

SOUTHLANDS METRO DISTRICT NO. 1
City of Aurora, Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

**SOUTHLANDS METRO DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2020**

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southlands Metropolitan District No. 1 as of and for the year December 31, 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southlands Metropolitan District No. 1, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund and the General Operations Fee Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southlands Metropolitan District No. 1's basic financial statements. The Supplementary Information and the Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dazio & Associates, P.C.

June 4, 2021

BASIC FINANCIAL STATEMENTS

SOUTHLANDS METRO DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 2,392,037
Cash and Investments - Restricted	2,460,259
Reimbursement Receivable	1,341
Prepaid Expenses	450
General Operations Fee Receivable	29,090
Receivable from County Treasurer	18,356
Property Taxes Receivable	3,287,045
Capital Assets, Not Being Depreciated	800,281
Capital Assets, Net:	
Streets	8,075,089
Park and Recreation Improvements	2,671,844
Total Assets	<u>19,735,792</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	<u>2,267,462</u>
Total Deferred Outflows of Resources	<u>2,267,462</u>
LIABILITIES	
Accounts Payable	320,046
Tenant Operations Fee Refund Payable	585,045
Unearned General Operations Fee	69,794
Accrued Interest Payable	189,464
Noncurrent Liabilities:	
Due Within One Year	714,267
Due in More than One Year	49,121,612
Total Liabilities	<u>51,000,228</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>3,287,045</u>
Total Deferred Inflows of Resources	<u>3,287,045</u>
NET POSITION	
Net Investment in Capital Assets	(19,468,620)
Restricted for:	
Emergency Reserves	70,300
Debt Service	378,536
Unrestricted	<u>(13,264,235)</u>
Total Net Position	<u><u>\$ (32,284,019)</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METRO DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 3,413,499	\$ 1,763,825	\$ 4,300	\$ -	\$ (1,645,374)
Interest and Related Costs on Long-Term Debt	2,452,109	-	-	-	(2,452,109)
Total Governmental Activities	\$ 5,865,608	\$ 1,763,825	\$ 4,300	\$ -	(4,097,483)
 GENERAL REVENUES					
Property Taxes					3,250,199
Specific Ownership Taxes					246,255
Net Investment Income					19,733
Total General Revenues					3,516,187
 CHANGE IN NET POSITION					
					(581,296)
Net Position - Beginning of Year					(31,702,723)
 NET POSITION - END OF YEAR					
					\$ (32,284,019)

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METRO DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	General Operations Fee	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 869,578	\$ 1,474,390	\$ -	\$ 48,069	\$ 2,392,037
Cash and Investments - Restricted	17,100	53,200	2,389,959	-	2,460,259
General Operations Fee Receivable	-	29,090	-	-	29,090
Prepaid Expenses	450	-	-	-	450
Receivable from County Treasurer	2,940	-	15,416	-	18,356
Reimbursement Receivable	-	1,341	-	-	1,341
Property Taxes Receivable	492,519	-	2,794,526	-	3,287,045
Total Assets	<u>\$ 1,382,587</u>	<u>\$ 1,558,021</u>	<u>\$ 5,199,901</u>	<u>\$ 48,069</u>	<u>\$ 8,188,578</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 18,795	\$ 253,182	\$ -	\$ 48,069	\$ 320,046
Tenant Operations Fee Refund Payable	-	585,045	-	-	585,045
Unearned General Operations Fee	-	69,794	-	-	69,794
Total Liabilities	<u>18,795</u>	<u>908,021</u>	<u>-</u>	<u>48,069</u>	<u>974,885</u>
DEFERRED INFLOWS OF RESOURCES					
Property Tax Revenue	492,519	-	2,794,526	-	3,287,045
Total Deferred Inflows of Resources	<u>492,519</u>	<u>-</u>	<u>2,794,526</u>	<u>-</u>	<u>3,287,045</u>
FUND BALANCES					
Nonspendable:					
Prepaid Expenses	450	-	-	-	450
Restricted for:					
Emergency Reserves	17,100	53,200	-	-	70,300
Debt Service	-	-	2,405,375	-	2,405,375
Committed:					
Operating Reserves	-	596,800	-	-	596,800
Assigned to:					
Subsequent Year's Expenditures	256,006	-	-	-	256,006
Unassigned:					
General Government	597,717	-	-	-	597,717
Total Fund Balances	<u>871,273</u>	<u>650,000</u>	<u>2,405,375</u>	<u>-</u>	<u>3,926,648</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,382,587</u>	<u>\$ 1,558,021</u>	<u>\$ 5,199,901</u>	<u>\$ 48,069</u>	

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 11,547,214

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

Bonds Payable and Bond Premium (49,835,879)
Cost of Refunding 2,267,462
Accrued Interest on Bonds Payable (189,464)

Net Position of Governmental Activities

\$ (32,284,019)

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METRO DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	General Operations Fee	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	\$ 518,359	\$ -	\$ 2,731,840	\$ -	\$ 3,250,199
Specific Ownership Taxes	39,357	-	206,898	-	246,255
General Operations Fee	-	1,754,955	-	-	1,754,955
General Operations Fee - Penalty	-	7,870	-	-	7,870
Reimbursed Expenditures	-	4,300	-	-	4,300
Net Investment Income	8,918	8,056	2,494	265	19,733
Permits and Fees	1,000	-	-	-	1,000
Total Revenues	<u>567,634</u>	<u>1,775,181</u>	<u>2,941,232</u>	<u>265</u>	<u>5,284,312</u>
EXPENDITURES					
General:					
Accounting	54,011	-	-	-	54,011
Audit	5,500	-	-	-	5,500
Billing Services	10,765	-	-	-	10,765
County Treasurer's Fees	7,761	-	-	-	7,761
Directors' Fees	5,600	-	-	-	5,600
District Management	69,047	-	-	-	69,047
Dues and Membership	1,650	-	-	-	1,650
Election	1,034	-	-	-	1,034
Insurance	32,450	-	-	-	32,450
Legal	47,614	-	-	-	47,614
Miscellaneous	10,926	-	-	-	10,926
Public Events	25,400	-	-	-	25,400
Operations:					
Floral	-	224,485	-	-	224,485
Landscape Maintenance and Irrigation Repair	-	153,553	-	-	153,553
Monthly Cleaning	-	171,006	-	-	171,006
Property Maintenance	-	115,396	-	-	115,396
Property Management	-	36,696	-	-	36,696
Repairs and Maintenance	-	40,463	-	-	40,463
Security	-	59,084	-	-	59,084
Signage and Décor	-	192,617	-	-	192,617
Snow Removal	-	236,824	-	-	236,824
Street Repair/Sidewalk	-	84,632	-	-	84,632
Street Lighting/Striping	-	92,218	-	-	92,218
Street Sweeping	-	22,860	-	-	22,860
Utilities	-	174,798	-	-	174,798
Debt Service:					
Bond Interest - Series 2017 A-1	-	-	2,104,250	-	2,104,250
Bond Interest - Series 2017 A-2	-	-	185,975	-	185,975
Bond Principal - Series 2017 A-1	-	-	510,000	-	510,000
Bond Principal - Series 2017 A-2	-	-	45,000	-	45,000
County Treasurer's Fees	-	-	40,904	-	40,904
Paying Agent Fees	-	-	5,500	-	5,500
Capital Outlay					
Medians	-	-	-	12,129	12,129
HUB/Landscape	-	-	-	777,503	777,503
Total Expenditures	<u>271,758</u>	<u>1,604,632</u>	<u>2,891,629</u>	<u>789,632</u>	<u>5,557,651</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	295,876	170,549	49,603	(789,367)	(273,339)
OTHER FINANCING SOURCES (USES)					
Transfer (To)/From Other Fund	(697,643)	-	-	697,643	-
Total Other Financing Sources	<u>(697,643)</u>	<u>-</u>	<u>-</u>	<u>697,643</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(401,767)	170,549	49,603	(91,724)	(273,339)
Fund Balances - Beginning of Year	1,273,040	479,451	2,355,772	91,724	4,199,987
FUND BALANCES - END OF YEAR	<u>\$ 871,273</u>	<u>\$ 650,000</u>	<u>\$ 2,405,375</u>	<u>\$ -</u>	<u>\$ 3,926,648</u>

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METRO DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (273,339)

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	(1,537,109)
Capital Outlay	789,632

The issuance of long-term debt (e.g., bonds, receipt of 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond Principal Payment - Series 2017 A-1	510,000
Bond Principal Payment - Series 2017 A-2	45,000
Amortization of Bond Premium	145,324
Amortization of Cost of Refunding	(262,192)

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	1,388
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Change in Net Position of Governmental Activities	\$ (581,296)
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**SOUTHLANDS METRO DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 555,386	\$ 518,359	\$ (37,027)
Specific Ownership Taxes	33,320	39,357	6,037
Net Investment Income	20,000	8,918	(11,082)
Permits and Fees	-	1,000	1,000
Total Revenues	<u>608,706</u>	<u>567,634</u>	<u>(41,072)</u>
EXPENDITURES			
Accounting	63,000	54,011	8,989
Audit	6,000	5,500	500
Billing Services	10,000	10,765	(765)
Contingency	12,669	-	12,669
County Treasurer's Fees	8,331	7,761	570
Directors' Fees	6,000	5,600	400
District Management	65,000	69,047	(4,047)
Dues and Membership	2,000	1,650	350
Election	2,000	1,034	966
Insurance	33,000	32,450	550
Legal	65,000	47,614	17,386
Miscellaneous	1,000	10,926	(9,926)
Public Events	45,000	25,400	19,600
Total Expenditures	<u>319,000</u>	<u>271,758</u>	<u>47,242</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	289,706	295,876	6,170
OTHER FINANCING SOURCES (USES)			
Transfer to Other Fund	(922,555)	(697,643)	224,912
Total Other Financing Sources (Uses)	<u>(922,555)</u>	<u>(697,643)</u>	<u>224,912</u>
NET CHANGE IN FUND BALANCE	(632,849)	(401,767)	231,082
Fund Balance - Beginning of Year	<u>1,255,548</u>	<u>1,273,040</u>	<u>17,492</u>
FUND BALANCE - END OF YEAR	<u>\$ 622,699</u>	<u>\$ 871,273</u>	<u>\$ 248,574</u>

See accompanying Notes to Basic Financial Statements.

**SOUTHLANDS METRO DISTRICT NO. 1
GENERAL OPERATIONS FEE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
General Operations Fee	\$ 2,340,000	\$ 1,754,955	\$ (585,045)
General Operations Fee - Penalty	1,000	7,870	6,870
Net Investment Income	8,000	8,056	56
Reimbursed Expenditures	-	4,300	4,300
Total Revenues	<u>2,349,000</u>	<u>1,775,181</u>	<u>(573,819)</u>
EXPENDITURES			
Floral	275,000	224,485	50,515
Landscape Maintenance and Irrigation Repair	400,000	153,553	246,447
Monthly Cleaning	215,000	171,006	43,994
Pest Control	10,000	-	10,000
Property Maintenance	116,000	115,396	604
Property Management	40,000	36,696	3,304
Repairs and Maintenance	300,000	40,463	259,537
Security	80,000	59,084	20,916
Signage and Décor	110,000	192,617	(82,617)
Snow Removal	400,000	236,824	163,176
Street Repair/Sidewalk	115,000	84,632	30,368
Street Lighting/Striping	100,000	92,218	7,782
Street Sweeping	25,000	22,860	2,140
Traffic Signal Maintenance	3,000	-	3,000
Utilities	160,000	174,798	(14,798)
Total Expenditures	<u>2,349,000</u>	<u>1,604,632</u>	<u>744,368</u>
NET CHANGE IN FUND BALANCE	-	170,549	170,549
Fund Balance - Beginning of Year	<u>500,000</u>	<u>479,451</u>	<u>(20,549)</u>
FUND BALANCE - END OF YEAR	<u>\$ 500,000</u>	<u>\$ 650,000</u>	<u>\$ 150,000</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Southlands Metro District No. 1 (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. The District's service area is located in the City of Aurora, Arapahoe County, Colorado. The District was established to provide financing for the design, acquisition, construction and installation of public facilities such as water, streets, traffic and safety controls, parks, open space and recreation, sewer and drainage facilities, and the operations 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.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as a functional expense on the statement of activities. Expenditures for property, plant, and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The General Operations Fee Fund accounts for general operations fees collected from property owners and payments for operations and maintenance expenses.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities

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 and other financing uses level 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.

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.

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.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 investment in capital assets 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 following estimated economic useful lives:

Streets	20 Years
Park and Recreation Improvements	20 Years

Accounts Receivable

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Resolution Concerning the Imposition of a General Operations Fee

On August 4, 2011, the District adopted the Resolution Concerning the Imposition of a General Operations Fee whereby the District fixed and imposed fees, rates, tolls, charges, and penalties for services or facilities provided by the District. Any fee that is not paid in full within 15 days after the scheduled due date is assessed a late fee of \$15 or up to 5% per month, or a fraction thereof, not to exceed a total of 25% of the amount due. Interest accrues on any outstanding fee, exclusive of assessed late fees and interest, at the rate of 18% per year.

On March 13, 2014, the District amended the above named resolution to clarify the funding of an operations reserve and capital reserve, capital replacement costs, as well as costs associated with providing the services, in order that the public facilities may be properly provided and maintained and that the health, safety, and welfare of the District and its inhabitants may be safeguarded. Excess fees at year-end are reflected as committed fund balance.

SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Bond Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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 refunded 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.

SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

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.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,392,037
Cash and Investments - Restricted	2,460,259
Total Cash and Investments	<u>\$ 4,852,296</u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 284,045
Investments	4,568,251
Total Cash and Investments	<u>\$ 4,852,296</u>

Deposits with Financial Institutions

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

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, 2020, the District's cash deposits had a bank balance and a carrying balance of \$284,045.

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.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 Days	\$ 2,178,292
Fidelity Treasury Fund - Class III	Weighted Average under 60 Days	2,389,959
Total		<u>\$ 4,568,251</u>

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.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fidelity Investments

Debt service monies included in the trust accounts at UMB were invested in the Fidelity Treasury Fund Class III (the Fund). This portfolio is a money market mutual fund which invests in U.S. government securities, which are fully guaranteed as to principal and interest by the United States, with repurchase agreements collateralized by U.S. government securities. The Fund is rated AAA-mf by Moody's and AAAM by Standard & Poor's. The Fund records its investments at amortized cost and the District records its investments in the Fund using the amortized cost method. 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, 2020 follows:

	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020
<u>Primary Government:</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress:	\$ 10,649	\$ 789,632	\$ -	\$ 800,281
Total Capital Assets, Not Being Depreciated	10,649	789,632	-	800,281
Capital Assets, Being Depreciated:				
Streets	22,218,636	-	-	22,218,636
Park and Recreation Improvements	8,523,542	-	-	8,523,542
Total Capital Assets, Being Depreciated	30,742,178	-	-	30,742,178
Less Accumulated Depreciation:				
Streets	(13,032,615)	(1,110,932)	-	(14,143,547)
Park and Recreation Improvements	(5,425,521)	(426,177)	-	(5,851,698)
Total Accumulated Depreciation	(18,458,136)	(1,537,109)	-	(19,995,245)
Total Capital Assets, Being Depreciated, Net	12,284,042	(1,537,109)	-	10,746,933
Capital Assets, Net	<u>\$ 12,294,691</u>	<u>\$ (747,477)</u>	<u>\$ -</u>	<u>\$ 11,547,214</u>

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

General Government	\$ 1,537,109
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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, 2020:

	Balance at December 31, 2019	Additions	Retirements	Balance at December 31, 2020	Due Within One Year
G.O. Refunding Bonds - Series 2017 A-1	\$ 43,815,000	\$ -	\$ 510,000	\$ 43,305,000	\$ 525,000
G.O. Refunding Bonds - Series 2017 A-2	3,870,000	-	45,000	3,825,000	45,000
Unamortized Bond Premium Series 2017 A-1	2,619,373	-	133,513	2,485,860	132,542
Unamortized Bond Premium Series 2017 A-2	231,830	-	11,811	220,019	11,725
Total	\$ 50,536,203	\$ -	\$ 700,324	\$ 49,835,879	\$ 714,267

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

General Obligation Bonds – Series 2017

On December 1, 2017, the District refunded its General Obligation Refunding and Improvement Bonds, Series 2007 (the 2007 Bonds) and General Obligation Loan, Series 2016 (the 2016 Loan) by the issuance of \$44,690,000 General Obligation Refunding Bonds, Series 2017A-1, and \$3,945,000 General Obligation Refunding Bonds, Series 2017A-2, respectively (the 2017 Bonds). The proceeds were used for the purposes of (i) refunding the 2007 Bonds and 2016 Loan, (ii) funding the debt service reserve requirement (the 2017A-1 Reserve Fund in the amount of \$1,687,625 and the 2017A-2 Reserve Fund in the amount of \$149,750); and (iii) paying costs of issuance of the 2017 Bonds.

The 2017 Bonds, maturing on December 1, 2047 with interest rates of 3.000% - 5.000%, are payable semi-annually on June 1 and December 1. The 2017 Bonds maturing on or after December 1, 2037 are subject to redemption prior to maturity, at the option of the District, as whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2027 and on any date thereafter, at a redemption price equal to the par amount thereof plus accrued interest to the redemption date.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds – Series 2017 (Continued)

The 2017 Bonds are general obligations of the District secured by and payable from the Pledged Revenue consisting of moneys derived by the District from the following sources, net of any costs of collection: (i) the Unlimited Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Unlimited Mill Levy; and (iii) any other legally available moneys of the District deposited in the Bond Fund or the Reserve Fund.

Approximately 11.5 acres, generally encompassing the Lowe’s Home Improvement Warehouse, were excluded from the boundaries of the District on November 7, 2007 (the Excluded Property). Accordingly, the Excluded Property is subject to ad valorem taxes by the District to pay the Series 2017A-1 Bonds but will not be subject to ad valorem taxes to pay the Series 2017A-2 Bonds.

For the purposes of paying the principal and interest on the Bonds, the Board is to annually determine and certify to the County each year in which the 2017 Bonds remain outstanding, in addition to all other taxes, the Unlimited Mill Levy. The 2017 Bonds are not secured by property lying within the District, but rather by, among other things, the District’s obligation to annually determine and certify a rate of levy for ad valorem property taxes in an amount sufficient to pay, along with other legally available revenues, the principal and interest on the 2017 Bonds.

The District’s Series 2017A-1 Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 525,000	\$ 2,088,950	\$ 2,613,950
2022	590,000	2,073,200	2,663,200
2023	610,000	2,055,500	2,665,500
2024	685,000	2,034,150	2,719,150
2025	705,000	2,010,175	2,715,175
2026-2030	4,480,000	9,595,525	14,075,525
2031-2035	6,430,000	8,329,500	14,759,500
2036-2040	9,070,000	6,472,250	15,542,250
2041-2045	12,405,000	3,888,250	16,293,250
2046-2047	7,805,000	631,250	8,436,250
Total	<u>\$ 43,305,000</u>	<u>\$ 39,178,750</u>	<u>\$ 82,483,750</u>

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds – Series 2017 (Continued)

The District's Series 2017A-2 Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 45,000	\$ 184,625	\$ 229,625
2022	50,000	183,275	233,275
2023	55,000	181,775	236,775
2024	60,000	179,850	239,850
2025	65,000	177,750	242,750
2026-2030	395,000	848,500	1,243,500
2031-2035	565,000	736,750	1,301,750
2036-2040	805,000	572,500	1,377,500
2041-2045	1,095,000	343,750	1,438,750
2046-2047	690,000	55,750	745,750
Total	<u>\$ 3,825,000</u>	<u>\$ 3,464,525</u>	<u>\$ 7,289,525</u>

Debt Authorization

On July 16, 2007, the City Council approved an amendment to the service plan, which permits the District to impose an unlimited mill levy and to increase its debt limit to \$60,000,000. On January 11, 2016, the City Council approved a second amendment to the service plan which increases the debt issuance limitation to \$125,000,000.

In November 2002, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$113,000,000 at an interest rate not to exceed 18% per annum. In November 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$560,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized but unissued indebtedness in the following amount for the following purposes:

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization (Continued)

	Amount	Amount	Authorization Used				Authorized
	Authorized on	Authorized on	Series 2004	Series 2007	Series 2016	Series 2017	But
	November 5, 2002	November 4, 2008	Bonds	Bonds	Loan	Bonds	Unissued
Street Improvements	\$ 41,400,000	\$ 40,000,000	\$ 27,310,000	\$ 12,679,958	\$ 4,250,000	\$ -	\$ 37,160,042
Sewer Improvements	4,885,000	40,000,000	1,494,000	210,000	-	-	43,181,000
Park and Recreation Improvements	7,625,000	40,000,000	6,150,000	897,000	-	-	40,578,000
Traffic and Safety Protection Improvements	1,995,000	40,000,000	285,000	-	-	-	41,710,000
Public Transportation	2,505,000	40,000,000	-	-	-	-	42,505,000
Water Improvements	4,590,000	40,000,000	1,270,000	-	-	-	43,320,000
Mosquito Control	-	40,000,000	-	-	-	-	40,000,000
Fire Protection	-	40,000,000	-	-	-	-	40,000,000
Television Relay and Transmission	-	40,000,000	-	-	-	-	40,000,000
Security Services	-	40,000,000	-	-	-	-	40,000,000
Operations and Maintenance	1,000,000	40,000,000	-	-	-	-	41,000,000
Intergovernmental Contracts	-	40,000,000	-	-	-	-	40,000,000
Public Improvements Operations and Maintenance	-	40,000,000	-	-	-	-	40,000,000
Debt Refunding	49,000,000	40,000,000	-	8,644,042	-	3,945,000	76,410,958
Totals	\$ 113,000,000	\$ 560,000,000	\$ 36,509,000	\$ 22,431,000	\$ 4,250,000	\$ 3,945,000	\$ 605,865,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$125,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

The 2017A-1 Bonds do not consume any authorized amount because they were issued at a lower interest rate than the Bonds they refunded.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 NET POSITION

The District has net position consisting of three components - net investment in capital assets, restricted, and unrestricted.

The net investment in capital assets component of net position consists of capital assets, 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, 2020, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 11,547,214
Current Portion of Long-Term Obligations	(461,548)
Noncurrent Portion of Long-Term Obligations	(31,741,618)
Portion of Debt Related to Restricted Cash and Investments	1,187,332
Net Investment in Capital Assets	\$ (19,468,620)

The restricted component of net position consists of restricted 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, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 70,300
Debt Service	378,536
Total Restricted Net Position	\$ 448,836

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 INTERFUND TRANSFERS

The transfer from the General Fund to the Capital Projects Fund was made to support budgeted capital expenditures.

**SOUTHLANDS METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 RELATED PARTY

M & J Wilkow Properties, LLC, is contracted to provide property management service to the District. Four members of the Board of Directors are employees or contractors directly hired by M & J Wilkow Properties, LLC. M & J Wilkow Properties, LLC owns property at Southlands under the following entities: Southlands TC, LLC and Southlands PC, LLC. These entities and their affiliates may have conflicts of interest in dealing with the District.

NOTE 9 AGREEMENTS

District IGA

The District and Southlands Metropolitan District No. 2 (District No. 2) 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 certain Regional Improvements contemplated in the Service Plans. The District IGA 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). The District IGA indicates that the District and District No. 2 (collectively, the Districts) made a determination that, because development had not yet commenced in District No. 2, the District shall undertake the construction of the Regional Improvements and it is District No. 2's intent to reimburse the District for District No. 2's equitable share of the costs associated with the Regional Improvements upon District No. 2's issuance of bonds in an amount sufficient to reimburse the District, and the Districts agree that it is appropriate to utilize all or a portion of net bond proceeds for reimbursement.

NOTE 10 RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, workers compensation, and 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 METRO DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 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.

In November 2002, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitation under TABOR. At the November 2008 election, the District's electors authorized the District to collect, retain, and spend the full amount of taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fees collected or received by the District prior to, through and during 2008 and each fiscal year thereafter, without regard to any limitation under TABOR.

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 METRO DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 2,919,618	\$ 2,731,840	\$ (187,778)
Specific Ownership Taxes	175,000	206,898	31,898
Net Investment Income	50,000	2,494	(47,506)
Total Revenues	<u>3,144,618</u>	<u>2,941,232</u>	<u>(203,386)</u>
EXPENDITURES			
Bond Interest - Series 2017 A-1	2,104,250	2,104,250	-
Bond Interest - Series 2017 A-2	185,975	185,975	-
Bond Principal - Series 2017 A-1	510,000	510,000	-
Bond Principal - Series 2017 A-2	45,000	45,000	-
Contingency	10,481	-	10,481
County Treasurer's Fees	43,794	40,904	2,890
Paying Agent Fees	5,500	5,500	-
Total Expenditures	<u>2,905,000</u>	<u>2,891,629</u>	<u>13,371</u>
NET CHANGE IN FUND BALANCE	239,618	49,603	(190,015)
Fund Balance - Beginning of Year	<u>2,354,202</u>	<u>2,355,772</u>	<u>1,570</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,593,820</u>	<u>\$ 2,405,375</u>	<u>\$ (188,445)</u>

**SOUTHLANDS METRO DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ -	\$ 265	\$ 265
Total Revenues	<u>-</u>	<u>265</u>	<u>265</u>
EXPENDITURES			
Medians	225,000	12,129	212,871
HUB/Landscape	800,000	777,503	22,497
Total Expenditures	<u>1,025,000</u>	<u>789,632</u>	<u>235,368</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,025,000)	(789,367)	235,633
OTHER FINANCING SOURCES (USES)			
Transfer from Other Fund	922,555	697,643	(224,912)
Total Other Financing Sources (Uses)	<u>922,555</u>	<u>697,643</u>	<u>(224,912)</u>
NET CHANGE IN FUND BALANCE	(102,445)	(91,724)	10,721
Fund Balance - Beginning of Year	<u>102,445</u>	<u>91,724</u>	<u>(10,721)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

SOUTHLANDS METRO DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020

Bonds and Interest Maturing in the Year Ending December 31,	\$44,690,000 General Obligation Refunding Bonds Series 2017 A-1 Dated December 1, 2017 Interest at 3.000%-5.000% Payable June 1 and December 1 Principal Due December 1			\$3,945,000 General Obligation Refunding Bonds Series 2017 A-2 Dated December 1, 2017 Interest at 3.000%-5.000% Payable June 1 and December 1 Principal Due December 1			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 525,000	\$ 2,088,950	\$ 2,613,950	\$ 45,000	\$ 184,625	\$ 229,625	\$ 570,000	\$ 2,273,575	\$ 2,843,575
2022	590,000	2,073,200	2,663,200	50,000	183,275	233,275	640,000	2,256,475	2,896,475
2023	610,000	2,055,500	2,665,500	55,000	181,775	236,775	665,000	2,237,275	2,902,275
2024	685,000	2,034,150	2,719,150	60,000	179,850	239,850	745,000	2,214,000	2,959,000
2025	705,000	2,010,175	2,715,175	65,000	177,750	242,750	770,000	2,187,925	2,957,925
2026	785,000	1,985,500	2,770,500	70,000	175,475	245,475	855,000	2,160,975	3,015,975
2027	815,000	1,958,025	2,773,025	65,000	173,025	238,025	880,000	2,131,050	3,011,050
2028	895,000	1,929,500	2,824,500	80,000	170,750	250,750	975,000	2,100,250	3,075,250
2029	940,000	1,884,750	2,824,750	85,000	166,750	251,750	1,025,000	2,051,500	3,076,500
2030	1,045,000	1,837,750	2,882,750	95,000	162,500	257,500	1,140,000	2,000,250	3,140,250
2031	1,100,000	1,785,500	2,885,500	95,000	157,750	252,750	1,195,000	1,943,250	3,138,250
2032	1,210,000	1,730,500	2,940,500	105,000	153,000	258,000	1,315,000	1,883,500	3,198,500
2033	1,270,000	1,670,000	2,940,000	110,000	147,750	257,750	1,380,000	1,817,750	3,197,750
2034	1,390,000	1,606,500	2,996,500	125,000	142,250	267,250	1,515,000	1,748,750	3,263,750
2035	1,460,000	1,537,000	2,997,000	130,000	136,000	266,000	1,590,000	1,673,000	3,263,000
2036	1,595,000	1,464,000	3,059,000	140,000	129,500	269,500	1,735,000	1,593,500	3,328,500
2037	1,675,000	1,384,250	3,059,250	150,000	122,500	272,500	1,825,000	1,506,750	3,331,750
2038	1,820,000	1,300,500	3,120,500	160,000	115,000	275,000	1,980,000	1,415,500	3,395,500
2039	1,910,000	1,209,500	3,119,500	170,000	107,000	277,000	2,080,000	1,316,500	3,396,500
2040	2,070,000	1,114,000	3,184,000	185,000	98,500	283,500	2,255,000	1,212,500	3,467,500
2041	2,170,000	1,010,500	3,180,500	190,000	89,250	279,250	2,360,000	1,099,750	3,459,750
2042	2,345,000	902,000	3,247,000	205,000	79,750	284,750	2,550,000	981,750	3,531,750
2043	2,460,000	784,750	3,244,750	220,000	69,500	289,500	2,680,000	854,250	3,534,250
2044	2,650,000	661,750	3,311,750	235,000	58,500	293,500	2,885,000	720,250	3,605,250
2045	2,780,000	529,250	3,309,250	245,000	46,750	291,750	3,025,000	576,000	3,601,000
2046	2,985,000	390,250	3,375,250	265,000	34,500	299,500	3,250,000	424,750	3,674,750
2047	4,820,000	241,000	5,061,000	425,000	21,250	446,250	5,245,000	262,250	5,507,250
Totals	\$ 43,305,000	\$ 39,178,750	\$ 82,483,750	\$ 3,825,000	\$ 3,464,525	\$ 7,289,525	\$ 47,130,000	\$ 42,643,275	\$ 89,773,275

**SOUTHLANDS METRO DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND
PROPERTY TAXES COLLECTED
DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Total Mills Levied		Total Property Taxes		Percent Collected to Levied	Delinquent Taxes Collected / Abatements	Plus Delinquent Taxes Collected Less Abatements	Percent Collected Plus Delinquent Taxes Collected Less Abatements to Levied
			General Operations	Debt Service	Levied	Collected				
2016	\$ 71,722,499	(a)	7.548	53.000	\$ 4,319,296	\$ 4,206,709	97.39 %	\$ (248,520)	\$ 3,958,189	91.64 %
2017	67,882,968	(b)	3.548	58.000	4,167,252	4,116,296	98.78	(5,086)	4,111,210	98.66
2018	73,934,787	(c)	3.000	36.750	2,918,678	2,824,863	96.79	2,207	2,827,070	96.86
2019	71,858,462	(d)	7.000	37.500	3,165,381	3,149,415	99.50	3,705	3,153,120	99.61
2020	82,560,167	(e)	7.000	35.500	3,475,004	3,330,974	95.86	(80,775)	3,250,199	93.53

Estimated for
year ending
December 31,
2021 \$ 79,041,336 (f) 6.500 35.500 \$ 3,287,045

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.

- (a) - Certified Assessed Value of \$3,094,513 is for Arapahoe County debt only.
- (b) - Certified Assessed Value of \$3,046,494 is for Arapahoe County debt only.
- (c) - Certified Assessed Value of \$3,236,755 is for Arapahoe County debt only.
- (d) - Certified Assessed Value of \$3,078,108 is for Arapahoe County debt only.
- (e) - Certified Assessed Value of \$3,219,321 is for Arapahoe County debt only.
- (f) - Certified Assessed Value of \$3,269,181 is for Arapahoe County debt only.

SOUTHLANDS METRO DISTRICT NO. 1
ASSESSED VALUATION OF CLASSES OF PROPERTY OF THE DISTRICT
DECEMBER 31, 2020
(UNAUDITED)

<u>Class</u>	<u>Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Commercial	\$ 71,740,517	90.76%
Vacant Land	418,708	0.53%
Personal Property	6,881,661	8.71%
State Assessed	450	0.00%
Total	<u>\$ 79,041,336</u>	<u>100.00%</u>

**SOUTHLANDS METRO DISTRICT NO. 1
TAXPAYERS IN THE DISTRICT
DECEMBER 31, 2020
(UNAUDITED)**

Taxpayers Within The District

<u>Taxpayer Name</u>	<u>2020 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (1)</u>
NWSL TOWN CENTER LLC	\$ 24,025,340	30.40 %
WAL-MART REAL ESTATE BUSINESS	4,736,933	5.99
NWSL POWER CENTER LLC	4,712,500	5.96
SAM'S CLUB REAL ESTATE	3,058,175	3.87
LOWES HOME IMPROVEMENT WAREHOUSE *	3,690,008	4.67
J.C. PENNEY PROPERTIES INC	2,742,287	3.47
QWEST CORPORATION	458,000	0.58
AMERICAN MULTI - CINEMA	397,373	0.50
MISTER CAR WASH	211,573	0.27
DICK'S SPORTING GOODS	187,321	0.24
Total	<u>\$ 44,219,510</u>	<u>55.95%</u>

(1) Based on a 2020 certified assessed valuation of \$75,772,155.

* Note: Debt only (not in the District)

Taxpayers Within The Excluded Property

<u>Taxpayer Name</u>	<u>2020 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (1)</u>
LOWES HOME IMPROVEMENT WAREHOUSE	\$ 3,252,470	99.49 %
QWEST CORPORATION	7,300	0.22
PUBLIC SERVICES OF COLORADO	5,300	0.16
HILLMAN GROUP INC	3,848	0.12
GRAYHAWK LEASING LLC	153	0.01
COMPASS GROUP USA INC	99	0.00
PRIMO WATER CORP	11	0.00
Total	<u>\$ 3,269,181</u>	<u>100.00%</u>

(1) Based on a 2020 certified assessed valuation of \$3,269,181.

SOUTHLANDS METRO DISTRICT NO. 1
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT
DECEMBER 31, 2020
(UNAUDITED)

Entity	2020 Assessed Valuation	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributed to the District	
			Percent	Debt
City of Aurora	\$5,541,918,846	None	1.43%	None
Cherry Creek School District #5	\$7,136,942,373	\$ 514,280,000	1.11%	\$ 5,695,629
				<u>\$ 5,695,629</u>

Exclusion Adjusted Taxing Area Historical Debt Ratios

	Years Ended December 31				
	2016	2017	2018	2019	2020
General Obligation Debt Outstanding	\$ 55,385,000	\$ 44,690,000	\$ 44,260,000	\$ 43,815,000	\$ 43,305,000
Assessed Value - Exclusion Adjusted Taxing Area	\$ 67,882,968	\$ 73,934,787	\$ 71,858,462	\$ 82,560,167	\$ 79,041,336
Ratio of Debt to Assessed Value	81.59%	60.45%	61.59%	53.07%	54.79%