

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**

141 Union Boulevard, Suite 150  
Lakewood, Colorado 80228-1898  
Tel: (303) 987-0835  
Fax: (303) 987-2032

July 27, 2020

Mark Geyer, Project Manager  
City of Aurora  
15151 East Alameda Parkway, 5<sup>th</sup> Floor  
Aurora, Colorado 80012

[oda@auroragov.org](mailto:oda@auroragov.org)

Re: Southlands Metropolitan District No. 2; 2019 Annual Report

Dear Mark:

Attached is the 2019 Annual Report for the above-referenced district. Please acknowledge receipt of the report by signing this letter below and returning to me via e-mail at [ksteggs@sdmsi.com](mailto:ksteggs@sdmsi.com).

If you have any questions, please contact me.

Sincerely,



Karen J. Steggs  
Assistant to Ann E. Finn  
District Manager

Attached

cc: White Bear Ankele Tanaka & Waldron, P.C. – Allison Hanson  
Division of Local Government – E-filed  
State Auditor - [osa.lg@state.co.us](mailto:osa.lg@state.co.us)  
Arapahoe County Board of County Commissioners – [Commissioners@co.arapahoe.co.us](mailto:Commissioners@co.arapahoe.co.us)  
Arapahoe County Clerk & Recorder - [clerk@arapahoe.gov](mailto:clerk@arapahoe.gov)

The above-referenced annual report was received this \_\_\_ day of \_\_\_\_\_, 2020.

City of Aurora

By: \_\_\_\_\_

**ANNUAL INFORMATION REPORT**  
**For the year 2019**  
**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**

Pursuant to Section VIII of the Amended and Restated Service Plan for Southlands Metropolitan District No. 2 (the “**District**”) dated August 30, 2004 and Section 18 of the Amended and Restated Intergovernmental Agreement between the City and the District dated November 29, 2004.

- (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 during 2019.
- (2) **Intergovernmental Agreements (IGAs) with other governmental entities either entered into or proposed as of December 31 of the prior year.** No new IGAs were entered into by the District in 2019.
- (3) **Copies of the District’s Rules and Regulations (Policies), if any as of December 31 of the prior year.**
  - a. Annual Administrative Resolution (2019) is attached hereto as **Exhibit A**.
- (4) **A summary of any litigation which involved the District 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, there is no litigation involving the District Public Improvements as of December 31, 2019.
- (5) **Status of the District’s construction of the Public Improvements as of December 31 of the prior year.** The District awarded a contract for the Playground Renovation Project in 2019 which was completed in 2020. The District is expected to award a Landscape Renovation Project in 2020.
- (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.** No facilities or public improvements were dedicated to or accepted by the City in 2019.
- (7) **The assessed valuation of the District for the current year.** A copy of the 2019 certification of assessed valuation from Arapahoe County is attached hereto as **Exhibit B**.
- (8) **Current year budget including a description of the Public Improvements to be constructed in such year.** A copy of the 2020 Budget is attached hereto as **Exhibit C**. The District is expected to award a Landscape Renovation Project in 2020.
- (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.** A copy of the 2019 Audit is attached hereto as **Exhibit D**.

- (10) **Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.** There were no uncured events of default by the District, which continue beyond a ninety (90) day period, under any debt instruments during 2019.
  
- (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 has been no 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 during 2019.

## **EXHIBIT A**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
AMENDED AND RESTATED ANNUAL ADMINISTRATIVE RESOLUTION  
(2019)**

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At the special meeting of the Board of Directors (“Board”) of the Southlands Metropolitan District No. 2 (“District”), City of Aurora, Arapahoe County, Colorado, held at 4:00 P.M., on February 21, 2019, at 6900 North Pinery Parkway, Parker, Colorado, it was moved to adopt the following Amended and Restated Resolution:

WHEREAS, the District was organized as a special district pursuant to an Order and Decree of the District Court in and for the County of Arapahoe, Colorado (the “County”) and is located entirely within the City of Aurora, Colorado; and

WHEREAS, the Board has a duty to perform certain obligations in order to assure the efficient operation of the District and hereby directs its consultants to take the following actions.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

1. The Board directs Special District Management Services, Inc. (the “District Manager”) to cause an accurate map of the District’s boundaries to be prepared in accordance with the standards specified by the Division of Local Government (“Division”) and to be filed in accordance with § 32-1-306, C.R.S.

2. The Board directs the District Manager to notify the Board of County Commissioners, the County Assessor, the County Treasurer, the County Clerk and Recorder, the governing body of any municipality in which the District is located, and the Division of the name of the chairman of the Board, the contact person, telephone number and business address of the District, as required by § 32-1-104(2), C.R.S.

3. The Board directs the District Manager to prepare and file with the Division, within thirty (30) days of a written request from the Division, an informational listing of all contracts in effect with other political subdivisions, in accordance with § 29-1-205, C.R.S.

4. The Board directs the District’s accountant to cause the preparation of and to file with the Department of Local Affairs the annual public securities report for nonrated public securities issued by the District within sixty (60) days of the close of the fiscal year, as required by §§ 11-58-101, *et seq.*, C.R.S.

5. The Board directs the District’s accountant to: 1) obtain proposals for auditors to be presented to the Board; 2) to cause an audit of the annual financial statements of the District to be prepared and submitted to the Board on or before June 30; and 3) to cause the audit to be filed with the State Auditor by July 31, or by the filing deadline permitted under any extension thereof, all in accordance with §§ 29-1-603(1) and 29-1-606, C.R.S. Alternatively, if warranted by § 29-1-

604, C.R.S., the Board directs the District's accountant to apply for and obtain an audit exemption from the State Auditor on or before March 31 in accordance with § 29-1-604, C.R.S.

6. The Board directs the District Manager, if the District has authorized but unissued general obligation debt as of the end of the fiscal year, to cause to be submitted to the Board of County Commissioners or the governing body of the municipality that adopted a resolution of approval of the District, the District's audit report or a copy of its application for exemption from audit in accordance with § 29-1-606(7), C.R.S.

7. The Board directs the District's accountant to submit a proposed budget to the Board by October 15, to prepare the final budget and budget message, including any amendments thereto, if necessary, and directs legal counsel to schedule a public hearing on the proposed budget and/or amendments, and to post or publish notices thereof, to prepare all budget resolutions and to file the budget, budget resolution and budget message with the Division on or before January 30, all in accordance with §§ 29-1-101, *et seq.*, C.R.S.

8. The Board directs the District Manager to cause the preparation of the Unclaimed Property Act report and submission of the same to the State Treasurer by November 1 if there is property presumed abandoned and subject to custody as unclaimed property, in accordance with § 38-13-110, C.R.S.

9. The Board directs the District's accountant to prepare the mill levy certification form and directs the District Manager to file the mill levy certification forms with the Board of County Commissioners on or before December 15, in accordance with § 39-5-128, C.R.S.

10. The Board designates the *Aurora Sentinel* as a newspaper of general circulation within the boundaries of the District and directs that all legal notices shall be published in accordance with § 32-1-103(15), C.R.S., in the *Aurora Sentinel*, unless otherwise designated by the Board or legal counsel.

11. The Board determines that each director shall receive compensation for their services as directors subject to the limitations set forth in §§ 32-1-902(3)(a)(I) & (II), C.R.S.

12. The District hereby acknowledges, in accordance with § 32-1-902, C.R.S., the following officers for the District:

President: Kevin McGlynn  
Treasurer/Secretary: Robin Boileau  
Assistant Secretary: Vacant  
Assistant Secretary: Vacant  
Assistant Secretary: Vacant  
Recording Secretary: District Manager

13. The Board hereby determines that each member of the Board shall, for any potential or actual conflicts of interest, complete conflicts of interest disclosures and directs legal counsel to file the conflicts of interest disclosures with the Board and with the Colorado Secretary of State

at least seventy-two (72) hours prior to every regular and special meeting of the Board, in accordance with §§ 32-1-902(3)(b) and 18-8-308, C.R.S. Written disclosures provided by Board members required to be filed with the governing body in accordance with § 18-8-308, C.R.S. shall be deemed filed with the Board when filed with the Secretary of State. Additionally, at the beginning of each year, each Board member shall submit information to legal counsel regarding any actual or potential conflicts of interest and, throughout the year, each Board member shall provide legal counsel with any revisions, additions, corrections or deletions to said conflicts of interest disclosures.

14. The Board confirms its obligations under § 24-10-110(1), C.R.S., with regards to the defense and indemnification of its public employees, which, by definition, includes elected and appointed officers.

15. The Board hereby appoints the District Manager as the official custodian for the maintenance, care and keeping of all public records of the District, in accordance with §§ 24-72-202, *et seq.*, C.R.S.

16. Pursuant to § 24-6-402(2)(c), C.R.S., the Board hereby designates the southwest corner of the intersection of East Orchard Road and East Applewood Drive as the District's 24-hour posting place for notices of meetings.

17. The Board determines to hold regular meetings on February 21, 2019; May 16, 2019; August 15, 2019; and November 21, 2019, at 4:00P.M. at 6900 North Pinery Parkway, Parker, Colorado. Notice of the time and place for all regular meetings shall be posted in accordance with § 32-1-903, C.R.S.

18. In the event of an emergency, the Board may conduct a meeting outside of the limitations prescribed in § 24-6-402(2)(c), C.R.S., provided that any actions taken at such emergency meeting are ratified at the next regular meeting of the Board or at a special meeting conducted after proper notice has been given to the public.

19. For the convenience of the electors of the District, and pursuant to its authority set forth in § 1-13.5-1101, C.R.S., the Board hereby deems that all regular and special elections of the District shall be conducted as independent mail ballot elections in accordance with §§ 1-13.5-1101, *et seq.*, C.R.S., unless otherwise deemed necessary and expressed in a separate election resolution adopted by the Board.

20. Pursuant to the authority set forth in § 1-1-111, C.R.S., the Board hereby appoints Ann Finn, of Special District Management Service, Inc., as the Designated Election Official (the "DEO") of the District for any elections called by the Board, or called on behalf of the Board by the DEO, and hereby authorizes and directs the DEO to take all actions necessary for the proper conduct of the election, including, if applicable, cancellation of the election in accordance with § 1-13.5-513, C.R.S.

21. In accordance with § 1-11-103(3), C.R.S., the Board hereby directs the DEO to certify to the Division the results of any elections held by the District and, pursuant to § 32-1-

1101.5(1), C.R.S., to certify results of any ballot issue election to incur general obligation indebtedness to the Board of County Commissioners or the governing body of the municipality that adopted a resolution of approval of the district and file a copy of such certification with the Division of Securities.

22. The Board directs the District Manager to cause a notice of authorization of or notice to incur general obligation debt to be recorded with the County Clerk and Recorder within thirty (30) days of authorizing or incurring any indebtedness, in accordance with § 32-1-1604, C.R.S.

23. The Board directs the District Manager to cause the preparation of and filing with the Board of County Commissioners or the governing body of the municipality that adopted a resolution of approval of the District, if requested, the application for quinquennial finding of reasonable diligence in accordance with §§ 32-1-1101.5(1.5) and (2), C.R.S.

24. The Board directs the District Manager to cause the preparation of and the filing with the Board of County Commissioners or the governing body of any municipality in which the District is located, the Division, the State Auditor, the County Clerk and Recorder and any interested parties entitled to notice pursuant to § 32-1-204(1), C.R.S., an annual report, if requested, in accordance with § 32-1-207(3)(c), C.R.S.

25. The Board directs the District Manager to obtain proposals and/or renewals for insurance, as applicable, to insure the District against all or any part of the District's liability, in accordance with §§ 24-10-115, *et seq.*, C.R.S. The Board directs the District's accountant to pay the annual SDA membership dues, agency fees and insurance premiums, as applicable, in a timely manner. The Board appoints the District Manager to designate the proxy for the SDA Annual meeting for voting and quorum purposes.

26. The Board hereby opts to include elected or appointed officials as employees within the meaning of § 8-40-202(1)(a)(I)(A), C.R.S., and hereby directs the District Manager to obtain workers' compensation coverage for the District.

27. The Board hereby directs legal counsel to prepare the disclosure notice required by § 32-1-809, C.R.S., and to disseminate the information to the electors of the District accordingly.

28. The Board hereby directs its legal counsel, accountant, the District Manager and all other consultants to adhere to the Colorado Special District Records Retention Schedule as adopted by the District.

29. The Board hereby directs legal counsel to prepare and record with the County Clerk and Recorder updates to the disclosure statement notice and map required by § 32-1-104.8, C.R.S., if additional property is included within the District's boundaries.




30. The Board directs the District's accountant to prepare and submit the documentation required by any continuing disclosure obligation signed in conjunction with the issuance of debt by the District.


*[Remainder of page intentionally left blank.]*

ADOPTED this 21st day of February, 2019.

SOUTHLANDS METROPOLITAN DISTRICT  
NO. 2

  
\_\_\_\_\_  
Officer of the District

ATTEST:

  
\_\_\_\_\_

APPROVED AS TO FORM:


WHITE BEAR ANKELE TANAKA & WALDRON  
Attorneys at Law

  
\_\_\_\_\_  
General Counsel to the District

**CERTIFICATION OF RESOLUTION**

I hereby certify that the foregoing constitutes a true and correct copy of the resolution of the Board adopted at a meeting held on February 21, 2019, at 6900 North Pinery Parkway, Parker, Colorado.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 21st day of February, 2019.

  
\_\_\_\_\_  
Signature

Ann Finn  
\_\_\_\_\_  
Printed Name

**EXHIBIT B**



PK Kaiser, MBA, MS

Assessor

November 27, 2019

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

AUTH 4643 SOUTHLANDS METRO DIST 2  
SPECIAL DISTRICT MANAGEMENT  
SERVICES INC  
141 UNION BLVD SUITE 150  
LAKEWOOD CO 80228

Code # 4643

### CERTIFICATION OF VALUATION

The Arapahoe County Assessor reports a taxable assessed valuation for your taxing entity for 2019 of:

\$12,734,228

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

## CERTIFICATION OF VALUATION BY ARAPAHOE COUNTY ASSESSOR

New Tax Entity  YES  NO

Date: November 27, 2019

**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 2019:

1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	1.	\$	11,536,632
2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: ‡	2.	\$	12,734,228
3. LESS TOTAL TIF AREA INCREMENTS, IF ANY:	3.	\$	0
4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	4.	\$	12,734,228
5. NEW CONSTRUCTION: *	5.	\$	15
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.	\$	8,611

- ‡ 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 2019:

1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: ¶	1.	\$	172,768,707
<b>ADDITIONS TO TAXABLE REAL PROPERTY</b>			
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
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NOTE: ALL LEVIES MUST BE CERTIFIED TO THE COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

## EXHIBIT C



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAAconnect.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
<b>ASSESSED VALUATION</b>			
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	<b>\$ 11,437,465</b>	<b>\$ 11,536,632</b>	<b>\$ 12,734,228</b>
<b>MILL LEVY</b>			
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	<b>89.548</b>	<b>89.548</b>	<b>79.112</b>
<b>PROPERTY TAXES</b>			
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	<b>\$ 1,016,078</b>	<b>\$ 1,033,082</b>	<b>\$ 1,007,430</b>
<b>BUDGETED PROPERTY TAXES</b>			
General	\$ 376,326	\$ 382,624	\$ 420,230
Debt Service	627,214	637,710	573,040
SARIA	12,538	12,748	14,160
	<b>\$ 1,016,078</b>	<b>\$ 1,033,082</b>	<b>\$ 1,007,430</b>

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	<u>6,370,040</u>	<u>694,910</u>	<u>614,340</u>
Total funds available	<u>6,380,133</u>	<u>790,855</u>	<u>976,997</u>
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	<u>6,284,188</u>	<u>428,198</u>	<u>445,000</u>
Total expenditures and transfers out requiring appropriation	<u>6,284,188</u>	<u>428,198</u>	<u>445,000</u>
ENDING FUND BALANCES	<u>\$ 95,945</u>	<u>\$ 362,657</u>	<u>\$ 531,997</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  
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**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 2,380,000</u>	<u>\$ 968,118</u>	<u>\$ 3,348,118</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**

**\$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 December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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**

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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.

## **EXHIBIT D**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
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## Independent Auditor's Report

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

### **Report on the Financial Statements**

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Southlands Metropolitan District No. 2 as of December 31, 2019, 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.

## **Other Matters**

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

Our audit was conducted for the purpose of forming an opinion 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*  
*Lakewood, Colorado*

July 23, 2020

## **BASIC FINANCIAL STATEMENTS**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 702,973
Cash and Investments - Restricted	377,856
Prepaid Expense	400
Receivable from County Treasurer	6,764
Property Taxes Receivable	1,007,430
Capital Assets, Not Being Depreciated	82,550
Capital Assets, Net	4,503,247
Total Assets	<u>6,681,220</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Refunding	<u>222,441</u>
Total Deferred Outflows of Resources	<u>222,441</u>
<b>LIABILITIES</b>	
Accounts Payable	91,075
Retainage Payable	3,653
Accrued Interest Payable	20,089
Noncurrent Liabilities:	
Due Within One Year	185,000
Due in More Than One Year	4,988,000
Total Liabilities	<u>5,287,817</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>1,007,430</u>
Total Deferred Inflows of Resources	<u>1,007,430</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(587,203)
Restricted For:	
Emergency Reserves	15,400
Debt Service	346,596
Unrestricted	<u>833,621</u>
Total Net Position	<u><u>\$ 608,414</u></u>

See accompanying Notes to Basic Financial Statements.



**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Governmental Activities:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Government	\$ 671,654	\$ 70,914	\$ -	\$ (600,740)
Interest and Related Costs on Long-Term Debt	283,859	-	-	(283,859)
Total Governmental Activities	\$ 955,513	\$ 70,914	\$ -	(884,599)
<b>GENERAL REVENUES</b>				
Property Taxes				1,033,082
Specific Ownership Taxes				80,991
Net Investment Income				23,096
Other Income				33
Total General Revenues				1,137,202
<b>CHANGE IN NET POSITION</b>				
Net Position - Beginning of Year				252,603
Net Position - END OF YEAR				355,811
				\$ 608,414

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 702,973	\$ -	\$ 702,973
Cash and Investments - Restricted	15,400	362,456	377,856
Prepaid Expense	400	-	400
Receivable from County Treasurer	2,535	4,229	6,764
Property Taxes Receivable	434,390	573,040	1,007,430
Total Assets	\$ 1,155,698	\$ 939,725	\$ 2,095,423
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 91,075	\$ -	\$ 91,075
Retainage Payable	3,653	-	3,653
Total Liabilities	94,728	-	94,728
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	434,390	573,040	1,007,430
Total Deferred Inflows of Resources	434,390	573,040	1,007,430
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expense	400	-	400
Restricted For:			
Emergency Reserves	15,400	-	15,400
Debt Service	-	366,685	366,685
Assigned To:			
Subsequent Year's Expenditures	247,410	-	247,410
Unassigned:			
General Government	363,370	-	363,370
Total Fund Balances	626,580	366,685	993,265
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,155,698	\$ 939,725	

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	4,585,797
---------------------	-----------

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	222,441
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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	(5,173,000)
Accrued Interest on Loans Payable	(20,089)

Net Position of Governmental Activities	\$ 608,414
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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, 2019**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 382,624	\$ 637,710	\$ 1,020,334
Specific Ownership Taxes	30,355	50,636	80,991
Net Investment Income	14,204	8,892	23,096
Other Income	33	-	33
SARIA Revenue	12,748	-	12,748
Operating Fees	70,914	-	70,914
Total Revenues	<u>510,878</u>	<u>697,238</u>	<u>1,208,116</u>
<b>EXPENDITURES</b>			
General:			
Accounting	21,083	-	21,083
Audit	3,450	-	3,450
County Treasurer's Fees	5,739	9,566	15,305
County Treasurer's Fees (SARIA)	191	-	191
Detention Pond	2,203	-	2,203
Directors' Fees	800	-	800
District Management	34,094	-	34,094
Dues and Membership	811	-	811
Insurance	26,238	-	26,238
Legal	22,825	-	22,825
Landscape Architect	1,831	-	1,831
Landscape Maintenance and Irrigation	94,418	-	94,418
Repairs and Maintenance	20,534	-	20,534
Snow Removal	1,535	-	1,535
Street Lighting	2,532	-	2,532
Utilities	14,121	-	14,121
Payroll Taxes	46	-	46
Payment to SARIA	12,557	-	12,557
Playground Improvements	82,550	-	82,550
Miscellaneous/Contingency	2,916	-	2,916
Debt Service:			
Loan Principal - Series 2018A	-	81,000	81,000
Loan Interest - Series 2018A	-	127,972	127,972
Loan Principal - Series 2018B	-	87,000	87,000
Loan Interest - Series 2018B	-	120,960	120,960
Total Expenditures	<u>350,474</u>	<u>426,498</u>	<u>776,972</u>
<b>NET CHANGE IN FUND BALANCES</b>	160,404	270,740	431,144
Fund Balances - Beginning of Year	<u>466,176</u>	<u>95,945</u>	<u>562,121</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 626,580</u>	<u>\$ 366,685</u>	<u>\$ 993,265</u>

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, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 431,144

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	82,550
Depreciation Expense	(403,730)

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	81,000
Principal Payment - Series 2018B Loan	87,000

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	655
Amortization of Cost of Refunding	(26,016)

Change in Net Position of Governmental Activities	\$ 252,603
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**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 382,624	\$ 382,624	\$ -
Specific Ownership Taxes	22,900	30,355	7,455
Net Investment Income	1,500	14,204	12,704
Other Income	-	33	33
SARIA Revenue	12,748	12,748	-
Operating Fees	70,914	70,914	-
Total Revenues	<u>490,686</u>	<u>510,878</u>	<u>20,192</u>
<b>EXPENDITURES</b>			
Accounting	24,000	21,083	2,917
Audit	4,000	3,450	550
County Treasurer's Fees	5,740	5,739	1
County Treasurer's Fees (SARIA)	191	191	-
Detention Pond	15,000	2,203	12,797
Directors' Fees	1,200	800	400
District Management	32,000	34,094	(2,094)
Dues and Membership	1,000	811	189
Insurance	30,000	26,238	3,762
Legal	27,000	22,825	4,175
Landscape Architect	15,000	1,831	13,169
Landscape Maintenance and Irrigation	100,000	94,418	5,582
Payroll Taxes	100	46	54
Payment to SARIA	12,557	12,557	-
Playground Improvements	350,000	82,550	267,450
Repairs and Maintenance	100,000	20,534	79,466
Security	30,000	-	30,000
Snow Removal	10,000	1,535	8,465
Street Lighting	6,000	2,532	3,468
Utilities	20,000	14,121	5,879
Miscellaneous/Contingency	9,212	2,916	6,296
Total Expenditures	<u>793,000</u>	<u>350,474</u>	<u>442,526</u>
<b>NET CHANGE IN FUND BALANCE</b>	(302,314)	160,404	462,718
Fund Balance - Beginning of Year	<u>425,297</u>	<u>466,176</u>	<u>40,879</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 122,983</u>	<u>\$ 626,580</u>	<u>\$ 503,597</u>

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 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.

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

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019**

**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 invested 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 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

**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, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Cost of Bond Refunding**

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred 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, 2019**

**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, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 702,973
Cash and Investments - Restricted	377,856
Total Cash and Investments	\$ 1,080,829

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 7,730
Investments	1,073,099
Total Cash and Investments	\$ 1,080,829

**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, 2019**

**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, 2019, the District's cash deposits had a bank balance and a carrying balance of \$7,730.

**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, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted average under 60 days	<u>\$ 1,073,099</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ -	\$ 82,550	\$ -	\$ 82,550
Total Capital Assets, Not Being Depreciated	-	82,550	-	82,550
Capital Assets, Being Depreciated:				
Streets	4,846,804	-	-	4,846,804
Sanitary Sewer	271,905	-	-	271,905
Park and Recreation Improvements	3,119,046	-	-	3,119,046
Total Capital Assets, Being Depreciated	8,237,755	-	-	8,237,755
Less Accumulated Depreciation For:				
Streets	(1,999,306)	(242,341)	-	(2,241,647)
Sanitary Sewer	(44,864)	(5,438)	-	(50,302)
Park and Recreation Improvements	(1,286,608)	(155,951)	-	(1,442,559)
Total Accumulated Depreciation	(3,330,778)	(403,730)	-	(3,734,508)
Capital Assets, Net	<u>\$ 4,906,977</u>	<u>\$ (321,180)</u>	<u>\$ -</u>	<u>\$ 4,585,797</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

General Government	\$ 403,730
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**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, 2019:

	Balance at December 31, 2018	Additions	Retirement of Long-Term Obligations	Balance at December 31, 2019	Due Within One Year
Refunding Loan - Series 2018A	\$ 2,461,000	\$ -	\$ 81,000	\$ 2,380,000	\$ 85,000
Refunding Loan - Series 2018B	2,880,000	-	87,000	2,793,000	100,000
Total	\$ 5,341,000	\$ -	\$ 168,000	\$ 5,173,000	\$ 185,000

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 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 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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS (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 55.277 mills.

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

<u>Year Ending December 31,</u>	Governmental Activities		
	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
2025-2029	724,000	322,424	1,046,424
2030-2034	888,000	157,248	1,045,248
2035	201,000	8,442	209,442
Total	<u>\$ 2,380,000</u>	<u>\$ 968,118</u>	<u>\$ 3,348,118</u>

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

<u>Year Ending December 31,</u>	Governmental Activities		
	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
2025-2029	818,000	402,108	1,220,108
2030-2034	1,134,000	204,918	1,338,918
2035	268,000	11,256	279,256
Total	<u>\$ 2,793,000</u>	<u>\$ 1,160,250</u>	<u>\$ 3,953,250</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019, 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, 2019, the District had the following net investment in capital assets, calculated as follows:

Net Investment in Capital Assets:	Governmental Activities
Capital Assets, Net	\$ 4,585,797
Less: Capital Related Debt	
Current Portion of Long-Term Obligations	(185,000)
Noncurrent Portion of Long-Term Obligations	(4,988,000)
Net Investment in Capital Assets	<u>\$ (587,203)</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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, 2019, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 15,400
Debt Service	346,596
Total Restricted Net Position	\$ 361,996

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 (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, 2019**

**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, 2019**

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

As of December 31, 2019, the District had unexpended construction related contract commitments of approximately \$90,168.

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

On November 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, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 637,710	\$ 637,710	\$ -
Specific Ownership Taxes	38,200	50,636	12,436
Net Investment Income	2,500	8,892	6,392
Total Revenues	<u>678,410</u>	<u>697,238</u>	<u>18,828</u>
<b>EXPENDITURES</b>			
Paying Agent Fees	1,700	-	1,700
County Treasurer's Fees	9,566	9,566	-
Loan Principal - Series 2018A	81,000	81,000	-
Loan Interest - Series 2018A	127,972	127,972	-
Loan Principal - Series 2018B	87,000	87,000	-
Loan Interest - Series 2018B	120,960	120,960	-
Contingency	6,802	-	6,802
Total Expenditures	<u>435,000</u>	<u>426,498</u>	<u>8,502</u>
<b>NET CHANGE IN FUND BALANCE</b>	243,410	270,740	27,330
Fund Balance - Beginning of Year	<u>51,807</u>	<u>95,945</u>	<u>44,138</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 295,217</u>	<u>\$ 366,685</u>	<u>\$ 71,468</u>

**OTHER INFORMATION**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2019**

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	
2015	\$ 5,716,323	21.000	50.000	\$ 405,859	\$ 394,032	97.09 %
2016	6,675,610	31.000	50.000	540,725	534,796	98.90
2017	8,535,347	31.000	50.000	691,362	691,363	100.00
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
Estimated for the Year Ending December 31, 2020	\$ 12,734,228	34.112	45.000	\$ 1,007,430		

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, 2019**

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
2020	\$ 85,000	\$ 123,760	\$ 208,760	\$ 100,000	\$ 117,306	\$ 217,306
2021	113,000	96,390	209,390	103,000	113,106	216,106
2022	118,000	91,644	209,644	116,000	108,780	224,780
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>\$ 2,380,000</u>	<u>\$ 968,118</u>	<u>\$ 3,348,118</u>	<u>\$ 2,793,000</u>	<u>\$ 1,160,250</u>	<u>\$ 3,953,250</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)**  
**DECEMBER 31, 2019**

<u>Year Ending December 31,</u>	Total		
	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
Total	<u>\$ 5,173,000</u>	<u>\$ 2,128,368</u>	<u>\$ 7,301,368</u>