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Accountant's Report

Board of Directors
Meridian Village Metropolitan District No. 2

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Meridian Village Metropolitan District No. 2 for the year ending December 31, 2019, including the estimate of comparative information for the year ending December 31, 2018, and the actual comparative information for the year ending December 31, 2017, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted 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 Meridian Village Metropolitan District No. 2.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 7, 2019

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

1/7/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCES	\$ 41,649	\$ 10,940	\$ 5,186
REVENUES			
Property taxes	3,063,406	4,161,721	3,682,116
Specific ownership tax	335,579	457,789	368,212
Interest income	7,591	13,348	15,000
Other revenue	-	-	15,000
Total revenues	<u>3,406,576</u>	<u>4,632,858</u>	<u>4,080,328</u>
Total funds available	<u>3,448,225</u>	<u>4,643,798</u>	<u>4,085,514</u>
EXPENDITURES			
General Fund	573,018	777,895	821,480
Debt Service Fund	2,864,267	3,860,717	3,264,034
Total expenditures	<u>3,437,285</u>	<u>4,638,612</u>	<u>4,085,514</u>
Total expenditures and transfers out requiring appropriation	<u>3,437,285</u>	<u>4,638,612</u>	<u>4,085,514</u>
ENDING FUND BALANCES	<u>\$ 10,940</u>	<u>\$ 5,186</u>	<u>\$ -</u>

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

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/7/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
ASSESSED VALUATION			
Residential	\$ 41,600,700	\$ 52,826,320	\$ 58,653,570
Commercial	-	-	101,600
Agricultural	2,790	950	990
State assessed	486,800	583,000	976,500
Vacant land	8,807,430	9,235,750	5,954,820
Personal property	158,990	94,750	
Other	-	-	80
	<u>51,056,710</u>	<u>62,740,770</u>	<u>65,687,560</u>
Adjustments	-	-	-
Certified Assessed Value	<u>\$ 51,056,710</u>	<u>\$ 62,740,770</u>	<u>\$ 65,687,560</u>
MILL LEVY			
General	10.000	11.055	11.055
Debt Service	50.000	55.277	45.000
Total mill levy	<u>60.000</u>	<u>66.332</u>	<u>56.055</u>
PROPERTY TAXES			
General	\$ 510,567	\$ 693,599	\$ 726,176
Debt Service	2,552,836	3,468,122	2,955,940
Levied property taxes	<u>3,063,403</u>	<u>4,161,721</u>	<u>3,682,116</u>
Refunds and abatements/Adjustments	3	-	-
Budgeted property taxes	<u>\$ 3,063,406</u>	<u>\$ 4,161,721</u>	<u>\$ 3,682,116</u>
ASSESSED VALUATION			
State assessed	-	-	400
Certified Assessed Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400</u>
MILL LEVY			
Debt Service	0.000	0.000	0.000
Total mill levy	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
PROPERTY TAXES			
Debt Service	-	-	-
Budgeted property taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED PROPERTY TAXES			
General	\$ 510,568	\$ 693,599	\$ 726,176
Debt Service	2,552,838	3,468,122	2,955,940
	<u>\$ 3,063,406</u>	<u>\$ 4,161,721</u>	<u>\$ 3,682,116</u>

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

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/7/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 6,973	\$ 1,838	\$ 5,186
REVENUES			
Property taxes	510,670	693,599	726,176
Specific ownership tax	55,941	76,296	72,618
Interest income	1,272	11,348	12,500
Other revenue	-	-	5,000
Total revenues	<u>567,883</u>	<u>781,243</u>	<u>816,294</u>
Total funds available	<u>574,856</u>	<u>783,081</u>	<u>821,480</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	7,663	10,404	10,893
Payroll taxes	115	122	153
Contingency	-	-	5,000
Board support	1,500	2,000	2,000
Transfers to Meridian Village No. 1	563,740	765,369	803,434
Total expenditures	<u>573,018</u>	<u>777,895</u>	<u>821,480</u>
Total expenditures and transfers out requiring appropriation	<u>573,018</u>	<u>777,895</u>	<u>821,480</u>
ENDING FUND BALANCE	<u>\$ 1,838</u>	<u>\$ 5,186</u>	<u>\$ -</u>

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

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/7/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 34,676	\$ 9,102	\$ -
REVENUES			
Property taxes	2,552,736	3,468,122	2,955,940
Specific ownership tax	279,638	381,493	295,594
Interest income	6,319	2,000	2,500
Other revenue	-	-	10,000
Total revenues	<u>2,838,693</u>	<u>3,851,615</u>	<u>3,264,034</u>
Total funds available	<u>2,873,369</u>	<u>3,860,717</u>	<u>3,264,034</u>
EXPENDITURES			
Debt Service			
County Treasurer's fee	38,304	52,022	44,339
Contingency	-	10,000	10,000
Transfers to Meridian Village No. 1	2,825,963	3,798,695	3,209,695
Total expenditures	<u>2,864,267</u>	<u>3,860,717</u>	<u>3,264,034</u>
Total expenditures and transfers out requiring appropriation	<u>2,864,267</u>	<u>3,860,717</u>	<u>3,264,034</u>
ENDING FUND BALANCE	<u>\$ 9,102</u>	<u>\$ -</u>	<u>\$ -</u>

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

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Meridian Village Metropolitan District No. 2 is a quasi-municipal corporation and political subdivision of the State of Colorado organized by order of the Douglas County Court on November 20, 2004. The District's service area is located in Douglas County, Colorado. The District was organized to provide storm sewer improvements, street improvements, park and recreational facilities and safety protection services.

The District was formed in conjunction with Meridian Village Metropolitan District Nos. 1, 3 and 4. District No. 1 will serve as the "Service District" with the responsibility of managing the construction and operation of facilities and improvements needed for the public improvements. District Nos. 2, 3 and 4 will serve as the "Financing Districts" with the responsibility of providing the funding and tax base needed to support the capital improvements and operations.

The District has no employees and contracts for all of its management and professional services.

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.

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 method of calculating assessed valuation of residential assessment rates in the State of Colorado changed to 7.20% from 7.96% for property tax years 2018-2019 on April 17, 2018 with a report submitted to the State Board of Equalization. Accordingly, the maximum mill levy has been adjusted upward to reflect the change in the assessed value calculation.

The calculation of the taxes levied is displayed on the Property Tax Summary Information 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. The budget assumes that the District's share will be equal to approximately 10% of the property taxes collected by the District.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.5%.

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures

Administrative and Operating

The District has entered into an Intergovernmental Financing Agreement with Meridian Village Metropolitan District No.1 where District No.1 will operate and maintain the District in exchange for the Districts net legally available revenue.

Debt Service

The District has entered into an Intergovernmental Financing Agreement with Meridian Village Metropolitan District No.1 where District No.1 will finance the Districts improvements in exchange for the Districts net legally available revenue.

Debt and Leases

The District has no debt and no operating or capital leases.

Reserves

Emergency Reserves

District No. 1 has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for District Nos. 2, 3, and 4 for 2019, as defined under TABOR.

Additional Information

Per the Service Plan: The debt service mill levy is capped at 50 mills until the District's assessed valuation reaches a value equal to twice the aggregate amount of outstanding debt, in which case there is no mill levy cap. The operations mill levy is capped at 10 mills. However, both mill levies are subject to adjustments for Gallagher, so if the valuation calculation for residential property decreases from its current level of 7.2% of actual value the mill levy will be adjusted accordingly.

Per Meridian Villages Funding Agreement: Meridian Village No. 1 issues revenue bonds and Meridian Village No. 2 has agreed to tax itself to the maximum rate of 40 mills, adjusted for Gallagher but never to exceed a hard cap of 50 mills, and pay the revenue over to District No. 1 for debt service. In a separate O&M Funding Agreement, District No. 2 agrees to tax itself up to 10 mills, adjusted for Gallagher but never to exceed 50 mills. In addition, if District No. 2 has to levy more than 40 mills for payment of District No. 1's debt service, District No. 2's contractual obligation to go higher than 10 is reduced proportionately. Subject to the service plan mill levy caps described above, the two Districts may decide that the District No. 2 aggregate mill levy will exceed 50 mills. District No. 2 is just not required to exceed 50 mills.

The May 4, 2004 election authorized the District to issue up to \$400,000,000 in general obligation debt for public infrastructure and \$1,200,000 for debt refunding.

This information is an integral part of the accompanying budget.