

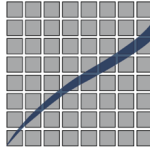
**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND     CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>24</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES     2022A</b>	<b>26</b>
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>27</b>



**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Gold Hills Mesa Metropolitan District No. 2**  
El Paso County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Gold Hills Mesa Metropolitan District No. 2 ("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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, the respective changes in financial position, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the 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, 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 within one year after the date that the financial statements are available to be issued.

### 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 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 which 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.

### *Supplementary 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 supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *Other Information*

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 24, 2023

## **BASIC FINANCIAL STATEMENTS**

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments - Unrestricted	\$ 4,089
Cash and Investments - Restricted	1,256,640
Receivable - County Treasurer	6,539
Property Taxes Receivable	12,949
Total Assets	<u>1,280,217</u>
<b>LIABILITIES</b>	
Accounts Payable - Intergovernmental	5,724
Accrued Interest Payable	51,090
Noncurrent Liabilities:	
Due Within One Year	605,000
Due in More Than One Year	16,970,455
Total Liabilities	<u>17,632,269</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	12,949
Total Deferred Inflows of Resources	<u>12,949</u>
<b>NET POSITION</b>	
Restricted for:	
Debt Service	204,478
Unrestricted	<u>(16,569,479)</u>
Total Net Position	<u><u>\$ (16,365,001)</u></u>

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
Governmental Activities:					
General Government	\$ 8,879,923	\$ -	\$ -	\$ -	\$ (8,879,923)
Interest and Related Costs on Long-Term Debt	1,251,217	-	-	-	(1,251,217)
Total Governmental Activities	\$ 10,131,140	\$ -	\$ -	\$ -	(10,131,140)
<b>GENERAL REVENUES</b>					
Property Taxes					12,936
Specific Ownership Taxes					79,968
Urban Renewal TIF					1,667,382
Net Investment Income					19,974
Total General Revenues					1,780,260
<b>CHANGE IN NET POSITION</b>					(8,350,880)
Net Position - Beginning of Year					(8,014,121)
<b>NET POSITION - END OF YEAR</b>					\$ (16,365,001)

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments - Unrestricted	\$ 4,089	\$ -	\$ 4,089
Cash and Investments - Restricted	-	1,256,640	1,256,640
Receivable from County Treasurer	1,635	4,904	6,539
Property Taxes Receivable	3,237	9,712	12,949
Total Assets	\$ 8,961	\$ 1,271,256	\$ 1,280,217
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable - Intergovernmental	\$ 5,724	\$ -	\$ 5,724
Total Liabilities	5,724	-	5,724
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	3,237	9,712	12,949
Total Deferred Inflows of Resources	3,237	9,712	12,949
<b>FUND BALANCES</b>			
Restricted for:			
Debt Service	-	1,261,544	1,261,544
Total Fund Balances	-	1,261,544	1,261,544
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,961	\$ 1,271,256	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(17,575,455)
Accrued Interest on Loans and Bonds Payable	(51,090)

Net Position of Governmental Activities	\$ (16,365,001)
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**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 3,234	\$ 9,702	\$ 12,936
Specific Ownership Taxes	19,993	59,975	79,968
Urban Renewal TIF	219,129	1,448,253	1,667,382
Net Investment Income	2	19,972	19,974
Total Revenues	242,358	1,537,902	1,780,260
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	49	145	194
Miscellaneous	10	219	229
Intergovernmental Expenditure	242,299	8,637,346	8,879,645
Debt Service:			
Paying Agent Fee	-	2,750	2,750
Bond Interest - Series 2011C	-	84,986	84,986
Bond Interest - Series 2011D	-	359,260	359,260
Bond Interest - Series 2015	-	76,721	76,721
Bond Interest - Series 2022A	-	313,719	313,719
Bond Interest - Series 2022B	-	176,242	176,242
Bond Principal - Series 2011C	-	1,965,000	1,965,000
Bond Principal - Series 2015	-	4,855,000	4,855,000
Bond Principal Series 2011D	-	1,983,000	1,983,000
Bond Principal Series 2022A	-	795,000	795,000
Bond Issue Costs	-	807,320	807,320
Total Expenditures	242,358	20,056,708	20,299,066
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(18,518,806)	(18,518,806)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	18,412,967	18,412,967
Total Other Financing Sources (Uses)	-	18,412,967	18,412,967
<b>NET CHANGE IN FUND BALANCES</b>	-	(105,839)	(105,839)
Fund Balances - Beginning of Year	-	1,367,383	1,367,383
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 1,261,544	\$ 1,261,544

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ (105,839)

Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Proceeds	(18,412,967)
Principal Payment	9,598,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Loans and Bonds - Change in Liability	527,414
Amortization - Series 2022A Senior Bonds Premium	<u>42,512</u>

Changes in Net Position of Governmental Activities \$ (8,350,880)

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 3,234	\$ 3,234	\$ 3,234	\$ -
Specific Ownership Taxes	19,228	19,993	19,993	-
Urban Renewal TIF	186,125	219,129	219,129	-
Other Income	1,200	1,642	-	(1,642)
Net Investment Income	-	2	2	-
Total Revenues	<u>209,787</u>	<u>244,000</u>	<u>242,358</u>	<u>(1,642)</u>
<b>EXPENDITURES</b>				
Intergovernmental Expenditure	208,538	242,299	242,299	-
County Treasurer's Fees	49	49	49	-
Miscellaneous	200	10	10	-
Contingency	1,000	1,642	-	1,642
Total Expenditures	<u>209,787</u>	<u>244,000</u>	<u>242,358</u>	<u>1,642</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Gold Hill Mesa Metropolitan District No. 2 (the District or District No. 2), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for the city of Colorado Springs (the City), El Paso County, Colorado, on November 9, 2004, and is governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). The preliminary Consolidated Service Plan, approved by the city of Colorado Springs on September 14, 2004, formed the Gold Hill Mesa Metropolitan District Nos. 1-3 (the Districts) as 'shell districts' which could not operate until an amended service plan was approved. The Amended Consolidated Service Plan was approved by the City on July 11, 2006. The Districts' service area is located entirely within the City. The District was organized in conjunction with two other related districts, Gold Hill Mesa Metropolitan District No. 1 (District No. 1), the Operating District, and Gold Hill Mesa Metropolitan District No. 3 (District No. 3), the Commercial and Financing District. District No. 1 will own (subject to dedication of improvements to the City), operate, maintain and construct facilities benefiting all three Districts, and District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The District was established to provide the following services: parks and recreation, sanitary sewer, storm drainage, streets, traffic and safety protection, water, mosquito control, and television relay and transportation systems.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Separate financial statements are provided for governmental funds. 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 related cash flows.

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 major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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 appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. 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 District amended its annual budget for the year ended December 31, 2022.

**Pooled Cash and Investments**

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 single bank account. 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 and investments.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflow of Resources**

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:	
Cash and Investments	\$ 4,089
Cash and Investments - Restricted	1,256,640
Total Cash and Investments	<u>\$ 1,260,729</u>

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

Deposits with Financial Institutions	\$ 28,736
Investments	1,231,993
Total Cash and Investments	<u>\$ 1,260,729</u>

**Deposits with Financial Institutions**

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

At December 31, 2022, the District's cash deposits had a bank and a carrying balance of \$28,736.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- \* Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

**Fair Value Measurement and Application**

The District categorizes its fair value measurements 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, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series).

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
U.S. Treasury Money Market Fund	Weighted-Average Under 90 Days	<u>\$ 1,231,993</u>

**U.S. Treasury Money Market Fund**

The debt service money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the SEI Daily Income Treasury Portfolio. This portfolio is a money market fund that is managed by SEI Investments and each share is equal in value to \$1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Bonds Payable:					
Series 2011C Subordinate Convertible Capital Appreciation Bonds	\$ 1,965,000	\$ -	\$ 1,965,000	\$ -	\$ -
Series 2011D Subordinate Bonds	1,983,000	-	1,983,000	-	-
Series 2011D Subordinate Bonds - Unpaid Interest	532,913	-	532,913	-	-
Series 2022A Senior Bonds	-	12,525,000	795,000	11,730,000	605,000
Series 2022A Senior Bonds - Premium	-	1,040,967	42,512	998,455	-
Series 2022B(3) Subordinate Bonds	-	4,847,000	-	4,847,000	-
Bonds Payable Subtotal	4,480,913	18,412,967	5,318,425	17,575,455	605,000
Loans/Notes from Direct Borrowings/Direct Placements:					
Series 2015 Refunding and Improvement Loan	4,855,000	-	4,855,000	-	-
Loans/Notes Payable Subtotal	4,855,000	-	4,855,000	-	-
Total Long Term Obligations	\$ 9,335,913	\$ 18,412,967	\$ 10,173,425	\$ 17,575,455	\$ 605,000

The details of the District's long-term obligations are as follows:

**\$12,525,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2022A and \$4,847,000 Limited Tax General Obligation and Special Revenue Subordinate Bonds, Series 2022B(3)**

On June 8, 2022, the District issued Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2022A (the Series 2022A Senior Bonds) and Limited Tax General Obligation and Special Revenue Subordinate Bonds, Series 2022B(3) (the Series 2022B Subordinate Bonds) in the amount of \$12,525,000 and \$4,870,000, respectively (collectively, the Bonds).

**Proceeds of the Bonds**

Proceeds from the sale of the Senior Bonds were used for the purposes of:

1. Refunding the District's:
  - a. Subordinate Tax-Supported Revenue Bonds, Series 2011C,
  - b. Second Subordinate Tax-Supported Revenue Bonds, Series 2011D, and
  - c. Loan incurred pursuant to a Loan Agreement by and between the District and U.S. Bank dated as of December 16, 2015.
2. Funding the Reserve Fund in an amount equal to the Reserve Requirement,
3. Financing or reimbursing a portion of the costs of certain Public Improvements related to the Development, and
4. Paying the costs of issuing the Senior Bonds.

Proceeds from the sale of the Subordinate Bonds were used for the purpose of paying the costs of issuing the Subordinate Bonds.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$12,525,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2022A and \$4,847,000 Limited Tax General Obligation and Special Revenue Subordinate Bonds, Series 2022B<sup>(3)</sup> (Continued)**

**Series 2022A Senior Bonds Details**

The Series 2022A Senior Bonds bear interest at rates ranging from 5.00% to 5.50%, payable semi-annually on June 1 and December 1, beginning on December 1, 2022. Principal payments on the Series 2022A Senior Bonds are due annually on each December 1, beginning on December 1, 2022. The Series 2022A Senior Bonds mature on December 1, 2047.

To the extent principal of any Senior Bond is not paid when due, principal shall remain outstanding until the earlier of its payment or the Termination Date and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond.

The Series 2022A Senior Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2048 (the Termination Date), regardless of the principal /or interest amounts remaining unpaid.

**Optional Redemption of the Series 2022A Senior Bonds**

The Series 2022A Senior Bonds are subject to redemption prior to maturity, at the option of the District on June 1, 2032, and on any date thereafter, upon payment of par and accrued interest.

**Senior Pledged Revenue**

The Series 2022A Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue derived by the District from the following sources:

- a. the Senior Property Tax Revenues generated from the imposition of the Senior Required Mill Levy, net of the costs of collection;
- b. the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Senior Required Mill Levy;
- c. the Senior Pledged Tax Revenue;
- d. all Capital Fees;
- e. any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

**Senior Required Mill Levy**

The Senior Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Series 2022A Senior Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but not in excess of 30 mills (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2006) or such lesser mill levy which will pay the Series 2022A Senior Bonds as they come due and will replenish the Reserve Fund to the amount of the Required Reserve, if necessary.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$12,525,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2022A and \$4,847,000 Limited Tax General Obligation and Special Revenue Subordinate Bonds, Series 2022B<sup>(3)</sup> (Continued)**

**Series 2022A Senior Bonds Details (Continued)**

Pledged Tax Revenue

Through tax collection year 2029, all property taxes resulting from the imposition of ad valorem property taxes by all taxing entities, including the District, on the assessed valuation of all taxable property in the Amended Gold Hill Mesa Urban Renewal Area in excess of the base assessed valuation thereof (i.e., the incremental assessed valuation) are payable to CSURA pursuant to the Urban Renewal Plan and the Urban Renewal Law.

Pledged Tax Revenue refers to the revenues resulting from the imposition by all taxing entities, including the District, of their tax levies against the District Property, net of certain deductions. CSURA has agreed to remit the Pledged Tax Revenue attributable to the property in the District to be used by the District to pay for debt service on bonds issued to pay for Public Improvements, including the Bonds.

Reserve Fund

The Series 2022A Senior Bonds are additionally secured by the Reserve Fund, which will initially be funded with proceeds of the Series 2022A Senior Bonds in the amount of the Reserve Requirement of \$1,005,976. Amounts on deposit in the Reserve Fund on the final maturity date of the Bonds are to be applied to the payment of the Bonds on such date.

Moneys in the Reserve Fund shall be used by the Trustee, if necessary, only to prevent a default in the payment of the principal of, premium if any, or interest on the Bonds, and the Reserve Fund is pledged to the payment of the Bonds.

Bond Insurance Policy

The scheduled payment of principal and interest on the Senior Bonds when due are guaranteed under a municipal bond insurance policy issued by Build America Mutual Assurance Company.

Events of Default of the Senior Bonds

Events of default occur if the District fails to impose the Senior Required Mill Levy, or to apply the Senior Pledged Revenues as required by the Senior Indenture, does not comply with the provisions applicable to it in the URA Agreement, and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Senior Indenture.

**Series 2022B Subordinate Bonds Details**

The Series 2022B Subordinate Bonds bear interest at a rate of 7.0% per annum payable annually on December 15, to the extent of available Subordinate Pledged Revenue. The Series 2022B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the Series 2022B Subordinate Bonds compounds annually on each December 15.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$12,525,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2022A and \$4,847,000 Limited Tax General Obligation and Special Revenue Subordinate Bonds, Series 2022B<sup>(3)</sup> (Continued)**

**Series 2022B Subordinate Bonds Details (Continued)**

In the event that any amount of principal or interest on the Series 2022B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue on December 16, 2048, the Series 2022B Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof will be deemed discharged.

**Subordinate Bonds Optional Redemption**

The Series 2022B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2027, to May 31, 2028	3.00%
June 1, 2028, to May 31, 2029	2.00%
June 1, 2029, to May 31, 2030	1.00%
June 1, 2030, and Thereafter	0.00%

**Subordinate Bonds Pledged Revenue**

The Series 2022B Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue which means:

- a. the Subordinate Property Tax Revenues generated from the imposition of the Subordinate Required Mill Levy, net of the costs of collection;
- b. the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy;
- c. the Subordinate Pledged Tax Revenue;
- d. Capital Fees remaining after deduction of all amounts thereof used, paid, pledged, or otherwise applied to the payment of Senior Bonds; and
- e. any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

**Subordinate Required Mill Levy**

The Subordinate Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in the amount of 30 mills (subject to adjustment) less the amount of the Senior Bond Mill Levy, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full. It is the intent that if the amount of the Senior Bond Mill Levy equals or exceeds 30 mills (subject to adjustment) in any year, the Subordinate Required Mill Levy for that year shall be zero.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$12,525,000 Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2022A and \$4,847,000 Limited Tax General Obligation and Special Revenue Subordinate Bonds, Series 2022B<sup>(3)</sup> (Continued)**

**Series 2022B Subordinate Bonds Details (Continued)**

Events of Default of the Subordinate Bonds

Events of default occur if the District fails to impose the Subordinate Required Mill Levy, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture, does not comply with the provisions applicable to it in the URA Agreement, and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Subordinate Indenture.

**\$2,160,000 Subordinate Convertible Capital Appreciation Bonds, Series 2011C**

On September 16, 2011, the District issued \$1,497,938 (original issue amount) Subordinate Convertible Capital Appreciation Bonds, with a value of \$2,160,000 at conversion date, for public improvements. The Bonds bear no interest through December 15, 2016, and then bear interest at a rate of 9.0% through maturity on December 15, 2040. Bond interest and principal is payable annually on December 15. During the periods of 2019 through 2021, the District did not have sufficient funds to make the principal and interest payment in full. The unpaid interest will compound on each payment date at a rate of 9.0%.

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

**\$3,157,000 Second Subordinate Tax-Supported Revenue Bonds, Series 2011D**

On September 16, 2011, the District issued a \$3,157,000 in Subordinate Tax-Supported Revenue Bonds for public improvements. The Bonds bear interest at a rate of 9.50% with a stated maturity of December 15, 2040. Bond interest and principal are payable annually on December 15, with principal payments commencing in 2022. These bonds are anticipated to be repaid in full on December 15, 2026. During the periods of 2018 through 2021, the District did not have sufficient funds to make the interest payment in full. The unpaid interest will compound on each payment date at a rate of 9.5%. The Series D Bonds are payable only from excess pledged revenue available after payment of the Senior Loans.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$3,157,000 Second Subordinate Tax-Supported Revenue Bonds, Series 2011D**  
**(Continued)**

The Bonds are secured by and payable from the Pledged Revenue, consisting of monies derived by the District from: 1) all amounts due and owing to the District under the Tax Sharing IGA; 2) the Base AV tax revenue; 3) all amounts derived by the District after the conclusion of the Tax Sharing IGA from the imposition of the Required Mill Levy, less costs of collection; 4) all specific ownership taxes remitted to the District pursuant to Section 42-3-1207, C.R.S., or any successor statute, allocable to the amount of the Required Mill Levy, net of any costs of collection; 5) Capital Fees; and 6) any other legally available monies which the District determines, in its sole discretion, to transfer to the Custodian or the Bank for application as Pledged Revenue. The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The Required Mill Levy is limited to a minimum of 25.000 mills and a maximum of 30.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2022, the adjusted maximum mill levy is 30.000.

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on any date, upon payment of par and accrued interest, without redemption premium.

**\$6,360,000 Tax-Free Refunding and Improvement Loan Agreement, Series 2015**

On December 16, 2015, the District entered into the \$6,360,000 in Tax-Free Refunding and Improvement Loan Agreement to fully refund the Series 2011 A Loan, the Series 2011 B Loan, and a portion of the outstanding Series 2011 D Bonds, in order to reduce overall interest costs and to reimburse costs for facilities to the Developer. The Loan bears interest at 3.01%. Loan interest payments are due each June 1 and December 1, and loan principal payments are due annually on December 1. The Loan matures on December 16, 2022. On or after December 16, 2020, at the option of the District, the Loan is callable without a premium. The Loan carries a reserve fund requirement of \$190,800 which was funded at the time of issuance.

The Loan is secured by and payable from the Pledged Revenue, consisting of monies derived by the District from: 1) all amounts due and owing to the District under the Tax Sharing IGA; 2) the Base AV tax revenue; 3) all amounts derived by the District after the conclusion of the Tax Sharing IGA from the imposition of the Required Mill Levy, less costs of collection; 4) all specific ownership taxes remitted to the District pursuant to Section 42-3-1207, C.R.S., or any successor statute, allocable to the amount of the Required Mill Levy, net of any costs of collection; and 5) any other legally available monies which the District determines, in its sole discretion, to transfer to the Custodian or the Bank for application as Pledged Revenue.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 605,000	\$ 613,075	\$ 1,218,075
2024	640,000	582,825	1,222,825
2025	675,000	550,825	1,225,825
2026	730,000	517,075	1,247,075
2027	770,000	480,575	1,250,575
2028-2032	2,315,000	1,884,125	4,199,125
2033-2037	1,360,000	1,499,326	2,859,326
2038-2042	1,940,000	1,075,800	3,015,800
2043-2047	2,695,000	463,925	3,158,925
Total	<u>\$ 11,730,000</u>	<u>\$ 7,667,551</u>	<u>\$ 19,397,551</u>

**Debt Authorization**

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$56,000,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 18% and \$57,000,000 for refunding the District's debt or other obligations. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Authorization Used for Series 2011 Loans/Bonds	Authorization Used for Series 2015 Loan	Authorization Used for Series 2022 Bonds	Authorized But Unissued
Streets	\$ 30,000,000	\$ 4,592,704	\$ 133,668	\$ 3,129,058	\$ 22,144,570
Water	5,000,000	606,748	217,727	413,384	3,762,141
Sanitary Sewer	10,000,000	4,477,548	198,109	3,050,602	2,273,741
Parks and Recreation	8,000,000	-	-	2,044,303	5,955,697
Traffic and Safety Protection	1,000,000	-	-	-	1,000,000
Television Relay and Translation	1,000,000	-	-	-	1,000,000
Mosquito Control	500,000	-	-	-	500,000
Transportation System	500,000	-	-	-	500,000
Debt Refunding	57,000,000	-	5,810,496	9,775,620	41,413,884
Total	<u>\$ 113,000,000</u>	<u>\$ 9,677,000</u>	<u>\$ 6,360,000</u>	<u>\$ 18,412,967</u>	<u>\$ 78,550,033</u>

Pursuant to the Amended Consolidated Service Plans as amended on April 23, 2006, the District can issue bond indebtedness of up to \$57,000,000. In addition, the maximum debt service mill levy for the District is 30.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 5 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District had restricted net position as of December 31, 2022, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service	\$ 204,478
Total Restricted Net Position	\$ 204,478

The District has a deficit in unrestricted net position. This deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were transferred to Gold Hill Mesa Metropolitan District No. 1 (the Operating District) and other governmental entities.

**NOTE 6 RELATED PARTY**

The Developers of the property which constitutes the District are Gold Hill Mesa Township LLC, Gold Hill Mesa Partners LLC, and Gold Hill Neighborhood LLC. The members of the Board of Directors are officers, employees or associated with the Developer and may have conflicts of interest in dealing with the District.

**NOTE 7 INTERGOVERNMENTAL AGREEMENTS**

On May 31, 2006 and November 30, 2006, the District entered into an Intergovernmental Agreement (IGA) with Gold Hill Mesa Metropolitan District No. 1 (Operating District) and Gold Hill Mesa Metropolitan District No. 3 (Financing District), respectively. The IGA provides that the Operating District is to operate, maintain, finance and construct facilities benefitting the three Districts, and that District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The Districts have agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. On September 16, 2011, District No. 2 issued Loans and bonds and transferred the proceeds to District No. 1. District No. 1 used those proceeds to repay the Developer for capital construction paid directly by the Developer as part of the Restated Reimbursement Agreement entered into as part of District No. 2's 2011 Loan and Bond Issue.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 7 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

On January 20, 2011, the District entered into an Intergovernmental Tax Sharing Agreement with the Colorado Springs Urban Renewal Authority (the Authority). The IGA provides a tax sharing agreement for a period of 25 years on taxes levied by the District beginning on May 25, 2004. Under the agreement, all property tax revenues generated by the assessed valuation in excess of the base assessed valuation as of May 25, 2004, will be paid to the Authority for the purposes of paying debt incurred during the development of the urban renewal project. The gross tax revenues generated by this agreement will be deposited by the Authority into a Pledged Tax Revenue Fund. The tax revenue will remain in that fund until the District requests payment from that fund for the purposes of making an interest or principal payment on the District's outstanding bonds. During the year ended December 31, 2022, the District received \$1,667,382 in TIF revenue from the Authority as part of the Agreement.

**NOTE 8 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2022. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not need for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's 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.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

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 transfers its net operating revenue to Gold Hill Mesa Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to the District's revenue are reported in Gold Hill Mesa Metropolitan District No. 1.

On November 2, 2004, the District voters passed an election question allowing the District to increase property taxes up to \$1,000,000 annually, without limitation of rate, and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-2-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend, or retain all revenue without regard to any limitations under TABOR.

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.

## **SUPPLEMENTARY INFORMATION**

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND –  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 9,703	\$ 9,702	\$ 9,702	\$ -
Specific Ownership Taxes	57,681	59,975	59,975	-
Facility Fees	30,000	-	-	-
Urban Renewal TIF	1,230,125	1,448,253	1,448,253	-
Net Investment Income	2	19,972	19,972	-
Total Revenues	<u>1,327,511</u>	<u>1,537,902</u>	<u>1,537,902</u>	<u>-</u>
<b>EXPENDITURES</b>				
County Treasurer's Fees	146	145	145	-
Miscellaneous	200	219	219	-
Paying Agent Fee	6,000	2,750	2,750	-
Bond Interest - Series 2011C	176,850	84,986	84,986	-
Bond Interest - Series 2011D	688,758	359,260	359,260	-
Bond Interest - Series 2015	153,854	76,721	76,721	-
Bond Interest - Series 2022A	33,333	313,719	313,719	-
Bond Interest - Series 2022B	-	176,242	176,242	-
Bond Principal - Series 2011C	1,965,000	1,965,000	1,965,000	-
Bond Principal - Series 2015	4,855,000	4,855,000	4,855,000	-
Bond Principal Series 2011D	1,983,000	1,983,000	1,983,000	-
Bond Principal Series 2022A	-	795,000	795,000	-
Intergovernmental Expenditure	-	8,637,346	8,637,346	-
Bond Issue Costs	400,000	807,320	807,320	-
Contingency	-	43,292	-	43,292
Total Expenditures	<u>10,262,141</u>	<u>20,100,000</u>	<u>20,056,708</u>	<u>43,292</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(8,934,630)	(18,562,098)	(18,518,806)	43,292
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	9,500,000	18,412,967	18,412,967	8,912,967
Total Other Financing Sources (Uses)	<u>9,500,000</u>	<u>18,412,967</u>	<u>18,412,967</u>	<u>8,912,967</u>
<b>NET CHANGE IN FUND BALANCE</b>	565,370	(149,131)	(105,839)	43,292
Fund Balance - Beginning of Year	<u>1,329,868</u>	<u>1,367,383</u>	<u>1,367,383</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,895,238</u></u>	<u><u>\$ 1,218,252</u></u>	<u><u>\$ 1,261,544</u></u>	<u><u>\$ 43,292</u></u>

## **OTHER INFORMATION**

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2022A**  
**DECEMBER 31, 2022**

\$12,525,000 Series 2022A Senior Bonds  
Limited Tax General Obligation Bonds and  
Special Revenue Refunding and Improvement Bonds  
Dated June 8, 2022  
Interest Rate 5.00% - 5.50%  
Interest Payable due June 1 and December 1  
Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 605,000	\$ 613,075	\$ 1,218,075
2024	640,000	582,825	1,222,825
2025	675,000	550,825	1,225,825
2026	730,000	517,075	1,247,075
2027	770,000	480,575	1,250,575
2028	830,000	442,075	1,272,075
2029	875,000	400,575	1,275,575
2030	190,000	356,825	546,825
2031	200,000	347,325	547,325
2032	220,000	337,325	557,325
2033	230,000	326,325	556,325
2034	255,000	314,250	569,250
2035	270,000	300,863	570,863
2036	295,000	286,688	581,688
2037	310,000	271,200	581,200
2038	340,000	254,925	594,925
2039	355,000	236,225	591,225
2040	390,000	216,700	606,700
2041	410,000	195,250	605,250
2042	445,000	172,700	617,700
2043	470,000	148,225	618,225
2044	505,000	122,375	627,375
2045	535,000	94,600	629,600
2046	575,000	65,175	640,175
2047	610,000	33,550	643,550
Total	<u>\$ 11,730,000</u>	<u>\$ 7,667,551</u>	<u>\$ 19,397,551</u>

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2018	\$ 232,420	10.899	27.247	\$ 8,866	\$ 8,865	99.99 %
2019	234,810	10.899	27.247	8,957	8,971	100.16
2020	270,890	11.009	33.027	11,929	11,904	99.79
2021	269,230	11.041	27.604	10,404	10,408	100.03
2022	292,770	11.047	33.140	12,937	12,936	100.00
Estimated for Year Ending December 31, 2023	\$ 284,810	11.366	34.099	\$ 12,949		

Note:

Property taxes shown as collected in any one year include collection of delinquent property taxes or of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.