

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

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

**YEAR ENDED DECEMBER 31, 2018**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
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Board of Directors  
Southlands Metropolitan District No. 2  
Arapahoe County, Colorado

Independent Auditors' Report

**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, 2018, 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 general 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, 2018, 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 general 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.

*Stratagem PC*  
*Certified Public Accountants*  
*Lakewood, Colorado*

July 11, 2019

## **BASIC FINANCIAL STATEMENTS**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 428,217
Cash and Investments - Restricted	106,930
Prepaid Expense	27,238
Receivable from County Treasurer	6,102
Property Taxes Receivable	1,033,082
Capital Assets, Net	4,906,977
Total Assets	6,508,546
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Refunding	248,457
Total Deferred Outflows of Resources	248,457
<b>LIABILITIES</b>	
Accounts Payable	6,366
Accrued Interest Payable	20,744
Noncurrent Liabilities:	
Due Within One Year	168,000
Due in More Than One Year	5,173,000
Total Liabilities	5,368,110
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	1,033,082
Total Deferred Inflows of Resources	1,033,082
<b>NET POSITION</b>	
Net Investment in Capital Assets	(434,023)
Restricted For:	
Emergency Reserves	14,800
Debt Service	75,201
Unrestricted	699,833
Total Net Position	\$ 355,811

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 658,391	\$ -	\$ 70,914	\$ -	\$ (587,477)
Interest and Related Costs on Long-Term Debt	459,752	-	-	-	(459,752)
Total Governmental Activities	\$ 1,118,143	\$ -	\$ 70,914	\$ -	(1,047,229)
<b>GENERAL REVENUES</b>					
Property Taxes					1,016,078
Specific Ownership Taxes					74,430
Net Investment Income					9,341
Other Income					94
Total General Revenues					1,099,943
<b>CHANGE IN NET POSITION</b>					
Net Position - Beginning of Year					303,097
<b>NET POSITION - END OF YEAR</b>					
					\$ 355,811

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 428,217	\$ -	\$ 428,217
Cash and Investments - Restricted	14,800	92,130	106,930
Prepaid Expense	27,238	-	27,238
Receivable from County Treasurer	2,287	3,815	6,102
Property Taxes Receivable	395,372	637,710	1,033,082
Total Assets	\$ 867,914	\$ 733,655	\$ 1,601,569
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 6,366	\$ -	\$ 6,366
Total Liabilities	6,366	-	6,366
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	395,372	637,710	1,033,082
Total Deferred Inflows of Resources	395,372	637,710	1,033,082
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expense	27,238	-	27,238
Restricted For:			
Emergency Reserves	14,800	-	14,800
Debt Service	-	95,945	95,945
Assigned To:			
Subsequent Year's Expenditures	33,013	-	33,013
Unassigned:			
General Government	391,125	-	391,125
Total Fund Balances	466,176	95,945	562,121
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 867,914	\$ 733,655	

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 4,906,977

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 248,457

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 (5,341,000)  
Accrued Interest on Loans Payable (20,744)

Net Position of Governmental Activities

\$ 355,811

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, 2018**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 376,326	\$ 627,214	\$ 1,003,540
Specific Ownership Taxes	27,891	46,539	74,430
Net Investment Income	4,054	5,287	9,341
Other Income	94	-	94
SARIA Revenue	12,538	-	12,538
Operating Fees	70,914	-	70,914
Total Revenues	<u>491,817</u>	<u>679,040</u>	<u>1,170,857</u>
<b>EXPENDITURES</b>			
General:			
Accounting	22,056	-	22,056
Audit	3,300	-	3,300
County Treasurer's Fees	5,642	9,404	15,046
County Treasurer's Fees (SARIA)	188	-	188
Directors' Fees	1,200	-	1,200
District Management	32,578	-	32,578
Dues and Membership	663	-	663
Election	380	-	380
Insurance	23,954	-	23,954
Legal	21,911	-	21,911
Landscape Maintenance and Irrigation	93,424	-	93,424
Repairs and Maintenance	4,363	-	4,363
Street Lighting	421	-	421
Utilities	25,891	-	25,891
Payroll Taxes	124	-	124
Payment to SARIA	12,448	-	12,448
Playground Improvements	5,050	-	5,050
Miscellaneous/Contingency	1,067	-	1,067
Debt Service:			
Bond Principal - Series 2010 Sub Bonds	-	2,829,000	2,829,000
Bond Interest - Series 2010 Sub Bonds	-	353,027	353,027
Cost of Issuance - Series 2018	-	144,865	144,865
Loan Principal - Series 2018A	-	49,000	49,000
Loan Interest - Series 2018A	-	82,662	82,662
Loan Principal - Series 2018B	-	301,000	301,000
Loan Interest - Series 2018B	-	84,615	84,615
Paying Agent Fees	-	1,700	1,700
Total Expenditures	<u>254,660</u>	<u>3,855,273</u>	<u>4,109,933</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	237,157	(3,176,233)	(2,939,076)
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan Issuance - Series 2018	-	5,691,000	5,691,000
Payment to Refunding Escrow	-	(2,428,915)	(2,428,915)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,262,085</u>	<u>3,262,085</u>
<b>NET CHANGE IN FUND BALANCES</b>	237,157	85,852	323,009
Fund Balances - Beginning of Year	<u>229,019</u>	<u>10,093</u>	<u>239,112</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 466,176</u>	<u>\$ 95,945</u>	<u>\$ 562,121</u>

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 323,009

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.

Depreciation Expense (403,731)

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	49,000
Principal Payment - Series 2018B Loan	301,000
Principal Payment - Series 2010 Subordinate Bonds	2,829,000
Principal Payment - Series 2010 Senior Bonds	2,110,000
Loan Issuance - Series 2018A	(2,510,000)
Loan Issuance - Series 2018B	(3,181,000)
Cost of Refunding	248,457

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	(7,776)
Accrued Interest on Subordinate Bonds	(58,272)
Subordinate Bond Interest Payment	<u>353,027</u>

Change in Net Position of Governmental Activities \$ 52,714

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 379,335	\$ 376,326	\$ (3,009)
Specific Ownership Taxes	34,100	27,891	(6,209)
Net Investment Income	-	4,054	4,054
Other Income	-	94	94
SARIA Revenue	12,638	12,538	(100)
Operating Fees	70,914	70,914	-
Total Revenues	<u>496,987</u>	<u>491,817</u>	<u>(5,170)</u>
<b>EXPENDITURES</b>			
Accounting	22,000	22,056	(56)
Audit	3,500	3,300	200
County Treasurer's Fees	5,690	5,642	48
County Treasurer's Fees (SARIA)	190	188	2
Directors' Fees	1,200	1,200	-
District Management	32,000	32,578	(578)
Dues and Membership	1,000	663	337
Election	2,000	380	1,620
Insurance	24,000	23,954	46
Legal	27,000	21,911	5,089
Detention Pond	6,000	-	6,000
Landscape Architect	15,000	-	15,000
Landscape Maintenance and Irrigation	100,000	93,424	6,576
Payroll Taxes	100	124	(24)
Payment to SARIA	-	12,448	(12,448)
Playground Improvements	150,000	5,050	144,950
Repairs and Maintenance	100,000	4,363	95,637
Snow Removal	10,000	-	10,000
Street Lighting	6,000	421	5,579
Utilities	20,000	25,891	(5,891)
Miscellaneous/Contingency	4,320	1,067	3,253
Total Expenditures	<u>530,000</u>	<u>254,660</u>	<u>275,340</u>
<b>NET CHANGE IN FUND BALANCES</b>	(33,013)	237,157	270,170
Fund Balances - Beginning of Year	<u>181,640</u>	<u>229,019</u>	<u>47,379</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 148,627</u></u>	<u><u>\$ 466,176</u></u>	<u><u>\$ 317,549</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018**

**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.

The District has amended its annual budget for the year ended December 31, 2018.

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 428,217
Cash and Investments - Restricted	106,930
Total Cash and Investments	\$ 535,147

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$ 76,126
Investments	459,021
Total Cash and Investments	\$ 535,147

**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, 2018**

**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, 2018, the District's cash deposits had a bank balance of \$114,434 and a carrying balance of \$76,126.

**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, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colostrust	Weighted average under 60 days	<u>\$ 459,021</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018 follows:

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
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	(1,756,965)	(242,341)	-	(1,999,306)
Sanitary Sewer	(39,426)	(5,438)	-	(44,864)
Park and Recreation Improvements	(1,130,656)	(155,952)	-	(1,286,608)
Total Accumulated Depreciation	(2,927,047)	(403,731)	-	(3,330,778)
Capital Assets, Net	<u>\$ 5,310,708</u>	<u>\$ (403,731)</u>	<u>\$ -</u>	<u>\$ 4,906,977</u>

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

General Government	<u>\$ 403,731</u>
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**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018:

	Balance at December 31, 2017	Additions	Retirement of Long-Term Obligations	Balance at December 31, 2018	Due Within One Year
Refunding Loan - Series 2018A	\$ -	\$ 2,510,000	\$ 49,000	\$ 2,461,000	\$ 81,000
Refunding Loan - Series 2018B	-	3,181,000	301,000	2,880,000	87,000
G.O. Bonds - Series 2010 Limited Tax Obligation	2,110,000	-	2,110,000	-	-
Subordinate Bonds Series 2010	2,829,000	-	2,829,000	-	-
Accrued and Unpaid Interest Subordinate Bonds Series 2010	294,755	58,272	353,027	-	-
Total	<u>\$ 5,233,755</u>	<u>\$ 5,749,272</u>	<u>\$ 5,642,027</u>	<u>\$ 5,341,000</u>	<u>\$ 168,000</u>

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

**\$2,295,000 General Obligation Bonds, Series 2010**

Series 2010 Senior Bonds ("Senior Bonds") are dated December 15, 2010, with interest of 7.375% paid semiannually on June 1 and December 1 through 2035. The Senior 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 Senior 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**

Series 2010 Subordinate Bonds ("Subordinate Bonds") are 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 Senior 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 Senior Bonds and Subordinate Bonds (together "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 (adjusted for changes in the ratio of actual value to assessed value of property within the District). As of December 31, 2018 the adjusted maximum mill levy is 55.277 mills.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$2,829,000 Limited Tax Obligation Subordinate Bonds, Series 2010 (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.

**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. The District refunded its 2010 Bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$346,085.

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.

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

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 81,000	\$ 127,972	\$ 208,972
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
2024-2028	695,000	351,624	1,046,624
2029-2033	852,000	193,022	1,045,022
2034-2035	394,000	24,990	418,990
Total	<u>\$ 2,461,000</u>	<u>\$ 1,096,090</u>	<u>\$ 3,557,090</u>

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 87,000	\$ 120,960	\$ 207,960
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
2024-2028	768,000	434,364	1,202,364
2029-2033	1,061,000	249,480	1,310,480
2034-2035	525,000	33,306	558,306
Total	<u>\$ 2,880,000</u>	<u>\$ 1,281,210</u>	<u>\$ 4,161,210</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2018, 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, 2018, the District had the following net investment in capital assets, calculated as follows:

Net Investment in Capital Assets:	Governmental Activities
Capital Assets, Net	\$ 4,906,977
Less: Capital Related Debt	
Current Portion of Long-Term Obligations	(168,000)
Noncurrent Portion of Long-Term Obligations	(5,173,000)
Net Investment in Capital Assets	<u>\$ (434,023)</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 14,800
Debt Service	75,201
Total Restricted Net Position	\$ 90,001

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, 2018**

**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 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.

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.

**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, 2018**

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

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

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

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

## **SUPPLEMENTARY INFORMATION**

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 632,229	\$ 627,214	\$ 627,214	\$ -
Specific Ownership Taxes	56,900	45,000	46,539	1,539
Net Investment Income	871	3,500	5,287	1,787
Total Revenues	<u>690,000</u>	<u>675,714</u>	<u>679,040</u>	<u>3,326</u>
<b>EXPENDITURES</b>				
Paying Agent Fees	1,700	1,700	1,700	-
County Treasurer's Fees	9,483	9,404	9,404	-
Cost of Issuance - Series 2018	-	144,865	144,865	-
Bond Interest - Series 2010 Senior Bonds	155,612	17,814	-	17,814
Bond Principal - Series 2010 Sub Bonds	50,000	2,829,000	2,829,000	-
Bond Interest - Series 2010 Sub Bonds	468,000	370,429	353,027	17,402
Loan Principal - Series 2018A	-	49,000	49,000	-
Loan Interest - Series 2018A	-	82,663	82,662	1
Loan Principal - Series 2018B	-	301,000	301,000	-
Loan Interest - Series 2018B	-	84,615	84,615	-
Contingency	5,205	5,595	-	5,595
Total Expenditures	<u>690,000</u>	<u>3,896,085</u>	<u>3,855,273</u>	<u>40,812</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	-	(3,220,371)	(3,176,233)	44,138
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Issuance - Series 2018	-	5,691,000	5,691,000	-
Payment to Refunding Escrow	-	(2,428,915)	(2,428,915)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,262,085</u>	<u>3,262,085</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	-	41,714	85,852	44,138
Fund Balances - Beginning of Year	<u>-</u>	<u>10,093</u>	<u>10,093</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 51,807</u>	<u>\$ 95,945</u>	<u>\$ 44,138</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2018**

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	
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
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
Estimated for the Year Ending December 31, 2019	\$ 11,536,632	34.271	55.277	\$ 1,033,082		

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, 2018**

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 5.2000% 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 December 15		
	Principal	Interest	Total	Principal	Interest	Total
	2019	\$ 81,000	\$ 127,972	\$ 208,972	\$ 87,000	\$ 120,960
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>\$ 2,461,000</u>	<u>\$ 1,096,090</u>	<u>\$ 3,557,090</u>	<u>\$ 2,880,000</u>	<u>\$ 1,281,210</u>	<u>\$ 4,161,210</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)**  
**DECEMBER 31, 2018**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 168,000	\$ 248,932	\$ 416,932
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>\$ 5,341,000</u>	<u>\$ 2,377,300</u>	<u>\$ 7,718,300</u>