



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

Accountant's Compilation Report

Board of Directors
Southlands Metropolitan District No. 2

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Southlands Metropolitan District No. 2 for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

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

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 23, 2020



An independent member of Nexia International

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 239,112	\$ 562,121	\$ 853,816
REVENUES			
Property taxes	1,003,540	1,020,334	993,270
Specific ownership tax	74,430	78,700	59,500
Interest income	9,341	22,000	11,000
SARIA revenue	12,538	12,748	14,160
Operating fee	70,914	70,914	-
Other revenue	94	33	-
Loan issuance	5,691,000	-	-
Total revenues	<u>6,861,857</u>	<u>1,204,729</u>	<u>1,077,930</u>
Total funds available	<u>7,100,969</u>	<u>1,766,850</u>	<u>1,931,746</u>
EXPENDITURES			
General and administrative	125,511	138,836	156,000
Operations and maintenance	129,149	346,000	555,000
Debt service	6,284,188	428,198	445,000
Total expenditures	<u>6,538,848</u>	<u>913,034</u>	<u>1,156,000</u>
Total expenditures and transfers out requiring appropriation	<u>6,538,848</u>	<u>913,034</u>	<u>1,156,000</u>
ENDING FUND BALANCES	<u>\$ 562,121</u>	<u>\$ 853,816</u>	<u>\$ 775,746</u>
EMERGENCY RESERVE	\$ 14,800	\$ 15,300	\$ 14,000
OPERATIONS AND MAINTENANCE RESERVE	100,000	100,000	200,000
TOTAL RESERVE	<u>\$ 114,800</u>	<u>\$ 115,300</u>	<u>\$ 214,000</u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

1/23/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION			
Residential	\$ 9,557,280	\$ 9,466,560	\$ 12,319,450
State assessed	1,706,670	1,824,560	169,290
Vacant land	135,865	135,865	135,865
Personal property	37,650	109,647	109,623
Certified Assessed Value	<u>\$ 11,437,465</u>	<u>\$ 11,536,632</u>	<u>\$ 12,734,228</u>
MILL LEVY			
General	33.166	33.166	33.000
Debt Service	55.277	55.277	45.000
SARIA	1.105	1.105	1.112
Total mill levy	<u>89.548</u>	<u>89.548</u>	<u>79.112</u>
PROPERTY TAXES			
General	\$ 379,335	\$ 382,624	\$ 420,230
Debt Service	632,230	637,710	573,040
SARIA	12,638	12,748	14,160
Levied property taxes	1,024,203	1,033,082	1,007,430
Refunds and abatements	(8,125)	-	-
Budgeted property taxes	<u>\$ 1,016,078</u>	<u>\$ 1,033,082</u>	<u>\$ 1,007,430</u>
BUDGETED PROPERTY TAXES			
General	\$ 376,326	\$ 382,624	\$ 420,230
Debt Service	627,214	637,710	573,040
SARIA	12,538	12,748	14,160
	<u>\$ 1,016,078</u>	<u>\$ 1,033,082</u>	<u>\$ 1,007,430</u>

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

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 229,019	\$ 466,176	\$ 491,159
REVENUES			
Property taxes	376,326	382,624	420,230
Specific ownership tax	27,891	29,500	25,200
Interest income	4,054	14,000	4,000
Other revenue	94	33	-
SARIA revenue	12,538	12,748	14,160
Operating fee	70,914	70,914	-
Total revenues	<u>491,817</u>	<u>509,819</u>	<u>463,590</u>
Total funds available	<u>720,836</u>	<u>975,995</u>	<u>954,749</u>
EXPENDITURES			
General and administrative			
Accounting	22,056	24,000	25,000
Auditing	3,300	3,450	4,000
County Treasurer's fee	5,642	5,739	6,303
County Treasurer's Fee (SARIA)	188	191	212
Directors' fees	1,200	800	1,200
Dues and licenses	663	811	1,000
Insurance and bonds	23,954	26,238	30,000
District management	32,578	35,000	35,000
Legal services	21,911	27,000	27,000
Miscellaneous	1,067	3,000	11,237
Payment to SARIA	12,448	12,557	13,948
Payroll taxes	124	50	100
Election expense	380	-	1,000
Operations and maintenance			
Repairs and maintenance	4,363	25,000	100,000
Landscape maintenance & irrigation	93,424	100,000	100,000
Street lighting	421	6,000	20,000
Utilities	25,891	25,000	25,000
Detention pond	-	15,000	60,000
Security	-	-	30,000
Snow removal	-	10,000	10,000
Playground improvements	5,050	150,000	200,000
Landscape architect	-	15,000	10,000
Total expenditures	<u>254,660</u>	<u>484,836</u>	<u>711,000</u>
Total expenditures and transfers out requiring appropriation	<u>254,660</u>	<u>484,836</u>	<u>711,000</u>
ENDING FUND BALANCES	<u>\$ 466,176</u>	<u>\$ 491,159</u>	<u>\$ 243,749</u>
EMERGENCY RESERVE	\$ 14,800	\$ 15,300	\$ 14,000
OPERATIONS AND MAINTENANCE RESERVE	100,000	100,000	200,000
TOTAL RESERVE	<u>\$ 114,800</u>	<u>\$ 115,300</u>	<u>\$ 214,000</u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

1/23/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 10,093	\$ 95,945	\$ 362,657
REVENUES			
Property taxes	627,214	637,710	573,040
Specific ownership tax	46,539	49,200	34,300
Interest income	5,287	8,000	7,000
Loan issuance	5,691,000	-	-
Total revenues	6,370,040	694,910	614,340
Total funds available	6,380,133	790,855	976,997
EXPENDITURES			
Debt Service			
County Treasurer's fee	9,404	9,566	8,596
Paying agent fees	1,700	1,700	1,700
Payment to refunding escrow	2,428,915	-	-
Contingency	-	-	8,638
Bond interest - Sub bonds	353,027	-	-
Bond principal - Sub Bonds	2,829,000	-	-
Loan interest - Series 2018A	82,662	127,972	123,760
Loan interest - Series 2018B	84,615	120,960	117,306
Loan principal - Series 2018A	49,000	81,000	85,000
Loan principal - Series 2018B	301,000	87,000	100,000
Cost of Issuance	144,865	-	-
Total expenditures	6,284,188	428,198	445,000
Total expenditures and transfers out requiring appropriation	6,284,188	428,198	445,000
ENDING FUND BALANCES	\$ 95,945	\$ 362,657	\$ 531,997

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

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
2020 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.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
2020 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.

Net Investment Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

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.

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
2020 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 2020, 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

Year Ended December 31,	Principal	Interest	Total
2020	\$ 85,000	\$ 123,760	\$ 208,760
2021	113,000	96,390	209,390
2022	118,000	91,644	209,644
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
	\$ 2,380,000	\$ 968,118	\$ 3,348,118

This financial information should be read only in connection with the accompanying accountant's compilation report and 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

Year Ended December 31,	December 15		
	Principal	Interest	Total
2020	\$ 100,000	\$ 117,306	\$ 217,306
2021	103,000	113,106	216,106
2022	116,000	108,780	224,780
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>\$ 2,793,000</u>	<u>\$ 1,160,250</u>	<u>\$ 3,953,250</u>

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

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

Year Ended December 31,	Principal	Interest	Total
2020	\$ 185,000	\$ 241,066	\$ 426,066
2021	216,000	209,496	425,496
2022	234,000	200,424	434,424
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>\$ 5,173,000</u>	<u>\$ 2,128,368</u>	<u>\$ 7,301,368</u>

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