

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental fund follows.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's Governmental Funds reported an ending fund balance of \$4,418,914. Of this fund balance, \$2,514,213 is nonspendable, restricted or assigned. Additional information on these amounts can be found in Note 2 and Note 7 to the financial statements. The remaining fund balance of \$1,904,701 is unassigned.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Variances. For the year ended December 31, 2022, the District's General Fund budget was not amended.

The budget to actual comparison details for the General Fund can be seen on page 6 of the financial statements. District revenues were \$3,046 more than the budget. This was primarily due to an increase in net investment income, a one-time grant received, and increased clubhouse rental fees offset by a decrease in the fair value of the District's investments due to a mark-to-market adjustment. Actual expenditures were under the budgeted amount by \$1,034,530. This was primarily due to delays in initiating significant capital projects as a result of contractors being unavailable. Although funds were appropriated for these projects in 2022, the funds were not committed by year-end. It is anticipated that some or all of these projects will be performed and funded in 2023 and subsequent years.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2022 amounted to \$2,505,003 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is as follows:

**TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022**

CAPITAL ASSETS (net of depreciation)

	<u>Balance at December 31, 2021</u>	<u>Changes</u>	<u>Balance at December 31, 2022</u>
Landscaping	\$ 1,269,512	\$ 51,504	\$ 1,321,016
Construction in progress	-	26,910	26,910
Pool and clubhouse	711,853	(16,136)	695,717
Irrigation systems	42,750	209,812	252,562
Detention pond	7,087	(591)	6,496
Fencing	17,644	(8,822)	8,822
Entrance bridge	138,076	(11,506)	126,570
Lighting	42,003	12,308	54,311
Building improvements - office	16,199	(3,600)	12,599
	<u>\$ 2,245,124</u>	<u>\$ 259,879</u>	<u>\$ 2,505,003</u>
Total capital assets, net	<u>\$ 2,245,124</u>	<u>\$ 259,879</u>	<u>\$ 2,505,003</u>

In 2022, the District installed a commercial-grade “smart” evapotranspiration (ET) controller system for irrigation of the District’s landscaping improvements at a cost of \$225,592. This system is intended to reduce the District’s water use and associated utility expense in future years while improving the condition of the landscaping. The District also spent \$33,860 on pool improvements and \$16,198 install additional lighting for safety and security.

Additional information on the District’s capital assets can be found in Note 4 of this report.

Long-Term Obligations. At the end of the current fiscal year, the District had total outstanding long-term obligations of \$9,115,000 comprised of general obligation notes. The analysis of changes in long-term obligations is as follows:

LONG-TERM OBLIGATIONS

	<u>2021</u>	<u>Change</u>	<u>2022</u>
G.O. Refunding Notes - 2012A	<u>\$9,795,000</u>	<u>\$(680,000)</u>	<u>\$9,115,000</u>

During 2022 the District made the scheduled payments on the 2012A Notes. There were no new long-term obligations entered into during 2022.

Additional information on the District’s long-term obligations can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

For property taxes levied in 2022 to be collected in 2023, the District’s assessed valuation decreased by 24.5%, (from \$55,009,537 in 2021 to \$41,545,953 in 2022) as noted above and on the Summary of Assessed Valuation, Mill Levy, and Property Taxes Collected at page 22 of the financial statements. This will result in a significant decrease in property tax collections in 2023, by \$700,107, partially offset by a reduction in the associated expense of County Treasurer fees.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022

The decrease in assessed value resulted almost entirely from a decrease in the assessed value of state assessed property, primarily public electric utility property owned by Public Service Company of Colorado. As noted on the Summary of Assessed Valuation, Mill Levy, and Property Taxes, the District's assessed valuation was elevated by approximately \$15 million per year during the years 2019-2021 (for tax collection during the years 2020-2022) due to a temporarily elevated valuation of this public electric utility property. In 2022, the assessed valuation returned to a level more consistent with the historic trend prior to 2019.

The Arapahoe County Assessor has released preliminary assessed valuation for 2023 of \$57,109,291 (for property tax collection in 2024). This reflects a general increase in market values for residential real estate from June 30, 2020 through June 30, 2022, offset by a reduction in the Residential Assessment Rate as a result of legislation enacted in 2022. Because the appeal process for assessments has not been completed, the final assessed valuation for 2023 may be lower than this amount.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tollgate Crossing Metropolitan District No. 2's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dawn Schilling of Schilling & Company, Inc. at P.O. Box 631579, Highlands Ranch, CO 80163.

BASIC FINANCIAL STATEMENTS

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2022

ASSETS

Cash deposits and investments - unrestricted	\$ 3,353,148
Cash deposits and investments - restricted	1,104,342
Receivable from County Treasurer	13,338
Property taxes receivable	2,160,389
Accounts receivable	22,191
Interest receivable	17,218
Prepaid expenses	500
Capital assets, not being depreciated	1,347,926
Capital assets, net of accumulated depreciation	1,157,077
Total assets	9,176,129

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding, net	374,812
Total deferred outflows of resources	374,812

LIABILITIES

Accounts payable	85,931
Assessments due to customers	1,201
Accrued interest payable	20,585
Noncurrent liabilities:	
Due within one year	710,000
Due in more than one year	8,405,000
Total liabilities	9,222,717

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	2,160,389
Total deferred inflows of resources	2,160,389

NET POSITION

Net investment in capital assets	2,505,003
Restricted for emergencies	71,000
Restricted for debt service	1,086,835
Restricted for landscape grants	35,753
Unrestricted	(5,530,756)
Total net position	\$ (1,832,165)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General government	\$ 1,051,997	\$ 7,515	\$ 7,976	\$ (1,036,506)
Interest and fiscal charges	341,200	-	-	(341,200)
	<u>\$ 1,393,197</u>	<u>\$ 7,515</u>	<u>\$ 7,976</u>	<u>(1,377,706)</u>

General revenues:

Property taxes	2,860,519
Specific ownership taxes	180,596
General operations and recreation fees - delinquent accounts	300
Miscellaneous/reimbursements	2,213
Net investment income	55,823
Change in fair value of investments	(38,059)
Total general revenues	<u>3,061,392</u>

Change in net position

Change in net position	1,683,686
Net position - Beginning	(3,515,851)
Net position - Ending	<u>\$ (1,832,165)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service	Capital Replacement	Total Governmental Funds
ASSETS				
Cash deposits and investments - unrestricted	\$ 2,562,045	\$ -	\$ 791,103	\$ 3,353,148
Cash deposits and investments - restricted	-	1,104,342	-	1,104,342
Receivable from County Treasurer	10,260	3,078	-	13,338
Property tax receivable	1,661,838	498,551	-	2,160,389
Accounts receivable - fees	4,691	-	-	4,691
Accounts receivable - reimbursements	17,500	-	-	17,500
Interest Receivable	17,218	-	-	17,218
Prepaid expense	500	-	-	500
TOTAL ASSETS	\$ 4,274,052	\$ 1,605,971	\$ 791,103	\$ 6,671,126
LIABILITIES				
Accounts payable	\$ 85,931	\$ -	\$ -	\$ 85,931
Deferred revenue	4,691	-	-	4,691
Assessments due to customers	1,201	-	-	1,201
Total liabilities	91,823	-	-	91,823
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	1,661,838	498,551	-	2,160,389
Total deferred inflows of resources	1,661,838	498,551	-	2,160,389
FUND BALANCES				
Nonspendable for prepaid items	500	-	-	500
Spendable:				
Restricted for emergencies	71,000	-	-	71,000
Restricted for debt service	-	1,107,420	-	1,107,420
Restricted for landscape grants	35,753	-	-	35,753
Assigned for subsequent year's expenditures	508,937	-	-	508,937
Assigned for capital projects	-	-	791,103	791,103
Unassigned	1,904,201	-	-	1,904,201
Total fund balances	2,520,391	1,107,420	791,103	4,418,914
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,274,052	\$ 1,605,971	\$ 791,103	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Deferred loss on refunding, net	374,812
Capital assets, net of accumulated depreciation	2,505,003
	2,879,815

Revenue deferred in the fund statements because it is not available to pay for the current period expenditures is earned in the government-wide statements.

4,691
4,691

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Notes payable	(9,115,000)
Accrued interest payable	(20,585)
	(9,135,585)

Net position of governmental activities	\$ (1,832,165)
---	----------------

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Replacement</u>	<u>Total Governmental Funds</u>
REVENUES				
Property tax	\$ 2,200,393	\$ 660,126	\$ -	\$ 2,860,519
Specific ownership tax	138,920	41,676	-	180,596
Penalties and fees	1,406	-	-	1,406
Clubhouse rental	7,515	-	-	7,515
Other	943	-	-	943
Net investment income	35,280	14,450	6,093	55,823
Change in fair value of investments	(38,059)	-	-	(38,059)
Reimbursements	1,270	-	-	1,270
Grants	7,976	-	-	7,976
Total revenues	<u>2,355,644</u>	<u>716,252</u>	<u>6,093</u>	<u>3,077,989</u>
EXPENDITURES				
Current				
Accounting and audit	18,542	-	-	18,542
Legal	15,368	-	-	15,368
Legal - collections	675	-	-	675
Management fees	57,168	-	-	57,168
Newsletter costs	4,027	-	-	4,027
Insurance	31,027	-	-	31,027
Election	27,688	-	-	27,688
Landscape maintenance and projects	333,840	-	-	333,840
Bank fees	1,336	-	-	1,336
Miscellaneous	375	-	-	375
Utilities	184,961	-	-	184,961
Clubhouse maintenance	24,228	-	-	24,228
Pool services	84,943	-	-	84,943
Pool repairs and maintenance	18,136	-	-	18,136
Holiday lighting	15,564	-	-	15,564
Utility notifications	330	-	-	330
County Treasurer's fees	33,020	9,905	-	42,925
Mitigation grants	1,000	-	-	1,000
Security patrols	48,570	-	-	48,570
Debt service				
Note principal	-	680,000	-	680,000
Note interest	-	265,445	-	265,445
Paying agent fees	-	250	-	250
Capital				
Capital outlay - capitalizable items	374,333	-	-	374,333
Capital outlay - non-capitalizable items	36,745	-	-	36,745
Total expenditures	<u>1,311,876</u>	<u>955,600</u>	<u>-</u>	<u>2,267,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,043,768</u>	<u>(239,348)</u>	<u>6,093</u>	<u>810,513</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	150,000	150,000
Transfers out	(150,000)	-	-	(150,000)
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	893,768	(239,348)	156,093	810,513
FUND BALANCES - BEGINNING OF YEAR	1,626,623	1,346,768	635,010	3,608,401
FUND BALANCES - END OF YEAR	<u>\$ 2,520,391</u>	<u>\$ 1,107,420</u>	<u>\$ 791,103</u>	<u>\$ 4,418,914</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 810,513</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.	
Change in deferred assessments	<u>(1,106)</u>
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	374,333
Depreciation	(94,185)
Loss on disposition of assets	<u>(20,269)</u>
	<u>259,879</u>
Long-term debt (e.g. bonds, notes) provide 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 premiums, discounts, and gains/losses on refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal payments	680,000
Amortization of deferred loss on refunding	<u>(67,135)</u>
	<u>612,865</u>
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.	
Change in accrued interest payable	<u>1,535</u>
	<u>1,535</u>
Change in net position - Governmental activities	<u><u>\$ 1,683,686</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUES			
Property tax	\$ 2,200,382	\$ 2,200,393	\$ 11
Specific ownership taxes	143,025	138,920	(4,105)
Penalties and fees	-	1,406	1,406
Clubhouse rental	5,000	7,515	2,515
Other	-	943	943
Net investment income	2,091	35,280	33,189
Reimbursements	2,100	1,270	(830)
Grants	-	7,976	7,976
Change in fair value of investments	-	(38,059)	(38,059)
Total Revenues	<u>2,352,598</u>	<u>2,355,644</u>	<u>3,046</u>
EXPENDITURES			
Accounting and audit	25,000	18,542	6,458
Legal	19,133	15,368	3,765
Legal - collections	10,000	675	9,325
Management fees	60,000	57,168	2,832
Management fees - special	20,000	-	20,000
Newsletter costs	5,000	4,027	973
Insurance	36,534	31,027	5,507
Election	30,000	27,688	2,312
Landscape maintenance	370,440	254,293	116,147
Landscape projects	200,000	79,547	120,453
Structural prune trees	108,000	-	108,000
Bank fees	2,000	1,336	664
Miscellaneous	-	375	(375)
Utilities	272,982	184,961	88,021
Clubhouse and park maintenance	50,000	24,228	25,772
Pool services	90,558	84,943	5,615
Pool repairs and maintenance	35,000	18,136	16,864
Holiday lighting	25,000	15,564	9,436
Utility notifications	1,800	330	1,470
County Treasurer's fees	33,006	33,020	(14)
Mitigation grants	37,253	1,000	36,253
Security patrols	150,000	48,570	101,430
Capital outlay			
Prairie dog fencing	50,000	-	50,000
Lighting (capitalizable and non-capitalizable)	-	23,198	(23,198)
Security systems	14,700	-	14,700
Fence repairs (non-capitalizable)	-	29,745	(29,745)
Pool Improvements	150,000	33,860	116,140
Clubhouse Improvements	100,000	26,910	73,090
ET Controllers	100,000	225,592	(125,592)
Landscaping (capitalizable)	150,000	71,773	78,227
Park Improvements	200,000	-	200,000
Total Expenditures	<u>2,346,406</u>	<u>1,311,876</u>	<u>1,034,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,192</u>	<u>1,043,768</u>	<u>1,037,576</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(150,000)	(150,000)	-
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(143,808)	893,768	1,037,576
FUND BALANCE - BEGINNING OF YEAR	1,540,774	1,626,623	85,849
FUND BALANCE - END OF YEAR	<u>\$ 1,396,966</u>	<u>\$ 2,520,391</u>	<u>\$ 1,123,425</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – DEFINITION OF REPORTING ENTITY

Tollgate Crossing Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide for the design, acquisition, construction, installation and financing of water, sanitation, streets, traffic, safety control and park and recreation facilities.

The District was organized concurrently with Tollgate Crossing Metropolitan District No. 1. In May 2008, District No. 1 was dissolved and its assets, liabilities and fund balances were transferred to District No. 2.

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

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.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and assessment revenues.

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

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.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – DEBT AUTHORIZATION

On November 6, 2001, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$37,500,000 at an interest rate not to exceed 18% per annum.

	Authorized November 6, 2001 Election	Authorization Used	Remaining at December 31, 2022
Street improvements	\$ 10,000,000	\$ 8,937,582	\$ 1,062,418
Safety protection	500,000	-	500,000
Water improvements	1,000,000	1,000,000	-
Sanitation	3,500,000	3,500,000	-
Park and recreation	4,500,000	702,419	3,797,581
Operations	1,000,000	-	1,000,000
Refunding	17,000,000	16,130,000	870,000
	<u>\$ 37,500,000</u>	<u>\$ 30,270,001</u>	<u>\$ 7,229,999</u>

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 to support development as it occurs within the District's service area; however, the amount and timing of any debt issuances is not determinable.

NOTE 7 - FUND EQUITY

At December 31, 2022, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$500 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$71,000 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (NOTE 10).

The restricted fund balance in the General Fund in the amount of \$35,753 is to be used by residents of the District who have potentially been impacted visually or by connectivity as a result of a transmission line project by Xcel Energy. (NOTE 12).

The restricted fund balance in the Debt Service Fund in the amount of \$1,107,420 is to be used exclusively for debt service requirements (NOTE 5).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$508,937 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

The assigned fund balance in the Capital Replacement Fund in the amount of \$791,103 is comprised of amounts assigned by the Board of Directors by resolution for capital needs of the District.

NOTE 8 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022, the District had net investment in capital assets of \$2,505,003.

Restricted net position includes amounts 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:

Restricted net position:

Emergency reserves (see Note 10)	\$ 71,000
Debt Service	1,086,835
Landscape grants	35,753
	<u>\$ 1,193,588</u>

The District's unrestricted net position at December 31, 2022 of (\$5,530,756). This deficit amount was a result of the District being responsible for repayment of debt issued for public improvements conveyed to other governmental entities.

NOTE 9 – CONTINGENCIES

Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., C.R.S. the District may be 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 (Pool). The Pool is an organization created by 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 any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation 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 needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

On November 6, 2001, the District's electors approved the following ballot issues:

Shall District taxes be increased \$150,000 annually or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, to be used for the purpose of paying the District's operations, maintenance, and other expenses: and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District in 2001 and in each year thereafter without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution or Section 29-1-301, Colorado Revised Statutes?

Shall the District be authorized to collect, retain, and spend the amount of \$1,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District as a voter approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

On May 8, 2018, the District's electors approved the following ballot issue:

Shall Tollgate Crossing Metropolitan District No. 2 taxes be increased \$655,000 annually (for collection in calendar year 2019), or by such lesser or greater annual amount as may be necessary to pay the District's administration, operations, maintenance, capital replacement, and other similar expenses; such taxes to consist of a general fund ad valorem property tax levy imposed with such limitations as exist in the District's service plan, as it currently exists or may

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

be amended, or other applicable law, and as may be determined by the District, and by the following limitation: the property tax increase set forth above shall be reduced or eliminated, but shall not be below zero, if the total mill levy imposed by the Tollgate Crossing Metropolitan District No. 2 for all purposes would otherwise exceed 57.556 mills, provided that if on or after January 1, 2019, if there are changes in the method of calculating residential assessed valuation, such mill levy limit shall be increased or decreased so that to the extent possible, the actual tax revenues as adjusted for such changes are neither diminished nor enhanced as a result of such changes; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District in 2019 and in each year thereafter without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes?

NOTE 11 – INTERFUND TRANSFERS

The Capital Replacement Fund received a transfer of \$150,000 from the General Fund to accumulate funds for capital replacement purposes.

NOTE 12 – INTERGOVERNMENTAL AGREEMENT

On September 16, 2019, the District entered into an Intergovernmental Agreement (IGA) with the City of Aurora (City) regarding Transmission Line Project Impacts. In 2017, Xcel Energy notified the City of its plan to construct the Pawnee to Daniels Park 35-KV Transmission Line Project within its transmission line corridor and within the City’s jurisdictional boundaries. The City has identified properties adjacent to the project that may be potentially impacted visually or by connectivity as a result of the project, and, therefore, eligible to received designated mitigation program funds.

The IGA outlines a Residence Landscape Screening Program which provides funds for owners of single-family residential lots adjacent to the project. Qualified lot owners may be eligible for reimbursement up to \$500 for the installation of new trees and/or other appropriate landscaping to help create ground-level screening of the project. The City has allocated \$71,000 to the Residence Landscape Screening Program. At December 31, 2022, the District had \$35,753 of grant funding to issue to eligible residents.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 660,114	\$ 660,126	\$ 12
Less: reserve for abatements	-	-	-
Specific ownership taxes	42,907	41,676	(1,231)
Net investment income	1,340	14,450	13,110
Total Revenues	<u>704,361</u>	<u>716,252</u>	<u>11,891</u>
EXPENDITURES			
County treasurer's fees	9,902	9,905	(3)
Note principal	680,000	680,000	-
Note interest	265,445	265,445	-
Paying agent fees	3,000	250	2,750
Total Expenditures	<u>958,347</u>	<u>955,600</u>	<u>2,747</u>
NET CHANGE IN FUND BALANCE	(253,986)	(239,348)	14,638
FUND BALANCE - BEGINNING OF YEAR	<u>1,340,345</u>	<u>1,346,768</u>	<u>6,423</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,086,359</u>	<u>\$ 1,107,420</u>	<u>\$ 21,061</u>

**TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL REPLACEMENT FUND
Year Ended December 31, 2022**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUE			
Net investment income	\$ 635	\$ 6,093	\$ 5,458
	<u>635</u>	<u>6,093</u>	<u>5,458</u>
EXPENDITURES			
Capital outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>635</u>	<u>6,093</u>	<u>5,458</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	150,000	-
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	150,635	156,093	5,458
FUND BALANCE - BEGINNING OF YEAR	<u>635,062</u>	<u>635,010</u>	<u>(52)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 785,697</u></u>	<u><u>\$ 791,103</u></u>	<u><u>\$ 5,406</u></u>

OTHER INFORMATION

**TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
SUMMARY 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		Property Taxes		Percentage Collected to Levied
		General	Debt	Levied	Collected	
		2009	\$ 21,566,880	5.000	47.060	
2010	\$ 19,393,380	5.000	47.060	\$ 1,009,619	\$ 1,009,615	100.0%
2011	\$ 20,796,960	2.409 *	50.000	\$ 1,089,948	\$ 1,090,289	100.0%
2012	\$ 20,633,830	2.060	50.000	\$ 1,074,198	\$ 1,074,192	100.0%
2013	\$ 21,845,570	6.866	45.194	\$ 1,137,281	\$ 1,137,373	100.0%
2014	\$ 22,343,380	6.710	45.350	\$ 1,163,196	\$ 1,160,887	99.8%
2015	\$ 22,976,536	6.528	45.532	\$ 1,196,159	\$ 1,195,155	99.9%
2016	\$ 29,117,091	5.151	46.909	\$ 1,515,836	\$ 1,515,684	100.0%
2017	\$ 30,985,716	4.840	47.220	\$ 1,613,117	\$ 1,613,272	100.0%
2018	\$ 35,518,252	4.223	45.777	\$ 1,775,913	\$ 1,775,913	100.0%
2019	\$ 36,055,639	23.000	34.556	\$ 2,075,218	\$ 2,075,202	100.0%
2020	\$ 56,572,166	28.000	29.556	\$ 3,256,067	\$ 3,256,068	100.0%
2021	\$ 52,378,827	30.000	27.556	\$ 3,014,716	\$ 3,014,689	100.0%
2022	\$ 55,009,537	40.000	12.000	\$ 2,860,496	\$ 2,860,519	100.0%
Estimated for year ending December 31, 2023	\$ 41,545,953	40.000	12.000	\$ 2,160,389		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

* Includes refund and abatement levy of .349.

**TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2022**

**\$10,000,000
General Obligation Refunding Notes, Series 2012A
Dated August 29, 2012
Interest Rate of 2.71%, effective November 30, 2020
Principal Due December 1
Interest Due June 1 and December 1**

Year Ending December 31,	Principal	Interest	Total
2023	\$ 710,000	\$ 247,016	\$ 957,016
2024	745,000	227,775	972,775
2025	780,000	207,586	987,586
2026	820,000	186,448	1,006,448
2027	860,000	164,226	1,024,226
2028	900,000	140,920	1,040,920
2029	940,000	116,530	1,056,530
2030	990,000	91,056	1,081,056
2031	1,035,000	64,227	1,099,227
2032	1,335,000	36,179	1,371,179
	<u>\$ 9,115,000</u>	<u>\$ 1,481,963</u>	<u>\$ 10,596,963</u>