

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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 it.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
November 23, 2021

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
December 31, 2020

	<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	\$ 161,029	\$ -	\$ -	\$ 161,029	\$ -	\$ 161,029
Cash and investments - restricted	60	3,084,361	8,092,713	11,177,134	-	11,177,134
Receivable - County Treasurer	14,499	-	-	14,499	-	14,499
Receivable - System Development Fees	-	362,500	-	362,500	-	362,500
Property taxes receivable	126,208	3,154,580	-	3,280,788	-	3,280,788
Prepaid debt insurance, net of accumulated amortization	-	-	-	-	480,140	480,140
Total Assets	<u>\$ 301,796</u>	<u>\$ 6,601,441</u>	<u>\$ 8,092,713</u>	<u>\$ 14,995,950</u>	<u>480,140</u>	<u>15,476,090</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	4,724,404	4,724,404
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,724,404</u>	<u>4,724,404</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 301,796</u>	<u>\$ 6,601,441</u>	<u>\$ 8,092,713</u>	<u>\$ 14,995,950</u>		
LIABILITIES						
Due to District No. 1	\$ -	\$ -	\$ 1,830,735	\$ 1,830,735	\$ -	\$ 1,830,735
Accrued interest on bonds	-	-	-	-	127,816	127,816
Long-term liabilities:						
Due within one year	-	-	-	-	1,045,000	1,045,000
Due in more than one year	-	-	-	-	59,346,786	59,346,786
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,830,735</u>	<u>1,830,735</u>	<u>60,519,602</u>	<u>62,350,337</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	126,208	3,154,580	-	3,280,788	-	3,280,788
Total Deferred Inflows of Resources	<u>126,208</u>	<u>3,154,580</u>	<u>-</u>	<u>3,280,788</u>	<u>-</u>	<u>3,280,788</u>
FUND BALANCES						
Fund Balances:						
Restricted:						
Emergencies	60	-	-	60	(60)	-
Debt service	-	3,446,861	-	3,446,861	(3,446,861)	-
Capital projects	-	-	6,261,978	6,261,978	(6,261,978)	-
Unassigned	175,528	-	-	175,528	(175,528)	-
Total Fund Balances	<u>175,588</u>	<u>3,446,861</u>	<u>6,261,978</u>	<u>9,884,427</u>	<u>(9,884,427)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 301,796</u>	<u>\$ 6,601,441</u>	<u>\$ 8,092,713</u>	<u>\$ 14,995,950</u>		
NET POSITION						
Restricted for:						
Emergencies					60	60
Debt service					3,319,045	3,319,045
Capital projects					6,261,978	6,261,978
Unrestricted					<u>(55,011,714)</u>	<u>(55,011,714)</u>
Total Net Position					<u>\$(45,430,631)</u>	<u>\$(45,430,631)</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, 2020

	<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	\$ 283,000	\$ -	\$ 15,365,023	\$ 15,648,023	\$ -	\$ 15,648,023
Treasurer's fees	1,711	42,771	-	44,482	-	44,482
Bond principal	-	1,155,000	-	1,155,000	(1,155,000)	-
Bond interest expense	-	1,404,007	-	1,404,007	(1,952,953)	(548,946)
Paying agent fees	-	2,000	-	2,000	-	2,000
Cost of issuance	-	-	1,451,256	1,451,256	(496,685)	954,571
Amortize debt insurance costs	-	-	-	-	16,545	16,545
Total Expenditures	<u>284,711</u>	<u>2,603,778</u>	<u>16,816,279</u>	<u>19,704,768</u>	<u>(3,588,093)</u>	<u>16,116,675</u>
PROGRAM REVENUES						
System development fees	-	532,522	-	532,522	-	532,522
Total Program Revenues	<u>-</u>	<u>532,522</u>	<u>-</u>	<u>532,522</u>	<u>-</u>	<u>532,522</u>
Net Program Income (Expenses)	(284,711)	(2,071,256)	(16,816,279)	(19,172,246)	3,588,093	(15,584,153)
GENERAL REVENUES						
Property taxes	113,876	2,846,388	-	2,960,264	-	2,960,264
Specific ownership taxes	210,011	-	-	210,011	-	210,011
Interest income	4,991	21,571	45,334	71,896	-	71,896
Total General Revenues	<u>328,878</u>	<u>2,867,959</u>	<u>45,334</u>	<u>3,242,171</u>	<u>-</u>	<u>3,242,171</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	44,167	796,703	(16,770,945)	(15,930,075)	3,588,093	
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	62,045,000	62,045,000	(62,045,000)	-
Bond discount	-	-	(515,394)	(515,394)	515,394	-
Payment to refunding escrow	-	(38,101,249)	-	(38,101,249)	38,101,249	-
Transfers from (to) other funds	59,638	38,479,931	(38,539,569)	-	-	-
Total Other Financing Sources (Uses)	<u>59,638</u>	<u>378,682</u>	<u>22,990,037</u>	<u>23,428,357</u>	<u>(23,428,357)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	103,805	1,175,385	6,219,092	7,498,282	(7,498,282)	
CHANGE IN NET POSITION					(12,341,982)	(12,341,982)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR - RESTATED	<u>71,783</u>	<u>2,271,476</u>	<u>42,886</u>	<u>2,386,145</u>	<u>(35,474,794)</u>	<u>(33,088,649)</u>
END OF YEAR	<u>\$ 175,588</u>	<u>\$ 3,446,861</u>	<u>\$ 6,261,978</u>	<u>\$ 9,884,427</u>	<u>\$ (55,315,058)</u>	<u>\$ (45,430,631)</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, 2020

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 114,004	\$ 113,876	\$ (128)
Specific ownership taxes	176,949	210,011	33,062
Interest income	<u>3,500</u>	<u>4,991</u>	<u>1,491</u>
Total Revenues	<u>294,453</u>	<u>328,878</u>	<u>34,425</u>
EXPENDITURES			
Transfer to District No. 1	413,424	283,000	130,424
Miscellaneous expense	94	-	94
Treasurer's fees	1,711	1,711	-
Emergency reserve	<u>54</u>	<u>-</u>	<u>54</u>
Total Expenditures	<u>415,283</u>	<u>284,711</u>	<u>130,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,830)	44,167	164,997
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	<u>-</u>	<u>59,638</u>	<u>59,638</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>59,638</u>	<u>59,638</u>
NET CHANGE IN FUND BALANCE	(120,830)	103,805	224,635
FUND BALANCE:			
BEGINNING OF YEAR	<u>120,830</u>	<u>71,783</u>	<u>(49,047)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 175,588</u>	<u>\$ 175,588</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, 2020

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, 2020

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, 2020

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.

On February 11, 2020, the District amended its total appropriations in the Debt Service Fund from \$1,865,678 to \$40,382,758 and the total appropriations in the Capital Projects Fund from \$33,580,000 to \$60,920,682 both primarily due to the refunding of the District's bonds. On November 10, 2020, the District further amended its total appropriations in the Debt Service Fund from \$40,382,758 to \$41,000,000 primarily due to the refunding of the District's bonds.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, 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 cash 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, 2020

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 \$17,180 and \$16,545, respectively at December 31, 2020.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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, 2020

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 \$60 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 \$3,446,861 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, 2020

The restricted fund balance in the Capital Projects Fund in the amount of \$6,261,978 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, 2020, 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.

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.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 161,029
Cash and investments - restricted	<u>11,177,134</u>
Total	<u>\$ 11,338,163</u>

Cash and investments as of December 31, 2020, consist of the following:

Investments – Colotrust Plus +	<u>\$ 11,338,163</u>
	<u>\$ 11,338,163</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, 2020

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, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures 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. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$11,338,163 invested in COLOTRUST. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2020, 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, 2020

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.

Limited Tax General Obligation Bonds, Series 2007 - The District issued its Limited Tax General Obligation Bonds, Series 2007 Bonds (the “Series 2007 Bonds”) in the original principal amount of \$10,000,000. The Bonds are term bonds, of which, \$3,000,000 bearing interest at 5.375% mature December 1, 2022, and \$7,000,000 bearing interest at 5.750% mature December 1, 2031, payable semiannually on each June 1 and December 1, commencing on December 1, 2007. The Bonds maturing December 1, 2022, are subject to mandatory sinking fund redemption, in part, by lot, on each December 1 in the years 2010 through 2021. The bonds maturing December 1, 2031 are subject to mandatory sinking fund redemption, in part, by lot, on each December 1 in the years 2023 through 2030. During 2020, the Series 2007 Bonds were refunded in full by the Series 2020B Bonds.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

General Obligation (Limited Tax Convertible to Unlimited Tax) Capital Appreciation Bonds, Series 2015 - On September 3, 2015, the District issued \$14,410,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Capital Appreciation Bonds, Series 2015 (“Series 2015 Bonds”) dated January 15, 2015, with an original issue price of \$12,482,807 for the purpose of funding public capital facilities and paying the costs of issuing the bonds. The Series 2015 Bonds were issued as convertible capital appreciation bonds and will accrete in value from their date of issuance at an annual rate of 6.50%, compounding semi-annually on June 1 and December 1 each year, commencing December 1, 2015. The Series 2015 Bonds converted to current interest bonds on December 1, 2017, and are payable semi-annually thereafter at the rate of 6.50% per annum on June 1 and December 1 of each year, commencing June 1, 2018. The bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2032. During 2020, the Series 2015 Bonds were refunded in full by the Series 2020A-1 Bonds.

Subordinate Limited Tax General Obligation Bonds, Series 2017 - On June 21, 2017, the District issued the Subordinate Limited Tax General Obligation Bonds, Series 2017 (the “Series 2017 Bonds”), in the original principal amount of \$10,404,000. The Bonds will bear interest at 7.75% payable annually on December 15, to the extent subordinate pledged revenue is available, commencing December 15, 2017. Accrued but unpaid interest on the Series 2017 Bonds will compound annually on each December 15. Failure to pay interest when due on the Series 2017 Bonds does not constitute an Event of Default under the Indenture. The Series 2017 Bonds mature on December 15, 2042. Proceeds from the sale of the Series 2017 Bonds were used for the purposes of: (a) paying the project costs for infrastructure located within, or serving the District, and (b) paying the costs of issuance of the Series 2017 Bonds. During 2020, the Series 2017 Bonds were refunded in full by the Series 2020A-1 Bonds.

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	Balance 1/31/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
<u>General Obligation Bonds</u>					
General Obligation Bonds - Series 2007	\$ 8,375,000	-	\$ 8,375,000	\$ -	\$ -
General Obligation Bonds - Series 2015	14,410,000	-	14,410,000	-	-
Subordinate General Obligation Bonds - Series 2017	10,404,000	-	10,404,000	-	-
General Obligation Bonds - Series 2020A-1	-	30,090,000	1,155,000	28,935,000	1,045,000
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	-	(307,870)	(8,358)	(299,512)	-
Bond discount - Series 2020B	-	(207,524)	(8,822)	(198,702)	-
Total Long-term debt	<u>\$33,189,000</u>	<u>\$ 61,529,606</u>	<u>\$34,326,820</u>	<u>\$60,391,786</u>	<u>\$1,045,000</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

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

	Principal	Interest	Total
2021	\$ 1,045,000	\$ 633,676	\$ 1,678,676
2022	1,145,000	610,791	1,755,791
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 - 2030	7,045,000	2,229,860	9,274,860
2031 - 2035	8,325,000	1,403,790	9,728,790
2036 - 2039	7,715,000	428,691	8,143,691
	\$ 28,935,000	\$ 6,985,772	\$ 35,920,772

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

	Principal	Interest	Total
2021	\$ -	\$ 511,200	\$ 511,200
2022	-	511,200	511,200
2023	-	511,200	511,200
2024	-	511,200	511,200
2025	-	511,200	511,200
2026 - 2030	-	2,556,000	2,556,000
2031 - 2035	-	2,556,000	2,556,000
2036 - 2040	1,575,000	2,556,000	4,131,000
2041 - 2045	9,095,000	1,548,400	10,643,400
2046	2,110,000	84,400	2,194,400
	\$ 12,780,000	\$ 11,856,800	\$ 24,636,800

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 777,850	\$ 777,850
2022	-	777,850	777,850
2023	-	777,850	777,850
2024	215,000	777,850	992,850
2025	405,000	769,513	1,174,513
2026 - 2030	3,375,000	3,526,062	6,901,062
2031 - 2035	4,620,000	2,761,144	7,381,144
2036 - 2040	6,735,000	1,694,756	8,429,756
2041	3,825,000	157,781	3,982,781
	<u>\$19,175,000</u>	<u>\$12,020,656</u>	<u>\$31,195,656</u>

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: Related Party

During 2020, one member of the Board of Directors was an employee of RainTree Investment Corporation ("RainTree"), which has significant ownership and/or investment interests in the property within the Districts. Subsequent to year end the member left RainTree, but remained on the Board of Directors. Management believes that all potential conflicts, if any, have been disclosed to the Secretary of State and the Board of Directors.

Note 5: 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 2020, the District collected \$532,522 in fees.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

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 2020, the District transferred to District No. 1, \$283,000 for operations and maintenance and \$15,365,023 for capital improvements.

Note 6: Interfund and Operating Transfers

The transfer of \$38,539,569 from the Capital Projects Fund to the General Fund of \$59,638 and to the Debt Service Fund of \$38,479,931 was transferred for the purpose of bond issuance (see Note 3).

Note 7: 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.

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.

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 8: 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 9: 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 and accrued bond interest payable 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, 2020

Note 10: Prior Period Adjustment

In 2020, it was discovered that a homebuilder had not paid the required system development fees that are due and payable upon issuance of a building permit to a buyer by the City of Aurora (see Note 6). In 2021, the homebuilder paid all past due fees, some of which are applicable to periods prior to 2020. It has been determined that 76 lots x \$2,500/SFE = \$190,000 should be applied to periods prior to 2020. Therefore, the beginning fund balance in the Debt Service Fund is restated as follows:

Beginning fund balance:	\$ 2,081,476
Restatement of the System Development Fees	<u>190,000</u>
Restated beginning fund balance:	<u><u>\$ 2,271,476</u></u>

Note 11: Litigation

On August 2, 2021, District No. 1 was served with a Complaint and Jury Demand in District Court, Arapahoe County, in a case in which the Plaintiffs allege that District No. 1 is responsible for water damage caused to the Plaintiffs' home in an amount in excess of \$100,000. District No. 1 has submitted this claim to its insurer, which is defending the case subject to District No. 1's liability policy which has a deductible of \$25,000. Any liability of District No. 1 under such claim would effectively be paid by the District pursuant to the Amended and Restated Intergovernmental Agreement dated May 11, 2007, with District No. 1 (see Note 5). Currently, the outcome of the litigation is uncertain.

Note 12: Noncompliance with Colorado Revised Statutes

Colorado Revised Statutes require that local governments submit audited financial statements for the calendar year-end by July 31 or September 30 if granted an extension of the following year. The District was not in compliance with this statutory requirement for the year ended December 31, 2020.

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, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
System development fees	\$ 587,500	\$ 722,522	\$ 532,522	\$ (190,000)
Property taxes	2,849,541	2,849,541	2,846,388	(3,153)
Interest income	<u>730</u>	<u>22,000</u>	<u>21,571</u>	<u>(429)</u>
Total Revenues	<u>3,437,771</u>	<u>3,594,063</u>	<u>3,400,481</u>	<u>(193,582)</u>
EXPENDITURES				
Bond principle-Series 2020A-1	400,000	1,155,000	1,155,000	-
Bond interest-Series 2020 A-1	1,413,056	1,410,000	1,404,007	5,993
Paying agent fees	10,000	10,000	2,000	8,000
Treasurer's fees	<u>42,622</u>	<u>42,771</u>	<u>42,771</u>	<u>-</u>
Total Expenditures	<u>1,865,678</u>	<u>2,617,771</u>	<u>2,603,778</u>	<u>13,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,572,093	976,292	796,703	(179,589)
OTHER FINANCING SOURCES (USES)				
Payment to refunding escrow	-	(38,382,229)	(38,101,249)	280,980
Transfer in (out) to other funds	<u>7,287,500</u>	<u>37,696,001</u>	<u>38,479,931</u>	<u>783,930</u>
Total Other Financing Sources (Uses)	<u>7,287,500</u>	<u>(686,228)</u>	<u>378,682</u>	<u>1,064,910</u>
NET CHANGE IN FUND BALANCE	8,859,593	290,064	1,175,385	885,321
FUND BALANCE:				
BEGINNING OF YEAR - RESTATED	<u>2,048,348</u>	<u>2,081,476</u>	<u>2,271,476</u>	<u>190,000</u>
END OF YEAR	<u>\$ 10,907,941</u>	<u>\$ 2,371,540</u>	<u>\$ 3,446,861</u>	<u>\$ 1,075,321</u>

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

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ 20,000	\$ -	\$ 45,334	\$ 45,334
Total Revenues	<u>20,000</u>	<u>-</u>	<u>45,334</u>	<u>45,334</u>
EXPENDITURES				
Transfer to District 1	19,879,220	21,565,331	15,365,023	6,200,308
Cost of issuance	<u>1,010,800</u>	<u>1,659,350</u>	<u>1,451,256</u>	<u>208,094</u>
Total Expenditures	<u>20,890,020</u>	<u>23,224,681</u>	<u>16,816,279</u>	<u>6,408,402</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,870,020)	(23,224,681)	(16,770,945)	6,453,736
OTHER FINANCING SOURCES (USES)				
Bond proceeds	33,560,000	58,485,000	62,045,000	3,560,000
Bond premium/(discount)	-	2,370,351	(515,394)	(2,885,745)
Payment to refunding escrow	(12,689,980)	-	-	-
Transfer in (out) to other funds	<u>-</u>	<u>(37,696,001)</u>	<u>(38,539,569)</u>	<u>(843,568)</u>
Total Other Financing Sources (Uses)	<u>20,870,020</u>	<u>23,159,350</u>	<u>22,990,037</u>	<u>(169,313)</u>
NET CHANGE IN FUND BALANCE	-	(65,331)	6,219,092	6,284,423
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>65,331</u>	<u>42,886</u>	<u>(22,445)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,261,978</u>	<u>\$ 6,261,978</u>

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

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

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

December 31, 2020

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	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%

Estimated for
year ending
December 31,
2021

\$ 56,671,821 2.227 55.664 \$ 3,280,788

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

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

2020 Assessed and "Actual" Valuation of Classes of Property in the District

Classification of Property	Assessed Valuation	Percent of	
		Assessed Valuation	"Actual" Value
Residential	\$ 43,052,331	75.97%	\$ 602,128,513
Commercial	372,059	0.66%	1,282,968
Vacant Land	12,595,242	22.22%	43,431,883
Natural Resources	79	0.00%	274
State Assessed	652,110	1.15%	2,248,655
Total	\$ 56,671,821	100.00%	\$ 649,092,293

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%

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

2020 Largest Taxpayers Within the District

<u>Taxpayer Name</u>	<u>2020 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation (1)</u>
Public Service of Colorado	\$ 642,010	1.13%
Southshore Recovery Acquisition LLC	503,840	0.89%
Southshore Recovery Acquisition LLC	246,848	0.44%
Southshore Recovery Acquisition LLC	162,847	0.29%
Individual Homeowner	107,680	0.19%
Individual Homeowner	101,001	0.18%
Individual Homeowner	96,812	0.17%
Dempsey Family Trust	95,031	0.17%
Individual Homeowner	92,657	0.16%
Individual Homeowner	91,378	0.16%
Total	<u>\$ 2,140,104</u>	<u>3.78%</u>

(1) Based on a 2020 certified assessed valuation of \$56,671,821.

Total 2020 Mill Levies

<u>Taxing Entity</u>	<u>Mill Levy</u>
Cherry Creek School District 5	49.724
Arapahoe County	12.013
Developmental Disability	1.000
City of Aurora	8.076
Urban Drainage & Flood	0.900
Urban Drainage & Flood (S Platte)	0.100
Overlapping Mill Levy	71.813
The District	57.891
Total Mill Levy	<u>129.704</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

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

	Years Ended December 31,				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Property taxes	\$ 32,831	\$ 37,862	\$ 54,554	\$ 63,869	\$ 113,876
Specific ownership taxes	63,616	79,889	100,300	126,562	\$ 210,011
Interest income	290	1,495	8,298	6,846	\$ 4,991
Total	<u>96,737</u>	<u>119,246</u>	<u>163,152</u>	<u>197,277</u>	<u>328,878</u>
EXPENDITURES					
Transfer to District No. 1	90,293	98,469	164,414	162,146	283,000
Treasurer's fees	120	575	818	958	1,711
Miscellaneous expenses	492	133	164	0	-
Total	<u>90,905</u>	<u>99,177</u>	<u>165,396</u>	<u>163,104</u>	<u>284,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,832</u>	<u>20,069</u>	<u>(2,244)</u>	<u>34,173</u>	<u>44,167</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	-	59,638
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,638</u>
NET CHANGES IN FUND BALANCES	<u>5,832</u>	<u>20,069</u>	<u>(2,244)</u>	<u>34,173</u>	<u>103,805</u>
FUND BALANCE - BEGINNING OF YEAR	<u>13,953</u>	<u>19,785</u>	<u>39,854</u>	<u>37,610</u>	<u>71,783</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,785</u>	<u>\$ 39,854</u>	<u>\$ 37,610</u>	<u>\$ 71,783</u>	<u>\$ 175,588</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

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

	Years Ended December 31,				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Property taxes	\$ 796,868	\$ 897,018	\$ 1,324,346	\$ 1,550,489	\$ 2,846,388
Specific ownership taxes	-	-	-	-	-
Interest income	6,948	12,207	28,835	46,928	21,571
System development fees	165,000	445,000	417,500	572,500	532,522
Miscellaneous Income	6,000	-	-	-	-
Total	<u>974,816</u>	<u>1,354,225</u>	<u>1,770,681</u>	<u>2,169,917</u>	<u>3,400,481</u>
EXPENDITURES					
Treasurer's fee	11,957	13,476	19,868	23,262	42,771
Bond Principal	260,000	270,000	275,000	325,000	1,155,000
Bond Interest Expenses	537,144	523,169	1,445,306	1,430,526	1,404,007
Paying agent fee	5,500	5,500	8,500	8,500	2,000
Total	<u>814,601</u>	<u>812,145</u>	<u>1,748,674</u>	<u>1,787,288</u>	<u>2,603,778</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>160,215</u>	<u>542,080</u>	<u>22,007</u>	<u>382,629</u>	<u>796,703</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	-	38,479,931
Payment to refunding agent	-	-	-	-	(38,101,249)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,682</u>
NET CHANGES IN FUND BALANCES	<u>160,215</u>	<u>542,080</u>	<u>22,007</u>	<u>382,629</u>	<u>1,175,385</u>
FUND BALANCE - BEGINNING OF YEAR-RESTATED	<u>974,545</u>	<u>1,134,760</u>	<u>1,676,840</u>	<u>1,698,847</u>	<u>2,271,476</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,134,760</u>	<u>\$ 1,676,840</u>	<u>\$ 1,698,847</u>	<u>\$ 2,081,476</u>	<u>\$ 3,446,861</u>

SOUTHSHORE METROPOLITAN DISTRICT NO. 2

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Interest income	\$ 45,957	\$ 68,426	\$ 120,165	\$ 64,534	\$ 45,334
Total	<u>45,957</u>	<u>68,426</u>	<u>120,165</u>	<u>64,534</u>	<u>45,334</u>
EXPENDITURES					
Transfer to District No. 1	8,793,433	2,998,915	4,885,443	4,274,037	15,365,023
Costs of Issuance	8,750	504,070	-	-	1,451,256
Total	<u>8,802,183</u>	<u>3,502,985</u>	<u>4,885,443</u>	<u>4,274,037</u>	<u>16,816,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,756,226)</u>	<u>(3,434,559)</u>	<u>(4,765,278)</u>	<u>(4,209,503)</u>	<u>(16,770,945)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	10,404,000	-	-	62,045,000
Bond discount	-	-	-	-	(515,394)
Transfers in (out)	-	-	-	-	(38,539,569)
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,404,000</u>	<u>-</u>	<u>-</u>	<u>22,990,037</u>
NET CHANGES IN FUND BALANCES	<u>(8,756,226)</u>	<u>6,969,441</u>	<u>(4,765,278)</u>	<u>(4,209,503)</u>	<u>6,219,092</u>
FUND BALANCE - BEGINNING OF YEAR	<u>10,804,452</u>	<u>2,048,226</u>	<u>9,017,667</u>	<u>4,252,389</u>	<u>42,886</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,048,226</u>	<u>\$ 9,017,667</u>	<u>\$ 4,252,389</u>	<u>\$ 42,886</u>	<u>\$ 6,261,978</u>

General Fund Budget Summary and Comparison

	2020 Budget (as adopted)	2020 Actual	2021 Budget (as adopted)
REVENUES			
Property taxes	\$ 114,004	\$ 113,876	\$ 126,208
Specific ownership taxes	176,949	210,011	195,962
Interest income	<u>3,500</u>	<u>4,991</u>	<u>3,500</u>
Total Revenues	<u>294,453</u>	<u>328,878</u>	<u>325,670</u>
EXPENDITURES			
Transfer to District No. 1	413,424	283,000	323,616
Miscellaneous expense	94	-	100
Treasurer's fees	1,711	1,711	1,894
Emergency reserve	<u>54</u>	<u>-</u>	<u>60</u>
Total Expenditures	<u>415,283</u>	<u>284,711</u>	<u>325,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(120,830)</u>	<u>44,167</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>-</u>	<u>59,638</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>59,638</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(120,830)	103,805	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>120,830</u>	<u>71,783</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 175,588</u>	<u>\$ -</u>

Debt Service Fund Budget Summary and Comparison

	2020 Budget (as adopted)	2020 Actual	2021 Budget (as adopted)
REVENUES			
System development fees	\$ 587,500	\$ 532,522	\$ 545,000
Property taxes	2,849,541	2,846,388	3,154,580
Interest income	<u>730</u>	<u>21,571</u>	<u>10,000</u>
Total Revenues	<u>3,437,771</u>	<u>3,400,481</u>	<u>3,709,580</u>
EXPENDITURES			
Bond principle-Series 2020A-1	400,000	1,155,000	1,045,000
Bond interest-Series 2020 A-1	1,413,056	1,404,007	1,922,726
Paying agent fees	10,000	2,000	10,000
Treasurer's fees	<u>42,622</u>	<u>42,771</u>	<u>47,198</u>
Total Expenditures	<u>1,865,678</u>	<u>2,603,778</u>	<u>3,024,924</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,572,093</u>	<u>796,703</u>	<u>684,656</u>
OTHER FINANCING SOURCES (USES)			
Payment to refunding agent	-	(38,101,249)	-
Transfers in (out)	<u>7,287,500</u>	<u>38,479,931</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,287,500</u>	<u>378,682</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	8,859,593	1,175,385	684,656
FUND BALANCE:			
BEGINNING OF YEAR - RESTATED	<u>2,048,348</u>	<u>2,271,476</u>	<u>3,102,856</u>
END OF YEAR	<u>\$ 10,907,941</u>	<u>\$ 3,446,861</u>	<u>\$ 3,787,512</u>

Capital Projects Fund Budget Summary and Comparison

	2020 Budget (as adopted)	2020 Actual	2021 Budget (as adopted)
REVENUES			
Interest income	\$ 20,000	\$ 45,334	\$ 20,000
Total Revenues	<u>20,000</u>	<u>45,334</u>	<u>20,000</u>
EXPENDITURES			
Transfer to District 1	19,879,220	15,365,023	12,222,098
Cost of issuance	<u>1,010,800</u>	<u>1,451,256</u>	<u>-</u>
Total Expenditures	<u>20,890,020</u>	<u>16,816,279</u>	<u>12,222,098</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,870,020)</u>	<u>(16,770,945)</u>	<u>(12,202,098)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	33,560,000	62,045,000	-
Bond premium/(discount)	-	(515,394)	-
Payment to refunding escrow	(12,689,980)	-	-
Transfer in (out) to other funds	<u>-</u>	<u>(38,539,569)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>20,870,020</u>	<u>22,990,037</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	6,219,092	(12,202,098)
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>42,886</u>	<u>12,202,098</u>
END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 6,261,978</u></u>	<u><u>\$ -</u></u>