294**	**(7.281)**

* -- For property tax collections in 2023

** -- For property tax collections in 2024

NORTH RANGE METROPOLITAN DISTRICT NO. 3

HISTORICAL DEBT RATIOS

As of December 31,

	2019	2020	2021	2022	2023
General Obligation Bonds	$ -	$ 51,115,000	$ 51,115,000	$ 55,566,000	$ 55,566,000
Accrued, unpaid interest - Bonds	-	221,029	221,029	363,461	639,067
Restricted Cash in Bond Funds	-	(10,111,588)	(9,025,843)	(8,154,932)	(7,517,924)
Combined assessed property values within the District	20,590	437,210	8,447,430	19,845,700	31,659,500
Ratio of debt to assessed property values	N/A	9,429.0%	500.9%	240.7%	153.8%