GRANBY RANCH METROPOLITAN DISTRICT
Grand County, Colorado

FINANCIAL STATEMENTS
December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

September 19, 2017

To the Board of Directors
Granby Ranch Metropolitan District
Granby, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Granby Ranch Metropolitan District as of and for the year ended December 31, 2016, 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 from 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 each major fund of Granby Ranch Metropolitan District, as of December 31, 2016, and the respective changes in financial position, and the budgetary comparison statement 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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Emphasis of Matter

As noted in Note 7 to the financial statements, the District entered into a Letter Agreement that includes several financial events that are contingent on the District's refinancing its 2006 Bonds. As of the date of this audit report the 2006 Bonds have not been refinanced. Our opinion in not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the Unites 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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Granby Ranch Metropolitan District's basic financial statements. The debt services fund schedule of revenues, expenditures and changes in fund balance – budget and actual, is presented for additional analysis and is not a required part of the basic financial statements.

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

The schedule of debt service requirements to maturity – long-term debt, and the summary of assessed valuation, mill levy and property taxes collected, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

BASIC FINANCIAL STATEMENTS

GRANBY RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments - Restricted	$ 2,854,375
Property taxes receivable	813,105
Receivable from county treasurer	4,069
Accounts receivable	78,470
Total assets	3,750,019
LIABILITIES	
Accounts payable	158,822
Due to Headwaters Metropolitan District	39,983
Accrued interest payable	6,310,318
Noncurrent liabilities	
Due within one year	340,000
Due in more than one year	23,999,000
Total liabilities	30,848,123
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	813,105
Total deferred inflows of resources	813,105
NET POSITION	
Restricted for:	
Debt service	2,781,865
Unassigned	(30,693,074)
Total net position	$ (27,911,209)

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

GRANBY RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:					
Government activities:					
General government	$ 101,334	$ -	$ -	$ -	$ (101,334)
Interest and related costs on long-term debt	2,239,155	-	30,334	25,020	(2,183,801)
	$ 2,340,489	$ -	$ 30,334	$ 25,020	(2,285,135)
General revenues:					
Property taxes					674,803
Specific ownership taxes					44,927
Payment in lieu of taxes					57,578
Net investment income					18,443
Total general revenues					795,751
Change in net position					(1,489,384)
Net position - Beginning					(26,421,825)
Net position - Ending					$ (27,911,209)

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

GRANBY RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - Restricted	$ -	$ 2,854,375	$ 2,854,375
Property tax receivable	252,282	560,823	813,105
Accounts receivable	-	20,892	20,892
Receivable from county treasurer	-	4,069	4,069
TOTAL ASSETS	$ 252,282	$ 3,440,159	$ 3,692,441
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 101,334	$ 57,488	$ 158,822
Due to Headwaters Metropolitan District	-	39,983	39,983
Total liabilities	101,334	97,471	198,805
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	252,282	560,823	813,105
Total deferred inflows or resources	252,282	560,823	813,105
FUND BALANCES			
Restricted for:			
Debt service	-	2,781,865	2,781,865
Unrestricted	(101,334)	-	(101,334)
Total fund balances	(101,334)	2,781,865	2,680,531
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 252,282	$ 3,440,159	

Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(24,339,000)
Accrued bond interest	(6,310,318)
2016 PILOT revenue not received within the period of availability	57,578
Net position of governmental activities	$ (27,911,209)

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

GRANBY RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	$ -	$ 674,803	$ 674,803
Specific ownership taxes	-	44,927	44,927
Net investment income	-	18,443	18,443
Capital facilities fees	-	25,020	25,020
Contribution from Sol Vista Metropolitan District	-	30,334	30,334
Total revenues	-	793,527	793,527
EXPENDITURES			
Current			
Accounting	13,409	-	13,409
Insurance and bonds	3,763	-	3,763
District management	38,388	-	38,388
Legal	45,774	-	45,774
Debt service			
County Treasurer's fees	-	33,874	33,874
Principal - Series 2006 Bonds	-	300,000	300,000
Interest expense - Series 2006 Bonds	-	912,600	912,600
Bond issue costs	-	72,277	72,277
Paying agent fees	-	2,300	2,300
Total expenditures	101,334	1,321,051	1,422,385
NET CHANGE IN FUND BALANCES	(101,334)	(527,524)	(628,858)
FUND BALANCES - BEGINNING OF YEAR	-	3,309,389	3,309,389
FUND BALANCES - END OF YEAR	$(101,334)	$ 2,781,865	$ 2,680,531

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

GRANBY RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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

Net change in fund balances - Total governmental funds	$	(628,858)
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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond principal payment		300,000
2016 PILOT revenue not received within the period of availability		57,578
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.		
Bond interest - Change in liability		(1,218,104)
Changes in net position of governmental activities	$	(1,489,384)

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

GRANBY RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total revenues	$ -	$ -	$ -
EXPENDITURES			
Current			
Accounting	-	13,409	(13,409)
Insurance and bonds	-	3,763	(3,763)
District management		38,388	(38,388)
Legal	-	45,774	(45,774)
Contingency	-	-	-
Total expenditures	-	101,334	(101,334)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(101,334)	(101,334)
NET CHANGE IN FUND BALANCE	-	(101,334)	(101,334)
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ (101,334)	$ (101,334)

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

The Granby Ranch Metropolitan District (the "District") (originally known as SolVista Metropolitan District No. 2) was organized on November 25, 2003, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed contemporaneously with Headwaters Metropolitan District (originally known as SolVista Metropolitan District No. 1) ("Headwaters"). The District and Headwaters were organized to provide services, programs and facilities, including the financing of construction, maintenance and operation of public infrastructure needed to serve the Granby Ranch Ski and Golf development ("Granby Ranch") (formerly known as the Sol Vista Golf and Ski Ranch development). Granby Ranch Metropolitan Districts Nos. 2 through 8 were established on September 25, 2007 to assist with the development of Granby Ranch.

At the time of organization, the District was the "Taxing District" and Headwaters was the "Service District". The District and Headwaters were organized to work in tandem to finance and operate the public infrastructure needed for Granby Ranch. Pursuant to the Second Amendment to Service Plan of Granby Ranch Metropolitan District as approved by the Town of Granby, Colorado on November 8, 2016, the relationship between the District and Headwaters as the Taxing District and the Service District was terminated.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

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

The District is governed by an elected Board of Directors. The District has no employees and contracts for all of its management and professional services.

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 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 period. The major source of revenue susceptible to accrual is property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation 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.

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 and other financing uses 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 incurred expenditures in excess of appropriation for the year ended December 31, 2016 in the General Fund, which may be in violation of the Local Government Budget 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 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.

Deferred Inflows of Resources

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the 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

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments - Restricted	$ 2,854,375

Cash and investments as of December 31, 2016, consist of the following:

Investments	$ 2,848,119
Cash	6,256
Total cash and investments	$ 2,854,375

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, 2016, the District's cash deposits had a bank balance and a carrying balance of $6,256.

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

. 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

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); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	$ 2,848,119

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.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	New Issues	Refundings/ Retirements	Balance at December 31, 2016	Due Within One Year
General obligation bonds payable					
Series 2006	$ 13,520,000	$ -	$ (300,000)	$ 13,220,000	$ 340,000
Series 2010	11,119,000	-	-	11,119,000	-
	$ 24,639,000	$ -	$ (300,000)	$ 24,339,000	$ 340,000

The details of the District's long-term obligations are as follows:

2006 Limited Tax General Obligation Bonds

On July 5, 2006, the District issued Limited Tax General Obligation Bonds (the Series 2006 Bonds) in the amount of $14,725,000, to finance the cost of constructing public improvements and for certain other permitted costs previously paid for by the developer, Granby Realty Holdings, LLC and to finance the cost of additional public improvements. Additionally, proceeds of the Series 2006 Bonds were used to fund debt service reserves and to finance costs associated with their issuance. The Series 2006 Bonds bear interest at the rate of 6.75% payable semiannually on June 1 and December 1. The Series 2006 Bonds are subject to mandatory sinking fund redemption beginning annually on December 1, 2010 through 2036. The Series 2006 Bonds are subject to redemption prior to maturity at the option of the District on and after December 1, 2015, at a redemption price equal to their principal amount plus interest accrued thereon to the date of redemption. Accrued interest at December 31, 2016 was $74,363.

The District is required to pledge a mill levy of up to 50 mills as adjusted for changes in assessment ratios, the revenues from SolVista Metropolitan District, capital facilities fees collected, and specific ownership taxes attributable to the mill levy towards the payment of the bonds. In conjunction with the issuance of the Series 2006 Bonds, Granby Realty Holdings, LLC (GRH), the primary developer within the District, entered into a lot sale escrow agreement. Under the terms of the agreement, GRH is required to deposit an amount equal to the lesser of fifteen percent of the net proceeds of any sale or $2,500 per platted residential lot or $5,000 per acre of unplatted property into the account, up to an aggregate maximum amount of $1,500,000. To the extent the revenues of the District and amounts in the surplus fund are insufficient to make the required payments on the Series 2006 Bonds when due, the shortfall is to be funded from the lot sale escrow account. Since the account is only available to the District in the event revenues and the surplus fund are insufficient to fund the annual debt service costs of the Series 2006 Bonds, the funds are not reported in the financial statements of the District. The account had a balance of $872,431 as of December 31, 2016.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Also, in conjunction with the issuance of the Series 2006 Bonds, GRH entered into a guaranty agreement. Under the terms of the agreement, to the extent the revenues of the District, the surplus fund and the balance in the lot sale escrow account are insufficient to make the required payments on the Series 2006 Bonds when due, the shortfall is to be funded by GRH pursuant to the guaranty agreement.

Both the lot sale escrow agreement and the guaranty agreement will terminate when the debt to assessed ratio, as defined in the agreements, is equal to or less than 45%.

Subordinate Limited Tax General Obligation Bonds

On April 21, 2010, the District issued $11,119,000 of Taxable Subordinate Limited Tax Bonds (Series 2010 Bonds) to the Developer, which were used to fund certain costs of designing, acquiring, construction, operating and maintaining public improvements benefiting the District and ultimately payable by the District pursuant to an intergovernmental agreement with Headwaters. The bonds bear interest at the rate of 6.75%, payable annually on December 15, and have a maturity date of December 15, 2049. The Bonds do not have a set maturity schedule as principal and interest is due and payable based on available funding by the District each year. The entire principal amount is therefore shown in 2049 in the schedule of the following page. To the extent the pledged revenues of the District are in excess of the annual debt service requirements of the Series 2006 Bonds, such funds shall be applied first to interest and then to principal of the Series 2010 Bonds. In the event that the remaining pledged revenues are insufficient to pay the then due interest on the Series 2010 Bonds, such interest shall accrue and compound annually each December 15th at the same 6.75% rate. Any amount, including both principal and interest, which remain unpaid as of December 15, 2049 shall be deemed fully discharged and the District shall have no further obligation related to the Series 2010 Bonds. Accrued interest at December 31, 2016 was $6,235,955.

The current debt service schedule is attached for the Series 2006 Bonds. Debt service schedules for the Series 2010 Bonds are not provided as the Bonds are only paid as funds become available thus the timing of the payments is unknown.

The District's long-term obligations regarding the Series 2016A general obligation bonds will mature as follows:

	Principal	Interest	Total
2017	$ 340,000	$ 892,350	$ 1,232,350
2018	360,000	869,400	1,229,400
2019	280,000	845,100	1,125,100
2020	335,000	826,200	1,161,200
2021	350,000	803,588	1,153,588
2022 - 2026	2,440,000	3,599,779	6,039,779
2027 - 2031	3,280,000	2,655,453	5,935,453
2032 - 2036	5,835,000	1,395,565	7,230,565
	$ 13,220,000	$ 11,887,435	$ 25,107,435

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

In 2003 and 2004, a majority of the qualified electors of the District authorized the issuance of up to $104,000,000 in general obligation bonds to finance the improvements. During 2011, the District approved a resolution to reduce the remaining authorization by half of the previous balance. As of December 31, 2016, the amount of debt authorized by the District's electorate but unissued was $39,078,000 for improvements.

NOTE 5 - NET POSITION

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

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

	Governmental Activites
Restricted net position:	
Debt service	$ 2,781,865

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

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 which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 6 – RELATED PARTIES

During 2016, two of the members of the Board of Directors of the District were employees or had substantial business interest with Granby Ranch Amenities, LLC, Granby Realty Holdings, LLC or related entities.

NOTE 7 – AGREEMENTS

Service Plan

The District's service plan was approved by the Town of Granby (the "Town") on July 22, 2003. The service plan, created contemporaneously with the service plan for Headwaters, identified Headwaters as the district responsible to construct, manage and operate public facilities and services throughout the development, while the District was to levy property taxes and produce other revenue sufficient to pay the costs of operations and debt service expenditures incurred for the improvements of public infrastructure.

The District's service plan was first amended on July 22, 2003 to clarify the ability of the District to adjust its mill levy cap for operations and debt service in the event the method of calculating assessed valuation is changed (Gallagher Amendment).

On November 8, 2016 the District amended its service plan a second time to increase the maximum mill levy for the District to 60.000 mills with a limit not to exceed 50.000 mills for operations and not to exceed 50.000 mills for debt service. The mill levy caps are subject to adjustments for the Gallagher Amendment from November 1, 2016 at which time the residential assessment ratio was 7.96%. The service plan amendment also terminated the relationship between the District and Headwaters that established Headwaters as the Service District and Granby Ranch Metropolitan District as the Taxing District.

Intergovernmental Agreement with the Town of Granby

On December 9, 2003 the District and Headwaters, acting jointly, entered into an agreement with the Town of Granby in an effort to promote the coordinated development of the Districts. The agreement was amended May 20, 2005 to increase the aggregate bonded debt limit to $64,000,000. The agreement was further amended on April 11, 2006 to outline the street maintenance and transportation mill levy (all together, the "2003 IGA").

On February 26, 2008, the Intergovernmental Agreement between the Town of Granby and the District, Headwaters, and Granby Ranch Nos. 2-8 was executed (the "2008 IGA"). The 2008 IGA superseded and replaced the 2003 IGA in its entirety. The 2008 IGA sets forth numerous terms, including compliance with the Town of Granby's land use regulations, the construction, ownership and operation of public improvements, the use and cost of certain amenities, debt and mill levy limitations, and the sharing of the costs of the public transportation system between the Town and Granby Ranch.

The 2008 IGA was amended in 2016 to adjust the mill levy limitation to reflect the increased mill levy caps as reflected in the second amendment to the service plan.

Master Intergovernmental Agreements with Headwaters Metropolitan District

On June 1, 2006, Headwaters and the District entered into the District Facilities Construction and Service Agreement with Headwaters as the "Operating" district and the District as the "Taxing" district (the "2006 Master IGA"). This agreement terminated and replaced the Master Intergovernmental Agreement entered into by the District and Headwaters on December 10, 2003. This agreement coordinated the financing, processing of construction, and operation and maintenance of the development of public infrastructure in Granby Ranch.

NOTE 7 – AGREEMENTS (CONTINUED)

The consolidated service plan for additional taxing districts (Granby Ranch Metropolitan Districts Nos. 2 through 8) was approved by the Town of Granby on September 25, 2007. On September 17, 2008, the District, Headwaters, and District Nos. 2-8 entered into the First Amended and Restated District Facilities Construction and Service Agreement (the “2008 Master IGA”). It superseded and replaced the 2006 Master IGA in its entirety.

On April 21, 2010, the District, Headwaters and GRH entered into an Exclusion Agreement setting forth the terms for the exclusion of certain property owned by GRH and Headwaters from the District and provide for the costs of debt service, operations and maintenance. Property excluded from the District under the Exclusion Agreement is liable for its proportionate share of the principal and interest on both the Series 2006 and Series 2010 Bonds. The Exclusion Agreement repudiated the 2008 Master IGA and re-enacted the 2006 Master IGA subject to annual budgeting and appropriation for the ensuing year, and stated that the issuance of the Series 2010 Bonds constituted payment of all money owed to Headwaters by the District under the 2006 Master IGA.

Intergovernmental Funding Agreement with SolVista Metropolitan District

On June 1, 2006, the District and Sol Vista Metropolitan District (“SVMD”) entered into the Intergovernmental Funding Agreement, whereby GRMD contributed $1,212,693 of the proceeds from the Series 2006 Bonds to SVMD, which SVMD used to repay an obligation to GRH. In exchange, SVMD agreed to pay GRMD’s bond Trustee all revenues generated from a 25 mill levy on all taxable property within SVMD through 2025 (for collection in 2026). The agreement terminates on the earlier of: (i) the date of which all bonds issued by GRMD have been defeased; or (ii) twenty years after the date on which the Series 2006 Bonds were issued by GRMD. During 2016, SVMD paid $9,443, to the GRMD bond trustee, pursuant to the agreement. As of December 31, 2016, the outstanding balance of the revenue to be transferred by SVMD to the GRMD bond trustee was $20,891.

Letter Agreement

On August 31, 2016 the District, Granby Realty Holdings, LLC, Headwaters, and Granby Ranch Metropolitan District No. 8 (GRMD No. 8) entered into a letter agreement that agreed to work towards a refinancing of the 2006 Bonds, including the prepayment of facility fees, inclusion of additional property into the District, and the discharge and release of the Series 2010 Bonds. The Letter Agreement also outlined the desire for cost sharing related to road maintenance and snow removal, to be memorialized by a subsequent agreement. The Letter Agreement also set forth the agreement for the transfer of $75,000 to the District with no repayment obligation from GRH and the termination of the 2006 Master IGA.

NOTE 7 – AGREEMENTS (CONTINUED)

Payment in Lieu of Taxes Agreement

On November 18, 2009, the District and Granby Realty Holdings LLC (GRH), entered into a payment in lieu of taxes agreement effective January 1, 2009. The agreement states that GRH is required to make an annual payment in lieu of ad valorem property taxes (PILOT) to the District in an amount calculated to approximate, as closely as possible, that portion of the District's debt service mill levy that otherwise would have been paid by property owned or controlled by GRH, generally including the Granby Ranch ski area and golf course (collectively, the "Leased Premises"), classified as tax-exempt by the Grand County Assessor. Payments are to be made to the District no later than April 30 of each year following receipt of a notice from the District, with payments beginning January 1, 2010.

Annual PILOT payments constitute a fee or charge for services, programs or facilities furnished by the District to benefit the Leased Premises, and that the Annual PILOT Payment shall, until paid, constitute a perpetual lien on and against the Leased Premises. Upon an Event of Default, the lien may be foreclosed in the manner as provided by the laws of the State of Colorado for the foreclosure of mechanic's liens, pursuant to § 32-1-1001(1)(j), C.R.S.

The agreement was amended on December 16, 2009 to define the term of the Debt Service Mill Levy as District's ad valorem mill levy for payment of general obligation bonds and interest as certified to the Board of County Commissioners each year.

The agreement was further amended on October 20, 2010, to define Qualified Assessed Valuation as the Assessed Valuation of the tax exempt property, or the product of the current State assessment rate multiplied by the actual value of the tax exempt property, actual value to be determined by an appraisal conducted by a licensed, independent appraiser, which appraisal shall be updated no less than every five years.

As of December 31, 2016, $57,578 of 2016 PILOT payment remained unpaid by GRH.

NOTE 8 - 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 9 - TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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, 2003, voters within the District approved election questions allowing the District to collect additional operation and maintenance taxes and fees up to $2,875,000 annually without regard to any spending, revenue raising, or other limitations contained within TABOR.

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

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

SUPPLEMENTARY INFORMATION

GRANBY RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 730,193	$ 674,803	$ (55,390)
Specific ownership taxes	36,510	44,927	8,417
Net investment income	2,080	18,443	16,363
Capital facilities fees	93,825	25,020	(68,805)
Contribution from Sol Vista Metropolitan District	29,958	30,334	376
Total revenues	892,566	793,527	(99,039)
EXPENDITURES			
Debt service			
County Treasurer's fees	36,510	33,874	2,636
Principal - Series 2006 Bonds	130,014	300,000	(169,986)
Principal - Series 2010 Bonds	137,821	-	137,821
Interest expense - Series 2006 Bonds	140,000	912,600	(772,600)
Interest expense - Series 2010 Bonds	466,112	-	466,112
Bond redemption	13,520,000	-	13,520,000
Bond issue costs	299,000	72,277	226,723
Paying agent fees	2,500	2,300	200
Contingency	30,000	-	30,000
Total expenditures	14,761,957	1,321,051	13,440,906
OTHER FINANCING SOURCES (USES)			
Bond issuance	11,600,000	-	(11,600,000)
Total other financing sources (uses)	11,600,000	-	(11,600,000)
NET CHANGE IN FUND BALANCES	(2,269,391)	(527,524)	1,741,867
FUND BALANCES - BEGINNING OF YEAR	3,309,391	3,309,389	(2)
FUND BALANCES - END OF YEAR	$ 1,040,000	$ 2,781,865	$ 1,741,865

OTHER INFORMATION

GRANBY RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
LONG TERM DEBT
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	14,725,000 Limited Tax General Obligation Bonds Series 2006 Interest 6.750% Dated July 5, 2006 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2017	$ 340,000	$ 892,350	$ 1,232,350
2018	360,000	869,400	1,229,400
2019	280,000	845,100	1,125,100
2020	335,000	826,200	1,161,200
2021	350,000	803,588	1,153,588
2022	405,000	779,963	1,184,963
2023	440,000	752,626	1,192,626
2024	490,000	722,926	1,212,926
2025	525,000	689,851	1,214,851
2026	580,000	654,413	1,234,413
2027	575,000	615,263	1,190,263
2028	635,000	576,451	1,211,451
2029	680,000	533,588	1,213,588
2030	670,000	487,688	1,157,688
2031	720,000	442,463	1,162,463
2032	790,000	393,863	1,183,863
2033	840,000	340,538	1,180,538
2034	920,000	283,838	1,203,838
2035	980,000	221,738	1,201,738
2036	2,305,000	155,588	2,460,588
	$ 13,220,000	$ 11,887,435	$ 25,107,435

GRANBY RANCH METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
December 31, 2016

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Property Taxes		Percent Collected to Levied
		GF	DS	Total	Levied	Collected	
2013	$ 14,801,130	0.000	53.416	53.416	$790,617	$790,618	100.00%
2014	$ 11,403,900	0.000	55.128	55.128	$628,674	$433,585	98.64%
2015	$ 11,936,260	0.000	55.362	55.362	$660,815	$659,910	99.86%
2016	$ 13,168,257	0.000	55.451	55.451	$730,193	$674,803	92.41%
Estimated for year ending December 31, 2017	$ 14,020,580	20.000	40.000	60.000	$813,105		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.