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Accountant's Compilation Report

Board of Directors
Gold Hill Mesa Metropolitan District No. 2
El Paso County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Gold Hill Mesa Metropolitan District No. 2 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

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

We are not independent with respect to the Gold Hill Mesa Metropolitan District No. 2.

CliftonLarsonAllen LLP

Colorado Springs, Colorado
December 22, 2017

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
SUMMARY
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

12/29/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 186,836	\$ 198,333	\$ 188,864
REVENUES			
1 Property taxes	7,769	7,770	8,866
2 Specific ownership taxes	27,181	36,360	47,803
3 System development fees	53,000	50,000	50,000
4 Net investment income	9	14	100
5 Other income	-	387	1,000
6 Urban renewal TIF	514,000	614,000	809,129
Total revenues	601,959	708,531	916,898
Total funds available	788,795	906,864	1,105,762
EXPENDITURES			
7 General and administration			
8 Contingency	-	-	1,000
9 County Treasurer's fees	116	116	133
10 Intergovernmental expenditure - No.1	74,169	88,961	116,053
11 Miscellaneous	77	68	100
12 Debt service			
13 Bond interest Series 2011 C	174,400	192,150	189,450
14 Bond interest Series 2011 D	-	-	100,592
15 Bond interest Series 2015	186,650	190,433	184,634
16 Bond principal Series 2011 C	25,000	46,336	30,000
17 Bond principal Series 2015	120,000	190,000	285,000
18 Contingency	-	1,936	-
19 Paying agent fees	10,050	8,000	8,000
Total expenditures	590,462	718,000	914,962
Total expenditures and transfers out requiring appropriation	590,462	718,000	914,962
ENDING FUND BALANCES	\$ 198,333	\$ 188,864	\$ 190,800
DEBT SERVICE RESERVE	\$ 190,800	\$ 190,800	\$ 190,800
TOTAL RESERVE	\$ 190,800	\$ 190,800	\$ 190,800

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

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/29/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - EL PASO			
Residential	\$ 5,743,520	\$ 6,701,010	\$ 8,141,460
Commercial	354,700	408,760	440,800
Vacant Land	650,720	834,230	965,020
	<u>6,748,940</u>	<u>7,944,000</u>	<u>9,547,280</u>
Adjustments	(6,526,940)	(7,722,000)	(9,314,860)
Certified Assessed Value	<u>\$ 222,000</u>	<u>\$ 222,000</u>	<u>\$ 232,420</u>
MILL LEVY			
GENERAL FUND	10.000	10.000	10.899
DEBT SERVICE FUND	25.000	25.000	27.247
Total Mill Levy	<u>35.000</u>	<u>35.000</u>	<u>38.146</u>
PROPERTY TAXES			
GENERAL FUND	\$ 2,220	\$ 2,220	\$ 2,533
DEBT SERVICE FUND	5,550	5,550	6,333
	<u>7,770</u>	<u>7,770</u>	<u>8,866</u>
Levied property taxes	7,770	7,770	8,866
Adjustments to actual/rounding	(1)	-	-
Budgeted Property Taxes	<u>\$ 7,769</u>	<u>\$ 7,770</u>	<u>\$ 8,866</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 2,220	\$ 2,220	\$ 2,533
DEBT SERVICE FUND	5,549	5,550	6,333
	<u>\$ 7,769</u>	<u>\$ 7,770</u>	<u>\$ 8,866</u>

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GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

12/29/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	2,220	2,220	2,533
2 Specific ownership taxes	7,766	10,390	13,658
3 Net investment income	3	3	-
4 Other income	-	387	1,000
Total revenues	9,989	13,000	17,191
Total funds available	9,989	13,000	17,191
EXPENDITURES			
General and administration			
5 Contingency	-	-	1,000
6 County Treasurer's fees	33	33	38
7 Intergovernmental expenditure - No.1	9,879	12,899	16,053
8 Miscellaneous	77	68	100
Total expenditures	9,989	13,000	17,191
Total expenditures and transfers out requiring appropriation	9,989	13,000	17,191
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

12/29/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 186,836	\$ 198,333	\$ 188,864
REVENUES			
1 Property taxes	5,549	5,550	6,333
2 Specific ownership taxes	19,415	25,970	34,145
3 System development fees	53,000	50,000	50,000
4 Net investment income	6	11	100
5 Urban renewal TIF	514,000	614,000	809,129
Total revenues	591,970	695,531	899,707
Total funds available	778,806	893,864	1,088,571
EXPENDITURES			
General and administration			
6 County Treasurer's fees	83	83	95
7 Intergovernmental expenditure - No.1	64,290	76,062	100,000
Debt service			
8 Bond interest Series 2011 C	174,400	192,150	189,450
9 Bond interest Series 2011 D	-	-	100,592
10 Bond interest Series 2015	186,650	190,433	184,634
11 Bond principal Series 2011 C	25,000	46,336	30,000
12 Bond principal Series 2015	120,000	190,000	285,000
13 Contingency	-	1,936	-
14 Paying agent fees	10,050	8,000	8,000
Total expenditures	580,473	705,000	897,771
Total expenditures and transfers out requiring appropriation	580,473	705,000	897,771
ENDING FUND BALANCES	\$ 198,333	\$ 188,864	\$ 190,800
DEBT SERVICE RESERVE	\$ 190,800	\$ 190,800	\$ 190,800
TOTAL RESERVE	\$ 190,800	\$ 190,800	\$ 190,800

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

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The Gold Hill Mesa Metropolitan District (“District No. 2”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 9, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Preliminary Consolidated Service Plan, approved by the City of Colorado Springs on September 14, 2004, formed the Gold Hill Mesa Metropolitan Districts Nos 1 – 3 (“The Districts”) as ‘shell districts’ which could not operate until an amended service plan was approved. The Amended Consolidated Service Plan was approved by the City on July 11, 2006.

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential development known as Gold Hill Mesa. The District was organized in conjunction with two other related districts, Gold Hill Mesa Metropolitan District No. 1 (“District No. 1”), the Operating District, and Gold Hill Mesa Metropolitan District No. 3 (“District No. 3”), the Commercial and Financing District. District No. 1 will own (subject to dedication of improvements to the City), operate, maintain and construct facilities benefiting all three Districts, and District No. 2 and District No. 3 will contribute to the costs of construction, operation and maintenance of such facilities. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District's voters held an election on November 2, 2004. The election approved general obligation indebtedness of \$30,000,000 for street improvements, \$5,000,000 for water facilities, \$10,000,000 for wastewater facilities, \$1,000,000 for traffic and safety controls, \$8,000,000 for parks and recreational facilities, \$500,000 for mosquito control, \$1,000,000 for television relay, \$500,000 for transportation system, and \$57,000,000 for refinancing of District debt. The election approved an annual increase in taxes of \$1,000,000 for general operations and maintenance. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

Pursuant to the Service Plan, the Districts are permitted to collectively issue bond indebtedness of up to \$57,000,000.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105.

Revenues

Property Taxes

The calculation of the taxes levied is displayed on page 3 at the adopted mill levy of 38.146, with 10.899 mills for operations and 27.247 mills for debt service. The District's 2015 Loan agreement allows for adjustment of the maximum debt mill levy as permitted by the Service Plan.

The method of calculating assessed valuation of residential assessment ratio in the State of Colorado changed to 7.20% from 7.96% for property tax years 2017 – 2018 on April 17, 2017 with a report submitted to the State Board of Equalization. Accordingly, the mill levy has been adjusted upward to reflect the change in assessed value calculation.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues - (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 13% of the total property valuation per the assessment at the total mill levy rates.

Facility Fees

The District will assess and charge a facility fee against all properties within the Districts as follows: \$1,000 for single-family units, \$750 for multi-family units and \$2.00 per square foot for commercial units. The fee is due and payable to the District upon closing of the sale of any lot or the issuance of a building permit, whichever occurs first. Facility fees will be used to pay for the District's bond obligations.

Urban Renewal TIF

Pursuant to the Intergovernmental Tax Sharing Agreement dated January 20, 2011 with the Colorado Springs Urban Renewal Authority, the District will receive the tax increment ("TIF") generated from the Gold Hill Mesa Urban Renewal Project area to be used toward the repayment of the District's bonds.

Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1%, based on the rate received in the US Bank Reserve Fund.

Expenditures

Intergovernmental Expenditures

All administrative expenditures such as legal, accounting, management, insurance, including costs for snow removal and landscape maintenance, are paid through and by District No. 1, the Operating District. The District will transfer net revenues collected from its operational mill levy, as well as the current, unpledged revenue from its debt service fund, to District No. 1 to cover a portion of these costs.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt Service

Interest payments in 2018 are provided based on the debt amortization schedule from the Series 2011, C – D Bonds and Series 2015 Refunding Loan. The 2015 Loan issuance paid off the Series 2011 A & B Loans and a portion of Series 2011D Bond.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On September 16, 2011, the District issued 2011C Subordinate Bonds in the original issue amount of \$1,497,938, with a value of \$2,160,000 at conversion date. The Bonds bear no interest through December 14, 2015, and then bear interest at a rate of 9.00%. Bond interest and principal are payable annually on December 15 commencing in 2016.

On September 16, 2011, the District issued 2011D Subordinate Bonds in the amount of \$3,157,000. The bonds bear interest at a rate of 9.50% with a stated maturity of December 15, 2040. Bond interest and principal is payable annually on December 15 with the first interest payment commencing in 2011 and the first principal payment commencing in 2026.

On December 16, 2015, the District issued the Series 2015 Tax-Free Loan Refunding and Improvement Bonds in the amount of \$6,360,000. The Loan bears interest at a rate of 2.97% through December 1, 2022, and then 5.50% through maturity on December 1, 2045. Loan interest is payable semi-annually on June 1 and December 1, and the principal payments are payable annually on December 1 commencing in 2016.

There are not sufficient funds available to pay the Series D Bond according to the debt amortization schedule, as such the amount budget is based on anticipated funds available.

The District has no operating or capital leases.

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all three Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2018 budget.

Debt Service Reserves

The Debt Service Reserve in the amount of \$190,800 is required to be maintained on the Series 2015 Refunding Loan.

This information is an integral part of the accompanying budget.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2017**

**\$2,160,000 Series 2011C Subordinate Convertible
Capital Appreciation Bonds
Dated September 16, 2011
Interest Rate 9.00%**

Year Ended December 31,	Interest and Principal Due December 15		
	Principal	Interest	Total
2018	30,000	189,450	219,450
2019	35,000	186,750	221,750
2020	35,000	183,600	218,600
2021	40,000	180,450	220,450
2022	45,000	176,850	221,850
2023	45,000	172,800	217,800
2024	50,000	168,750	218,750
2025	55,000	164,250	219,250
2026	60,000	159,300	219,300
2027	65,000	153,900	218,900
2028	70,000	148,050	218,050
2029	80,000	141,750	221,750
2030	85,000	134,550	219,550
2031	95,000	126,900	221,900
2032	100,000	118,350	218,350
2033	110,000	109,350	219,350
2034	120,000	99,450	219,450
2035	130,000	88,650	218,650
2036	145,000	76,950	221,950
2037	155,000	63,900	218,900
2038	170,000	49,950	219,950
2039	185,000	34,650	219,650
2040	200,000	18,000	218,000
	<u>\$ 2,105,000</u>	<u>\$ 2,946,600</u>	<u>\$ 5,051,600</u>

(Note: The principal amount in the table above does not match the current principal outstanding as these bonds do not begin to accrete interest until 2016. From 2016 to 2040 these bonds will have accreted \$662,062 in interest, making the total principal repaid on the bonds \$2,160,000.)

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

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2017**

**\$6,360,000 Series 2015 Refunding & Improvement Loan
Dated December 16, 2015
3.010% Through December 16, 2022; 5.5% Thereafter
Interest Payable June 1 and December 1
Principal Due December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	285,000	184,634	469,634
2019	300,000	175,937	475,937
2020	300,000	167,238	467,238
2021	310,000	157,624	467,624
2022	4,855,000	153,854	5,008,854
	<u>\$ 6,050,000</u>	<u>\$ 839,287</u>	<u>\$ 6,889,287</u>

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accountant's compilation report and summary of significant assumptions.