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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, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, 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
December 16, 2019

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

12/16/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 210,080	\$ 218,343	\$ 190,800
REVENUES			
Property Taxes	8,865	8,957	11,929
Specific Ownership Tax	46,017	46,900	62,700
Interest Income	70	301	200
Facilities Fees	52,500	42,000	50,000
Urban Renewal TIF	938,746	1,033,722	1,416,250
Other Revenue	-	100	1,200
Total revenues	<u>1,046,198</u>	<u>1,131,980</u>	<u>1,542,279</u>
Total funds available	<u>1,256,278</u>	<u>1,350,323</u>	<u>1,733,079</u>
EXPENDITURES			
General Fund	15,682	16,061	164,706
Debt Service Fund	1,022,253	1,143,462	1,377,573
Total expenditures	<u>1,037,935</u>	<u>1,159,523</u>	<u>1,542,279</u>
Total expenditures and transfers out requiring appropriation	<u>1,037,935</u>	<u>1,159,523</u>	<u>1,542,279</u>
ENDING FUND BALANCES	<u>\$ 218,343</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
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/16/19

ACTUAL	ESTIMATED	BUDGET
2018	2019	2020

ASSESSED VALUATION

Residential	\$ 8,141,460	\$ 9,307,240	\$ 12,132,570
Commercial	440,800	558,520	611,740
Vacant land	965,020	644,490	882,430
	9,547,280	10,510,250	13,626,740
Adjustments	(9,314,860)	(10,275,440)	(13,355,850)
Certified Assessed Value	\$ 232,420	\$ 234,810	\$ 270,890

MILL LEVY

General	10.899	10.899	11.009
Debt Service	27.247	27.247	33.027
Total mill levy	38.146	38.146	44.036

PROPERTY TAXES

General	\$ 2,533	\$ 2,559	\$ 2,982
Debt Service	6,333	6,398	8,947
Levied property taxes	8,866	8,957	11,929
Adjustments to actual/rounding	(1)	-	-
Budgeted property taxes	\$ 8,865	\$ 8,957	\$ 11,929

BUDGETED PROPERTY TAXES

General	\$ 2,533	\$ 2,559	\$ 2,982
Debt Service	6,332	6,398	8,947
	\$ 8,865	\$ 8,957	\$ 11,929

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
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

12/16/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ 1	\$ -
REVENUES			
Property Taxes	2,533	2,559	2,982
Specific Ownership Tax	13,147	13,400	15,700
Urban Renewal TIF	-	-	144,824
Interest Income	3	1	-
Other Revenue	-	100	1,200
Total revenues	15,683	16,060	164,706
Total funds available	15,683	16,061	164,706
EXPENDITURES			
General and administrative			
County Treasurer's Fee	38	38	45
Miscellaneous	112	100	200
Contingency	-	-	1,000
Intergovernmental Expenditure - District No. 1	15,532	15,923	163,461
Operations and maintenance			
Total expenditures	15,682	16,061	164,706
Total expenditures and transfers out requiring appropriation	15,682	16,061	164,706
ENDING FUND BALANCE	\$ 1	\$ -	\$ -

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
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/16/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ 210,080	\$ 218,342	\$ 190,800
REVENUES			
Property Taxes	6,332	6,398	8,947
Specific Ownership Tax	32,870	33,500	47,000
Interest Income	67	300	200
Facilities Fees	52,500	42,000	50,000
Urban Renewal TIF	938,746	1,033,722	1,271,426
Total revenues	1,030,515	1,115,920	1,377,573
Total funds available	1,240,595	1,334,262	1,568,373
EXPENDITURES			
General and administrative			
County Treasurer's Fee	96	96	134
Miscellaneous	69	140	200
Intergovernmental Expenditure - District No. 1	100,000	110,312	-
Paying Agent Fees	3,200	5,200	6,000
Debt Service			
Bond Interest - Series 2011C	200,350	186,750	183,600
Bond Interest - Series 2015	185,646	175,937	167,238
Bond Interest - Series 2011D	217,892	330,027	685,401
Bond Principal - Series 2011C	30,000	35,000	35,000
Bond Principal - Series 2015	285,000	300,000	300,000
Total expenditures	1,022,253	1,143,462	1,377,573
Total expenditures and transfers out requiring appropriation	1,022,253	1,143,462	1,377,573
ENDING FUND BALANCE	\$ 218,342	\$ 190,800	\$ 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
2020 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
2020 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 the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

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.

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 historical interest earnings.

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.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures (Continued)

County Treasurer's Fees

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

Debt Service

Interest payments in 2020 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.

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 2020 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**

**\$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
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>\$ 2,040,000</u>	<u>\$ 2,570,400</u>	<u>\$ 4,610,400</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**

**\$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>
2020	\$ 300,000	\$ 167,238	\$ 467,238
2021	310,000	157,624	467,624
2022	4,855,000	153,854	5,008,854
	<u>\$ 5,465,000</u>	<u>\$ 478,716</u>	<u>\$ 5,943,716</u>

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