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Accountant's Compilation Report

Board of Directors
North Range Metropolitan District No. 2
Adams County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of North Range Metropolitan District No. 2 for the year ending December 31, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. A compilation is limited to presenting, in the form prescribed by CRS 29-1-105, information that is the representation of management. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the Summary of Significant Assumptions which describe that the budget is presented in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to North Range Metropolitan District No. 2.

Greenwood Village, Colorado
December 15, 2016

NORTH RANGE METROPOLITAN DISTRICT NO. 2
SUMMARY
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

12/15/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 1,994,432	\$ 763,231	\$ 2,011,832
REVENUES			
1 Property taxes	449,904	575,568	659,406
2 Specific ownership taxes	38,932	45,100	52,800
3 Developer advance	409,103	2,432,379	-
4 Net investment income	1,058	934	400
5 Bond issuance	-	-	33,838,000
6 System Development Fees	20,937	386,280	525,000
7 Sales tax sharing	-	-	250,000
8 Impact fees	-	-	177,150
Total revenues	<u>919,934</u>	<u>3,440,261</u>	<u>35,502,756</u>
Total funds available	<u>2,914,366</u>	<u>4,203,492</u>	<u>37,514,588</u>
EXPENDITURES			
9 General and administration			
10 Audit	2,100	2,200	2,400
11 County Treasurer's fees	6,757	8,635	9,900
12 Dues and membership	387	406	430
13 Insurance	2,163	2,680	2,850
14 Legal	19	-	-
15 Transfer to Reunion	130,759	165,964	189,860
16 Debt service			
17 Bond interest	1,420,100	1,387,925	1,497,257
18 Bond principal	585,000	620,000	-
19 Cost of issuance	-	-	977,870
20 Paying agent fees	3,850	3,850	3,850
21 Refunding escrow payment	-	-	25,847,383
22 Capital projects			
23 Transfer to Reunion - capital outlay	-	-	6,546,530
Total expenditures	<u>2,151,135</u>	<u>2,191,660</u>	<u>35,078,330</u>
Total expenditures and transfers out requiring appropriation	<u>2,151,135</u>	<u>2,191,660</u>	<u>35,078,330</u>
ENDING FUND BALANCES	<u>\$ 763,231</u>	<u>\$ 2,011,832</u>	<u>\$ 2,436,258</u>
EMERGENCY RESERVE	\$ 808	\$ 5,300	\$ 6,000
DEBT SERVICE RESERVE REQUIREMENT	<u>2,006,532</u>	<u>2,006,532</u>	<u>2,429,375</u>
TOTAL RESERVE	<u>\$ 2,007,340</u>	<u>\$ 2,011,832</u>	<u>\$ 2,435,375</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/15/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
ASSESSED VALUATION - ADAMS			
Residential	\$ -	\$ -	\$ 106,730
Commercial	3,624,710	4,616,090	5,261,190
Agricultural	10	10	10
Vacant Land	531,780	604,840	1,125,270
Personal Property	1,476,460	1,585,170	1,762,290
Certified Assessed Value	<u>\$ 5,632,960</u>	<u>\$ 6,806,110</u>	<u>\$ 8,255,490</u>
MILL LEVY			
GENERAL FUND	22.400	22.400	22.400
DEBT SERVICE FUND	57.470	57.470	57.475
Total Mill Levy	<u>79.870</u>	<u>79.870</u>	<u>79.875</u>
PROPERTY TAXES			
GENERAL FUND	\$ 126,178	\$ 152,457	\$ 184,923
DEBT SERVICE FUND	323,726	391,147	474,483
Levied property taxes	449,904	543,604	659,406
Adjustments to actual/rounding	(93,700)	34,935	-
Refund and abatements	-	(2,971)	-
Budgeted Property Taxes	<u>\$ 449,904</u>	<u>\$ 575,568</u>	<u>\$ 659,406</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 126,178	\$ 161,422	\$ 184,923
DEBT SERVICE FUND	323,726	414,146	474,483
	<u>\$ 449,904</u>	<u>\$ 575,568</u>	<u>\$ 659,406</u>

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NORTH RANGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

12/15/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 4,176	\$ 4,200	\$ 5,300
REVENUES			
1 Property taxes	126,178	161,422	184,923
2 Specific ownership taxes	10,919	12,700	14,800
3 Net investment income	250	650	200
Total revenues	137,347	174,772	199,923
Total funds available	141,523	178,972	205,223
EXPENDITURES			
General and administration			
4 Audit	2,100	2,200	2,400
5 County Treasurer's fees	1,895	2,422	2,800
6 Dues and membership	387	406	430
7 Insurance	2,163	2,680	2,850
8 Legal	19	-	-
9 Transfer to Reunion	130,759	165,964	189,860
Total expenditures	137,323	173,672	198,340
Total expenditures and transfers out requiring appropriation	137,323	173,672	198,340
ENDING FUND BALANCES	\$ 4,200	\$ 5,300	\$ 6,883
EMERGENCY RESERVE	\$ 808	\$ 5,300	\$ 6,000
TOTAL RESERVE	\$ 808	\$ 5,300	\$ 6,000

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

12/15/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 1,990,256	\$ 759,031	\$ 2,006,532
REVENUES			
1 Property taxes	323,726	414,146	474,483
2 Specific ownership taxes	28,013	32,400	38,000
3 Developer advance	409,103	2,432,379	-
4 Net investment income	808	284	200
5 Bond issuance	-	-	27,089,000
6 System Development Fees	20,937	386,280	525,000
7 Sales tax sharing	-	-	250,000
8 Impact fees	-	-	177,150
Total revenues	782,587	3,265,489	28,553,833
Total funds available	2,772,843	4,024,520	30,560,365
EXPENDITURES			
General and administration			
9 County Treasurer's fees	4,862	6,213	7,100
Debt service			
10 Bond interest	1,420,100	1,387,925	1,497,257
11 Bond principal	585,000	620,000	-
12 Cost of issuance	-	-	775,400
13 Paying agent fees	3,850	3,850	3,850
14 Refunding escrow payment	-	-	25,847,383
Total expenditures	2,013,812	2,017,988	28,130,990
Total expenditures and transfers out requiring appropriation	2,013,812	2,017,988	28,130,990
ENDING FUND BALANCES	\$ 759,031	\$ 2,006,532	\$ 2,429,375
DEBT SERVICE RESERVE REQUIREMENT	\$ 2,006,532	\$ 2,006,532	\$ 2,429,375
TOTAL RESERVE	\$ 2,006,532	\$ 2,006,532	\$ 2,429,375

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

NORTH RANGE METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
FORECASTED 2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

12/15/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Bond issuance	-	-	6,749,000
Total revenues	<u>-</u>	<u>-</u>	<u>6,749,000</u>
Total funds available	<u>-</u>	<u>-</u>	<u>6,749,000</u>
EXPENDITURES			
Debt Service			
2 Cost of issuance	-	-	202,470
Capital projects			
3 Transfer to Reunion - capital outlay	-	-	6,546,530
Total expenditures	<u>-</u>	<u>-</u>	<u>6,749,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>6,749,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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NORTH RANGE METROPOLITAN DISTRICT NO. 2
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

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

The district has no employees and all administrative functions are contracted.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S 29-1-105.

Revenues

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.

The calculation of the taxes levied is displayed on page 3 of the Budget at the adopted total mill levy of 79.875 mills for 2017.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District’s share will be equal to approximately 8% of the property taxes collected by both the General Fund and the Debt Service Fund. The forecast assumes that specific ownership taxes allocable to property taxes collected by the Debt Service Fund will be pledged to debt service on the bonds during the term bonds are outstanding.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Intergovernmental revenue – System Development Fees

The District has entered into an intergovernmental agreement with Reunion in order to collect a portion of system development fees which are pledged for the repayment of debt. The agreement provides that for each Residential System Development Fee collected by Reunion, \$3,219 is to be transferred to the District's Bond Fund. The District has received its required amount of \$250,000 in Commercial System Development Fees. Additional amounts may be transferred on a case by case basis and as determined by the Reunion Board of Directors. It is anticipated that the amount transferred for each Residential Unit will increase to \$3,500 in 2017 as part of the proposed 2017 financing.

Expenditures

Intergovernmental expenditure

Pursuant to intergovernmental agreements, the District will remit revenues to Reunion in order to pay the District's operational costs, which may include legal, management, accounting, insurance, and meeting expenses.

Debt Service

It is anticipated the District will refinance its outstanding debt in 2017. As such, specific terms of the 2016 Bonds will be provided once final.

Debt and Leases

Series 2007

The District anticipates refunding its 2007 Bonds in 2017. In 2007, the District issued its Series 2007 Limited Tax General Obligation Bonds, dated June 22, 2007, in the original principal amount of \$26,375,000 and are comprised of term bonds due December 15, 2014 that are not callable prior to redemption, term bonds due December 15, 2018, term bonds due December 15, 2027, and term bonds due December 15, 2037. The bonds are subject to mandatory sinking fund redemption provisions by lot beginning in 2014. Interest is at fixed rates of 5.50% payable semi-annually June 15 and December 15. The bonds maturing on and after December 15, 2018 are callable on any date with 60 days notice at the option of the District beginning December 15, 2017 at par.

Proceeds from the Series 2007 issue included amounts for capitalized interest and reserves that were deposited into the Debt Service Fund. As additional security for the Bonds, the District has entered into a reimbursement agreement pursuant to which the Developer is required, on an annual basis, to deposit any amounts necessary to replenish the Reserve Fund to the Reserve Fund Requirement within 10 business days after it receives notice from the Trustee, which occurs subsequent to year end, until such time as it is released from the obligation which occurs when Pledged revenue covers 105% of debt service expenditures. The Reserve Fund Requirement is \$2,006,532.

The District has no leases.

**NORTH RANGE METROPOLITAN DISTRICT NO. 2
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of fiscal year spending for 2017, as defined under TABOR.

Debt Service Reserve

The District maintains a debt service reserve as required with the issuance of the Series 2007 Bonds.

This information is an integral part of the accompanying budget.

**NORTH RANGE METROPOLITAN DISTRICT NO.2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

\$26,375,000 Limited Tax G.O. Bonds

Series 2007

Dated June 22, 2007

Principal due December 15

Interest Rate 5.50% Payable

June 15 and December 15

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	650,000	1,353,825	2,003,825
2018	685,000	1,318,075	2,003,075
2019	725,000	1,280,400	2,005,400
2020	765,000	1,240,525	2,005,525
2021	805,000	1,198,450	2,003,450
2022	850,000	1,154,175	2,004,175
2023	900,000	1,107,425	2,007,425
2024	945,000	1,057,925	2,002,925
2025	1,000,000	1,005,950	2,005,950
2026	1,055,000	950,950	2,005,950
2027	1,115,000	892,925	2,007,925
2028	1,175,000	831,600	2,006,600
2029	1,240,000	766,975	2,006,975
2030	1,305,000	698,775	2,003,775
2031	1,380,000	627,000	2,007,000
2032	1,455,000	551,100	2,006,100
2033	1,535,000	471,075	2,006,075
2034	1,620,000	386,650	2,006,650
2035	1,710,000	297,550	2,007,550
2036	1,800,000	203,500	2,003,500
2037	1,900,000	104,500	2,004,500
	<u>\$ 24,615,000</u>	<u>\$ 17,499,350</u>	<u>\$ 42,114,350</u>

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