



Certified Public Accountants and Business Consultants

Accountant's Compilation Report

Board of Directors
PrairieStar Metropolitan District No. 2
Larimer County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures and fund balances of PrairieStar Metropolitan District No. 2 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, the actual comparative information for the year ending December 31, 2016, and the adopted budget for the year ending December 31, 2017 in the format prescribed 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 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.

We draw attention to the Budget Message included in the budget submission to the State of Colorado which describes that the budgetary basis of accounting is the modified accrual basis 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 PrairieStar Metropolitan District No. 2.

Barnes Griggs & Associates, PC

Lakewood, Colorado
January 11, 2018

Barnes Griggs & Associates, PC

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2
Assessed Value, Property Tax and Mill Levy Information

	2016 Actual	2017 Adopted Budget	2018 Adopted Budget
Assessed Valuation	\$ 780,226	\$ 1,279,993	\$ 2,965,759
Mill Levy			
General Fund	10.000	10.000	11.055
Debt Service Fund	35.000	35.000	38.694
Temporary Mill Levy Reduction	-	-	-
Refunds and Abatements	-	-	-
Total Mill Levy	<u>45.000</u>	<u>45.000</u>	<u>49.749</u>
Property Taxes			
General Fund	\$ 7,802	\$ 12,800	\$ 32,786
Debt Service Fund	27,308	44,800	114,758
Temporary Mill Levy Reduction	-	-	-
Refunds and Abatements	-	-	-
Actual/Budgeted Property Taxes	<u>\$ 35,110</u>	<u>\$ 57,600</u>	<u>\$ 147,544</u>

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**GENERAL FUND
2018 Adopted Budget
with 2016 Actual, 2017 Adopted Budget, and 2017 Estimated**

	2016 Actual	2017 Adopted Budget	2017 Estimated	2018 Adopted Budget
BEGINNING FUND BALANCE	\$ 23	\$ 315	\$ -	\$ -
REVENUE				
Property Tax Revenue	7,802	12,800	12,800	32,786
Specific Ownership Taxes	626	640	1,100	1,200
Transfer Service Fee	150	-	-	-
Interest Income	41	100	-	-
Miscellaneous Income	-	-	250	-
Total Revenue	8,620	13,540	14,150	33,986
Total Funds Available	8,643	13,855	14,150	33,986
EXPENDITURES				
Miscellaneous	80	100	100	100
Treasurer's Fees	157	192	254	656
Contingency	-	9	-	-
Total Expenditures	237	301	354	756
Transfers and Other Uses				
Transfer to District No. 1	8,406	13,144	13,796	32,210
Emergency Reserve	-	410	-	1,020
Total Expenditures Requiring Appropriation	8,643	13,855	14,150	33,986
ENDING FUND BALANCE	\$ -	\$ -	\$ -	\$ -

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

DEBT SERVICE FUND

2018 Adopted Budget

with 2016 Actual, 2017 Adopted Budget and 2017 Estimated

	2016 Actual	2017 Adopted Budget	2017 Estimated	2018 Adopted Budget
BEGINNING FUND BALANCE	\$ 44	\$ 2,054,586	\$ 2,013,142	\$ 1,706,783
REVENUE				
Property Tax Revenue	27,308	44,800	44,800	114,758
Specific Ownership Taxes	2,193	1,400	3,950	4,000
Bond Proceeds	6,195,000	-	-	-
Interest Income	207	150	2,000	2,000
Total Revenue	6,224,708	46,350	50,750	120,758
Total Funds Available	6,224,753	2,100,936	2,063,892	1,827,541
EXPENDITURES				
Treasurer's Fees	549	672	896	2,295
Bond Issuance Costs	352,188	-	-	-
2016 Bond Interest	102,906	356,213	356,213	356,213
Transfer to District 1	3,755,968	-	-	-
Total Expenditures	4,211,610	356,885	357,109	358,508
Total Expenditures Requiring Appropriation	4,211,610	356,885	357,109	358,508
ENDING FUND BALANCE	\$ 2,013,142	\$ 1,744,051	\$ 1,706,783	\$ 1,469,033

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

2018 Budget Message

Introduction

The District is located in the Town of Berthoud, Larimer County, Colorado. The District was organized in 2010 pursuant to the Special District Act and in conjunction with three other metropolitan districts, PrairieStar Metropolitan District No. 1 (“District No. 1”), PrairieStar Metropolitan District No. 3 (“District No. 3”) and PrairieStar Metropolitan District No. 4 (“District No. 4”) (together, the District, District No. 1, District No. 3 and District No. 4 are referred to herein as the “Districts”). It is anticipated that the Districts will each function as a separate district, but will work in cooperation to service the Project (as defined in the Service Plans). The Districts will be responsible for developing, managing, financing, acquiring, constructing, and the operation and maintenance of certain improvements as generally described in the Service Plan, to serve the future taxpayers and inhabitants of the Service Area (as defined in the District’s Service Plan), except as specifically limited in Section V of the District’s Service Plan.

The 2018 budget was prepared in accordance with the Local Government Budget Law of Colorado. The budget reflects the projected spending plan for the 2018 fiscal year based on available revenues. This budget provides for the general operation of the PrairieStar Metropolitan District No. 2 (“District”).

The Board of Directors authorized adjustment of the District mill levy in accordance with the Colorado Constitution, Article X, Section 3 (the “Gallagher Adjustment”). The Gallagher Adjustment and the District’s Service Plan authorize an adjustment of the Maximum Debt Mill Levy in the event that the method of calculating assessed valuation is changed after January 1, 2004, by any change in law, change in method of calculation, or in the event of any legislation or constitutionally mandated tax credit, cut, or abatement. The adjustment to the Maximum Debt Mill Levy is determined by the Board so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. The Colorado General Assembly passed House Bill 17-1349 setting the ratio of valuation for assessment for real residential property at 7.2% (decreased from 7.96%) for property taxes commencing on and after January 1, 2017, until the next property tax year that the General Assembly determines to adjust the ratio of valuation for assessment for residential real property. The Gallagher Adjustment for the District allows for a total mill levy imposition, as noted in the following paragraph, so the District’s revenue is neither diminished nor enhanced.

The District’s assessed value increased to \$2,965,759 in 2017 from \$1,279,993 in 2016. The District’s 2017 mill levy increased to 49.749 mills for taxes to be collected in the 2018 fiscal year, with 11.055 mills dedicated to the General Fund and 38.694 mills dedicated to the Debt Service Fund.

Budgetary Basis of Accounting

The District uses fund accounting to budget and report on the financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions. The various funds comprise the total District budget. All of the District's funds are considered Governmental Funds and are reported using the current financial resources and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Revenues are considered available when they are collectible within 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. Expenditures, other than the interest on long term obligations, are recorded when the liability is incurred or the long-term obligation paid.

Fund Summaries

The **General Fund** is used to account for resources traditionally associated with the government such as property taxes and specific ownership taxes, and expenditures which include District administration, legal services, and other expenses related to statutory operations of a local government. In accordance with the Facilities Funding, Construction and Operations Agreement, all available operating funds will be transferred to District No. 1 as the operating District.

The **Debt Service Fund** is used to account for property taxes and other revenues dedicated to pay the fiscal year's debt service which includes principal payments, interest payments, and administrative costs associated with debt obligations. In 2016, the District issued Limited Tax General Obligation Bonds, Series 2016, with an average coupon rate of 5.75%. Below is a summary of the District's long-term General Obligation Debt.

PrairieStar Metropolitan District No. 2

Bonds Principal and Interest Maturing in the Year Ending December 31	\$6,195,000 Limited Tax General Obligation Bonds, Series 2016		
	Principal	Interest	Total
2018	-	356,213	356,213
2019	-	356,213	356,213
2020	-	356,213	356,213
2021	25,000	356,213	381,213
2022	65,000	354,775	419,775
2023-2027	455,000	1,708,325	2,163,325
2028-2032	730,000	1,547,613	2,277,613
2033-2037	1,090,000	1,298,350	2,388,350
2038-2042	1,580,000	932,363	2,512,363
2043-2046	2,250,000	377,488	2,627,488
Total	<u>6,195,000</u>	<u>7,643,763</u>	<u>13,838,763</u>

Emergency Reserve

As required by Section 20 of Article X of the Colorado Constitution (“TABOR”), the District has provided for an Emergency Reserve in the amount of 3% of the total fiscal year revenues in the General Fund.