

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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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 as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the Southlands Metropolitan District No. 2 as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity 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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for 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.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
May 25, 2017

BASIC FINANCIAL STATEMENTS

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 20,223
Cash and investments - Restricted	33,997
Prepaid expense	14,056
Receivable from County Treasurer	3,027
Property taxes receivable	691,362
Capital assets, net	<u>5,714,438</u>
Total assets	<u><u>6,477,103</u></u>
LIABILITIES	
Accounts payable	5,221
Accrued interest payable	21,180
Noncurrent liabilities	
Due within one year	45,000
Due in more than one year	<u>5,284,446</u>
Total liabilities	<u><u>5,355,847</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>691,362</u>
Total deferred inflows of resources	<u><u>691,362</u></u>
NET POSITION	
Net investment in capital assets	384,992
Restricted for:	
Emergency reserves	8,800
ARI	20,939
Unrestricted	<u>15,163</u>
Total net position	<u><u>\$ 429,894</u></u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
				<u>Governmental Activities</u>	
Government activities:					
General government	\$ 619,832	\$ -	\$ 70,914	\$ -	\$ (548,918)
Interest and related costs on long-term debt	562,415	-	-	-	(562,415)
	<u>\$ 1,182,247</u>	<u>\$ -</u>	<u>\$ 70,914</u>	<u>\$ -</u>	<u>(1,111,333)</u>
General revenues:					
Property taxes					534,796
Specific ownership taxes					41,452
Developer contribution (see Note 5)					5,177,211
Net investment income					896
Other income					1,321
Total general revenues					<u>5,755,676</u>
Change in net position					4,644,343
Net position - Beginning					(4,214,449)
Net position - Ending					<u>\$ 429,894</u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 20,223	\$ -	\$ 20,223
Cash and investments - Restricted	29,739	4,258	33,997
Prepaid expense	14,056	-	14,056
Receivable from County Treasurer	1,134	1,893	3,027
Property taxes receivable	264,595	426,767	691,362
Total assets	\$ 329,747	\$ 432,918	\$ 762,665
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,221	\$ -	\$ 5,221
Total liabilities	5,221	-	5,221
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	264,595	426,767	691,362
Total deferred inflows of resources	264,595	426,767	691,362
FUND BALANCES			
Nonspendable:			
Prepaid expense	14,056	-	14,056
Restricted for:			
Emergency reserves	8,800	-	8,800
Debt service	-	6,151	6,151
ARI	20,939	-	20,939
Unassigned:			
General government	16,136	-	16,136
Total fund balances	59,931	6,151	66,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 329,747	\$ 432,918	

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 5,714,438

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (4,984,000)

Accrued interest on bonds payable (21,180)

Accrued interest on subordinate bonds payable (345,446)

\$ 429,894

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 198,072	\$ 330,121	\$ 528,193
Specific ownership taxes	15,532	25,920	41,452
Net investment income	-	896	896
Other income	1,321	-	1,321
ARI revenue	6,603	-	6,603
Operating fees	70,914	-	70,914
Total revenues	<u>292,442</u>	<u>356,937</u>	<u>649,379</u>
EXPENDITURES			
General			
Accounting	17,484	-	17,484
Audit	3,000	-	3,000
County Treasurer's fees	2,960	4,934	7,894
County Treasurer's fees (ARI)	99	-	99
Directors' fees	700	-	700
District management	32,137	-	32,137
Dues and membership	554	-	554
Election	939	-	939
Insurance and bonds	8,808	-	8,808
Legal	26,525	-	26,525
Detention pond	9,200	-	9,200
Landscape maintenance & irrigation	45,424	-	45,424
Repairs and maintenance	29,993	-	29,993
Snow removal	120	-	120
Street lighting	23,119	-	23,119
Utilities	14,586	-	14,586
Payroll taxes	54	-	54
Miscellaneous/Contingency	399	1,956	2,355
Debt service			
Bond principal - Senior Bonds	-	40,000	40,000
Bond interest - Senior Bonds	-	161,881	161,881
Bond interest - Sub Bonds	-	143,114	143,114
Paying agent fees	-	1,700	1,700
Total expenditures	<u>216,101</u>	<u>353,585</u>	<u>569,686</u>
NET CHANGE IN FUND BALANCES	76,341	3,352	79,693
FUND BALANCES - BEGINNING OF YEAR	<u>(16,410)</u>	<u>2,799</u>	<u>(13,611)</u>
FUND BALANCES - END OF YEAR	<u>\$ 59,931</u>	<u>\$ 6,151</u>	<u>\$ 66,082</u>

These financial statements should be read only in connection with
the accompanying notes to 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, 2016**

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

Net changes in fund balances - Total governmental funds	\$	79,693
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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.

Depreciation expense		(403,731)
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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		40,000
Developer contribution (see Note 5)		5,177,211

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 Developer advances - Change in liability		(204,291)
Accrued interest on bonds - Change in liability		134
Accrued interest on subordinate bonds		(187,787)
Subordinate bond interest payment		143,114

Change in net position of governmental activities	\$	<u>4,644,343</u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 200,268	\$ 198,072	\$ (2,196)
Specific ownership taxes	16,000	15,532	(468)
Other income	25,000	1,321	(23,679)
ARI revenue	6,676	6,603	(73)
Operating fee	70,000	70,914	914
Total revenues	<u>317,944</u>	<u>292,442</u>	<u>(25,502)</u>
EXPENDITURES			
Accounting	17,000	17,484	(484)
Audit	3,000	3,000	-
County Treasurer's fees	2,000	2,960	(960)
County Treasurer's fees (ARI)	100	99	1
Directors' fees	800	700	100
District management	23,000	32,137	(9,137)
Dues and membership	400	554	(154)
Election	1,500	939	561
Insurance and bonds	7,800	8,808	(1,008)
Legal	20,000	26,525	(6,525)
Detention pond	6,000	9,200	(3,200)
Landscape maintenance & irrigation	24,000	45,424	(21,424)
Payroll taxes	62	54	8
Repairs and maintenance	75,000	29,993	45,007
Snow removal	40,000	120	39,880
Street lighting	25,000	23,119	1,881
Utilities	20,000	14,586	5,414
Miscellaneous/Contingency	2,338	399	1,939
Total expenditures	<u>268,000</u>	<u>216,101</u>	<u>51,899</u>
NET CHANGE IN FUND BALANCES	49,944	76,341	26,397
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>(16,410)</u>	<u>(16,410)</u>
FUND BALANCES - END OF YEAR	<u>\$ 49,944</u>	<u>\$ 59,931</u>	<u>\$ 9,987</u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Southlands Metropolitan District No. 2 (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.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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.

The District has amended its annual budget for the year ended December 31, 2016.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District'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 estimated fair 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.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only 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 amounts become available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 20,223
Cash and investments - Restricted	<u>33,997</u>
Total cash and investments	<u><u>\$ 54,220</u></u>

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

Deposits with financial institutions	\$ 54,184
Investments	<u>36</u>
Total cash and investments	<u><u>\$ 54,220</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

At December 31, 2016, the District's cash deposits had a bank balance of \$89,088 and a carrying balance of \$54,184.

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 36</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

<u>Primary Government</u>	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016
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	<u>8,237,755</u>	<u>-</u>	<u>-</u>	<u>8,237,755</u>
Less accumulated depreciation for:				
Streets	(1,272,285)	(242,340)	-	(1,514,625)
Sanitary sewer	(28,550)	(5,438)	-	(33,988)
Park and recreation improvements	(818,751)	(155,953)	-	(974,704)
Total accumulated depreciation	<u>(2,119,586)</u>	<u>(403,731)</u>	<u>-</u>	<u>(2,523,317)</u>
Total capital assets, being depreciated, net	<u>6,118,169</u>	<u>(403,731)</u>	<u>-</u>	<u>5,714,438</u>
Capital assets, net	<u>\$ 6,118,169</u>	<u>\$ (403,731)</u>	<u>\$ -</u>	<u>\$ 5,714,438</u>

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

General government	<u>\$ 403,731</u>
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SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirement of Long-Term Obligations</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
G.O. Bonds - Series 2010 Limited Tax Obligation	\$ 2,195,000	\$ -	\$ 40,000	\$ 2,155,000	\$ 45,000
Subordinate Bonds Series 2010	2,829,000	-	-	2,829,000	-
Accrued and unpaid interest					
Subordinate Bonds Series 2010	300,773	187,787	143,114	345,446	-
Developer advances - Operations	115,178	-	115,178	-	-
Developer advances - Capital	3,481,953	-	3,481,953	-	-
Interest on Developer advances - Operations	44,346	6,541	50,887	-	-
Interest on Developer advances - Capital	1,331,443	197,750	1,529,193	-	-
	<u>\$ 10,297,693</u>	<u>\$ 392,078</u>	<u>\$ 5,360,325</u>	<u>\$ 5,329,446</u>	<u>\$ 45,000</u>

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

\$2,295,000 General Obligation Bonds, Series 2010, dated December 15, 2010, with interest of 7.375% paid semiannually on June 1 and December 1 through 2035. The Bonds are term bonds and subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Bonds are subject to mandatory sinking fund redemption, in part, by lot, on each December 1 prior to the maturity date.

\$2,829,000 Limited Tax Obligation Subordinate Bonds, Series 2010, dated December 15, 2010, with interest of 6.000% per annum to the extent of funds available. The Subordinate Bonds are payable on December 15, after payment of principal and interest on the Series 2010 General Obligation Bonds each year. Any unpaid interest will compound annually. The Subordinate Bonds are subject to mandatory redemption on December 15 of each year from and solely to the extent of any Subordinate Pledged Revenue remaining after payment of accrued but unpaid interest.

The Bonds are 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. 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 Bonds as the same become due and payable, without limitation of rate and in amounts sufficient to make such payments when due and, for so long as the amount on deposit in the Surplus Fund is less than the Surplus Fund Maximum, such mill levy shall not be less than 50.000 mills.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Bonds are secured by the Surplus Fund. The Surplus Fund will not be funded upon the issuance of the Bonds, but rather will be funded by depositing excess Pledged Revenue (if any), therein until the Surplus Fund Maximum of \$200,000 is reached. In December 2014, the Indenture of Trust was amended to release the Surplus Fund for partial payment on the accrued and unpaid interest on the Subordinate Bonds. As of December 31, 2016, the amount in the Surplus Fund was \$-0-.

The District's long-term obligations will mature as follows:

	Governmental Activities		
	Principal	Interest	Total
2017	\$ 45,000	\$ 349,398	\$ 394,398
2018	50,000	346,079	396,079
2019	55,000	342,392	397,392
2020	60,000	338,336	398,336
2021	65,000	333,911	398,911
2022-2026	445,000	1,585,479	2,030,479
2027-2031	665,000	1,391,516	2,056,516
2032-2036	770,000	1,099,835	1,869,835
2037-2040	2,829,000	1,107,314	3,936,314
	<u>\$ 4,984,000</u>	<u>\$ 6,894,260</u>	<u>\$ 11,878,260</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, 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	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	-	62,400,000
	<u>\$ 48,400,000</u>	<u>\$ 485,000,000</u>	<u>\$ 5,124,000</u>	<u>\$ 528,276,000</u>

Developer Advances

The District has entered into the Advance and Reimbursement Agreement with Southlands Colorado, LLC and Southlands Multifamily, LLC (collectively, the Developer), wherein the District agrees to reimburse the Developer for advances made on behalf of the District plus accrued interest at the rate of 7.410%.

On October 6, 2016, the Developer has agreed to forgive all remaining amounts due pursuant to the agreement, including advances and accrued interest totaling \$5,177,211, and to terminate the agreement.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 5,714,438
Less: capital related debt	
Current portion of long-term obligations	(45,000)
Noncurrent portion of long term obligations	(5,284,446)
Net investment in capital assets	\$ 384,992

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, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergency reserves	\$ 8,800
ARI	20,939
Total restricted net position	\$ 29,739

The District's unrestricted net position as of December 31, 2016, totaled \$15,163.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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).

Aurora Regional Improvement Authority No. 2 Establishment Agreement

On August 24, 2006, the District along with Eastern Hills Metropolitan District Nos. 1 – 8, Senac Metropolitan District Nos. 1 – 4, Wheatlands Metropolitan District Nos. 1 – 3 and Green Valley Ranch East Metropolitan District Nos. 1 – 8 (collectively, the Districts), entered into an Aurora Regional Improvement Authority No. 2 Establishment Agreement (ARI Agreement) with the City of Aurora, Colorado (the City), which was amended pursuant to a first amendment dated July 24, 2008, with additional Districts: Flat Rock Metropolitan District Nos. 1 – 7 and Eastern Hills Metropolitan District Nos. 9 – 20.

The Districts each operate under a service plan approved by the City which allows the Districts to enter into an ARI Agreement, within two years of the approval of its service plan. The City and the Districts agreed to establish a separate, legal, public entity to be known as the Aurora Regional Improvement Authority No. 2 (the Authority). The Authority is organized for the purpose of planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing the regional improvements designated in ARI Master Plans. Each of the Districts has agreed to fund the Authority for its operations with the ARI Mill Levy. Until such time as there is a unanimous vote of the Members of the Authority requiring the ARI Mill Levy revenue to be transferred to the Authority, the ARI Mill Levy revenue shall be held by the Districts.

Advance and Reimbursement Agreement

On January 12, 2004, the District entered into the Advance and Reimbursement Agreement with Southlands Colorado, LLC, which was amended pursuant to a first amendment dated November 30, 2010, with an additional party, Southlands Multi Family, LLC. Southlands Colorado, LLC and Southlands Multi Family, LLC (collectively, the Developer) agreed to advance funds to the District for: (i) payment of costs and expenses related to the creation of the District (Organizational Costs) and (ii) costs and expenses for District operations, maintenance and administrative costs and expense (including legal, accounting, design, engineering and management costs related thereto) (Operational Costs) associated with the provision of certain public improvements (collectively, the Advances). In addition, after application for and substantiation of the need for Advances, the Developer will provide requested Advances to the District which are to be reimbursed by the District to the Developer

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - AGREEMENTS (CONTINUED)

with interest accruing from the date of each such Advance, provided, however, that the payment of Advances is subject to the availability of funds and amounts due under the Advance and Reimbursement Agreement are to be paid to the Developer by the District subject to annual appropriation of funds by the District upon a determination by the Board that District funds are legally available for such purpose. The Advance and Reimbursement Agreement does not represent a multiple fiscal year obligation of the District. The District entered into a similar agreement with Smoky/Aurora Investments Group on March 17, 2003, which was assigned to Alberta Development Partners on April 3, 2003.

Infrastructure Acquisition Agreement

On January 12, 2004, the District entered into an Infrastructure Acquisition Agreement with Southlands Colorado, LLC, which was amended pursuant to a first amendment dated December 7, 2004, the second amendment dated July 28, 2008, and the third amendment dated June 1, 2010, with an additional party, Southlands Multi Family, LLC. Pursuant to the Acquisition Agreement, Southlands Colorado, LLC and Southlands Multi Family, LLC (collectively, the Developer) agreed to construct certain public infrastructure improvements and facilities described therein (the Facilities) and the District agreed to acquire such Facilities or reimburse the Developer for costs associated with construction of the facilities at an amount equal to 100% of the actual and reasonable construction costs, including related soft costs, review costs and, if requested, a construction management fee of up to 4% of actual and reasonable hard costs. The Acquisition Agreement further provides that all public infrastructures in the District constructed by the Developer must conform to the standards and specifications of the City and any other governmental entities having jurisdiction over the District.

Termination, Acknowledgement and Release Agreement

On October 6, 2016, the District entered into the Termination, Acknowledgement and Release Agreement with the Developer to terminate the Advance and Reimbursement Agreement and Infrastructure Acquisition Agreement (collectively, the Funding and Acquisition Agreements). Furthermore, the Developer has agreed to forgive all remaining amounts due pursuant to the Funding and Acquisition Agreements, including advances and all interest accrued on the advances through October 6, 2016, which together totals \$5,177,211. This amount shall be deemed a contribution to the District by the Developer and there shall be no further obligation, present or future, of the District to pay or reimburse the Developer with respect to such amount or any other amounts under the Funding and Acquisition Agreements. The Developer has satisfied all of its obligations to provide advances under the Funding and Acquisition Agreements and are released from any further obligations thereunder.

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, 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.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 333,781	\$ 330,121	\$ 330,121	\$ -
Specific ownership taxes	26,700	26,300	25,920	(380)
Net investment income	500	1,000	896	(104)
Total revenues	<u>360,981</u>	<u>357,421</u>	<u>356,937</u>	<u>(484)</u>
EXPENDITURES				
Paying agent fees	5,000	1,700	1,700	-
County Treasurer's fees	5,009	4,952	4,934	18
Bond principal - Senior Bonds	40,000	40,000	40,000	-
Bond interest - Senior Bonds	161,881	161,881	161,881	-
Bond interest - Sub Bonds	96,000	143,000	143,114	(114)
Contingency	4,110	4,467	1,956	2,511
Total expenditures	<u>312,000</u>	<u>356,000</u>	<u>353,585</u>	<u>2,415</u>
NET CHANGE IN FUND BALANCES	48,981	1,421	3,352	1,931
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>2,799</u>	<u>2,799</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 48,981</u>	<u>\$ 4,220</u>	<u>\$ 6,151</u>	<u>\$ 1,931</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
		2012	\$ 4,346,140	18.250	50.000	
2013	\$ 4,382,560	19.250	50.000	\$ 303,493	\$ 297,477	98.02%
2014	\$ 4,810,130	21.000	50.000	\$ 341,520	\$ 341,518	99.99%
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%
Estimated for the year ending December 31, 2017	\$ 8,535,347	31.000	50.000	\$ 691,362		

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, 2016

\$2,295,000 General Obligation Bonds
Series 2010
Dated December 15, 2010
Principal due December 1
Interest Rate 7.375% Payable
June 1 and December 1

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,000	\$ 158,931	\$ 203,931
2018	50,000	155,612	205,612
2019	55,000	151,925	206,925
2020	60,000	147,869	207,869
2021	65,000	143,444	208,444
2022	75,000	138,650	213,650
2023	80,000	133,119	213,119
2024	90,000	127,219	217,219
2025	95,000	120,581	215,581
2026	105,000	113,575	218,575
2027	110,000	105,831	215,831
2028	125,000	97,719	222,719
2029	130,000	88,500	218,500
2030	145,000	78,912	223,912
2031	155,000	68,219	223,219
2032	170,000	56,788	226,788
2033	185,000	44,250	229,250
2034	200,000	30,606	230,606
2035	215,000	15,856	230,856
2036	-	-	-
2037	-	-	-
2038	-	-	-
2039	-	-	-
2040	-	-	-
	<u>\$ 2,155,000</u>	<u>\$ 1,977,606</u>	<u>\$ 4,132,606</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

\$2,829,000 Subordinate Bonds
Series 2010B
Dated December 15, 2010
Principal due at maturity
Interest Rate 6.000% Payable
December 15

Year Ended December 31,	Accrued but			Total
	Principal	Unpaid Interest	Interest	
2017	\$ -	\$ -	\$ 190,467	\$ 190,467
2018	-	-	190,467	190,467
2019	-	-	190,467	190,467
2020	-	-	190,467	190,467
2021	-	-	190,467	190,467
2022	-	-	190,467	190,467
2023	-	-	190,467	190,467
2024	-	-	190,467	190,467
2025	-	-	190,467	190,467
2026	-	-	190,467	190,467
2027	-	-	190,467	190,467
2028	-	-	190,467	190,467
2029	-	-	190,467	190,467
2030	-	-	190,467	190,467
2031	-	-	190,467	190,467
2032	-	-	190,467	190,467
2033	-	-	190,467	190,467
2034	-	-	190,467	190,467
2035	-	-	190,467	190,467
2036	-	-	190,467	190,467
2037	-	-	190,467	190,467
2038	-	-	190,467	190,467
2039	-	-	190,467	190,467
2040	2,829,000	345,446	190,467	3,364,913
	<u>\$ 2,829,000</u>	<u>\$ 345,446</u>	<u>\$ 4,571,208</u>	<u>\$ 7,745,654</u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

<u>Year Ended</u> <u>December 31,</u>	<u>Total</u>			
	<u>Principal</u>	<u>Accrued but Unpaid Interest</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,000	\$ -	\$ 349,398	\$ 394,398
2018	50,000	-	346,079	396,079
2019	55,000	-	342,392	397,392
2020	60,000	-	338,336	398,336
2021	65,000	-	333,911	398,911
2022	75,000	-	329,117	404,117
2023	80,000	-	323,586	403,586
2024	90,000	-	317,686	407,686
2025	95,000	-	311,048	406,048
2026	105,000	-	304,042	409,042
2027	110,000	-	296,298	406,298
2028	125,000	-	288,186	413,186
2029	130,000	-	278,967	408,967
2030	145,000	-	269,379	414,379
2031	155,000	-	258,686	413,686
2032	170,000	-	247,255	417,255
2033	185,000	-	234,717	419,717
2034	200,000	-	221,073	421,073
2035	215,000	-	206,323	421,323
2036	-	-	190,467	190,467
2037	-	-	190,467	190,467
2038	-	-	190,467	190,467
2039	-	-	190,467	190,467
2040	2,829,000	345,446	190,467	3,364,913
	<u>\$ 4,984,000</u>	<u>\$ 345,446</u>	<u>\$ 6,548,814</u>	<u>\$ 11,878,260</u>