NORTH RANGE METROPOLITAN DISTRICT NO. 2
Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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Haynie & Company
Certified Public Accountants (a professional corporation)
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and the major funds of North Range Metropolitan District No. 2 as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of North Range Metropolitan District No. 2, as of December 31, 2017 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.

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Other-Matters

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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Range Metropolitan District No. 2's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Co

Littleton, Colorado
June 11, 2018

BASIC FINANCIAL STATEMENTS

NORTH RANGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2017

		Governmental Activities
ASSETS		
Investments	$	6,765
Investments - Restricted		5,174,466
Receivables - County Treasurer		5,176
Property taxes receivable		1,104,640
Capital assets, not being depreciated		-
Due from other governments		392,348
Total assets		6,683,395
DEFERRED OUTFLOWS OF RESOURCES		
Cost of refunding		744,909
Total deferred outflows of resources		744,909
LIABILITIES		
Accrued interest payable - Bonds		147,247
Due to other governments		8,117
Noncurrent liabilities:		
Due in more than one year		37,926,619
Total liabilities		38,081,983
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue		1,104,640
Total deferred inflows of resources		1,104,640
NET POSITION		
Restricted for:		
Emergency		6,100
Debt service		385,463
Capital projects		2,136,109
Unrestricted		(34,285,991)
Total net position	$	(31,758,319)

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

NORTH RANGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
December 31, 2017

		Program Revenues			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	$ 201,917	$ -	$ -	$ -	$ (201,917)
Intergovernmental	5,800,000	-	-	-	(5,800,000)
Interest on long-term debt and related costs	3,247,027	-	10,288,322	1,247,380	8,288,675
Transfer of assets to Reunion MD	2,126,942				(2,126,942)
	$ 11,375,886	$ -	$ 10,288,322	$ 1,247,380	159,816
General revenues:					
Property taxes					652,035
Specific ownership taxes					62,806
Net investment income					24,700
Total general revenues					739,541
Change in net position					899,357
Net position - Beginning					(32,657,676)
Net position - Ending					$ (31,758,319)

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

NORTH RANGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General	Debt Service	Capital Projects Service	Total Governmental Funds
ASSETS				
Investments	$ 6,765	$ -	$ -	$ 6,765
Investments - Restricted	6,100	3,032,257	2,136,109	5,174,466
Receivables - County Treasurer	1,452	3,724	-	5,176
Due from other governments	-	392,348	-	392,348
Property taxes receivable	309,782	794,858	-	1,104,640
TOTAL ASSETS	$ 324,099	$ 4,223,187	$ 2,136,109	$ 6,683,395
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to other governments	$ 8,117	$ -	$ -	$ 8,117
Total liabilities	8,117	-	-	8,117
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	309,782	794,858	-	1,104,640
Total deferred inflows of resources	309,782	794,858	-	1,104,640
FUND BALANCES				
Restricted for:				
Emergency reserve (TABOR)	6,100	-	-	6,100
Debt service	-	3,428,329	-	3,428,329
Capital projects	-	-	2,136,109	2,136,109
Unassigned	100	-	-	100
Total fund balance	6,200	3,428,329	2,136,109	5,570,638
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 324,099	$ 4,223,187	$ 2,136,109	

Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Deferred cost on refunding	744,909
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not in the funds.	
Accrued bond interest payable	(442,866)
Bonds payable	(37,631,000)
Net position of governmental activities	$ (31,758,319)

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

NORTH RANGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property taxes	$ 182,856	$ 469,179	$ -	$ 652,035
Specific ownership tax	17,613	45,193	-	62,806
Net investment income	907	15,772	8,021	24,700
System development fees	-	735,000	-	735,000
Sales tax sharing	-	250,000	-	250,000
Impact fees	-	262,380	-	262,380
Total revenues	201,376	1,777,524	8,021	1,986,921
EXPENDITURES				
County Treasurer's fee	2,744	-	-	2,744
Transferred to Reunion Metro District	186,548	-	-	186,548
Audits	2,400	-	-	2,400
Dues and memberships	439	-	-	439
Insurance and bonds	2,933	-	-	2,933
Legal	3,164	-	-	3,164
Miscellaneous	2,723	-	-	2,723
Elections	966	-	-	966
Debt service				
County Treasurer's fee	-	7,041	-	7,041
Interest - Bonds	-	942,383	-	942,383
Cost of issuance	-	960,788	-	960,788
Paying agent fees	-	7,500	-	7,500
Refunding escrow payment	-	25,818,098	-	25,818,098
Capital				
Capital outlay	-	-	2,126,942	2,126,942
Cost of issuance	-	-	199,980	199,980
Total expenditures	201,917	27,735,810	2,326,922	30,264,649
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(541)	(25,958,286)	(2,318,901)	(28,277,728)
OTHER FINANCING SOURCES (USES)				
Developer advance	-	895,663	2,126,942	3,022,605
Transfer from other fund	-	-	3,589,010	3,589,010
Transfer to other fund	-	(3,589,010)	-	(3,589,010)
Bond issuance	-	30,965,000	6,666,000	37,631,000
Developer repayment	-	-	(2,126,942)	(2,126,942)
Transfer to Reunion - Bond proceeds	-	-	(5,800,000)	(5,800,000)
Total other financing sources (uses)	-	28,271,653	4,455,010	32,726,663
NET CHANGE IN FUND BALANCE	(541)	2,313,367	2,136,109	4,448,935
FUND BALANCES - BEGINNING OF YEAR	6,741	1,114,962	-	1,121,703
FUND BALANCES - END OF YEAR	$ 6,200	$ 3,428,329	$ 2,136,109	$ 5,570,638

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

NORTH RANGE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

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

Net change in fund balances - Total governmental funds	$ 4,448,935
Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depre	
Capital outlay	2,126,942
Transfer of assets to Reunion MD	(2,126,942)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Bond issuance	(37,631,000)
Developer advance repayment	2,126,942
Interest on developer advances	(209,144)
Refunding principal payment	24,615,000
Developer advance	(3,022,605)
Forgiveness of operations advances	51,893
Assignment of Debt Services advances	10,236,429
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.	
Removal of prior issuance bond discount - 2007 Bonds	(105,078)
Removal of prior issuance bond premium - 2007 bonds	29,533
Bond interest accrued at time of refunding	436,313
Amortization of loss on refunding - 2017A Bonds	(21,876)
Loss on Bond refunding - 2017A Bonds	766,785
Accrued bond interest - Change in liability	(386,457)
Changes in net position of governmental activities	$ 899,357

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

NORTH RANGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 184,923	$ 184,923	$ 182,856	$ (2,067)
Specific ownership tax	14,800	24,236	17,613	(6,623)
Net investment income	200	400	907	507
Total revenues	199,923	209,559	201,376	(8,183)
EXPENDITURES				
County Treasurer's fee	2,800	2,800	2,744	56
Transferred to Reunion General Fund	189,860	194,520	186,548	7,972
Audit	2,400	2,400	2,400	-
Dues and memberships	430	430	439	(9)
Insurance and bonds	2,850	2,850	2,933	(83)
Miscellaneous	-	-	2,723	(2,723)
Elections	-	-	966	(966)
Contingency	-	7,000	-	7,000
Legal	-	-	3,164	(3,164)
Total expenditures	198,340	210,000	201,917	8,083
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,583	(441)	(541)	(100)
FUND BALANCES - BEGINNING OF YEAR	5,300	6,741	6,741	-
FUND BALANCES - END OF YEAR	$ 6,883	$ 6,300	$ 6,200	$ (100)

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and contracts for all of its management and professional services.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position. The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The major sources of revenue susceptible to accrual are property taxes. Development fees are recorded as revenue when received. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

> The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.
>
> The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting, unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2017.

Pooled Cash

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

Property Taxes

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

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

Amortization

Original Issue Premium and Original Issue Discount

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of Bond Refunding

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

Capital Assets

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred cost of refunding,* is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue,* is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Investments	$ 6,765
Investments - Restricted	5,174,466
Total cash and investments	$ 5,181,231

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District did not have any cash deposits.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

. Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation
. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
* Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

As of December 31, 2017, the District had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 441,354
Colorado Surplus Asset Fund Trusts (CSAFE)	Weighted average under 60 days	4,738,946
First American Government Obligations Fund	Weighted average under 60 days	931
		$ 5,181,231

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), 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 the Trust. The Trust is similar to a money market fund, with each share valued at $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. 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. CSAFE is rated AAAm by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

First American Government Obligations Fund

The debt service money that was included in the trust accounts at U.S. Bank was invested in the First American Government Obligation Fund. This portfolio is a money market mutual fund which invests in U.S. Government Securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 43 days or less and repurchase agreements collateralized by U.S. Government Securities. The Fund is rated AAAm by Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	Balance at December 31, 2016	Additions	Retirement	Balance at December 31, 2017
Capital assets, not being depreciated				
Construction in progress	$ -	$ 2,126,942	$2,126,942	$ -

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

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Retirements/ Refunding	Balance at December 31, 2017	Current Portion
Governmental Activities:					
General obligation bonds payable:					
Series 2007	$ 24,615,000	$ -	$ 24,615,000	$ -	$ -
Series 2017A	-	30,965,000	-	30,965,000	-
Series 2017B	-	6,666,000	-	6,666,000	-
Series 2017B - unpaid interest	-	295,619	-	295,619	-
Premium	29,533	-	29,533	-	-
Discount	(105,078)	-	(105,078)	-	-
Facilities Acquisition Agreement - Capital	-	2,126,942	2,126,942	-	-
	24,539,455	37,926,619	24,539,455	37,926,619	-
Developer advance payable:					
Operations 2007	5,842	121	5,963	-	-
Operations 2008	7,625	158	7,783	-	-
Operations 2009	13,480	280	13,760	-	-
Operations 2011	11,314	235	11,549	-	-
Operations 2012	12,577	261	12,838	-	-
Debt service reserve advances	9,132,677	1,103,752	10,236,429	-	-
	9,183,515	1,104,807	10,288,322	-	-
	$ 33,722,970	$ 39,031,426	$ 34,827,777	$ 37,926,619	$ -

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

Series 2007

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.

On May 19, 2017, the District advance refunded and defeased (debt legally satisfied) $24,615,000 of the 2007 Bonds with an average interest rate of 5.5% by the issuance of 2017A General Obligation Refunding bonds dated May 19 ,2017 with an average interest rate of 5.625% - to 5.75%. The District advance refunded the 2007 Series bonds to restructure its repayment schedule as it was not able to make its principal and interest payments annually. These required shortfall payments are to be made by the Developer which was also a repayment obligation of the District. Additionally, the restructuring provided additional project

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

funds to help fund the infrastructure needed to facilitate the growth in the District. As a result, the District increased its total debt service payments over the next 30 years by almost $6,213,495 and obtained an economic loss (difference between the present values of the debt service payments on the old and new debt) of $2,038,669. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of $25,818,476 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in its entirety from the remaining funds in the escrow account. The defeased bonds were redeemed in full on December 15, 2017.

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

Series 2017A and 2017B Bonds

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

(a) advance refund the District’s Limited Tax General Obligation Bonds, Series 2007;

(b) finance the acquisition, construction, and installation of certain public improvements;

(c) fund the Reserve Fund;

(d) fund a portion of the Surplus Fund; and

(e) pay the costs of issuing the 2017A Bonds and the 2017B Bonds.

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

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

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

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

(a) the Required Mill Levy;

(b) the Pledge Agreement Revenue;

(c) the Specific Ownership Tax Revenue attributable to the Required Mill Levy; and

(d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

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

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

(a) the Required Subordinate Mill Levy;

(b) the Specific Ownership Tax Revenue attributable to the Required Subordinate Mill Levy;

(c) the Excess Senior Pledged Revenue; and

(d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Amended and Restated Advance and Reimbursement Agreement

Proceeds from the Series 2007 issue included amounts for capitalized interest and reserves that were deposited into the Debt Service Fund. On July 3, 2007, and as additional security for the bonds, the District has entered into an Amended and Restated Advance and Reimbursement Agreement pursuant to which Shea Homes Limited Partnership (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 received notice from the Trustee, until such time as it is released from the obligation which occurs when Pledged Revenue covers 105% of debt service expenditures. Pursuant to the reimbursement agreement, the Developer replenished the Reserve with a deposit in the amount of $895,663 on January 7, 2017.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Prior to June 15, 2014, the Developer had deferred accruing interest on unpaid debt service advances. Beginning June 15, 2014, interest accrues on outstanding debt service advances at a variable rate of LIBOR plus 3%. Cumulative interest that remains unpaid will be added to principal at year-end.

On June 30, 2017, concurrently with the issuance of Reunion's 2017 Bonds, these advances totaled $10,236,429 and were assigned to Reunion and are no longer an obligation of the District as the Agreement was terminated. Of the amount transferred to Reunion, $606,843 was forgiven.

The District's long-term obligations will mature as follows:

	Principal	Interest	Total
2018	$ -	$ 1,766,969	$ 1,766,969
2019	-	1,766,969	1,766,969
2020	-	1,766,969	1,766,969
2021	-	1,766,969	1,766,969
2022	-	1,766,969	1,766,969
2023-2027	2,070,000	8,639,656	10,709,656
2028-2032	3,505,000	7,892,094	11,397,094
2033-2037	5,240,000	6,722,937	11,962,937
2038-2042	7,605,000	4,980,938	12,585,938
2043-2047	12,545,000	2,454,964	14,999,964
	$ 30,965,000	$ 39,525,434	$ 70,490,434

Operations Funding Agreement

The District has entered into annual Operations Funding Agreements with Reunion and the Developer. The agreements provide that the Developer will advance to the District funds required to be paid to Reunion for the District's share of budgeted operations and maintenance expense that cannot otherwise be paid from other available funding, including property taxes.

The Operations Funding Agreement advances are obligations approved on an annual basis as identified in the table due on December 31, thirty years after the year of issuance. Interest accrues at variable rates based on LIBOR plus 3% with a maximum interest rate of 18% due semi-annually June 1 and December 1. Cumulative interest that could not be paid as of the above dates was, pursuant to terms of the agreement, added to the principal. The advances on the Operations Funding Agreement may be prepaid at any date at the par amount plus any accrued interest. On June 30, 2017, the Developer forgave $51,893 in principal and accrued interest and the Agreement was terminated.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Facilities Acquisition Agreement

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

Upon acquisition, the District will become obligated to reimburse the Developer when the Developer has provided an executed Application for Acquisition, and all applicable information required. Interest will accrue at a rate of equal to the Municipal Market Data (MMD) BAA 30 year index, plus five percent (5%), not to exceed a maximum interest rate of 8% simple interest, determined at the time at which the Repayment Obligation is incurred, to accrue from the date any such Repayment Obligation is incurred. No amounts were due and owing under this Agreement as of December 31, 2017.

On December 19, 2017, the District approved two resolutions recognizing costs in the amounts of $1,211,910 and $915,032 for a total of $2,126,942 in costs. The District immediately reimbursed the Developer the same amount as no interest accrued prior to repayment.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 7, 2000, and November 4, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $1,036,000,000 and $1,180,000,000, respectively, at an interest rate not to exceed 18% per annum. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts for the following purposes:

	Authorized November 7, 2000 Election	Authorized November 4, 2014 Election	Authorization Used, Series 2007 Bonds	Authorization Used, Series 2017 Bonds	Authorization Used, Developer advances	Remaining at December 31, 2017
Streets	$ 110,168,085	$ 88,000,000	$ 10,880,000	$ 5,400,000	$ 3,552,144	$ 178,335,941
Parks and recreation	39,221,657	30,000,000	2,620,000	2,700,000	855,388	63,046,269
Sewer	35,963,127	24,000,000	12,875,000	4,916,000	4,203,481	37,968,646
Water	94,647,131	80,000,000	-	-	-	174,647,131
Transportation	20,000,000	12,000,000	-	-	-	32,000,000
Television relay	20,000,000	12,000,000	-	-	-	32,000,000
Mosquito control	2,000,000	2,000,000	-	-	-	4,000,000
Fire protection	20,000,000	12,000,000	-	-	-	32,000,000
Refunding	342,000,000	290,000,000	-	24,615,000	-	607,385,000
Intergovernmental	342,000,000	560,000,000	-	-	-	902,000,000
Operations	-	40,000,000	-	-	40,341	39,959,659
Capital costs	-	20,000,000	-	-	-	20,000,000
Safety protection	-	5,000,000	-	-	-	5,000,000
Security	-	5,000,000	-	-	-	5,000,000
Reimbursement	10,000,000	-	-	-	-	10,000,000
	$ 1,036,000,000	$ 1,180,000,000	$ 26,375,000	$ 37,631,000	$ 8,651,354	$ 2,143,342,646

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $280,000,000.

In the future the District may issue a portion of all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District’s service area.

NOTE 6 - NET POSITION

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

The restricted component of net position includes assets that are restricted for use either externally imposed by auditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2017, as follows:

	Governmental Activities
Restricted net position:	
Emergency reserve	$ 6,100
Debt service	385,463
Capital Projects	2,136,109
Total restricted net position	$ 2,527,672

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities.

NOTE 7 - RELATED PARTIES

Developer

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

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS

Pledge Agreement

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

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

City Agreement

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

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

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

City Credit Fee Revenues is defined in the Pledge Agreement as the revenues collected from the first $1,181 of each City Credit Fee, which revenues are required to be remitted by Reunion to the District under the Pledge Agreement; provided that if the City Credit Fee is imposed in an amount less than $1,181, then the full amount of such City Credit Fee shall be remitted by Reunion to the District under the Pledge Agreement. During 2017, the District received $262,380 in City Credit Fee Revenue.

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

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

System Development Fees

In accordance with a resolution of Reunion (the "Reunion SDF Resolution" dated December 6, 2001), property in the District is subject to system development fees ("SDFs") imposed and collected by Reunion for the right to connect to or gain access to public infrastructure improvements within the Reunion Development. SDFs are collected by Reunion at the time a building permit is issued, and are charged on a per unit basis. Pursuant to the Pledge Agreement, Reunion has pledged revenues collected from the first $3,500 of each SDF to the District for the purposes of paying the Bonds. During 2017, the District received $735,000 in SDFs.

Mill Levy Equalization and Pledge Agreement

On June 3, 2016, the District entered into a Mill Levy Equalization and Pledge Agreement (MLEPA) with Reunion, District No. 1, District No. 3, and District No. 4 (collectively, the "MLEPA Districts" and individually, an "MLEPA District") and was amended on May 1, 2017 in order to promote the integrated plan of development set forth in the Service Plans for the MLEPA Districts. The MLEPA is intended to ensure an equitable allocation among the MLEPA Districts of the costs of acquiring, installing, constructing, designing, administering, financing, operating, and maintaining streets, water, sanitation and various other public improvements (collectively, the "Public Improvements") and services, as well as covenant enforcement services within Reunion.

Pursuant to the MLEPA, each applicable North Range District agrees to impose an Equalization Mill Levy consisting of the Debt Service Mill Levy plus the Operations and Maintenance Mill Levy in order to pay the Developer Debt, the Senior Bonds, the Reunion Debt, and the operations and maintenance costs of the Districts. The MLEPA generally defines the term "Developer Debt" as (i) amounts owed to the Developer by any applicable North Range District for advancing of guaranty payments on the Senior Bonds, for the provision of Public Improvements or for advancing of amounts to fund operations shortfalls and (ii) any other repayment obligation incurred by the MLEPA Districts in connection with advances made by the Developer to the MLEPA Districts for the purpose of paying the costs of designing, acquiring, installing, and constructing the Public Improvements or paying the operations and maintenance costs of the MLEPA Districts.

The MLEPA generally defines the term "Senior Bonds" as all bonds issued by the North Range Districts, now or in the future, which bonds shall be senior to any obligations of the North Range Districts under the MLEPA. The term "Reunion Debt" generally means all bonds, agreements or other financial obligations issued or incurred by Reunion or assumed by Reunion from any North Range District, specifically including the 2017 Reunion Bonds.

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

District Operating Services Agreement

On June 3, 2016 the District entered into the (the “District Operating Services Agreement”) with all Districts that are a party to the MLEPA as previously described. While the MLEPA sets forth the terms on which the District imposes the Equalization Mill Levy and transfers specified proceeds thereof to Reunion, the District Operating Services sets forth the obligations of Reunion with respect to such proceeds and with respect to its role as the “Service District”, as contemplated by the MLEPA Districts Service Plan. The District Operating Services Agreement states that, pursuant to the MLEPA Districts Service Plan, the MLEPA Districts are intended to coordinate their efforts with respect to all activities authorized by the MLEPA Districts Service Plan, including, without limitation, management and administration, structuring of financing, construction, and operations and maintenance of the public improvements necessary and appropriate for the development of Reunion (defined as the “Public Improvements” for purposes of the District Operating Services Agreement), with Reunion acting on behalf of the applicable North Range Districts to lead such coordination.

In order to facilitate such coordination, the District Operating Services Agreement requires that Reunion provide Administrative Services and O&M Services to the applicable North Range Districts on the condition that the applicable North Range Districts observe and perform certain covenants and agreements, and are not otherwise in default under the District Operating Services Agreement. “Administrative Services” as defined by the District Operating Services Agreement, includes, among other services, coordination of board meetings and financial reporting, insurance and election administration, budget preparation, supervision of contractors, investment oversight, coordination of professional services, and obtaining any and all governmental and/or administrative approvals necessary to the provision of the Public Improvements. “O&M Services” as defined by the District Operating Services Agreement includes the provision of the administrative services, and ownership, operation and maintenance of certain Public Improvements along with the Covenant Services. The District Operating Service Agreement also states that Reunion may provide architectural review and covenant enforcement services to property within the MLEPA Districts for the benefit of the MLEPA Districts through an agreement with an owners association, or as set forth in a declaration of covenants, conditions or restrictions, or similar instrument, as otherwise permitted by Title 32, C.R.S.

The District Operating Services Agreement further authorizes Reunion to establish from time to time a fair and equitable fee to provide a source of funding to pay for the O&M Services. Each applicable North Range District acknowledges in the District Operating Services Agreement that Reunion will make determinations as to the appropriate User Fees on an annual basis, taking into account mill levy revenues received under the MLEPA in each fiscal year. They further acknowledge that they shall be responsible for any and all costs, fees, charges and expenses incurred by Reunion in providing the Administrative Services and O&M Services through the imposition of the Operations and Maintenance Mill Levy, as well as the Debt Service Mill Levy to

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 7, 2000, and November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

NORTH RANGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 474,483	$ 474,483	$ 469,179	$ (5,304)
Specific ownership tax	38,000	40,000	45,193	5,193
Net investment income	200	12,700	15,772	3,072
System development fees	525,000	721,000	735,000	14,000
Sales tax sharing	250,000	250,000	250,000	-
Impact fees	177,150	257,000	262,380	5,380
Total revenues	1,464,833	1,755,183	1,777,524	22,341
EXPENDITURES				
County Treasurer's fee	7,100	7,100	7,041	59
Interest - Bonds	1,497,257	942,383	942,383	-
Cost of issuance	775,400	960,788	960,788	-
Contingency	-	675,121	-	675,121
Paying agent fees	3,850	7,500	7,500	-
Refunding escrow payment	25,847,383	25,818,098	25,818,098	-
Total expenditures	28,130,990	28,410,990	27,735,810	675,180
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,666,157)	(26,655,807)	(25,958,286)	697,521
OTHER FINANCING SOURCES (USES)				
Developer advance	-	895,663	895,663	-
Transfer to other fund	-	(3,589,010)	(3,589,010)	-
Bond issuance	27,089,000	30,965,000	30,965,000	-
Total other financing sources (uses)	27,089,000	28,271,653	28,271,653	-
NET CHANGE IN FUND BALANCE	422,843	1,615,846	2,313,367	697,521
FUND BALANCES - BEGINNING OF YEAR	2,006,532	1,114,962	1,114,962	-
FUND BALANCES - END OF YEAR	$ 2,429,375	$ 2,730,808	$ 3,428,329	$ 697,521

NORTH RANGE METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Net investment income	$ -	$ 8,021	$ 8,021	$ -
Total revenues	-	8,021	8,021	-
EXPENDITURES				
Capital outlay	-	2,126,942	2,126,942	-
Cost of issuance	202,470	199,980	199,980	-
Total expenditures	202,470	2,326,922	2,326,922	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(202,470)	(2,318,901)	(2,318,901)	-
OTHER FINANCING SOURCES (USES)				
Developer advance	-	2,126,942	2,126,942	-
Bond issuance	6,749,000	6,666,000	6,666,000	-
Transfer from other fund	-	3,589,010	3,589,010	-
Developer repayment	-	(2,126,942)	(2,126,942)	-
Transfer to Reunion - Bond proceeds	(6,546,530)	(5,800,000)	(5,800,000)	-
Total other financing sources (uses)	202,470	4,455,010	4,455,010	-
NET CHANGE IN FUND BALANCE	-	2,136,109	2,136,109	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ 2,136,109	$ 2,136,109	$ -

NORTH RANGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

	$30,965,000 Limited Tax G.O. and Special Revenue Refunding and Improvement Bonds Series 2017A Dated May 19, 2017 Principal due December 1 Interest Rates 5.625 - 5.750% Payable June 1 and December 1		
Year	**Principal**	**Interest**	**Total**
2018	$ -	$ 1,766,969	$ 1,766,969
2019	-	1,766,969	1,766,969
2020	-	1,766,969	1,766,969
2021	-	1,766,969	1,766,969
2022	-	1,766,969	1,766,969
2023	235,000	1,766,969	2,001,969
2024	395,000	1,753,750	2,148,750
2025	425,000	1,731,531	2,156,531
2026	495,000	1,707,625	2,202,625
2027	520,000	1,679,781	2,199,781
2028	595,000	1,650,531	2,245,531
2029	625,000	1,617,063	2,242,063
2030	705,000	1,581,906	2,286,906
2031	745,000	1,542,250	2,287,250
2032	835,000	1,500,344	2,335,344
2033	880,000	1,453,375	2,333,375
2034	980,000	1,403,875	2,383,875
2035	1,035,000	1,348,750	2,383,750
2036	1,140,000	1,290,531	2,430,531
2037	1,205,000	1,226,406	2,431,406
2038	1,320,000	1,158,625	2,478,625
2039	1,395,000	1,082,725	2,477,725
2040	1,525,000	1,002,513	2,527,513
2041	1,610,000	914,825	2,524,825
2042	1,755,000	822,250	2,577,250
2043	1,855,000	721,338	2,576,338
2044	2,015,000	614,675	2,629,675
2045	2,130,000	498,813	2,628,813
2046	2,305,000	376,338	2,681,338
2047	4,240,000	243,800	4,483,800
	$ 30,965,000	$ 39,525,434	$ 70,490,434

NORTH RANGE METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2017

Year Ended December 31		Assessed Valuation for Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
Assessment Year	Collection Year			Levied	Collected	
2011	2012	$ 340	69.400	$ 24	24	100%
2012	2013	$ 1,386,310	73.400	$ 101,755	101,755	100%
2013	2014	$ 5,216,070	77.400	$ 403,723	403,724	100%
2014	2015	$ 5,632,960	79.870	$ 449,904	449,904	100%
2015	2016	$ 6,806,110	79.870	$ 575,568	576,754	100%
2016	2017	$ 8,255,490	79.870	$ 659,407	652,035	99%
Estimated						
2017	2018	$ 12,509,370	88.305	$ 1,104,640		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.