

**SOUTHLANDS METROPOLITAN DISTRICT
NO. 2**

2022 ANNUAL REPORT

SOUTHLANDS METROPOLITAN DISTRICT NO. 2

2022 ANNUAL REPORT TO THE CITY OF AURORA

Pursuant to § 32-1-207(3)(c), C.R.S. and the Amended and Restated Service Plan for Southlands Metropolitan District No. 2 (the “**District**”), the District is required to provide an annual report to the City of Aurora (the “**City**”). The report is to include information concerning matters which occurred during the prior fiscal year.

For the year ending December 31, 2022, the District makes the following report:

Service Plan Requirements

- 1. Boundary changes made or proposed to the District’s boundary as of December 31 of the prior year.**

There were no boundary changes made or proposed to the District’s boundary in 2022.

- 2. Intergovernmental agreements with other governmental entities either entered into or proposed as of December 31 of the prior year.**

The District did not enter into or propose any intergovernmental agreements in 2022.

- 3. Copies of the District’s rules and regulations, if any, as of December 31 of the prior year.**

The District did not revise existing or adopt new rules and regulations in 2022.

- 4. A summary of any litigation which involved the District’s public improvements as of December 31 of the prior year.**

To our actual knowledge, based on review of the court records in Arapahoe County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District’s public improvements as of December 31, 2022.

- 5. Status of the District’s construction of the public improvements as of December 31 of the prior year.**

The landscape renovation project was completed in 2022. In March 2023, the District entered into a Contract for Construction of Southlands 2 Entryway Monument Installation.

- 6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year.**

The District did not dedicate any facilities or improvements to the City during 2022.

7. The assessed valuation of the District for the current year.

The District's 2022 assessed valuation is attached hereto as **Exhibit A**.

8. Current year budget including a description of the public improvements to be constructed in such year.

The 2023 budget is attached hereto as **Exhibit B**. In 2023, the District began construction on the entryway monument installation.

9. Audit of the District's financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

The 2022 Audit is attached hereto as **Exhibit C**.

10. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

The District did not receive notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.

11. Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

There was not any inability of the District to pay its obligations as they came due under any obligation which continued beyond a ninety (90) day period.

§ 32-1-207(3) Statutory Requirements

1. Boundary changes made.

There were no boundary changes made to the District's boundary in 2022.

2. Intergovernmental agreements entered into or terminated with other governmental entities.

The District did not enter into or terminate any intergovernmental agreements in 2022.

3. Access information to obtain a copy of rules and regulations adopted by the board.

A copy of the District's rules and regulations can be found at <https://specialdistrictsofcolorado.wordpress.com/special-districts/southlands-metro-district-2/>.

4. A summary of litigation involving public improvements owned by the District.

To our actual knowledge, based on review of the court records in Arapahoe County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2022.

5. The status of the construction of public improvements by the District.

The landscape renovation project was completed in 2022. In March 2023, the District entered into a Contract for Construction of Southlands 2 Entryway Monument Installation.

6. A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.

The District did not dedicate any facilities or improvements to the City during 2022.

7. The final assessed valuation of the District as of December 31st of the reporting year.

The District's 2022 final assessed valuation is attached hereto as **Exhibit A**.

8. A copy of the current year's budget.

The 2023 budget is attached hereto as **Exhibit B**.

9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

The 2022 Audit is attached hereto as **Exhibit C**.

10. Notice of any uncured defaults existing for more than ninety (90) days under any Debt instrument of the District.

The District did not receive notice of any uncured events of default by the District, which continued beyond a ninety (90) day period, under any Debt instrument.

11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.

There was no inability of the District to pay its obligations as they came due, in accordance with the terms of such obligations, which continued beyond a ninety (90) day period.

EXHIBIT A
2022 Assessed Valuation



PK Kaiser, MBA, MS

Assessor

November 23, 2022

AUTH 4643 SOUTHLANDS METRO DIST #2
SPECIAL DISTRICT MANAGEMENT
SERVICES INC
C/O ANN E FINN
141 UNION BLVD SUITE 150
LAKEWOOD CO 80228

OFFICE OF THE ASSESSOR
5334 S. Prince Street
Littleton, CO 80120-1136
Phone: 303-795-4600
TDD: Relay-711
Fax:303-797-1295
<http://www.arapahoegov.com/assessor>
assessor@arapahoegov.com

Code # 4643

RECERTIFICATION OF VALUATION

The Arapahoe County Assessor reports a taxable assessed valuation for your taxing entity for 2022 of:

\$13,674,434

The breakdown of the taxable valuation of your property is enclosed.

As further required by CRS 39-5-128(1), you are hereby notified to officially certify your levy to the Board of County Commissioners no later than December 15.

CRS 39-1-111(5) requires that this office transmit a notification by December 10 of any changes to valuation made after the original certification.

PK Kaiser, MBA, MS
Arapahoe County Assessor

enc

RECERTIFICATION OF VALUATION BY ARAPAHOE COUNTY ASSESSOR

New Tax Entity YES NO

Date: November 23, 2022

NAME OF TAX ENTITY: SOUTHLANDS METRO DIST #2
USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATION ("5.5%" LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2022:

1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	1.	\$	13,016,367
2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: ‡	2.	\$	13,674,434
3. LESS TOTAL TIF AREA INCREMENTS, IF ANY:	3.	\$	0
4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	4.	\$	13,674,434
5. NEW CONSTRUCTION: *	5.	\$	0
6. INCREASED PRODUCTION OF PRODUCING MINE: ≈	6.	\$	0
7. ANNEXATIONS/INCLUSIONS:	7.	\$	0
8. PREVIOUSLY EXEMPT FEDERAL PROPERTY: ≈	8.	\$	0
9. NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD OR LAND (29-1-301(1)(b), C.R.S.): Ⓢ	9.	\$	0
10. TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(A), C.R.S.). Includes all revenue collected on valuation not previously certified:	10.	\$	0
11. TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a), C.R.S.) and (39-10-114(1)(a)(I)(B), C.R.S.):	11.	\$	0

‡ This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec 20(8)(b), Colo. Constitution

* New construction is defined as: Taxable real property structures and the personal property connected with the structure.

≈ Jurisdiction must submit to the Division of Local Government respective Certifications of Impact in order for the values to be treated as growth in the limit calculation; use Forms DLG 52 & 52A.

Ⓢ Jurisdiction must apply to the Division of Local Government before the value can be treated as growth in the limit calculation; use Form DLG 52B.

USE FOR TABOR "LOCAL GROWTH" CALCULATION ONLY

IN ACCORDANCE WITH ART X, SEC.20, COLO. CONSTITUTION AND 39-5-121(2)(b), C.R.S., THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2022:

1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: ¶	1.	\$	173,294,672
ADDITIONS TO TAXABLE REAL PROPERTY			
2. CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	2.	\$	0
3. ANNEXATIONS/INCLUSIONS:	3.	\$	0
4. INCREASED MINING PRODUCTION: §	4.	\$	0
5. PREVIOUSLY EXEMPT PROPERTY:	5.	\$	0
6. OIL OR GAS PRODUCTION FROM A NEW WELL:	6.	\$	0
7. TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT: (If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.):	7.	\$	0

DELETIONS FROM TAXABLE REAL PROPERTY

8. DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	8.	\$	0
9. DISCONNECTIONS/EXCLUSIONS:	9.	\$	0
10. PREVIOUSLY TAXABLE PROPERTY:	10.	\$	0

¶ This includes the actual value of all taxable real property plus the actual value of religious, private school, and charitable real property.

* Construction is defined as newly constructed taxable real property structures.

§ Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS:

1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY	1.	\$	0
---	----	----	---

IN ACCORDANCE WITH 39-5-128(1.5), C.R.S., THE ASSESSOR PROVIDES:

HB21-1312 VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): **		\$	307
--	--	----	-----

** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119.5(3), C.R.S.

NOTE: ALL LEVIES MUST BE CERTIFIED TO THE COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

EXHIBIT B
2023 Budget

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2023

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SUMMARY
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

11/29/2022

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 979,272	\$ 1,101,472	\$ 1,338,924
REVENUES			
Property taxes	961,196	1,015,277	1,066,605
Specific ownership tax	67,189	65,262	63,997
Interest income	710	8,000	12,000
SARIA revenue	13,703	14,474	17,695
Total revenues	<u>1,042,798</u>	<u>1,103,013</u>	<u>1,160,297</u>
Total funds available	<u>2,022,070</u>	<u>2,204,485</u>	<u>2,499,221</u>
EXPENDITURES			
General and administrative	140,701	141,327	178,000
Operations and maintenance	347,006	282,000	492,000
Debt service	432,891	442,234	450,000
Total expenditures	<u>920,598</u>	<u>865,561</u>	<u>1,120,000</u>
Total expenditures and transfers out requiring appropriation	<u>920,598</u>	<u>865,561</u>	<u>1,120,000</u>
ENDING FUND BALANCES	<u>\$ 1,101,472</u>	<u>\$ 1,338,924</u>	<u>\$ 1,379,221</u>
EMERGENCY RESERVE	\$ 15,500	\$ 16,400	\$ 17,300
OPERATIONS AND MAINTENANCE RESERVE	200,000	200,000	200,000
MAXIMUM RESERVE - SERIES 2018	517,277	517,277	517,277
TOTAL RESERVE	<u>\$ 732,777</u>	<u>\$ 733,677</u>	<u>\$ 734,577</u>

No assurance provided. See summary of significant assumptions.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

11/29/2022

ACTUAL	ESTIMATED	BUDGET
2021	2022	2023

ASSESSED VALUATION

Residential - multifamily	\$ 11,585,860	\$ 12,269,400	\$ 11,668,800
State assessed	1,310	10,630	355,590
Vacant land	135,865	135,865	135,865
Personal property	599,982	600,472	1,514,179
Certified Assessed Value	\$ 12,323,017	\$ 13,016,367	\$ 13,674,434

MILL LEVY

General	38.000	38.000	38.000
Debt Service	40.000	40.000	40.000
SARIA	1.112	1.112	1.294
Total mill levy	79.112	79.112	79.294

PROPERTY TAXES

General	\$ 468,275	\$ 494,622	\$ 519,628
Debt Service	492,921	520,655	546,977
SARIA	13,703	14,474	17,695
Levied property taxes	974,899	1,029,751	1,084,300
Adjustments to actual/rounding	-	-	-
Refunds and abatements	-	-	-
Budgeted property taxes	\$ 974,899	\$ 1,029,751	\$ 1,084,300

BUDGETED PROPERTY TAXES

General	\$ 468,275	\$ 494,622	\$ 519,628
Debt Service	492,921	520,655	546,977
SARIA	13,703	14,474	17,695
	\$ 974,899	\$ 1,029,751	\$ 1,084,300

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

11/29/2022

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 461,946	\$ 489,272	\$ 609,835
REVENUES			
Property taxes	468,275	494,622	519,628
Specific ownership tax	32,733	31,794	31,178
Interest income	322	3,000	5,000
SARIA revenue	13,703	14,474	17,695
Total revenues	<u>515,033</u>	<u>543,890</u>	<u>573,501</u>
Total funds available	<u>976,979</u>	<u>1,033,162</u>	<u>1,183,336</u>
EXPENDITURES			
General and administrative			
Accounting	21,012	24,000	27,000
Auditing	3,600	4,000	4,700
County Treasurer's fee	7,025	7,419	7,794
County Treasurer's Fee (SARIA)	206	217	265
Directors' fees	1,500	1,200	1,500
Dues and licenses	739	644	1,000
Insurance and bonds	23,214	21,491	25,000
District management	38,122	40,000	45,000
Legal services	28,054	25,000	35,000
Miscellaneous	3,616	1,000	8,211
Payment to SARIA	13,498	14,256	17,430
Payroll taxes	115	100	100
Election expense	-	2,000	5,000
Operations and maintenance			
Repairs and maintenance	12,701	25,000	75,000
Landscape maintenance & irrigation	66,700	70,000	50,000
Streets repairs and maintenance	-	-	30,000
Street lighting	2,610	10,000	10,000
Utilities	19,486	32,000	35,000
Detention pond	52,191	10,000	45,000
Security	-	-	30,000
Snow removal	1,183	10,000	12,000
Landscape Architect	19,228	30,000	20,000
Murphy Creek Trail	-	-	50,000
Tree replacement/arborist/tree care program	61,490	35,000	35,000
Landscape renovation	111,417	10,000	-
Monument	-	50,000	100,000
Total expenditures	<u>487,707</u>	<u>423,327</u>	<u>670,000</u>
Total expenditures and transfers out requiring appropriation	<u>487,707</u>	<u>423,327</u>	<u>670,000</u>
ENDING FUND BALANCES	<u>489,272</u>	<u>609,835</u>	<u>513,336</u>
EMERGENCY RESERVE	\$ 15,500	\$ 16,400	\$ 17,300
OPERATIONS AND MAINTENANCE RESERVE	200,000	200,000	200,000
TOTAL RESERVE	<u>\$ 215,500</u>	<u>\$ 216,400</u>	<u>\$ 217,300</u>

No assurance provided. See summary of significant assumptions.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,**

11/29/2022

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 517,326	\$ 612,200	\$ 729,089
REVENUES			
Property taxes	492,921	520,655	546,977
Specific ownership tax	34,456	33,468	32,819
Interest income	388	5,000	7,000
Total revenues	<u>527,765</u>	<u>559,123</u>	<u>586,796</u>
Total funds available	<u>1,045,091</u>	<u>1,171,323</u>	<u>1,315,885</u>
EXPENDITURES			
Debt Service			
County Treasurer's fee	7,395	7,810	8,205
Contingency	-	-	8,199
Loan interest - Series 2018A	96,390	91,644	86,688
Loan interest - Series 2018B	113,106	108,780	103,908
Loan principal - Series 2018A	113,000	118,000	123,000
Loan principal - Series 2018B	103,000	116,000	120,000
Total expenditures	<u>432,891</u>	<u>442,234</u>	<u>450,000</u>
Total expenditures and transfers out requiring appropriation	<u>432,891</u>	<u>442,234</u>	<u>450,000</u>
ENDING FUND BALANCES	<u>\$ 612,200</u>	<u>\$ 729,089</u>	<u>\$ 865,885</u>
MAXIMUM RESERVE - SERIES 2018	<u>\$ 517,277</u>	<u>\$ 517,277</u>	<u>\$ 517,277</u>
TOTAL RESERVE	<u><u>\$ 517,277</u></u>	<u><u>\$ 517,277</u></u>	<u><u>\$ 517,277</u></u>

No assurance provided. See summary of significant assumptions.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District was organized by court order dated December 3, 2002, to provide financing for the design, acquisition, construction and installation of essential public-purpose facilities such as water, streets, traffic and safety controls, parks, open space and recreation, and sewer and drainage facilities, and the operation and maintenance of the District. The District's service area is located entirely in Arapahoe County, Colorado in the City of Aurora.

The District operates under the Service Plan as approved by the City of Aurora.

On November 5, 2002, the electorate authorized general obligation debt in the amount of \$22,400,000. Debt is subject to the terms of the Service Plan. On November 5, 2002, the electorate also approved the removal of limitations imposed by the TABOR Amendment and any other law that purports to limit the District's revenue or expenditures and a \$630,000 annual property tax increase for operations.

Pursuant to the District's Service Plan, the amount of debt that can be issued is \$40,000,000.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Property Taxes

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

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

Senate Bill 21-293 among other things, designates multi-family residential real property (defined generally, as property that is a multi-structure of four or more units) as a new subclass of residential real property. For tax collection year 2023, the assessment rate for single family residential property decreases to 6.95% from 7.15%. The rate for multifamily residential property, the newly created subclass, decreases to 6.80% from 7.15%. Agricultural and renewable energy production property decreases to 26.4% from 29.0%. Producing oil and gas remains at 87.5%. All other nonresidential property stays at 29%.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an interest rate of approximately 2%.

Expenditures

Administrative and Operating Expenditures

Administrative and operating expenditures have been provided based on estimates of the District's Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as legal, accounting, managerial, insurance, meeting expense, and other administrative expenses.

County Treasurer's Collection Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Series 2018 Refunding Loan

On April 13, 2018, the District refunded its General Obligation Bonds, Series 2010A and Limited Tax Obligation Subordinate Bonds, Series 2010B, by the issuance of \$2,510,000 Taxable (convertible to tax-exempt on December 1, 2020) Refunding Loan, Series 2018A, and \$3,181,000 Tax-Exempt Refunding Loan, Series 2018B. Series 2018A Loan is due December 1, 2035, at interest rates of 5.200% through December 1, 2020 and 4.200% through December 1, 2035. Series 2018B Loan is due December 1, 2035, at an interest rate of 4.200%. The proceeds of Series 2018A were used to establish an irrevocable trust account (the "Refunding Escrow") to refund Series 2010A on December 1, 2020, which is the date they may be redeemed prior to their maturity. The proceeds of Series 2018B were used to pay the principal and interest on the Series 2010B at the call date of April 13, 2018.

Interest payments on Series 2018 Refunding Loan (the "Loan") are due June 1 and December 1 of each year, commencing June 1, 2018. All interest due and payable shall be calculated on the basis of a 360-day year of twelve 30-day months. Interest not paid when due shall compound on each June 1 and December 1 at the then-applicable interest rate. The District may prepay all or part of the principal of either or both of the Loan coming due on any December 1, upon two business days' prior written notice to NBH Bank (the "Lender") of the amount of such prepayment, plus payment of the applicable prepayment fee, if any, in minimum increments of \$500,000. A prepayment fee may be due as a condition of such prepayment, which shall be calculated pursuant to the Loan Agreement.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures (continued)

Series 2018 Refunding Loan (continued)

The Loan is payable from Pledged Revenues, including the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt service payments as well as a portion of specific ownership taxes collected by the District as a result of the imposition of the required mill levy; and other legally available moneys which the Board determines in its sole discretion. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of and interest on the Loan when due, and if necessary, an amount sufficient to fund or replenish the Reserve Fund to the amount of \$517,277 (the "Maximum Reserve Fund Amount"). For so long as the Reserve Fund is less than the Maximum Reserve Fund Amount, such mill levy shall not be less than 50.000 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation). The maximum required mill levy has been adjusted upwards to 55.651 mills.

Debt and Leases

The District's current debt service schedules are attached. The District has no operating or capital leases.

Reserve Funds

Emergency Reserve

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2023, as defined under TABOR when actual revenue is received.

This information is an integral part of the accompanying budget.

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

**\$2,510,000 Taxable (Convertible to Tax-Exempt) Refunding Loan
Series 2018A
Dated April 14, 2018
Principal due December 1
Interest Rate 4.200% - 5.200% Payable
June 1 and December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 123,000	\$ 86,688	\$ 209,688
2024	128,000	81,522	209,522
2025	133,000	76,146	209,146
2026	139,000	70,560	209,560
2027	144,000	64,722	208,722
2028	151,000	58,674	209,674
2029	157,000	52,322	209,322
2030	163,000	45,738	208,738
2031	170,000	38,892	208,892
2032	177,000	31,752	208,752
2033	185,000	24,318	209,318
2034	193,000	16,548	209,548
2035	201,000	8,442	209,442
	<u>\$ 2,064,000</u>	<u>\$ 656,324</u>	<u>\$ 2,720,324</u>

No assurance provided. See summary of significant assumptions.

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

\$3,181,000 Tax-Exempt Refunding Loan

Series 2018B

Dated April 14, 2018

Principal due December 1

Interest Rate 4.200% Payable

December 15

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 120,000	\$ 103,908	\$ 223,908
2024	134,000	98,868	232,868
2025	140,000	93,240	233,240
2026	155,000	87,360	242,360
2027	162,000	80,850	242,850
2028	177,000	74,046	251,046
2029	184,000	66,612	250,612
2030	202,000	58,884	260,884
2031	210,000	50,400	260,400
2032	228,000	41,580	269,580
2033	237,000	32,004	269,004
2034	257,000	22,050	279,050
2035	268,000	11,256	279,256
	<u>\$ 2,474,000</u>	<u>\$ 821,058</u>	<u>\$ 3,295,058</u>

No assurance provided. See summary of significant assumptions.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 243,000	\$ 190,596	\$ 433,596
2024	262,000	180,390	442,390
2025	273,000	169,386	442,386
2026	294,000	157,920	451,920
2027	306,000	145,572	451,572
2028	328,000	132,720	460,720
2029	341,000	118,934	459,934
2030	365,000	104,622	469,622
2031	380,000	89,292	469,292
2032	405,000	73,332	478,332
2033	422,000	56,322	478,322
2034	450,000	38,598	488,598
2035	469,000	19,698	488,698
	<u>\$ 4,538,000</u>	<u>\$ 1,477,382</u>	<u>\$ 6,015,382</u>

No assurance provided. See summary of significant assumptions.

EXHIBIT C
2022 Audit

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	22
OTHER INFORMATION - UNAUDITED	
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	24
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	25



Board of Directors
Southlands Metropolitan District No. 2
Arapahoe County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Southlands Metropolitan District No. 2 (the “District”), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Southlands Metropolitan District No. 2 as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

The other information, as listed in the table of contents, has 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

June 28, 2023

BASIC FINANCIAL STATEMENTS

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 697,955
Cash and Investments - Restricted	754,527
Prepaid Expense	24,310
Receivable from County Treasurer	4,801
Property Taxes Receivable	1,084,300
Capital Assets, Net	3,671,469
Total Assets	<u>6,237,362</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	154,405
Total Deferred Outflows of Resources	<u>154,405</u>
LIABILITIES	
Accounts Payable	11,306
Accrued Interest Payable	15,883
Noncurrent Liabilities:	
Due Within One Year	243,000
Due in More Than One Year	4,295,000
Total Liabilities	<u>4,565,189</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,084,300
Total Deferred Inflows of Resources	<u>1,084,300</u>
NET POSITION	
Net Investment in Capital Assets	(866,531)
Restricted For:	
Emergency Reserves	16,700
Debt Service	724,406
Unrestricted	867,703
Total Net Position	<u><u>\$ 742,278</u></u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 703,394	\$ -	\$ -	\$ -	\$ (703,394)
Interest and Related Costs on Long-Term Debt	228,361	-	-	-	(228,361)
Total Governmental Activities	\$ 931,755	\$ -	\$ -	\$ -	(931,755)
GENERAL REVENUES					
Property Taxes					1,029,718
Specific Ownership Taxes					65,010
Net Investment Income					29,456
Total General Revenues					1,124,184
CHANGE IN NET POSITION					
Net Position - Beginning of Year					549,849
NET POSITION - END OF YEAR					
					\$ 742,278

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 697,955	\$ -	\$ 697,955
Cash and Investments - Restricted	16,700	737,827	754,527
Prepaid Expense	24,310	-	24,310
Receivable from County Treasurer	2,339	2,462	4,801
Property Taxes Receivable	537,323	546,977	1,084,300
	<u>537,323</u>	<u>546,977</u>	<u>1,084,300</u>
Total Assets	<u>\$ 1,278,627</u>	<u>\$ 1,287,266</u>	<u>\$ 2,565,893</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 11,306	\$ -	\$ 11,306
Total Liabilities	<u>11,306</u>	<u>-</u>	<u>11,306</u>
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	537,323	546,977	1,084,300
Total Deferred Inflows of Resources	<u>537,323</u>	<u>546,977</u>	<u>1,084,300</u>
FUND BALANCES			
Nonspendable:			
Prepaid Expense	24,310	-	24,310
Restricted For:			
Emergency Reserves	16,700	-	16,700
Debt Service	-	740,289	740,289
Assigned To:			
Subsequent Year's Expenditures	96,499	-	96,499
Unassigned:			
General Government	592,489	-	592,489
Total Fund Balances	<u>729,998</u>	<u>740,289</u>	<u>1,470,287</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,278,627</u>	<u>\$ 1,287,266</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital Assets, Net			3,671,469
Other long-term assets are not available to pay for current period expenditures and, therefore, are recorded as expenditures in the funds.			
Cost of Refunding			154,405
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Loans Payable			(4,538,000)
Accrued Interest on Loans Payable			<u>(15,883)</u>
Net Position of Governmental Activities			<u>\$ 742,278</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 494,606	\$ 520,638	\$ 1,015,244
Specific Ownership Taxes	31,672	33,338	65,010
Net Investment Income	13,109	16,347	29,456
SARIA Revenue	14,474	-	14,474
Total Revenues	553,861	570,323	1,124,184
EXPENDITURES			
General:			
Accounting	20,975	-	20,975
Audit	4,000	-	4,000
County Treasurer's Fees	7,419	7,810	15,229
County Treasurer's Fees (SARIA)	217	-	217
Detention Pond	2,998	-	2,998
Directors' Fees	1,200	-	1,200
District Management	36,966	-	36,966
Dues and Membership	643	-	643
Election	2,205	-	2,205
Insurance	21,491	-	21,491
Legal	20,371	-	20,371
Landscape Architect	22,677	-	22,677
Landscape Maintenance and Irrigation	37,319	-	37,319
Landscape Renovation	180	-	180
Repairs and Maintenance	13,671	-	13,671
Snow Removal	5,212	-	5,212
Street Lighting	1,740	-	1,740
Tree Replacement/Arborist/Tree Care Program	26,485	-	26,485
Utilities	28,670	-	28,670
Payroll Taxes	92	-	92
Payment to SARIA	14,256	-	14,256
Monument	41,322	-	41,322
Miscellaneous/Contingency	3,026	-	3,026
Debt Service:			
Loan Principal - Series 2018A	-	118,000	118,000
Loan Interest - Series 2018A	-	91,644	91,644
Loan Principal - Series 2018B	-	116,000	116,000
Loan Interest - Series 2018B	-	108,780	108,780
Total Expenditures	313,135	442,234	755,369
NET CHANGE IN FUND BALANCES	240,726	128,089	368,815
Fund Balances - Beginning of Year	489,272	612,200	1,101,472
FUND BALANCES - END OF YEAR	\$ 729,998	\$ 740,289	\$ 1,470,287

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 368,815

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay	39,589
Depreciation Expense	(429,848)

Long-term debt (e.g., bonds, developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Principal Payment - Series 2018A Loan	118,000
Principal Payment - Series 2018B Loan	116,000

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.

Accrued Interest on Bonds - Change in Liability	819
Amortization of Cost of Refunding	(20,946)
	819
	(20,946)

Change in Net Position of Governmental Activities	\$ 192,429
---	------------

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 494,622	\$ 494,606	\$ (16)
Specific Ownership Taxes	34,624	31,672	(2,952)
Net Investment Income	300	13,109	12,809
SARIA Revenue	14,474	14,474	-
Total Revenues	<u>544,020</u>	<u>553,861</u>	<u>9,841</u>
EXPENDITURES			
Accounting	25,000	20,975	4,025
Audit	4,000	4,000	-
County Treasurer's Fees	7,419	7,419	-
County Treasurer's Fees (SARIA)	217	217	-
Detention Pond	100,000	2,998	97,002
Directors' Fees	1,500	1,200	300
District Management	45,000	36,966	8,034
Dues and Membership	1,000	643	357
Election	3,000	2,205	795
Insurance	25,000	21,491	3,509
Legal	38,000	20,371	17,629
Landscape Architect	30,000	22,677	7,323
Landscape Maintenance and Irrigation	70,000	37,319	32,681
Landscape Renovation	10,000	180	9,820
Payroll Taxes	100	92	8
Payment to SARIA	14,257	14,256	1
Street Repairs and Striping	30,000	-	30,000
Repairs and Maintenance	25,000	13,671	11,329
Security	30,000	-	30,000
Snow Removal	10,000	5,212	4,788
Street Lighting	10,000	1,740	8,260
Utilities	22,000	28,670	(6,670)
Miscellaneous/Contingency	8,507	3,026	5,481
Murphy Creek Trail	50,000	-	50,000
Monument	100,000	41,322	58,678
Tree Replacement/Arborist/Tree Care Program	35,000	26,485	8,515
Total Expenditures	<u>695,000</u>	<u>313,135</u>	<u>381,865</u>
NET CHANGE IN FUND BALANCE	(150,980)	240,726	391,706
Fund Balance - Beginning of Year	<u>392,244</u>	<u>489,272</u>	<u>97,028</u>
FUND BALANCE - END OF YEAR	<u>\$ 241,264</u>	<u>\$ 729,998</u>	<u>\$ 488,734</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Southlands Metropolitan District No. 2 (the District), a quasi-municipal corporation, and political subdivision of the state of Colorado, was organized on November 18, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the city of Aurora (the City), Arapahoe County, Colorado. The District was organized to provide financing for the design, acquisition, construction and installation of essential public-purpose facilities, such as water, streets, traffic and safety controls, parks, open space and recreation, sewer and drainage facilities, and the operation and maintenance of the District.

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

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

The District has no employees, and all operations and administrative functions are contracted.

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.

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 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.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and other financing uses 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.

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.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Streets	20 Years
Sanitary Sewer	50 Years
Parks and Recreation Improvements	20 Years
Playground Equipment	15 Years

Facilities Fees

A facilities fee in the amount of \$15,246 per gross acre is charged against all real property within the District. The facilities fee is due at the time of issuance of a building permit by the City of Aurora for development. The facilities fee constitutes a statutory and perpetual lien upon the property until paid.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of Bond Refunding

In the government-wide financial statements, the deferred cost of refunding is being amortized using the interest method over the life of the new debt. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

Deferred Inflows/Outflows of Resources

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

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

Equity

Net Position

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

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.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 697,955
Cash and Investments - Restricted	754,527
Total Cash and Investments	<u><u>\$ 1,452,482</u></u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 28,003
Investments	1,424,479
Total Cash and Investments	<u><u>\$ 1,452,482</u></u>

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.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (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.

At December 31, 2022, the District's cash deposits had a bank balance and a carrying balance of \$28,003.

Investments

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

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

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

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

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

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted-Average Under 60 Days	<u>\$ 1,424,479</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022
Capital Assets, Being Depreciated:				
Streets	\$ 4,846,804	\$ -	\$ -	\$ 4,846,804
Sanitary Sewer	271,905	-	-	271,905
Playground Equipment	378,560	-	-	378,560
Park and Recreation Improvements	<u>3,119,046</u>	<u>39,589</u>	<u>-</u>	<u>3,158,635</u>
Total Capital Assets, Being Depreciated	8,616,315	39,589	-	8,655,904
Less Accumulated Depreciation For:				
Streets	(2,726,329)	(242,340)	-	(2,968,669)
Sanitary Sewer	(61,178)	(5,438)	-	(66,616)
Playground Equipment	(12,619)	(25,237)	-	(37,856)
Park and Recreation Improvements	<u>(1,754,461)</u>	<u>(156,833)</u>	<u>-</u>	<u>(1,911,294)</u>
Total Accumulated Depreciation	<u>(4,554,587)</u>	<u>(429,848)</u>	<u>-</u>	<u>(4,984,435)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,061,728</u>	<u>(390,259)</u>	<u>-</u>	<u>3,671,469</u>
Capital Assets, Net	<u>\$ 4,061,728</u>	<u>\$ (390,259)</u>	<u>\$ -</u>	<u>\$ 3,671,469</u>

Depreciation expense was charged to functions/programs of the District as follows:

General Government	<u>\$ 429,848</u>
--------------------	-------------------

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Retirement of Long-Term Obligations	Balance at December 31, 2022	Due Within One Year
Refunding Loan - Series 2018A	\$ 2,182,000	\$ -	\$ 118,000	\$ 2,064,000	\$ 123,000
Refunding Loan - Series 2018B	2,590,000	-	116,000	2,474,000	120,000
Total	<u>\$ 4,772,000</u>	<u>\$ -</u>	<u>\$ 234,000</u>	<u>\$ 4,538,000</u>	<u>\$ 243,000</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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

Series 2018 Refunding Loan

On April 13, 2018, the District refunded its General Obligation Bonds, Series 2010A and Limited Tax Obligation Subordinate Bonds, Series 2010B, by the issuance of \$2,510,000 Taxable (convertible to tax-exempt on December 1, 2020) Refunding Loan, Series 2018A, and \$3,181,000 Tax-Exempt Refunding Loan, Series 2018B. The Series 2018A Loan is due December 1, 2035, at interest rates of 5.200% through December 1, 2020 and 4.200% through December 1, 2035. The Series 2018B Loan is due December 1, 2035, at an interest rate of 4.200%. The proceeds of the Series 2018A Loan were used to establish an irrevocable trust account (the Refunding Escrow) to refund the Series 2010A Bonds on December 1, 2020, which is the date they may be redeemed prior to their maturity. The proceeds of the Series 2018B Loan were used to pay the principal and interest on the Series 2010B Bonds at the call date of April 13, 2018.

Interest payments on the Series 2018A Loan and the Series 2018B Loan (collectively, the Loan) are due June 1 and December 1 of each year, commencing June 1, 2018. All interest due and payable shall be calculated on the basis of a 360-day year of 12 30-day months. Interest not paid when due shall compound on each June 1 and December 1 at the then-applicable interest rate. The District may prepay all or part of the principal of the Loan coming due on any December 1, upon two business days' prior written notice to NBH Bank (the Lender) of the amount of such prepayment, plus payment of the applicable prepayment fee, if any, in minimum increments of \$500,000. A prepayment fee may be due as a condition of such prepayment, which shall be calculated pursuant to the Loan Agreement.

The Loan is payable from Pledged Revenues, including the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt service payments as well as a portion of specific ownership taxes collected by the District as a result of the imposition of the required mill levy; and other legally available moneys which the Board determines in its sole discretion. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of and interest on the Loan when due, and if necessary, an amount sufficient to fund or replenish the Reserve Fund to the amount of \$517,277 (the Maximum Reserve Fund Amount). For so long as the Reserve Fund is less than the Maximum Reserve Fund Amount, such mill levy shall not be less than 50.000 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation). The maximum required mill levy has been adjusted upwards to 55.277 mills.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2018 Refunding Loan (Continued)

Unused lines of credit

The Series 2018 Loan does not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the Series 2018 Loan.

Events of default

Events of default occur if the District fails to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Loan Agreement, and does not comply with the covenants, agreements, or conditions as described in the Loan Agreement.

Termination events

The Series 2018 Loan is not subject to early termination.

Acceleration

The Series 2018 Loan is not subject to acceleration.

The District's Series 2018A Loan principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 123,000	\$ 86,688	\$ 209,688
2024	128,000	81,522	209,522
2025	133,000	76,146	209,146
2026	139,000	70,560	209,560
2027	144,000	64,722	208,722
2028-2032	818,000	227,378	1,045,378
2033-2035	579,000	49,308	628,308
Total	<u>\$ 2,064,000</u>	<u>\$ 656,324</u>	<u>\$ 2,720,324</u>

The District's Series 2018B Loan principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 120,000	\$ 103,908	\$ 223,908
2024	134,000	98,868	232,868
2025	140,000	93,240	233,240
2026	155,000	87,360	242,360
2027	162,000	80,850	242,850
2028-2032	1,001,000	291,522	1,292,522
2033-2035	762,000	65,310	827,310
Total	<u>\$ 2,474,000</u>	<u>\$ 821,058</u>	<u>\$ 3,295,058</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 5, 2002 a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$48,400,000. On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$485,000,000. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 5, 2002	Amount Authorized on November 2, 2004	Authorization Used for Series 2010 Bonds	Authorization Used for Series 2018 Loan	Authorized But Unissued
Streets	\$ 11,650,000	\$ 40,000,000	\$ 3,023,000	\$ -	\$ 48,627,000
Water	580,000	40,000,000	-	-	40,580,000
Sanitary Sewer	3,890,000	40,000,000	154,000	-	43,736,000
Parks and Recreation	6,855,000	40,000,000	1,947,000	-	44,908,000
Mosquito Control	-	40,000,000	-	-	40,000,000
Fire Protection	-	40,000,000	-	-	40,000,000
Television Relay	-	40,000,000	-	-	40,000,000
Public Transportation	2,245,000	40,000,000	-	-	42,245,000
Safety Protection	780,000	40,000,000	-	-	40,780,000
Operations and Maintenance	-	5,000,000	-	-	5,000,000
Intergovernmental Contracts	-	40,000,000	-	-	40,000,000
Public Improvements:					
Operations and Maintenance	-	40,000,000	-	-	40,000,000
Debt Refunding	22,400,000	40,000,000	-	752,000	61,648,000
Total	<u>\$ 48,400,000</u>	<u>\$ 485,000,000</u>	<u>\$ 5,124,000</u>	<u>\$ 752,000</u>	<u>\$ 527,524,000</u>

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital position, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022, the District had the following net investment in capital assets, calculated as follows:

	<u>Governmental Activities</u>
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 3,671,469
Less: Capital Related Debt	
Current Portion of Long-Term Obligations	(243,000)
Noncurrent Portion of Long-Term Obligations	(4,295,000)
Net Investment in Capital Assets	<u>\$ (866,531)</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 6 NET POSITION (CONTINUED)

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2022, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 16,700
Debt Service	724,406
Total Restricted Net Position	\$ 741,106

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.

NOTE 7 AGREEMENTS

District IGA

The District and Southlands Metropolitan District No. 1 (District No. 1) entered into an Intergovernmental Agreement dated June 30, 2004, and amended pursuant to a first amendment dated December 7, 2004, and second amendment dated August 24, 2007 (the District IGA), concerning the manner in which the Districts are to coordinate the financing, construction, operation and maintenance of facilities contemplated in the Service Plans to comply with certain requirements of their respective Service Plans.

The District IGA acknowledges commencement of financing for the initial phase of improvements (as defined in the Service Plan) by both the District and District No. 1 and sets forth the agreement of the Districts with respect to the equitable allocation of costs associated with certain regional improvements, including improvements to Aurora Parkway, Smoky Hill Road, and certain bridge widening and landscape improvements (Regional Improvements).

South Aurora Regional Improvement Authority Establishment Agreement

On July 10, 2017, the District entered into the South Aurora Regional Improvement Authority Establishment Agreement (SARIA IGA) between the District, the City, and other unrelated metropolitan districts (collectively, the Parties) to form the South Aurora Regional Improvement Authority (the Authority). The Authority was organized for the purpose of planning, designing, constructing, installing, acquiring, relocating, redeveloping and financing the Regional Improvements designated in ARI Master Plans.

The Authority is authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of Regional Improvements from the ARI Mill Levy, and/or the proceeds of revenue bonds to be issued by the Authority or may delegate and assign those rights and responsibilities to individual Parties.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 AGREEMENTS (CONTINUED)

South Aurora Regional Improvement Authority Establishment Agreement (Continued)

Each of the Districts which are Parties to this Agreement agree that the Authority may fund its operations with the ARI Mill Levy revenues transferred to the Authority. The amount of money necessary to fund the operations of the Authority shall be determined each year as a part of the budget process.

On December 8, 2017, the Parties to the SARIA IGA approved the South Aurora Regional Improvement Authority ARI Master Plan No. 1 (ARI Master Plan No. 1). On June 15, 2018, the Parties to the SARIA IGA approved the South Aurora Regional Improvement Authority ARI Master Plan No. 2 (ARI Master Plan No. 2) which supersedes ARI Master Plan No. 1. ARI Master Plan No. 2 prioritizes regional improvement projects within the Authority.

On October 2, 2018, the Districts entered into the First Amendment to the SARIA IGA primarily to confirm that each of the Parties to the SARIA IGA have made their initial contributions to the Authority and to allow for the transfer of the District's ARI Mill Levy to either the Authority or the Bond Trustee designated by the Authority in writing.

Upon approval of an ARI Master Plan by the Authority and the District, the financial obligations of the District is to remit the ARI Mill Levy to the Authority hereunder shall be a multiple fiscal year financial obligation of the District, payable from ad valorem property taxes, net of County Treasurer's fees, generated as a result of the certification by the District of the ARI Mill Levy. From and after the date of each District's approval of the ARI Master Plans, the District's ARI Mill Levy, as limited hereby, is pledged to the punctual payment of the obligations of the Authority with respect to the Authority's revenue bonds or other financial obligations.

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 (the 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, property 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.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 5, 2002, the District voters passed an election question allowing the District to increase property taxes by \$630,000 annually, then increased the amount to \$5,000,000 during the November 2, 2004, election, without limitation of rate, to pay the District's operations, maintenance and other expenses.

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

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 520,655	\$ 520,638	\$ (17)
Specific Ownership Taxes	36,446	33,338	(3,108)
Net Investment Income	600	16,347	15,747
Total Revenues	<u>557,701</u>	<u>570,323</u>	<u>12,622</u>
EXPENDITURES			
County Treasurer's Fees	7,810	7,810	-
Loan Principal - Series 2018A	118,000	118,000	-
Loan Interest - Series 2018A	91,644	91,644	-
Loan Principal - Series 2018B	116,000	116,000	-
Loan Interest - Series 2018B	108,780	108,780	-
Contingency	7,766	-	7,766
Total Expenditures	<u>450,000</u>	<u>442,234</u>	<u>7,766</u>
NET CHANGE IN FUND BALANCE	107,701	128,089	20,388
Fund Balance - Beginning of Year	<u>612,157</u>	<u>612,200</u>	<u>43</u>
FUND BALANCE - END OF YEAR	<u>\$ 719,858</u>	<u>\$ 740,289</u>	<u>\$ 20,431</u>

OTHER INFORMATION - UNAUDITED

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected
		General	Debt Service	Levied	Collected	
2018	\$ 11,437,465	34.271	55.277	\$ 1,024,202	\$ 1,016,078	99.21 %
2019	11,536,632	34.271	55.277	1,033,082	1,020,334	98.77
2020	12,734,228	34.112	45.000	1,007,430	949,369	94.24
2021	12,323,017	39.112	40.000	974,899	974,899	100.00
2022	13,016,367	39.112	40.000	1,029,751	1,029,718	99.99
Estimated for the Year Ending December 31, 2023	\$ 13,674,434	39.294	40.000	\$ 1,084,300		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2022

Year Ending December 31,	\$2,510,000 Taxable (Convertible to Tax-Exempt) Refunding Loan Series 2018A Dated April 13, 2018 Principal due December 1 Interest Rate 4.2000% to 5.200% Payable June 1 and December 1			\$3,181,000 Tax-Exempt Refunding Loan Series 2018B Dated April 13, 2018 Principal due December 1 Interest Rate 4.2000% Payable June 1 and December 1		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 123,000	\$ 86,688	\$ 209,688	\$ 120,000	\$ 103,908	\$ 223,908
2024	128,000	81,522	209,522	134,000	98,868	232,868
2025	133,000	76,146	209,146	140,000	93,240	233,240
2026	139,000	70,560	209,560	155,000	87,360	242,360
2027	144,000	64,722	208,722	162,000	80,850	242,850
2028	151,000	58,674	209,674	177,000	74,046	251,046
2029	157,000	52,322	209,322	184,000	66,612	250,612
2030	163,000	45,738	208,738	202,000	58,884	260,884
2031	170,000	38,892	208,892	210,000	50,400	260,400
2032	177,000	31,752	208,752	228,000	41,580	269,580
2033	185,000	24,318	209,318	237,000	32,004	269,004
2034	193,000	16,548	209,548	257,000	22,050	279,050
2035	201,000	8,442	209,442	268,000	11,256	279,256
Total	<u>\$ 2,064,000</u>	<u>\$ 656,324</u>	<u>\$ 2,720,324</u>	<u>\$ 2,474,000</u>	<u>\$ 821,058</u>	<u>\$ 3,295,058</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2022

<u>Year Ending December 31,</u>	Total		
	Principal	Interest	Total
2023	\$ 243,000	\$ 190,596	\$ 433,596
2024	262,000	180,390	442,390
2025	273,000	169,386	442,386
2026	294,000	157,920	451,920
2027	306,000	145,572	451,572
2028	328,000	132,720	460,720
2029	341,000	118,934	459,934
2030	365,000	104,622	469,622
2031	380,000	89,292	469,292
2032	405,000	73,332	478,332
2033	422,000	56,322	478,322
2034	450,000	38,598	488,598
2035	469,000	19,698	488,698
Total	<u>\$ 4,538,000</u>	<u>\$ 1,477,382</u>	<u>\$ 6,015,382</u>