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Accountant's Compilation Report

Board of Directors
Gold Hill Mesa Metropolitan District No. 2

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, 2019, including the estimate of comparative information for the year ending December 31, 2018, and the actual comparative information for the year ended December 31, 2017, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budget results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

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

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

CliftonLarsonAllen LLP

Colorado Springs, Colorado
January 14, 2019



An independent member of Nexia International

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
SUMMARY
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

01/14/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCES	\$ 198,333	\$ 210,080	\$ 190,800
REVENUES			
Property taxes	7,766	8,866	8,957
Specific ownership tax	37,670	42,808	48,111
Interest income	25	102	100
Facilities fees	61,000	35,000	42,000
Urban renewal TIF	614,000	809,129	1,033,722
Other revenue	-	-	1,000
Total revenues	<u>720,461</u>	<u>895,905</u>	<u>1,133,890</u>
Total funds available	<u>918,794</u>	<u>1,105,985</u>	<u>1,324,690</u>
EXPENDITURES			
General Fund	12,986	14,765	17,305
Debt Service Fund	695,728	900,420	1,116,585
Total expenditures	<u>708,714</u>	<u>915,185</u>	<u>1,133,890</u>
Total expenditures and transfers out requiring appropriation	<u>708,714</u>	<u>915,185</u>	<u>1,133,890</u>
ENDING FUND BALANCES	<u>\$ 210,080</u>	<u>\$ 190,800</u>	<u>\$ 190,800</u>
DEBT SERVICE RESERVE	<u>190,800</u>	<u>190,800</u>	<u>190,800</u>
TOTAL RESERVE	<u>\$ 190,800</u>	<u>\$ 190,800</u>	<u>\$ 190,800</u>

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
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

01/14/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
ASSESSED VALUATION			
Residential	\$ 6,701,010	\$ 8,141,460	\$ 9,307,240
Commercial	408,760	440,800	558,520
Vacant land	834,230	965,020	644,490
	<u>7,944,000</u>	<u>9,547,280</u>	<u>10,510,250</u>
Adjustments	(7,722,000)	(9,314,860)	(10,275,440)
Certified Assessed Value	<u>\$ 222,000</u>	<u>\$ 232,420</u>	<u>\$ 234,810</u>
MILL LEVY			
General	10.000	10.899	10.899
Debt Service	25.000	27.247	27.247
Refund and abatements	0.000	0.000	0.000
Total mill levy	<u>35.000</u>	<u>38.146</u>	<u>38.146</u>
PROPERTY TAXES			
General	\$ 2,220	\$ 2,533	\$ 2,559
Debt Service	5,550	6,333	6,398
Refund and abatements	-	-	-
	<u>7,770</u>	<u>8,866</u>	<u>8,957</u>
Levied property taxes	7,770	8,866	8,957
Adjustments to actual/rounding	(4)	-	-
Budgeted property taxes	<u>\$ 7,766</u>	<u>\$ 8,866</u>	<u>\$ 8,957</u>
BUDGETED PROPERTY TAXES			
General	\$ 2,219	\$ 2,533	\$ 2,559
Debt Service	5,547	6,333	6,398
	<u>\$ 7,766</u>	<u>\$ 8,866</u>	<u>\$ 8,957</u>

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
GENERAL FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

01/14/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	2,219	2,533	2,559
Specific ownership tax	10,763	12,230	13,746
Interest income	4	2	-
Other revenue	-	-	1,000
Total revenues	12,986	14,765	17,305
Total funds available	12,986	14,765	17,305
EXPENDITURES			
General and administrative			
County Treasurer's fee	33	38	38
Miscellaneous	76	200	200
Contingency	-	-	1,000
Intergovernmental expenditure - District No. 1	12,877	14,527	16,067
Operations and maintenance			
Total expenditures	12,986	14,765	17,305
Total expenditures and transfers out requiring appropriation	12,986	14,765	17,305
ENDING FUND BALANCE	\$ -	\$ -	\$ -

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
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/14/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 198,333	\$ 210,080	\$ 190,800
REVENUES			
Property taxes	5,547	6,333	6,398
Specific ownership tax	26,907	30,578	34,365
Interest income	21	100	100
Facilities fees	61,000	35,000	42,000
Urban renewal TIF	614,000	809,129	1,033,722
Total revenues	707,475	881,140	1,116,585
Total funds available	905,808	1,091,220	1,307,385
EXPENDITURES			
General and administrative			
County Treasurer's fee	83	95	96
Intergovernmental expenditure - District No. 1	76,062	100,000	110,312
Paying agent fees	5,200	8,000	8,000
Debt Service			
Bond interest - Series 2011C	193,950	189,450	186,750
Bond interest - Series 2015	190,433	184,634	175,937
Bond interest - Series 2011D	-	103,241	300,490
Bond principal - Series 2011C	40,000	30,000	35,000
Bond principal - Series 2015	190,000	285,000	300,000
Total expenditures	695,728	925,000	1,116,585
Total expenditures and transfers out requiring appropriation	695,728	925,000	1,116,585
ENDING FUND BALANCE	\$ 210,080	\$ 166,220	\$ 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
2019 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 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2019 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 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.

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 12% of the beginning fund balance.

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 1.5%, based on the rate received in the US Bank Reserve Fund.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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 (discussed under Debt and Leases).

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 2011C Bonds and Series 2015 Refunding Loan 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.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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 2019 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, 2018**

**\$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
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>\$ 2,075,000</u>	<u>\$ 2,757,150</u>	<u>\$ 4,832,150</u>

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, 2018**

**\$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>
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>\$ 5,765,000</u>	<u>\$ 654,653</u>	<u>\$ 6,419,653</u>

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