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Accountant's Compilation Report

Board of Directors
Southlands Metropolitan District No. 1
Arapahoe County, Colorado

We have compiled the accompanying forecasted budget of revenues, expenditures and fund balances of the Southlands Metropolitan District No. 1 for the General Fund and Debt Service Fund for the year ending December 31, 2015, including the forecasted estimate of comparative information for the year ending December 31, 2014, in accordance with attestation standards established by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not audited or reviewed the forecast and, accordingly, do not express an opinion or any other form of assurance about whether the accompanying budget of revenues, expenditures and fund balances or assumptions are in accordance with attestation standards generally accepted in the United States of America. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management is responsible for the preparation and fair presentation of the forecast in accordance with attestation standards generally accepted in the United States of America, and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the forecast.

The actual historical information for the year 2013 is presented for comparative purposes only. Such information is taken from the 2013 audit report of the District for the year ended December 31, 2013, as prepared by Wagner Barnes & Griggs, PC, dated May 2, 2014 in which an unmodified opinion was expressed.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the District's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to Southlands Metropolitan District No. 1.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 5, 2014

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
SUMMARY
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

12/5/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ 4,908,887	\$ 5,100,000	\$ 5,360,604
REVENUES			
1 Property taxes	3,719,378	4,087,252	4,062,297
2 Specific ownership taxes	275,954	286,108	284,324
3 Facility fees	13,954	-	-
4 Net investment income	8,992	6,020	6,000
5 General operations fee	1,777,274	1,854,600	1,947,330
6 Miscellaneous income	4,978	44,624	41,231
Total revenues	<u>5,800,530</u>	<u>6,278,604</u>	<u>6,341,182</u>
TRANSFERS IN			
	<u>9,296</u>	<u>-</u>	<u>-</u>
Total funds available	<u>10,718,713</u>	<u>11,378,604</u>	<u>11,701,786</u>
EXPENDITURES			
General and administration			
7 Accounting	37,272	40,000	40,000
8 Audit	4,950	4,800	5,000
9 Billing services	4,800	5,400	5,400
10 Contingency	-	11,964	11,953
11 County Treasurer's fees	3,865	3,986	5,577
12 District management	38,048	45,000	45,000
13 Dues and membership	1,238	1,238	1,500
14 Election	-	1,291	-
15 Insurance	19,148	17,478	20,000
16 Legal	27,009	35,000	30,000
17 Miscellaneous	711	2,000	2,000
18 Traffic signal	-	-	100,000
Operations and maintenance			
19 Floral	181,536	150,000	151,150
20 Landscape maintenance & irrigation repair	86,157	160,000	130,000
21 Monthly cleaning	194,494	196,000	199,580
22 Pest control	3,800	5,000	5,000
23 Property maintenance	87,500	91,000	97,000
24 Property management	35,424	40,000	40,000
25 Repairs and maintenance	58,092	358,843	248,000
26 Retaining wall drainage	37,353	-	-
27 Security	31,473	32,000	50,340
28 Signage and decor	52,798	73,000	111,000
29 Snow removal	462,244	450,000	600,000
30 Street lighting/stripping	99,392	100,000	90,000
31 Street repairs/sidewalk	51,968	64,000	150,000
32 Street sweeping	21,600	20,000	20,000
33 Traffic signals maintenance	-	-	1,500
34 Utilities	187,702	150,000	200,000
Debt Service			
35 Bond interest	2,811,244	2,770,644	2,724,238
36 Bond principal	1,015,000	1,125,000	1,170,000
37 Contingency	-	4,534	4,278
38 County Treasurer's fees	51,949	57,322	56,984
39 Paying agent fees	2,650	2,500	2,500
Total expenditures	<u>5,609,417</u>	<u>6,018,000</u>	<u>6,318,000</u>
TRANSFERS OUT			
	<u>9,296</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>5,618,713</u>	<u>6,018,000</u>	<u>6,318,000</u>
ENDING FUND BALANCES	<u>\$ 5,100,000</u>	<u>\$ 5,360,604</u>	<u>\$ 5,383,786</u>
EMERGENCY RESERVE	\$ 8,500	\$ 9,900	\$ 13,200
O&M RESERVE	200,000	250,000	300,000
DEBT SERVICE RESERVE	4,612,825	4,612,825	4,612,825
TOTAL RESERVE	<u>\$ 4,821,325</u>	<u>\$ 4,872,725</u>	<u>\$ 4,926,025</u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/5/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
ASSESSED VALUATION - ARAPAHOE			
Commercial	\$ 58,940,670	\$ 51,946,500	\$ 51,368,777
Vacant Land	967,010	750,920	872,989
Personal Property	5,687,790	5,513,830	5,315,681
State Assessed	1,024,610	1,008,630	1,007,850
Certified Assessed Value	<u>\$ 66,620,080</u>	<u>\$ 59,219,880</u>	<u>\$ 58,565,297</u>
MILL LEVY			
GENERAL FUND	4.190	4.190	6.348
DEBT SERVICE FUND	53.500	57.500	60.000
Refunds and Abatements	-	4.658	-
Total Mill Levy	<u>57.690</u>	<u>66.348</u>	<u>66.348</u>
PROPERTY TAXES			
GENERAL FUND	\$ 279,138	\$ 248,131	\$ 371,772
DEBT SERVICE FUND	3,564,174	3,405,143	3,513,918
Refunds and Abatements	-	275,846	-
Levied property taxes	3,843,312	3,929,120	3,885,690
Adjustments to actual/rounding	(19,721)	-	-
Refund and abatements	(275,915)	(16,309)	-
Budgeted Property Taxes	<u>\$ 3,547,676</u>	<u>\$ 3,912,811</u>	<u>\$ 3,885,690</u>
ASSESSED VALUATION - ARAPAHOE DEBT ONLY			
Commercial	\$ 2,610,000	\$ 2,482,980	\$ 2,482,980
Vacant Land	90	90	87
Personal Property	583,360	534,900	445,750
State Assessed	15,940	15,790	14,640
Certified Assessed Value	<u>\$ 3,209,390</u>	<u>\$ 3,033,760</u>	<u>\$ 2,943,457</u>
MILL LEVY			
DEBT SERVICE FUND	53.500	57.500	60.000
Total Mill Levy	<u>53.500</u>	<u>57.500</u>	<u>60.000</u>
PROPERTY TAXES			
DEBT SERVICE FUND	\$ 171,702	\$ 174,441	\$ 176,607
Budgeted Property Taxes	<u>\$ 171,702</u>	<u>\$ 174,441</u>	<u>\$ 176,607</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 258,584	\$ 265,759	\$ 371,772
DEBT SERVICE FUND	3,460,794	3,821,493	3,690,525
Budgeted Property Taxes	<u>\$ 3,719,378</u>	<u>\$ 4,087,252</u>	<u>\$ 4,062,297</u>

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

SOUTHLANDS METROPOLITAIN DISTRICT NO. 1
GENERAL FUND
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

12/5/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015	
BEGINNING FUND BALANCES	\$ 123,802	\$ 446,065	\$ 571,671	
REVENUES				
1 Property taxes	258,584	265,759	371,772	
2 Specific ownership taxes	19,185	18,603	26,024	
3 Net investment income	112	20	-	
4 General operations fee	1,777,274	1,854,600	1,947,330	
5 Miscellaneous income	4,978	44,624	41,231	
Total revenues	<u>2,060,133</u>	<u>2,183,606</u>	<u>2,386,357</u>	
Total funds available	<u>2,183,935</u>	<u>2,629,671</u>	<u>2,958,028</u>	
EXPENDITURES				
General and administration				
6 Accounting	37,272	40,000	40,000	
7 Audit	4,950	4,800	5,000	
8 Billing services	4,800	5,400	5,400	
9 Contingency	-	11,964	11,953	
10 County Treasurer's fees	3,865	3,986	5,577	
11 District management	38,048	45,000	45,000	
12 Dues and membership	1,238	1,238	1,500	
13 Election	-	1,291	-	
14 Insurance	19,148	17,478	20,000	
15 Legal	27,009	35,000	30,000	
16 Miscellaneous	711	2,000	2,000	
17 Traffic signal	-	-	100,000	266,430
Operations and maintenance				
18 Floral	181,536	150,000	151,150	
19 Landscape maintenance & irrigation repair	86,157	160,000	130,000	
20 Monthly cleaning	194,494	196,000	199,580	
21 Pest control	3,800	5,000	5,000	
22 Property maintenance	87,500	91,000	97,000	
23 Property management	35,424	40,000	40,000	
24 Repairs and maintenance	58,092	358,843	248,000	
25 Retaining wall drainage	37,353	-	-	
26 Security	31,473	32,000	50,340	
27 Signage and decor	52,798	73,000	111,000	
28 Snow removal	462,244	450,000	600,000	
29 Street lighting/stripping	99,392	100,000	90,000	
30 Street repairs/sidewalk	51,968	64,000	150,000	
31 Street sweeping	21,600	20,000	20,000	
32 Traffic signals maintenance	-	-	1,500	
33 Utilities	187,702	150,000	200,000	(146,240)
Total expenditures	<u>1,728,574</u>	<u>2,058,000</u>	<u>2,360,000</u>	
TRANSFERS OUT				
DEBT SERVICE FUND				
	9,296	-	-	
Total transfers out	<u>9,296</u>	<u>-</u>	<u>-</u>	
Total expenditures and transfers out requiring appropriation	<u>1,737,870</u>	<u>2,058,000</u>	<u>2,360,000</u>	
ENDING FUND BALANCES	<u>\$ 446,065</u>	<u>\$ 571,671</u>	<u>\$ 598,028</u>	
EMERGENCY RESERVE	\$ 8,500	\$ 9,900	\$ 13,200	
O&M RESERVE	200,000	250,000	300,000	
TOTAL RESERVE	<u>\$ 208,500</u>	<u>\$ 259,900</u>	<u>\$ 313,200</u>	

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

SOUTHLANDS METROPOLITAIN DISTRICT NO 1
GENERAL FUND - REPAIRS AND MAINTENANCE
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

12/5/2014

ACTUAL	ESTIMATED	ADOPTED
2013	2014	2015

EXPENDITURES

1	Street repairs (engineering)	\$ -	\$ 800	\$ -
2	Banners	7,861	-	15,000
3	Retaining wall repairs/replace caps	-	3,400	3,000
4	Tree replacement/removal	-	-	15,000
5	Fountains/chemicals	4,989	30,000	30,000
6	Contingency/other	21,166	11,000	45,000
7	Street light painting	5,101	15,000	50,000
8	Asphalt & sidewalk repairs	11,160	-	-
9	Signage program	2,251	13,643	30,000
10	Site lighting/retrofitting	5,564	260,000	-
11	Planter renovation	-	25,000	45,000
12	Detention pond	-	-	15,000
	TOTAL	\$ 58,092	\$ 358,843	\$ 248,000

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

SOUTHLANDS METROPOLITAIN DISTRICT NO. 1
DEBT SERVICE FUND
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

12/5/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ 4,785,085	\$ 4,653,935	\$ 4,788,933
REVENUES			
1 Property taxes	3,460,794	3,821,493	3,690,525
2 Specific ownership taxes	256,769	267,505	258,300
3 Facility fees	13,954	-	-
4 Net investment income	8,880	6,000	6,000
Total revenues	<u>3,740,397</u>	<u>4,094,998</u>	<u>3,954,825</u>
TRANSFERS IN			
GENERAL FUND	9,296	-	-
Total transfers in	<u>9,296</u>	<u>-</u>	<u>-</u>
Total funds available	<u>8,534,778</u>	<u>8,748,933</u>	<u>8,743,758</u>
EXPENDITURES			
Debt Service			
5 Bond interest	2,811,244	2,770,644	2,724,238
6 Bond principal	1,015,000	1,125,000	1,170,000
7 Contingency	-	4,534	4,278
8 County Treasurer's fees	51,949	57,322	56,984
9 Paying agent fees	2,650	2,500	2,500
Total expenditures	<u>3,880,843</u>	<u>3,960,000</u>	<u>3,958,000</u>
Total expenditures and transfers out requiring appropriation	<u>3,880,843</u>	<u>3,960,000</u>	<u>3,958,000</u>
ENDING FUND BALANCES	<u>\$ 4,653,935</u>	<u>\$ 4,788,933</u>	<u>\$ 4,785,758</u>
DEBT SERVICE RESERVE	<u>\$ 4,612,825</u>	<u>\$ 4,612,825</u>	<u>\$ 4,612,825</u>
TOTAL RESERVE	<u>\$ 4,612,825</u>	<u>\$ 4,612,825</u>	<u>\$ 4,612,825</u>

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
2015 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

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

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

On November 5, 2002 the electorate authorized general obligation debt in the amount of \$63,000,000, refunding debt of \$49,000,000 and \$1,000,000 debt for operating expenditures. Debt is subject to the terms of the Service Plan. On November 5, 2002 the electorate also approved the removal of limitations imposed by the TABOR Amendment and any other law that purports to limit the District's revenue or expenditures and a \$130,000 annual property tax increase for operations.

On November 4, 2008 the electorate approved general obligation debt in the amount of \$440,000,000 for District improvements, \$40,000,000 for the purpose of refunding, refinancing or defeasing any of the District's debt, \$40,000,000 in multi-year intergovernmental agreements, \$40,000,000 in multi-year agreements with a regional authority and \$40,000,000 in other multi-year financial obligations. Additionally, on November 4, 2008, the electorate approved \$5,000,000 annually for the District's administrative and operating costs from property taxes as well as from fees. The electorate also approved \$5,000,000 in additional property taxes for intergovernmental agreements, \$5,000,000 in additional property taxes for the costs of regional improvements and \$5,000,000 in additional property taxes for private contracts. The electorate also authorized the District to collect, retain and spend the full amount of taxes and fees without regard to the limitation of TABOR.

The First Amendment to the Service Plan, approved by the City of Aurora on July 16, 2007, authorized the District to impose an unlimited mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance.

Pursuant to the District's First Amendment to the Service Plan as approved by the City of Aurora on July 16, 2007, the amount of debt that can be issued is \$60,000,000 (exclusive of refunding).

The District prepares its budget on the modified accrual basis of accounting.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 1
2015 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues

Property Taxes

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

The First Amendment to the Service Plan, approved by the City of Aurora on July 16, 2007, authorized the District to impose an unlimited mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance.

The calculation of the taxes levied is displayed on page 3 of the budget at the adopted total mill levy of 66.348, 6.348 mills for operations, and 60.000 mills for debt service.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The forecast assumes that the District's share will be equal to approximately 7% of the property taxes collected by both the General Fund and the Debt Service Fund. The forecast assumes that specific ownership taxes allocable to property taxes collected by the Debt Service Fund will be pledged to debt service on the bonds during the term bonds are outstanding.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.15%.

General Operations Fee

The general operations fee is being determined by the amount needed to cover operations and maintenance costs. The District bills its property owners monthly for the general operations fee. The general operations fee is recorded as revenue for budget purposes with no future obligation of repayment.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 1
2015 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures

General and Administrative Expenditures

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

Debt Service

On August 1, 2007 the District issued \$58,940,000 in General Obligation Refunding and Improvement Bonds, dated August 1, 2007, with interest of 4.000% to 5.250%. The Bonds are term Bonds and those maturing on and before December 1, 2017 are not subject to redemption prior to maturity. The Bonds maturing on and after December 1, 2022, are subject to redemption prior to maturity, at the option of the District, on December 1, 2017, and any day thereafter, upon payment of par and accrued interest, without redemption premium.

The proceeds of the Series 2007 Bonds were used to refund the District's outstanding General Obligation Bonds Series 2004, reimburse the Developer for the costs of constructing and installing certain public improvements within the Development and pay the costs of issuing the Bonds. A portion of the proceeds was used pursuant to the terms of the Intergovernmental Agreement executed between the District and Wheatlands Metropolitan District No.1. In 2008, the District reimbursed Wheatlands No.1 for capital infrastructure costs incurred within the boundaries of the District.

Principal and Interest payments are provided based on the debt amortization schedule from the General Obligation Refunding Bonds Series 2007.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2015, as defined under TABOR.

Debt and Leases

The District's current debt service schedule is attached. The District has no operating or capital leases.

This information is an integral part of the accompanying forecasted budget.

**SOUTHLANDS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF OUTSTANDING BONDED DEBT SERVICE
REQUIREMENTS TO MATURITY**

**\$58,940,000 General Obligation Refunding and Improvement
Bonds, Series 2007
Dated August 1, 2007
Interest 4.000%-5.250%
Payable June 1 and December 1
Principal Due December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,170,000	\$ 2,724,238	\$ 3,894,238
2016	1,305,000	2,665,738	3,970,738
2017	1,365,000	2,602,363	3,967,363
2018	1,510,000	2,535,675	4,045,675
2019	1,580,000	2,465,838	4,045,838
2020	1,730,000	2,392,763	4,122,763
2021	1,810,000	2,312,750	4,122,750
2022	1,970,000	2,229,038	4,199,038
2023	2,060,000	2,137,925	4,197,925
2024	2,245,000	2,033,925	4,278,925
2025	2,360,000	1,920,513	4,280,513
2026	2,555,000	1,801,288	4,356,288
2027	2,685,000	1,672,138	4,357,138
2028	2,905,000	1,536,413	4,441,413
2029	3,055,000	1,383,900	4,438,900
2030	3,300,000	1,223,513	4,523,513
2031	3,475,000	1,050,263	4,525,263
2032	3,745,000	867,825	4,612,825
2033	3,940,000	671,213	4,611,213
2034	8,845,000	464,363	9,309,363
	<u>\$ 53,610,000</u>	<u>\$ 36,691,675</u>	<u>\$ 90,301,675</u>

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