



SCHILLING & COMPANY, INC.

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Accountant's Compilation Report

Board of Directors
Village at SouthGate Metropolitan District
Adams County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Village at SouthGate Metropolitan District (District), 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 ending December 31, 2017, in the format required by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The actual comparative information for the year ending December 31, 2017 is presented for comparative purposes as required by Colorado Revised Statutes (C.R.S.) 29-1-105. Such information is taken from the Application for Exemption from Audit of the District for the year ended December 31, 2017. Schilling & Company, Inc. compiled the Application for Exemption from Audit for the year ended December 31, 2017, whose report was dated March 9, 2018.

The budget is presented in accordance with the requirements of Colorado Revised Statutes (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 Village at SouthGate Metropolitan District.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
December 10, 2018

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

| | <u>ACTUAL 2017</u> | <u>ADOPTED BUDGET 2018</u> | <u>ADOPTED BUDGET 2019</u> |
|--|------------------------|------------------------------------|------------------------------------|
| ASSESSED VALUATION | | | |
| Adams County Certified Assessed Value | <u>\$ 252,680</u> | <u>\$ 932,640</u> | <u>\$ 2,138,960</u> |
| MILL LEVY | | | |
| General - Operations Mill Levy | 10.000 | 11.056 | 11.056 |
| Debt Service - Senior Bonds Mill Levy | - | - | 40.000 |
| Total mill levy | <u>10.000</u> | <u>11.056</u> | <u>51.056</u> |
| PROPERTY TAXES | | | |
| General Fund | \$ 2,527 | \$ 10,311 | \$ 23,648 |
| Debt Service - Senior Bonds Mill Levy | - | - | 85,558 |
| Levied property taxes | <u>2,527</u> | <u>10,311</u> | <u>109,206</u> |
| Adjustments to actual/rounding | - | - | - |
| Actual or budgeted property taxes | <u>\$ 2,527</u> | <u>\$ 10,311</u> | <u>\$ 109,206</u> |
| PROPERTY TAXES BY FUND | | | |
| General Fund | \$ 2,527 | \$ 10,311 | \$ 23,648 |
| Debt Service | - | - | 85,558 |
| | <u>\$ 2,527</u> | <u>\$ 10,311</u> | <u>\$ 109,206</u> |

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

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
GENERAL FUND
2019 BUDGET AS ADOPTED
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

| | <u>ACTUAL 2017</u> | <u>ESTIMATED 2018</u> | <u>ADOPTED BUDGET 2019</u> |
|---|------------------------|---------------------------|------------------------------------|
| BEGINNING FUND BALANCE | \$ 4,957 | \$ 4,895 | \$ 336 |
| REVENUE | | | |
| Property tax | 2,527 | 10,311 | 23,648 |
| Specific ownership tax | 244 | 813 | 1,865 |
| Net investment income | 45 | 60 | - |
| Total revenue | <u>2,816</u> | <u>11,184</u> | <u>25,513</u> |
| OTHER FINANCING SOURCES | | | |
| Developer Advance | 22,701 | 83,740 | 23,552 |
| Total other financing sources | <u>22,701</u> | <u>83,740</u> | <u>23,552</u> |
| Total funds available | <u>30,474</u> | <u>99,819</u> | <u>49,401</u> |
| EXPENDITURES | | | |
| General Government | | | |
| Legal | 21,988 | 55,813 | 25,000 |
| Accounting | 685 | 6,596 | 5,000 |
| Audit | - | - | 5,000 |
| Management services | - | 2,413 | 4,800 |
| Insurance | 2,779 | 2,738 | 3,000 |
| Office supplies | 82 | - | - |
| Postage | - | 52 | 60 |
| Election | - | 1,499 | - |
| Bank service charges | 7 | 150 | 120 |
| Dues and subscriptions | 38 | 290 | 300 |
| Treasurer's fees | - | 156 | 355 |
| Cost of Issuance | - | 29,776 | - |
| Contingency | - | - | 5,000 |
| Total expenditures | <u>25,579</u> | <u>99,483</u> | <u>48,635</u> |
| Total expenditures and transfers out requiring appropriation | <u>25,579</u> | <u>99,483</u> | <u>48,635</u> |
| ENDING FUND BALANCE | <u>\$ 4,895</u> | <u>\$ 336</u> | <u>\$ 766</u> |
| EMERGENCY RESERVE | <u>\$ 85</u> | <u>\$ 336</u> | <u>\$ 766</u> |

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

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
DEBT SERVICE FUND
2019 BUDGET AS ADOPTED
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

| | <u>ACTUAL 2017</u> | <u>ESTIMATED 2018</u> | <u>ADOPTED BUDGET 2019</u> |
|---|------------------------|---------------------------|------------------------------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ 712,884 |
| REVENUE | | | |
| Property tax | - | - | 85,558 |
| Specific ownership tax | - | - | 6,746 |
| Facility Fees | - | 127,500 | 120,000 |
| Interest income | - | 8,663 | 9,000 |
| Total revenue | <u>-</u> | <u>136,163</u> | <u>221,304</u> |
| OTHER FINANCING SOURCES | | | |
| Transfer from Capital Projects Fund | - | 707,725 | - |
| Total other financing sources | <u>-</u> | <u>707,725</u> | <u>-</u> |
| Total funds available | <u>-</u> | <u>843,888</u> | <u>934,188</u> |
| EXPENDITURES | | | |
| Bank service charges | - | 668 | 800 |
| Interest 2018A Senior Bonds | - | 130,336 | 233,438 |
| Contingency | - | - | 5,000 |
| Total expenditures | <u>-</u> | <u>131,004</u> | <u>239,238</u> |
| Total expenditures and transfers out requiring appropriation | <u>-</u> | <u>131,004</u> | <u>239,238</u> |
| ENDING FUND BALANCE | <u>\$ -</u> | <u>\$ 712,884</u> | <u>\$ 694,950</u> |
| REQUIRED RESERVE | <u>\$ -</u> | <u>\$ 343,906</u> | <u>\$ 343,906</u> |

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

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
2019 BUDGET AS ADOPTED
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

| | <u>ACTUAL 2017</u> | <u>ESTIMATED 2018</u> | <u>ADOPTED BUDGET 2019</u> |
|---|------------------------|---------------------------|------------------------------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ 12,468 |
| REVENUE | | | |
| Interest income | - | 12,223 | 300 |
| Total revenue | <u>-</u> | <u>12,223</u> | <u>300</u> |
| OTHER FINANCING SOURCES | | | |
| Bond Proceeds - 2018A | - | 4,150,000 | - |
| Bond Proceeds - 2018B | - | 764,000 | - |
| Total other financing sources | <u>-</u> | <u>4,914,000</u> | <u>-</u> |
| Total funds available | <u>-</u> | <u>4,926,223</u> | <u>12,768</u> |
| EXPENDITURES | | | |
| Bank service charges | - | 1,210 | 50 |
| Cost of Issuance | - | 315,521 | - |
| Capital Reimbursement Expense | - | 3,889,299 | - |
| Contingency | - | - | 12,718 |
| Total expenditures | <u>-</u> | <u>4,206,030</u> | <u>12,768</u> |
| OTHER FINANCING USES | | | |
| Transfer to Debt Service Fund | - | 707,725 | - |
| Total other financing uses | <u>-</u> | <u>707,725</u> | <u>-</u> |
| Total expenditures and transfers out requiring appropriation | <u>-</u> | <u>4,913,755</u> | <u>12,768</u> |
| ENDING FUND BALANCE | <u>\$ -</u> | <u>\$ 12,468</u> | <u>\$ -</u> |

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

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Disclosures contained in this summary as presented by management, are those that are believed to be significant as of the date of the compilation report and are not intended to be all-inclusive. The disclosures are intended to describe assumptions used during the preparation of the 2019 annual budget. Actual results may differ from the prospective results contained in the budget.

SERVICES PROVIDED

The Village at SouthGate Metropolitan District (the "District"), was organized in Adams County to provide financing to construct and install local and regional public improvements for the Village at SouthGate Development, including potable water and sewer lines larger than 12" in diameter; storm drainage facilities; the full width of major and minor arterial and collector roadways; community parks; and recreational facilities and services.

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

REVENUE

Property Tax

Property taxes are forecasted based on the mill levy adopted applied to the annual assessed valuation. The calculation of the taxes levied is displayed on page 2 of the budget at the adopted total mill levy of 51.056 as adjusted for the changes in the residential assessment rate as a result of the Gallagher Amendment to the Colorado Constitution. The 51.056 mills is comprised of the Required Mill Levy for the Limited Tax General Obligation Bonds Series 2018A in the Debt Service Fund of 40.000 mills and the Operations Mill Levy of 11.056 in the General Fund.

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 7.9% of the property taxes collected.

Facility Fees

Facility fees have been set the District of \$2,500 for each residential single-family detached unit and \$1,500 for each residential multi-family unit located within the District. The facility fees are due and payable prior to the issuance of a building permit by the City of Brighton for the applicable units. The 2019 facility fee revenue has been calculated based on the anticipated building permits to be issued in 2019.

Investment Income

Interest earned on the District's available funds has been estimated based on interest earnings from the prior year.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

EXPENDITURES

Administrative Expenditures

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

DEBT AND LEASES

During 2018, the District issued \$4,150,000 of Limited Tax General Obligation Bonds Series 2018A which bear interest at 5.625% and \$764,000 of Subordinate Limited Tax General Obligation Bonds Series 2018B which bear interest at 7.750%. Mandatory sinking fund redemptions begin on the 2018A bonds in 2023 while the 2018B bonds have no required debt service payments until 2048. The Schedule of Debt Service Requirements included on page 8 is based on the Financial Forecast (prepared in conjunction with the bond issuance), based on the assumptions more particularly set forth therein.

The District has no operating or capital leases.

RESERVES

The District has provided for an emergency reserve fund of at least 3% of fiscal year spending for 2019, as defined under TABOR.

This information is an integral part of the accompanying budget.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS**

| Year ended December 31, | \$4,150,000 Limited Tax General Obligation Bonds Series 2018A Bearing Interest at 5.625% | | \$764,000 Subordinate Limited Tax General Obligation Bonds Series 2018B Bearing Interest at 7.750% | | Annual Total |
|----------------------------|---|------------------------|---|------------------------|-------------------------|
| | Principal (1) | Interest (2) | Principal (3) | Interest (3) | |
| | 2018 | \$ - | \$ 130,335.94 | \$ - | |
| 2019 | - | 233,437.50 | - | - | 233,437.50 |
| 2020 | - | 233,437.50 | - | - | 233,437.50 |
| 2021 | - | 233,437.50 | - | 118,092.00 | 351,529.50 |
| 2022 | - | 233,437.50 | - | 88,062.00 | 321,499.50 |
| 2023 | 35,000.00 | 233,437.50 | - | 82,150.00 | 350,587.50 |
| 2024 | 45,000.00 | 231,468.76 | - | 88,410.00 | 364,878.76 |
| 2025 | 50,000.00 | 228,937.50 | - | 85,941.00 | 364,878.50 |
| 2026 | 55,000.00 | 226,125.00 | - | 91,076.00 | 372,201.00 |
| 2027 | 60,000.00 | 223,031.26 | 20,000.00 | 68,990.00 | 372,021.26 |
| 2028 | 70,000.00 | 219,656.26 | 32,000.00 | 57,660.00 | 379,316.26 |
| 2029 | 75,000.00 | 215,718.76 | 34,000.00 | 55,180.00 | 379,898.76 |
| 2030 | 85,000.00 | 211,500.00 | 38,000.00 | 52,545.00 | 387,045.00 |
| 2031 | 90,000.00 | 206,718.76 | 41,000.00 | 49,600.00 | 387,318.76 |
| 2032 | 100,000.00 | 201,656.26 | 47,000.00 | 46,423.00 | 395,079.26 |
| 2033 | 105,000.00 | 196,031.26 | 51,000.00 | 42,780.00 | 394,811.26 |
| 2034 | 115,000.00 | 190,125.00 | 59,000.00 | 38,828.00 | 402,953.00 |
| 2035 | 125,000.00 | 183,656.26 | 60,000.00 | 34,255.00 | 402,911.26 |
| 2036 | 135,000.00 | 176,625.00 | 70,000.00 | 29,605.00 | 411,230.00 |
| 2037 | 145,000.00 | 169,031.26 | 73,000.00 | 24,180.00 | 411,211.26 |
| 2038 | 160,000.00 | 160,875.00 | 80,000.00 | 18,523.00 | 419,398.00 |
| 2039 | 165,000.00 | 151,875.00 | 90,000.00 | 12,323.00 | 419,198.00 |
| 2040 | 185,000.00 | 142,593.76 | 69,000.00 | 5,348.00 | 401,941.76 |
| 2041 | 195,000.00 | 132,187.50 | - | - | 327,187.50 |
| 2042 | 210,000.00 | 121,218.76 | - | - | 331,218.76 |
| 2043 | 225,000.00 | 109,406.26 | - | - | 334,406.26 |
| 2044 | 240,000.00 | 96,750.00 | - | - | 336,750.00 |
| 2045 | 255,000.00 | 83,250.00 | - | - | 338,250.00 |
| 2046 | 275,000.00 | 68,906.26 | - | - | 343,906.26 |
| 2047 | 290,000.00 | 53,437.50 | - | - | 343,437.50 |
| 2048 | 660,000.00 | 37,125.00 | - | - | 697,125.00 |
| | <u>\$ 4,150,000.00</u> | <u>\$ 5,335,429.82</u> | <u>\$ 764,000.00</u> | <u>\$ 1,089,971.00</u> | <u>\$ 11,339,400.82</u> |

(1) - Assumes that mandatory sinking fund redemption payments are made but assumes no optional redemptions occur.

(2) - The interest payments due on December 1, 2018 through December 1, 2019, are expected to be paid with capitalized interest.

(3) - Includes the forecasted payment of principal and interest on December 15 of each year indicated. The 2018B Subordinate Bonds have no fixed principal payment amounts due prior to maturity. The payments with respect to the 2018B Subordinate Bonds shown above reflect the forecasted principal and interest payments shown on Exhibit III of the Financial Forecast as included as Appendix C to the Limited Offering Memorandum dated May 3, 2018 related to the issuance of these bonds. These payments, however, are only forecasted amounts as and no assurance is given that the principal and interest on the 2018B Subordinate Bonds will be paid as set forth in this table. In addition to the other assumptions reflected in this table and the financial forecast, this assumes that no optional redemptions of the 2018B Subordinate Bonds will be made prior to maturity.

This information is an integral part of the accompanying budget.