GRANBY RANCH METROPOLITAN DISTRICT

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

July 7, 2015

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, 2014, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Granby Ranch Metropolitan District, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, are presented for additional analysis and are 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.

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

Granby Ranch Metropolitan District

Management's Discussion and Analysis
December 31, 2014

As management of Granby Ranch Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional supplementary information in addition to the financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Governmental Funds Balance Sheet/Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows (both short-term and long-term), with the difference reported as fund balance or net position. The Debt Service Fund column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis.

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities shows how the government's fund balances and net position changed during the most recent fiscal year. Again, the Debt Service Fund column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's government-wide financial statements can be found on pages 6 & 7 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with legal requirements. The District currently has one governmental fund, the Debt Service Fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 10 through 22 of this report.

Government-wide Financial Analysis. A condensed comparative summary of the District's government-wide assets, liabilities, net position, revenues and expenditures follows:

Granby Ranch Metropolitan District's
Statement of Net Position

	Governmental Activities	
	2014	2013
Assets:		
Current assets	$ 4,540,785	$ 4,805,716
Total Assets	4,540,785	4,805,716
Liabilities and Deferred Inflows:		
Current liabilities and deferred Inflows	839,144	629,674
Long-term obligations payable	28,937,223	28,162,492
Total Liabilities and Deferred Inflows	29,776,367	28,792,166
Net Position:		
Restricted	3,701,641	4,176,042
Unrestricted	(28,937,223)	(28,162,492)
Total Net Position	$ (25,235,582)	$ (23,986,450)

Granby Ranch Metropolitan District's
Statement of Activities

Revenues:		
Program Revenues:		
Capital facility fees	$ 125,100	$ 25,020
Operating grants and contributions	29,234	17,486
General revenues:		
Taxes	466,324	827,141
Interest and other revenue	58,377	60,951
Total Revenues	679,035	930,598
Expenses:		
Interest and fees on long-term debt	1,928,167	1,888,683
Intergovernmental	-	-
Total Expenses	1,928,167	1,888,683
Change in Net Position	(1,249,132)	(958,085)
Net Position - Beginning	(23,986,450)	(23,028,365)
Net Position - Ending	$ (25,235,582)	$ (23,986,450)

Overview of the Financial Statements (continued)

Government-wide Financial Analysis (continued)

The District is one taxing district in a multi-district structure which consists of Headwaters Metropolitan District (HMD), the operating district which will construct the public infrastructure for the Granby Ranch development, and six additional taxing districts, Granby Ranch Metropolitan District Nos. 2 through 8 (GRMD Nos. 2-8) which will ultimately pay the cost of constructing and operating those improvements. Certain improvements like water and sanitary sewer improvements will be conveyed to the Town of Granby and other improvements like roads, roadway landscaping and drainage improvements will be operated and maintained by HMD. As the taxing districts have the financial ability to issue bonds, they have an obligation to issue such bonds, the proceeds of which will be used to pay the cost of constructing the infrastructure.

During 2014, the District earned a total of $679,035 in revenue, the majority of which came from property tax collections. This is a $251,563 decrease from 2013 revenues of $930,598. The decrease is primarily due to an abatement that resulted from the settlement of protested assessed valuations.

The expenses of the District primarily consisted of interest changes on the bonds issued in previous years. In 2014, District expenses were $1,928,167, which is approximately a 2% increase over 2013 expenses of $1,888,683.

The District has a large deficit net position balance which is the result of the capital assets of the community being owned and operated by Headwaters and the Town of Granby while the debt associated with the construction and operation of those assets staying with Granby Ranch and the other financing districts.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of $3,701,641 which reflects a decrease of ($474,401) during 2014. The main sources of revenue for the District are property taxes, capital facilities fees, and interest income. The revenue earned in 2014 from these sources was less than the required debt service payments on the District's 2006 bonds The District used a portion of the accumulated fund balance of the Debt Service Fund to cover the shortfall

Budget Variances. The District expenditures were similar to budgeted results except that the District received more capital facility fees and interest income than anticipated, and incurred an abatement that decreased property tax revenues. Details can be seen on page 23.

Capital assets. As stated above, the infrastructure in Granby Ranch is owned by other municipalities, so there are no capital assets reported by the District.

Long-term debts. The District's long-term debt totaled $24,864,000, consisting of $13,745,000 of senior Bonds and $11,119,000 in subordinate bonds.. Additional information can be found in the Notes to the Financial Statement on pages 15 through 18 of this report.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver LLC., 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

Granby Ranch Metropolitan District
Town of Granby, Colorado

STATEMENT OF NET POSITION

For the year ended December 31, 2014

Assets		
Taxes receivable	$	660,815
Due from Sol Vista Metropolitan District		313
Restricted investments		3,879,657
Total assets		4,540,785
Liabilities		
Accounts payable		1,000
Property tax abatement		177,329
Accrued interest		4,073,223
Long term liabilities		
Due within one year		225,000
Due in more than one year		24,639,000
Total liabilities		29,115,552
Deferred inflows of resources		
Property taxes		660,815
Total deferred inflows of resources		660,815
Net position		
Restricted for debt services		3,701,641
Unrestricted		(28,937,223)
Total net position	$	(25,235,582)

The accompanying footnotes are an integral part of these financial statements.

Granby Ranch Metropolitan District
Town of Granby, Colorado

STATEMENT OF ACTIVITIES

For the year ended December 31, 2014

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Interest and fees on long-term debt	$ 1,928,167	$ 125,100	$ 29,234	$ -	$ (1,773,833)
	$ 1,928,167	$ 125,100	$ 29,234	$ -	(1,773,833)
General Revenues:					
Property taxes					433,585
Specific ownership taxes					32,739
Payment in lieu of taxes					54,984
Interest income					3,393
Total general revenues					524,701
Change in net position					(1,249,132)
Net position, beginning					(23,986,450)
Net position, ending					$ (25,235,582)

The accompanying notes are an integral part of these statements.

Granby Ranch Metropolitan District
Town of Granby, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2014

	Debt Service Fund
Assets	
Taxes receivable	$ 660,815
Due from Sol Vista Metropolitan District	313
Restricted investments	3,879,657
Total Assets	4,540,785
Liabilities	
Accounts payable	1,000
Property tax abatement	177,329
Total Liabilities	178,329
Deferred Inflows of Resources	
Property taxes	660,815
Total Deferred Inflows of Resources	660,815
Fund balance	
Restricted for debt services	3,701,641
Total Fund Balances	$ 3,701,641
Fund balancer per above	$ 3,701,641
Long term debt is expensed through principal payments in the funds but is recognized as a long term liability in the government wide statement of net position and reduced as principal payments are made	(24,864,000)
Interest expense is recognized in the funds as it becomes due and payable, in the government wide funds interest expense is recognized as it accrues and included in the statement of net position as a liability.	(4,073,223)
Net position	$ (25,235,582)

The accompanying footnotes are an integral part of these financial statements.

Granby Ranch Metropolitan District
Town of Granby, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended December 31, 2014

		Debt Service Fund
Revenues		
Property taxes	$	433,585
Specific ownership taxes		32,739
Payment in lieu of taxes		54,984
Capital facilities fees		125,100
Contribution from Sol Vista Metropolitan District		29,234
Interest income		3,393
Total revenues		679,035
Expenditures/Expenses		
Bond principal		180,000
Bond interest		939,938
Paying agent fees		2,300
Treasurer's fees		31,198
Total expenditures		1,153,436
Excess of revenues over (under) expenditures		(474,401)
Fund balance, beginning of year		4,176,042
Fund balance, end of year	$	3,701,641
Change in fund balance per above	$	(474,401)
Principal payments on long-term debt are expenditures in the funds but in the government wide statement they are reductions of long-term debt		180,000
Interst expense is recognized when it is due and payable in the funds but in the government wide statements it is recognized as it is accrued		(954,731)
Change in net position	$	(1,249,132)

The accompanying footnotes are an integral part of these financial statements.

NOTE A – DEFINITION OF REPORTING ENTITY

The District was established November 25, 2003, as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed by an elected Board of Directors. The District was originally named SolVista Metropolitan District No. 2 and was part of the Sol Vista Golf and Ski Ranch development and overlapped with SolVista Metropolitan District No. 1 which was established in 1999 as Silver Creek Metropolitan District and changed its name on September 6, 2001. On October 23, 2004, the name of the District became Granby Ranch Metropolitan District. The District was formed contemporaneously with Sol Vista Metropolitan District No.1, which on October 23, 2004, became Headwaters Metropolitan District. The Districts were organized to provide services, programs and facilities, including the financing of construction, completion, maintenance and operation of public infrastructure within the Districts' boundaries. Pursuant to the Service Plan, which was approved on July 22, 2003, the District serves as the "Taxing District" while Headwaters Metropolitan District serves as the "Service District". Granby Ranch Metropolitan Districts Nos. 2 through 8 were established on September 25, 2007 as additional taxing districts.

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.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

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

1. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

1. Government-wide and Fund Financial Statements – Continued

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflows, liabilities, and deferred inflows of the District is reported as net position. Since Granby Ranch Metropolitan District is responsible to provide funding for the operations and infrastructure held by Headwaters Metropolitan District, the net position of the District shows a negative balance as Headwaters Metropolitan District reports the capital assets financed in part by Granby Ranch Metropolitan District.

The statement of activities demonstrates the degree to which the direct 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.

2. 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. Expenditures for redemption of bonds are recorded as a reduction in liabilities.

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 sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long- term debt and contractual obligations to Headwaters Metropolitan District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes received from other governmental activities.

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

3. 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 presented on the modified accrual basis of accounting.

4. Fund Equity

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

4. Fund Equity – Continued

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 be 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 though 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 policy to use the most restrictive classification first.

The total fund balance of the governmental fund was $3,701,641 at December 31, 2014. The entire balance was restricted for the payment of future debt service principal, interest and related costs.

NOTE C – CASH AND INVESTMENTS

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 equal to 102% of the aggregate uninsured deposits.

NOTE C – CASH AND INVESTMENTS – CONTINUED

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

As of December 31, 2014 all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

As of December 31, 2014, the District's cash deposits had a bank balance of $0 and a carrying balance of $0.

1. Investments

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

The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk 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 the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Local government investment pools

NOTE C – CASH AND INVESTMENTS – CONTINUED

1. Investments - continued

The local government investment pools, the Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAm by Standard & Poor's.

Investment	Maturity	Fair Value
Colorado Surplus Asset Trust Fund (CSAFE)	Under 60 days	$ 3,879,657

During the year ended December 31, 2014, the District was invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is structured to be a stable value investment pool to meet the investment needs of local governments in Colorado. The State Securities Commission administers and enforces all State statutes governing the Trust. CSAFE seeks to maintain, but does not guarantee a net asset value at $1.00 per share. CSAFE may invest in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, AAAm rated money market funds, approved Colorado Banks and highly rated commercial paper. A designated custodial bank serves as custodian for CSAFE's investment portfolio and serves as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE.

NOTE D – LONG-TERM DEBT

The following is an analysis of change in long-term obligations for the year ended December 31, 2014:

	Balance December 31, 2013	Additions	Payments	Balance December 31, 2014	Due Within One Year
Series 2006 Bonds	$ 13,925,000	$ –	$ (180,000)	$ 13,745,000	$ 225,000
Series 2010 Bonds	11,119,000	–	–	11,119,000	–
	$ 25,044,000	$ –	$ (180,000)	$ 24,864,000	$ 225,000

NOTE D – LONG-TERM DEBT – CONTINUED

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 partially finance the District's obligations under various intergovernmental agreements. These obligations are primarily related to construction of infrastructure and other various improvements on behalf of, and for the benefit of, residents of the District by other governmental entities. Additionally, proceeds of the Series 2006 Bonds, were also 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, 2014 was $77,315.

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 are insufficient to make the required payments on the Series 2006 Bonds when due, the shortfall is to be funded from the account. Since the account is only available to the District in the event revenues 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 $861,307 as of December 31, 2014.

Also, in conjunction with the issuance of the Series 2006 Bonds, GRH entered into a guarantee agreement. Under the terms of the agreement, to the extent the revenues of the District 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.

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

NOTE D – LONG-TERM DEBT – CONTINUED

2006 Limited Tax General Obligation Bonds - continued

Annual debt service requirements to maturity for the Series 2006 Bonds are as follows:

	Principal	Interest	Total
2015	$ 225,000	$ 927,788	$ 1,152,788
2016	300,000	912,600	1,212,600
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 - 2024	2,020,000	3,885,300	5,905,300
2025 - 2029	2,995,000	3,069,563	6,064,563
2030 - 2034	3,940,000	1,948,388	5,888,388
2035 - 2036	3,285,000	377,325	3,662,325
Total	$ 13,745,000	$ 13,727,814	$ 27,472,814

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 pay off the capital and service obligations owed to Headwaters Metropolitan District. Headwaters Metropolitan District was then able to reduce the notes to the Developer by the same amount. The bonds bear interest at the rate of 6.75%, payable annually on December 15, and 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, 2014 was $3,995,908.

NOTE D – LONG-TERM DEBT – CONTINUED

Subordinate Limited Tax General Obligation Bonds - continued

Annual debt service requirements to maturity for the Series 2010 bonds are shown below. However, since the bonds are only paid as funds become available, the timing and total amounts paid will likely vary from the schedule, which assumes all payments are able to be made and on a timely basis. The interest amount shown for 2015 includes accrued interest owed as of December 31, 2014; however, no payments have been budgeted for 2015.

	Principal	Interest	Total
2015	$ –	$ 3,995,908	$ 3,995,908
2016	–	836,346	836,346
2017	–	836,346	836,346
2018	–	836,346	836,346
2019	–	836,346	836,346
2020 - 2024	–	4,181,730	4,181,730
2025 - 2029	–	4,181,730	4,181,730
2030 - 2034	–	4,181,730	4,181,730
2035 - 2039	–	4,181,730	4,181,730
2040 - 2044	–	4,181,730	4,181,730
2045 - 2049	11,119,000	4,181,730	15,300,730
Total	$ 11,119,000	$ 32,431,672	$ 43,550,672

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, 2014, the amount of debt authorized by the District's electorate but unissued was $39,078,000 for improvements.

NOTE E – SIGNIFICANT AGREEMENTS

Service Plan

The service plan dated May 2003 was approved by the Town of Granby on July 22, 2003. The service plan contemplated the creation of two separate districts designating Granby Ranch Metropolitan District (GRMD) as the "taxing" district and Headwaters Metropolitan District (HMD) as the "service" district. Under the plan, HMD is to construct, manage and operate public facilities and services throughout the development. GRMD is 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.

NOTE E – SIGNIFICANT AGREEMENTS - CONTINUED

Service Plan - continued

The use of dual district structure provides for the issuance of bonds in a timely manner that is consistent with the construction of development improvements when needed. The service plan also outlined a financial plan for the districts entitling HMD to all taxing district revenue in order to pay all costs associated with the operations and management of the development.

Intergovernmental agreement with the Town of Granby

On December 9, 2003 the district and Headwaters Metropolitan District (HMD), 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. On February 26, 2008, the Intergovernmental Agreement between the Town of Granby and the District, HMD, and Granby Ranch Nos. 2-8 was executed. This IGA superseded and replaced the prior IGA and amendments in their entirety. The agreement states that all infrastructure and improvements will be designed and constructed in accordance with Town standards. As defined by the service plan, HMD has the primary responsibility for meeting the Town's standards. All streets, roadways, traffic and safety protection, transportation, parks and recreation, storm-water drainage, mosquito control and non-potable water facilities are to be owned, maintained, and operated by HMD. The sanitary sewer and potable systems will be conveyed to the Town of Granby or Granby Sanitation District, upon acceptance.

If the Town determines the Districts are not operating or maintaining any Street Improvement in conformity with this agreement, the Town may cure the nonconforming condition and receive reimbursement for related costs from the District.

The agreement limits the aggregate bonded debt amount to $94,250,000 for the Districts. It also limits the maximum mill levy to 50.000 mills, adjusted for the change in the ratio of actual valuation to assessed valuation from 2003 to the current year. With this adjustment, the mill levy of the District was 55.362 in 2014.

Master Intergovernmental Agreements with Headwaters Metropolitan District

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

NOTE E – SIGNIFICANT AGREEMENTS - CONTINUED

Master Intergovernmental Agreements with Headwaters Metropolitan District - continued

The districts are empowered to enter into contracts and agreements with one another to provide intergovernmental services and facilities and the agreement basically provides that HMD will construct the public infrastructure in the Districts and the GRMD and the other taxing districts will ultimately pay the cost of constructing those improvements.

Certain improvements such as water and sanitary sewer improvements will be conveyed to the Town of Granby and other improvements such as roads, roadway landscaping and drainage improvements will be operated and maintained by HMD. The cost of operation and maintenance of the improvements owned by HMD will ultimately be paid by the taxing districts in Granby Ranch. As the taxing districts have the financial ability to issue bonds, they have an obligation to issue bonds, the proceeds of which will be used to pay the cost of constructing the infrastructure.

The consolidated service plan for the 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 First Amended and Restated District Facilities Construction and Service Agreement was entered into. It superseded and replaced the prior agreement in its entirety. This new agreement included the additional taxing districts (Granby Ranch Metropolitan Districts Nos.2 through 8). On April 21, 2010, in conjunction with the Exclusion Agreement (see below), the District and HMD reverted back to the 2006 Agreement with certain revisions.

The District entered into an Exclusion Agreement as of April 21, 2010 to document how the District would exclude property from its boundaries and provide for future maintenance and operations of the community. Per the terms of the agreement, certain property owned by the Developer and all of the roadways were excluded from the District and included into another financing District which was ultimately determined to be Granby Ranch Metropolitan District No. 8. Such property was excluded after the issuance of the Series 2010 Bonds, therefore making the excluded property responsible for its respective share of the annual debt service requirements for both the Series 2006 and Series 2010 Bonds.

The agreement sets forth the understanding that upon the issuance of the Series 2010 Bonds, the District will have fulfilled all reimbursement obligations to Headwaters Metropolitan District (HMD).

Pursuant to the Exclusion Agreement, the District will impose an Operations Fee in the event of a deficiency in the Improvement Operations Budget and Cure Amounts, in accordance with the Operations Fee Resolution. The excluded property shall not be liable for the Operations Fee or any property taxes levied by the District for the operating costs of the District.

NOTE E – SIGNIFICANT AGREEMENTS – CONTINUED

Master Intergovernmental Agreements with Headwaters Metropolitan District - continued

The agreement also states the 2008 Master IGA will be repudiated and therefore the District will revert to the terms of the 2006 Master IGA with HMD, except the 2006 Master IGA will become subject to annual budgeting and appropriation and can be terminated for the ensuing year. HMD will continue to provide all general administrative services, operation and maintenance services, and facilities for the District. The District will impose property taxes or fees, rates, tolls, or charges to fund the O&M costs which will allow HMD to provide, operate and maintain the facilities.

During 2014, since the entire mill levy of the District was pledged towards debt service, the Developer contributed funds to HMD to cover the shortfall in operational funding to avoid having the District implement an Operations Fee. It is anticipated that the Developer will also contribute funds to HMD to cover such shortfalls in 2015 up to $210,244. In the future, it is likely the District will be required to either increase the property tax mill levy rate, charge an Operations Fee to cover such shortfall, or request contributions or advances from the developer.

Intergovernmental Funding Agreement with SolVista Metropolitan District

On June 1, 2006, the District entered into an intergovernmental funding agreement with SolVista Metropolitan District (SVMD) whereby GRMD contributed $1,212,693 of its 2006 bond proceeds to SVMD which SVMD used to repay its obligation to the developer. In exchange, SVMD agreed to pay GRMD's bond Trustee all revenues generated as a result of the SVMD mill levy, with the exception of the portion of the specific ownership taxes on motor vehicles imposed by the State of Colorado and net of annual operating costs as defined by the agreement.

SVMD agreed to levy 25.000 mills 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 2006 bonds were issued by GRMD. During 2014, SVMD paid $29,234, to the GRMD bond trustee, pursuant to the agreement.

NOTE F – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and its legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2014.

NOTE G – RELATED PARTIES

During 2014, a majority of the members of the Board of Directors of the District were employees or had substantial business interest with Granby Ranch Amenities, LLC, Granby Ranch Holdings, LLC or related entities.

NOTE H – 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 has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and 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 property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2014.

NOTE I – 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 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.

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.

Granby Ranch Metropolitan District
Town of Granby, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND - BUDGET TO ACTUAL

For the year ended December 31, 2014

	Original and Final Budget	Actual	Favorable (Unfavorable) Budget Variance
Revenues			
Property taxes	$ 493,674	$ 433,585	$ (60,089)
Specific ownership taxes	31,434	32,739	1,305
Payment in lieu of taxes	54,984	54,984	-
Capital facilities fees	-	125,100	125,100
Contribution from Sol Vista Metropolitan District	29,640	29,234	(406)
Interest income	2,076	3,393	1,317
Total revenues	611,808	679,035	67,227
Expenditures/Expenses			
Bond principal	180,000	180,000	-
Bond interest	939,938	939,938	-
Paying agent fees	2,500	2,300	200
Treasurer's fees	31,434	31,198	236
Contingency	5,000	-	5,000
Total expenditures	1,158,872	1,153,436	5,436
Excess of revenues over (under) expenditures	(547,064)	(474,401)	72,663
Fund balance, beginning of year	4,151,758	4,176,042	24,284
Fund balance, end of year	$ 3,604,694	$ 3,701,641	$ 96,947