

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2022

with

Independent Auditor's Report

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Board of Directors
Southshore Metropolitan District No. 2
Arapahoe County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Southshore Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Southshore Metropolitan District No. 2 as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Continuing Disclosure Annual Financial Information

The continuing disclosure annual financial information, as listed in the table of contents, 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.

In connection with our audit of the basic financial statements, our responsibility is to read the continuing disclosure annual financial information and consider whether a material inconsistency exists between the continuing disclosure annual financial information and the basic financial statements, or the continuing disclosure annual financial information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the continuing disclosure annual financial information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 28, 2023

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 457,520	\$ -	\$ -	\$ 457,520	\$ -	\$ 457,520
Cash and investments - restricted	1,164	4,928,312	3,909	4,933,385	-	4,933,385
Receivable - County Treasurer	16,297	-	-	16,297	-	16,297
Receivable - System Development Fees	-	2,500	-	2,500	-	2,500
Property taxes receivable	2,619,764	1,891,472	-	4,511,236	-	4,511,236
Prepaid debt insurance, net of accumulated amortization	-	-	-	-	434,907	434,907
Total Assets	<u>3,094,745</u>	<u>6,822,284</u>	<u>3,909</u>	<u>9,920,938</u>	<u>434,907</u>	<u>10,355,845</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	4,210,820	4,210,820
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,210,820</u>	<u>4,210,820</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,094,745</u>	<u>\$ 6,822,284</u>	<u>\$ 3,909</u>	<u>\$ 9,920,938</u>		
LIABILITIES						
Due to District No. 1	\$ 145,222	\$ -	\$ -	\$ 145,222	-	145,222
Accrued interest on bonds	-	-	-	-	123,820	123,820
Long-term liabilities:						
Due within one year	-	-	-	-	1,170,000	1,170,000
Due in more than one year	-	-	-	-	57,083,328	57,083,328
Total Liabilities	<u>145,222</u>	<u>-</u>	<u>-</u>	<u>145,222</u>	<u>58,377,148</u>	<u>58,522,370</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	2,619,764	1,891,472	-	4,511,236	-	4,511,236
Total Deferred Inflows of Resources	<u>2,619,764</u>	<u>1,891,472</u>	<u>-</u>	<u>4,511,236</u>	<u>-</u>	<u>4,511,236</u>
FUND BALANCES (DEFICIT)						
Fund Balances:						
Restricted:						
Emergencies	1,164	-	-	1,164	(1,164)	-
Debt service	-	4,930,812	-	4,930,812	(4,930,812)	-
Capital projects	-	-	3,909	3,909	(3,909)	-
Unassigned	328,595	-	-	328,595	(328,595)	-
Total Fund Balances (Deficit)	<u>329,759</u>	<u>4,930,812</u>	<u>3,909</u>	<u>5,264,480</u>	<u>(5,264,480)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	<u>\$ 3,094,745</u>	<u>\$ 6,822,284</u>	<u>\$ 3,909</u>	<u>\$ 9,920,938</u>		
NET POSITION						
Restricted for:						
Emergencies					1,164	1,164
Debt service					4,806,992	4,806,992
Capital projects					3,909	3,909
Unrestricted					<u>(53,279,006)</u>	<u>(53,279,006)</u>
Total Net Position					<u>\$ (48,466,941)</u>	<u>\$ (48,466,941)</u>

The notes to the financial statements are an integral part of these statements.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Transfer to District No. 1	\$ 468,098	\$ -	\$ 292,684	\$ 760,782	\$ -	\$ 760,782
Treasurer's fees	4,285	48,234	-	52,519	-	52,519
Bond principal	-	1,145,000	-	1,145,000	(1,145,000)	-
Bond interest expense	-	1,899,841	-	1,899,841	280,473	2,180,314
Paying agent fees	-	7,000	-	7,000	-	7,000
Amortize debt insurance costs	-	-	-	-	22,617	22,617
Total Expenditures	<u>472,383</u>	<u>3,100,075</u>	<u>292,684</u>	<u>3,865,142</u>	<u>(841,910)</u>	<u>3,023,232</u>
PROGRAM REVENUES						
System development fees	-	720,000	-	720,000	-	720,000
Total Program Revenues	<u>-</u>	<u>720,000</u>	<u>-</u>	<u>720,000</u>	<u>-</u>	<u>720,000</u>
Net Program Income (Expenses)	(472,383)	(2,380,075)	(292,684)	(3,145,142)	841,910	(2,303,232)
GENERAL REVENUES						
Property taxes	285,437	3,212,591	-	3,498,028	-	3,498,028
Specific ownership taxes	220,686	-	-	220,686	-	220,686
Interest income	14,618	109,562	1,020	125,200	-	125,200
Total General Revenues	<u>520,741</u>	<u>3,322,153</u>	<u>1,020</u>	<u>3,843,914</u>	<u>-</u>	<u>3,843,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,358	942,078	(291,664)	698,772	841,910	
OTHER FINANCING SOURCES (USES)						
Investor contributions	38,268	-	835,000	873,268	-	873,268
Total Other Financing Sources (Uses)	<u>38,268</u>	<u>-</u>	<u>835,000</u>	<u>873,268</u>	<u>-</u>	<u>873,268</u>
NET CHANGES IN FUND BALANCES	86,626	942,078	543,336	1,572,040	(1,572,040)	
CHANGE IN NET POSITION					2,413,950	2,413,950
FUND BALANCES (DEFICIT)/NET POSITION:						
BEGINNING OF YEAR	243,133	3,988,734	(539,427)	3,692,440	(54,573,331)	(50,880,891)
END OF YEAR	<u>\$ 329,759</u>	<u>\$ 4,930,812</u>	<u>\$ 3,909</u>	<u>\$ 5,264,480</u>	<u>\$ (53,731,421)</u>	<u>\$ (48,466,941)</u>

The notes to the financial statements are an integral part of these statements.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

	Original <u>Budget</u>	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 285,358	\$ 285,358	\$ 285,437	\$ 79
Specific ownership taxes	213,269	213,536	220,686	7,150
Interest income	<u>3,500</u>	<u>3,500</u>	<u>14,618</u>	<u>11,118</u>
Total Revenues	<u>502,127</u>	<u>502,394</u>	<u>520,741</u>	<u>18,347</u>
EXPENDITURES				
Transfer to District No. 1	497,574	497,841	468,098	29,743
Miscellaneous expense	100	100	-	100
Treasurer's fees	4,320	4,320	4,285	35
Emergency reserve	<u>133</u>	<u>133</u>	<u>-</u>	<u>133</u>
Total Expenditures	<u>502,127</u>	<u>502,394</u>	<u>472,383</u>	<u>30,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	-	48,358	48,358
OTHER FINANCING SOURCES (USES)				
Investor contributions	<u>-</u>	<u>-</u>	<u>38,268</u>	<u>38,268</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>38,268</u>	<u>38,268</u>
NET CHANGE IN FUND BALANCE				
	-	-	86,626	86,626
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>243,133</u>	<u>243,133</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,759</u>	<u>\$ 329,759</u>

The notes to the financial statements are an integral part of these statements.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Southshore Metropolitan District No. 2 (the “District” or “District No. 2”), located in the City of Aurora, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in February 2002, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District was created in conjunction with Southshore Metropolitan District No. 1, (“District No. 1”) to provide for streets, sanitation and water facilities, parks and recreation and other public improvements. The District was established as the Taxing District and Southshore Metropolitan District No. 1 as the Operating District. The purpose of the Taxing District is to provide funding to the Operating District for construction, operation and maintenance of facilities and improvements. The Taxing District has also issued debt to finance public improvements. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees, and all operations and administrative functions are contracted.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

The government-wide financial statements (i.e., the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are 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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. 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 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. The appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year-end, the District amended total appropriations in the general fund from \$502,127 to \$502,394 in anticipation of increased amount of funds transferred to District No. 1.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Original Issue Discount and Prepaid Debt Insurance

Original issue discount from the Series 2020A-2 Bonds and Series 2020B Bonds and prepaid debt insurance for the Series 2020A-1 Bonds, Series 2020A-2 Bonds and Series 2020B Bonds are being amortized over the respective terms of the bonds using the interest/straight-line method. Accumulated amortization of original issue discount and prepaid debt insurance amounted to \$68,722 and \$61,779, respectively at December 31, 2022.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. As of December 31, 2022, the remaining balance to be amortized was \$4,210,820.

In addition to liabilities, the statement of net position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting under this category. Property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,164 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$4,930,812 is restricted for the payment of the debt service costs associated with the Taxable (Convertible to Tax-Exempt) General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding Bonds Series 2020A-1, the Tax-Exempt General Obligation Limited Tax (Convertible to Unlimited Tax) Improvement Bonds Series 2020A-2, and the Tax-Exempt Subordinate Limited Tax General Obligation Refunding and Improvement Bonds Series 2020B (see Note 3).

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

The restricted fund balance in the Capital Projects Fund in the amount of \$3,909 is restricted for the payment of the costs for capital improvements within or which benefit the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets. At December 31, 2022, the District had no items that qualified for reporting in this category.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District. 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, of which a significant portion of these improvements were conveyed to other governmental entities and which costs were removed from the District's financial records.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$ 457,520
Cash and investments - restricted	<u>4,933,385</u>
Total	<u>\$ 5,390,905</u>

Cash and investments as of December 31, 2022, consist of the following:

Investments – Colotrust Plus +	<u>\$ 5,390,905</u>
	<u>\$ 5,390,905</u>

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments:

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

SOUTHSORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

As of December 31, 2022, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST" or the "Trust"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2022, the District had \$5,390,905 invested in COLOTRUST Plus+.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2022, is as follows:

Taxable (Convertible to Tax-Exempt) General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding Bonds, Series 2020A-1 - The District issued its Taxable (Convertible to Tax-Exempt) General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding Bonds, Series 2020A-1 Bonds (the "Series 2020A-1 Bonds") in the original principal amount of \$30,090,000 for the purpose of refunding the Series 2015 and Series 2017 Bonds, paying costs of the insurance policy and reserve fund insurance policy and to pay the issuance costs associated with the Series 2020A-1 Bonds. The Series 2020A-1 Bonds mature on December 1, 2039, and carry a taxable coupon rate of 2.770% until the Tax-Exempt Conversion Date (as defined in the Series 2020A-1 Indenture) and thereafter at a rate of 2.190% payable semiannually on each June 1 and December 1, commencing on June 1, 2020. The Series 2020A-1 Bonds were converted to Tax-Exempt Bonds on December 1, 2020. The Series 2020A-1 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2020. The Series 2020A-1 Bonds are subject to redemption prior to maturity at the option of the District, as a whole, or in part, and if in part with the prior written consent of the Series 2020A-1 Purchaser, or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2030, and on any Interest Payment Date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption with no redemption premium.

Tax-Exempt General Obligation Limited Tax (Convertible to Unlimited Tax) Improvement Bonds, Series 2020A-2 - The District issued its Tax-Exempt General Obligation Limited Tax (Convertible to Unlimited Tax) Improvement Bonds, Series 2020A-2 Bonds (the "Series 2020A-2 Bonds") in the original principal amount of \$12,780,000 for the purpose of providing project costs, paying costs of the insurance policy and reserve fund insurance policy, and to pay the issuance costs associated with the Series 2020A-2 Bonds. The Series 2020A-2 Bonds mature on December 1, 2046, and carry a coupon rate of 4.00% payable semiannually on each June 1 and December 1, commencing on June 1, 2020. The Series 2020A-2 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2040. The Series 2020A-2 Bonds are subject to redemption prior to maturity at the option of the District, as a whole, or in part, in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2030, and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption with no redemption premium.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

Tax-Exempt Subordinate Limited Tax General Obligation Refunding and Improvement Bonds, Series 2020B - The District issued its Tax-Exempt Subordinate Limited Tax General Obligation Refunding and Improvement Bonds, Series 2020B Bonds (the “Series 2020B Bonds”) in the original principal amount of \$19,175,000 for the purpose of refunding the Series 2007 Bonds, to provide for capitalized interest in the original amount of \$281,385, funding the Reserve Fund in the amount of \$1,828,898, providing project costs and to pay the issuance costs associated with the Series 2020B Bonds. The Series 2020B Bonds mature December 15, 2041, and carry a coupon rate ranging from 3.125% to 4.125% payable annually on December 15, commencing on December 15, 2020. The Series 2020B Bonds are subject to a mandatory sinking fund redemption commencing on December 15, 2024. The Series 2020B Bonds are subject to redemption prior to maturity at the option of the District, as a whole, or in part, in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2030, and on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the date of redemption without a redemption premium.

The Series 2020A-1 Bonds, Series 2020A-2 Bonds and the Series 2020B Bonds are secured by and payable from the pledged revenue, consisting of the moneys derived from a maximum mill levy of 55.664 mills and system development fees (see Note 5). The Series 2020B Bonds are further secured by a Reserve Fund of \$1,828,898, capitalized interest in the original amount of \$281,385 and a Surplus Fund of up to \$1,078,491. The balance in the Surplus Fund at year-end, was \$0. The mill levy for the Series 2020A-1 Bonds and the Series 2020A-2 Bonds can become unlimited at such time the test for such conversion is satisfied as provided in the Senior Indenture, which requires among other things, that the ratio of outstanding general debt to the District’s assessed valuation is less than 50%.

The Series 2020A-1 Bonds, Series 2020A-2 Bonds and Series 2020B Bonds are insured by Build America Mutual Assurance Company.

The following is an analysis of changes in long-term debt for the period ending December 31, 2022:

	Balance 1/31/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
<u><i>General Obligation Bonds</i></u>					
General Obligation Bonds - Series 2020A-1	\$ 27,890,000	\$ -	\$ 1,145,000	\$ 26,745,000	\$ 1,170,000
General Obligation Bonds - Series 2020A-2	12,780,000	-	-	12,780,000	-
General Obligation Bonds - Series 2020B	19,175,000	-	-	19,175,000	-
Bond discount - Series 2020A-2	(286,599)	-	(12,913)	(273,685)	-
Bond discount - Series 2020B	(185,844)	-	(12,858)	(172,986)	-
Total Long-term debt	<u>\$ 59,372,557</u>	<u>\$ -</u>	<u>\$ 1,119,229</u>	<u>\$ 58,253,328</u>	<u>\$ 1,170,000</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020A-1 Bonds:

	Principal	Interest	Total
2023	\$ 1,170,000	\$ 585,715	\$ 1,755,715
2024	1,230,000	560,093	1,790,093
2025	1,260,000	533,156	1,793,156
2026	1,320,000	505,562	1,825,562
2027	1,350,000	476,654	1,826,654
2028 - 2032	7,545,000	1,916,251	9,461,251
2033 - 2037	8,890,000	1,032,694	9,922,694
2038 - 2039	3,980,000	131,181	4,111,181
	\$ 26,745,000	\$ 5,741,306	\$ 32,486,306

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020A-2 Bonds:

	Principal	Interest	Total
2023	\$ -	\$ 511,200	\$ 511,200
2024	-	511,200	511,200
2025	-	511,200	511,200
2026	-	511,200	511,200
2027	-	511,200	511,200
2028 - 2032	-	2,556,000	2,556,000
2033 - 2037	-	2,556,000	2,556,000
2038 - 2042	4,955,000	2,364,400	7,319,400
2043 - 2046	7,825,000	802,000	8,627,000
	\$ 12,780,000	\$ 10,834,400	\$ 23,614,400

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020B Bonds.

	Principal	Interest	Total
2023	\$ -	\$ 777,850	\$ 777,850
2024	215,000	777,850	992,850
2025	405,000	769,513	1,174,513
2026	570,000	753,794	1,323,794
2027	625,000	731,606	1,356,606
2028 - 2032	3,865,000	3,252,962	7,117,962
2033 - 2037	5,205,000	2,374,050	7,579,050
2038 - 2041	8,290,000	1,027,331	9,317,331
	\$ 19,175,000	\$ 10,464,956	\$ 29,639,956

Debt Authorization

As of December 31, 2017, the District had remaining debt authorization of \$0.00. The District's Service Plan establishes a total combined general obligation debt limit under the Service Plan for both Districts of \$33,033,000. In May 2018, the authorized electors of the District voted to increase the debt authorization by \$27,500,000. Such debt can be issued only if the Service Plan is amended or the District follows certain statutory procedures prior to issuance, which the District undertook in September 2019.

Note 4: Agreements

Third Amended and Restated Joint Resolution of Southshore Metropolitan District Nos. 1 and 2 to Establish System Development Fees – On November 30, 2006, and as amended and restated in 2007, 2010 and with the most recent Third Amendment on December 11, 2012, the District imposes a system development fee due and payable upon issuance of a building permit to a buyer by the City of Aurora. The fee, at the District's discretion, may increase on an annual basis in an amount equal to the Consumer Price Index ("CPI") for that year not to exceed 5%. For 2012, the fee was \$2,000 per single family unit. Effective January 1, 2013, the Third Amendment increased the fees to \$2,500 per single family unit and \$1,750 per multi-family unit. During 2022, the District recognized \$720,000 in fees part of which \$2,500 was recorded in accounts receivable and received in 2023.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

Amended and Restated Intergovernmental Agreement – On December 2, 2004, and amended on May 11, 2007, the District entered into an agreement with District No. 1, in which the District agrees to assign all revenue raised from all sources not pledged to District debt to District No. 1 to offset the expenses of construction of public improvements and the costs of operation and maintenance of such public improvements. District No. 1 shall provide the operations and maintenance services and to maintain all necessary insurance in a manner deemed appropriate by the Districts and in compliance with applicable law. In 2022, the District transferred to District No. 1, \$468,098 for operations and maintenance and \$292,684 for capital improvements.

Advance and Conveyance Agreement – Effective April 21, 2022, the District, District No. 1 and Southshore Recovery Acquisition, LLC, a subsidiary of RainTree Investment Corporation, (the “Investor”) entered into the Advance and Conveyance Agreement, (the “Agreement”). The Investor agreed to contribute \$835,000 to the District to make final advances necessary to construct certain Public Improvements. The Investor agreed to waive all repayment obligations from the Districts on existing amounts owed and agreed to convey the original recreation center to District No. 1, along with other properties within the development. In exchange, the Districts assigned any rights of reimbursement from the City of Aurora regarding the Development Water Transmission, & Storm Drainage Construction and Cost Reimbursement Agreement, dated February 12, 2007, to the Investor. The Districts and the Investor also agreed to release each other of all other claims, known or unknown.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

In 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 limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Long-term liabilities such as bonds payable, accrued bond interest payable and prepaid debt insurance are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

Note 9: Subsequent Event

In 2023, the Board of Directors of District No. 1 adopted a Resolution to dissolve District No. 1. The Board of Directors of District No. 1 determined that District No. 1 had accomplished the original purposes for which it was organized and had completed the construction and financing of the facilities for the Southshore Metropolitan Districts community. In 2023, District No. 1 has no outstanding indebtedness and exists solely for operational, maintenance and administrative functions. With the dissolution of District No. 1, the Districts will terminate the Amended and Restated Intergovernmental Agreement (see Note 6), between the District No. 1 and the District, therefore, assigning any cash or other assets remaining as of the date of dissolution, to the District. The District will assume all of the operational, maintenance and administrative functions once the dissolution is finalized.

SUPPLEMENTAL INFORMATION

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
System development fees	\$ 526,136	\$ 720,000	\$ 193,864
Property taxes	3,210,274	3,212,591	2,317
Interest income	<u>10,000</u>	<u>109,562</u>	<u>99,562</u>
Total Revenues	<u>3,746,410</u>	<u>4,042,153</u>	<u>295,743</u>
EXPENDITURES			
Bond principal-Series 2020A-1	1,145,000	1,145,000	-
Bond interest-Series 2020 A-1	610,792	610,791	1
Bond interest-Series 2020 A-2	511,200	511,200	-
Bond interest-Series 2020B	777,850	777,850	-
Paying agent fees	10,000	7,000	3,000
Treasurer's fees	<u>48,463</u>	<u>48,234</u>	<u>229</u>
Total Expenditures	<u>3,103,305</u>	<u>3,100,075</u>	<u>3,230</u>
NET CHANGE IN FUND BALANCE	643,105	942,078	298,973
FUND BALANCE:			
BEGINNING OF YEAR	<u>4,131,517</u>	<u>3,988,734</u>	<u>(142,783)</u>
END OF YEAR	<u><u>\$ 4,774,622</u></u>	<u><u>\$ 4,930,812</u></u>	<u><u>\$ 156,190</u></u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ 2,000	\$ 1,020	\$ (980)
Total Revenues	<u>2,000</u>	<u>1,020</u>	<u>(980)</u>
EXPENDITURES			
Transfer to District 1	<u>766,036</u>	<u>292,684</u>	<u>473,352</u>
Total Expenditures	<u>766,036</u>	<u>292,684</u>	<u>473,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(764,036)	(291,664)	472,372
OTHER FINANCING SOURCES (USES)			
Investor contributions	<u>-</u>	<u>835,000</u>	<u>835,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>835,000</u>	<u>835,000</u>
NET CHANGE IN FUND BALANCE	(764,036)	543,336	1,307,372
FUND BALANCE:			
BEGINNING OF YEAR	<u>764,036</u>	<u>(539,427)</u>	<u>(1,303,463)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 3,909</u>	<u>\$ 3,909</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

**SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED**

December 31, 2022

Year Ended	Prior Year Assessed Valuation for Current Year Property	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2005	\$ 1,314,200	38.000	0.000	\$ 49,940	\$ 49,940	100.00%
2006	\$ 1,309,490	38.000	0.000	\$ 49,761	\$ 49,761	100.00%
2007	\$ 3,670,340	38.000	7.290	\$ 166,230	\$ 165,676	99.67%
2008	\$ 7,508,600	47.000	5.060	\$ 390,898	\$ 391,471	100.15%
2009	\$ 14,577,280	47.000	5.060	\$ 758,893	\$ 702,376	92.55%
2010	\$ 11,872,620	22.060	30.000	\$ 618,089	\$ 612,180	99.04%
2011	\$ 11,218,360	22.060	30.000	\$ 584,028	\$ 524,019 (a)	89.72%
2012	\$ 10,761,490	22.060	30.000	\$ 560,243	\$ 376,928 (b)	67.28%
2013	\$ 11,161,250	2.060	50.000	\$ 581,055	\$ 580,450	99.90%
2014	\$ 11,037,770	2.060	50.000	\$ 574,626	\$ 574,684	100.01%
2015	\$ 11,779,267	2.060	50.000	\$ 613,229	\$ 613,228	100.00%
2016	\$ 15,940,103	2.060	50.000	\$ 829,842	\$ 829,699	99.98%
2017	\$ 17,920,698	2.060	50.000	\$ 932,952	\$ 934,880	100.21%
2018	\$ 23,981,031	2.277	55.277	\$ 1,380,204	\$ 1,378,900	99.91%
2019	\$ 28,049,450	2.277	55.277	\$ 1,614,358	\$ 1,614,358	100.00%
2020	\$ 51,191,803	2.227	55.664	\$ 2,963,545	\$ 2,960,264	99.89%
2021	\$ 56,671,821	2.227	55.664	\$ 3,280,788	\$ 3,224,144	98.27%
2022	\$ 71,339,423	4.000	45.000	\$ 3,495,632	\$ 3,498,028	100.07%
Estimated for year ending December 31, 2023	\$ 75,658,875	34.626	25.000	\$ 4,511,236		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

(a) The collected tax in 2011 reflects abatements of \$53,791.

(b) The collected tax in 2012 reflects abatements of \$178,099.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION – UNAUDITED

History of District's Assessed Valuations and Mill Levies

Levy/ Collection Year	Assessed Valuation	Percent Change	Mill Levies		
			General Fund Mill Levy (1)	Debt Service Mill Levy	Total Mill Levy
2014/2015	\$ 11,779,267	0.00%	2.060	50.000	52.060
2015/2016	\$ 15,940,103	35.32%	2.060	50.000	52.060
2016/2017	\$ 17,920,698	12.43%	2.060	50.000	52.060
2017/2018	\$ 23,981,031	33.82%	2.277	55.277	57.554
2018/2019	\$ 28,049,450	16.97%	2.277	55.277	57.554
2019/2020	\$ 51,191,803	82.51%	2.227	55.664	57.891
2020/2021	\$ 56,671,821	10.70%	2.227	55.664	57.891
2021/2022	\$ 71,339,423	25.88%	4.000	45.000	49.000
2022/2023	\$ 75,658,875	6.05%	34.626	25.000	59.626

(1) Revenue resulting from the District's General Fund mill levy is to be transferred to District No. 1 for operations and maintenance expenditures.

2022 Assessed and "Actual" Valuation of Classes of Property in the District

Classification of Property	Assessed Valuation	Percent of	
		Assessed Valuation	"Actual" Value
Residential	\$ 64,553,506	85.32%	\$ 928,824,013
Commercial	890,401	1.18%	3,070,350
Vacant Land	8,866,089	11.72%	30,572,441
Natural Resources	79	0.00%	274
State Assessed	1,348,800	1.78%	4,651,035
Total	\$ 75,658,875	100.00%	\$ 967,118,113

Source: County Assessor's Office

History of District Property Tax Collections

Levy/ Collection Year	Taxes Levied	Current Tax Collection (1)	Collection Rate
2014/2015	\$ 613,229	\$ 613,228	100.00%
2015/2016	829,842	829,699	99.98%
2016/2017	932,952	934,880	100.21%
2017/2018	1,380,204	1,378,900	99.91%
2018/2019	1,614,358	1,614,358	100.00%
2019/2020	2,963,545	2,960,264	99.89%
2020/2021	3,280,788	3,224,144	98.27%
2021/2022	3,495,632	3,498,028	100.07%

(1) Figures represent current collections only. County Treasurer collection fees have not been deducted from these amounts.

2022 Largest Taxpayers Within the District

<u>Taxpayer Name</u>	<u>2022 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation (1)</u>
Public Service of Colorado	\$ 1,338,900	1.77%
Southshore Metropolitan District No. 1	904,736	1.20%
Individual Homeowner	129,896	0.17%
Individual Homeowner	117,594	0.16%
Individual Homeowner	109,407	0.14%
Individual Homeowner	109,345	0.14%
Individual Homeowner	108,525	0.14%
Individual Homeowner	104,626	0.14%
Individual Homeowner	103,972	0.14%
Individual Homeowner	103,757	0.15%
Total	<u>\$ 3,130,758</u>	<u>4.15%</u>

(1) Based on a 2022 certified assessed valuation of \$75,658,875

Total 2022 Mill Levies

<u>Taxing Entity</u>	<u>Mill Levy</u>
Cherry Creek School District 5	49.863
Arapahoe County	12.750
Developmental Disability	1.000
City of Aurora	7.816
Urban Drainage & Flood	0.900
Urban Drainage & Flood (S Platte)	0.100
Overlapping Mill Levy	72.429
The District	59.626
Total Mill Levy	<u>132.055</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

	Years Ended December 31,				
	2018	2019	2020	2021	2022
REVENUES					
Property taxes	\$ 54,554	\$ 63,869	\$ 113,876	\$ 124,067	\$ 285,437
Specific ownership taxes	100,300	126,562	210,011	226,110	220,686
Investor contribution	-	-	-	-	38,268
Interest income	8,298	6,846	4,991	228	14,618
Total	163,152	197,277	328,878	350,405	559,009
EXPENDITURES					
Transfer to District No. 1	164,414	162,146	283,000	281,000	468,098
Treasurer's fees	818	958	1,711	1,860	4,285
Miscellaneous expenses	164	0	-	-	-
Total	165,396	163,104	284,711	282,860	472,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,244)	34,173	44,167	67,545	86,626
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	59,638	-	-
Total Other Financing Sources (Uses)	-	-	59,638	-	-
NET CHANGES IN FUND BALANCE	(2,244)	34,173	103,805	67,545	86,626
FUND BALANCE - BEGINNING OF YEAR	39,854	37,610	71,783	175,588	243,133
FUND BALANCE - END OF YEAR	\$ 37,610	\$ 71,783	\$ 175,588	\$ 243,133	\$ 329,759

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

DEBT SERVICE FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

	Years Ended December 31,				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
REVENUES					
Property taxes	\$ 1,324,346	\$ 1,550,489	\$ 2,846,388	\$ 3,100,077	\$ 3,212,591
Interest income	28,835	46,928	21,571	-	109,562
System development fees	417,500	572,500	532,522	465,000	720,000
Total	1,770,681	2,169,917	3,400,481	3,565,077	4,042,153
EXPENDITURES					
Treasurer's fee	19,868	23,262	42,771	46,478	48,234
Bond Principal	275,000	325,000	1,155,000	1,045,000	1,145,000
Bond Interest Expenses	1,445,306	1,430,526	1,404,007	1,922,726	1,899,841
Paying agent fee	8,500	8,500	2,000	9,000	7,000
Total	1,748,674	1,787,288	2,603,778	3,023,204	3,100,075
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22,007	382,629	796,703	541,873	942,078
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	38,479,931	-	-
Payment to refunding agent	-	-	(38,101,249)	-	-
Total Other Financing Sources (Uses)	-	-	378,682	-	-
NET CHANGES IN FUND BALANCE	22,007	382,629	1,175,385	541,873	942,078
FUND BALANCE - BEGINNING OF YEAR-RESTATED	1,676,840	1,698,847	2,271,476	3,446,861	3,988,734
FUND BALANCE - END OF YEAR	\$ 1,698,847	\$ 2,081,476	\$ 3,446,861	\$ 3,988,734	\$ 4,930,812

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

CAPITAL PROJECTS FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

	Years Ended December 31,				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
REVENUES					
Interest income	\$ 120,165	\$ 64,534	\$ 45,334	\$ 1,575	\$ 1,020
Investor contribution	-	-	-	-	835,000
Total	120,165	64,534	45,334	1,575	836,020
EXPENDITURES					
Transfer to District No. 1	4,885,443	4,274,037	15,365,023	6,802,980	292,684
Costs of Issuance	-	-	1,451,256	-	-
Total	4,885,443	4,274,037	16,816,279	6,802,980	292,684
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,765,278)	(4,209,503)	(16,770,945)	(6,801,405)	543,336
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	62,045,000	-	-
Bond discount	-	-	(515,394)	-	-
Transfers in (out)	-	-	(38,539,569)	-	-
Total Other Financing Sources (Uses)	-	-	22,990,037	-	-
NET CHANGES IN FUND BALANCE (DEFICIT)	(4,765,278)	(4,209,503)	6,219,092	(6,801,405)	543,336
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	9,017,667	4,252,389	42,886	6,261,978	(539,427)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 4,252,389	\$ 42,886	\$ 6,261,978	\$ (539,427)	\$ 3,909

General Fund Budget Summary and Comparison

	2022 Budget (as adopted)	2022 Actual	2023 Budget (as adopted)
REVENUES			
Property taxes	\$ 285,358	\$ 285,437	\$ 2,619,764
Specific ownership taxes	213,536	220,686	269,366
Interest income	<u>3,500</u>	<u>14,618</u>	<u>3,500</u>
Total Revenues	<u>502,394</u>	<u>520,741</u>	<u>2,892,630</u>
EXPENDITURES			
Transfer to District No. 1	497,841	468,098	3,095,336
Miscellaneous expense	100	-	100
Treasurer's fees	4,320	4,285	39,296
Emergency reserve	<u>133</u>	<u>-</u>	<u>1,164</u>
Total Expenditures	<u>502,394</u>	<u>472,383</u>	<u>3,135,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>48,358</u>	<u>(243,266)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>-</u>	<u>38,268</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>38,268</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	86,626	(243,266)
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>243,133</u>	<u>243,266</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 329,759</u>	<u>\$ -</u>

Debt Service Fund Budget Summary and Comparison

	2022 Budget (as adopted)	2022 Actual	2023 Budget (as adopted)
REVENUES			
System development fees	\$ 526,136	\$ 720,000	\$ 62,500
Property taxes	3,210,274	3,212,591	1,891,472
Interest income	<u>10,000</u>	<u>109,562</u>	<u>10,000</u>
Total Revenues	<u>3,746,410</u>	<u>4,042,153</u>	<u>1,963,972</u>
EXPENDITURES			
Bond principal	1,145,000	1,145,000	1,170,000
Bond interest expense	1,899,842	1,899,841	1,874,766
Paying agent fees	10,000	7,000	10,000
Treasurer's fees	<u>48,463</u>	<u>48,234</u>	<u>28,681</u>
Total Expenditures	<u>3,103,305</u>	<u>3,100,075</u>	<u>3,083,447</u>
NET CHANGE IN FUND BALANCE	643,105	942,078	(1,119,475)
FUND BALANCE:			
BEGINNING OF YEAR	<u>4,131,517</u>	<u>3,988,734</u>	<u>4,803,203</u>
END OF YEAR	<u>\$ 4,774,622</u>	<u>\$ 4,930,812</u>	<u>\$ 3,683,728</u>

Capital Projects Fund Budget Summary and Comparison

	2022 Budget (as adopted)	2022 Actual	2023 Budget (as adopted)
REVENUES			
Interest income	\$ 2,000	\$ 1,020	\$ -
Total Revenues	<u>2,000</u>	<u>1,020</u>	<u>-</u>
EXPENDITURES			
Transfer to District 1	<u>766,036</u>	<u>292,684</u>	<u>-</u>
Total Expenditures	<u>766,036</u>	<u>292,684</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(764,036)</u>	<u>(291,664)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Investor contributions	<u>-</u>	<u>835,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>835,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(764,036)	543,336	-
FUND BALANCE (DEFICIT):			
BEGINNING OF YEAR	<u>764,036</u>	<u>(539,427)</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 3,909</u>	<u>\$ -</u>