

**SOUTH SLOAN'S LAKE
METROPOLITAN DISTRICT NO. 2
Denver County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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YEAR ENDED DECEMBER 31, 2020**


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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors

South Sloan's Lake Metropolitan District No. 2
Denver County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of South Sloan's Lake Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 South Sloan's Lake Metropolitan District No. 2, as of December 31, 2020, and 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 audits 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 our report. We are required to be independent of South Sloan's Lake Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 South Sloan's Lake Metropolitan District No. 2'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 opinion. 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 generally accepted auditing standards 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, including omissions, 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.



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In performing an audit in accordance with generally accepted auditing standards, 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 South Sloan's Lake Metropolitan District No. 2'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 South Sloan's Lake Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

Other Matters

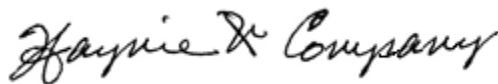
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Sloan's Lake Metropolitan District No. 2's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents 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.



Littleton, Colorado
May 19, 2021

BASIC FINANCIAL STATEMENTS

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 462,625
Property Taxes Receivable	38,965
Receivable from County Treasurer	3,514
Prepaid Insurance	335,403
Total Assets	840,507
LIABILITIES	
Accounts Payable	184
Accrued Interest Payable	73,100
Due to District No. 1	3,902
Noncurrent Liabilities:	
Due Within One Year	238,646
Due in More Than One Year	24,156,387
Total Liabilities	24,472,219
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	38,965
Total Deferred Inflows of Resources	38,965
NET POSITION	
Restricted for:	
Debt Service	116,701
Unrestricted	(23,787,378)
Total Net Position	\$ (23,670,677)

See accompanying Notes to Basic Financial Statements.

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ -	\$ 462,625	\$ 462,625
Property Taxes Receivable	10,520	28,445	38,965
Receivable from County Treasurer	952	2,562	3,514
Total Assets	<u>\$ 11,472</u>	<u>\$ 493,632</u>	<u>\$ 505,104</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 50	\$ 134	\$ 184
Due to District No. 1	902	3,000	3,902
Total Liabilities	952	3,134	4,086
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	10,520	28,445	38,965
Total Deferred Inflows or Resources	10,520	28,445	38,965
FUND BALANCES			
Restricted for:			
Debt Service	-	462,053	462,053
Total Fund Balances	<u>-</u>	<u>462,053</u>	<u>462,053</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,472</u>	<u>\$ 493,632</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities, including Bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bond Premium (Net of Amortization)			(1,580,033)
Bond Prepaid Insurance (Net of Amortization)			335,403
Bond Payable			(22,815,000)
Accrued Interest on Bonds Payable			(73,100)
Net Position of Governmental Activities			<u>\$ (23,670,677)</u>

See accompanying Notes to Basic Financial Statements.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 10,530	\$ 28,344	\$ -	\$ 38,874
Specific Ownership Taxes	13,630	36,686	-	50,316
TIF Revenue from DURA	251,774	678,053	-	929,827
Net Investment Income	-	3,194	10,987	14,181
Total Revenues	<u>275,934</u>	<u>746,277</u>	<u>10,987</u>	<u>1,033,198</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	105	286	-	391
Intergovernmental Expenditures	275,829	-	2,202,590	2,478,419
Debt Service:				
Bond Interest Expense	-	855,270	-	855,270
Paying Agent Fees	-	3,000	-	3,000
Total Expenditures	<u>275,934</u>	<u>858,556</u>	<u>2,202,590</u>	<u>3,337,080</u>
EXCESS OF REVENUES UNDER EXPENDITURES	-	(112,279)	(2,191,603)	(2,303,882)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	28,285	28,285
Transfers to Other Funds	-	(28,285)	-	(28,285)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(28,285)</u>	<u>28,285</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(140,564)	(2,163,318)	(2,303,882)
Fund Balances - Beginning of Year	<u>-</u>	<u>602,617</u>	<u>2,163,318</u>	<u>2,765,935</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 462,053</u>	<u>\$ -</u>	<u>\$ 462,053</u>

See accompanying Notes to Basic Financial Statements.

**SOUTH SLOAN'S LAKE 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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (2,303,882)

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

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 Bond Interest Payable - Change in Liability	573
Amortization of Bond Insurance Costs	(18,347)
Amortization of Bond Premium	86,430
	86,430

Changes in Net Position of Governmental Activities \$ (2,235,226)

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 10,532	\$ 10,530	\$ (2)
Specific Ownership Taxes	15,899	13,630	(2,269)
TIF Revenue from DURA	251,905	251,774	(131)
Other Income	2,344	-	(2,344)
Total Revenues	<u>280,680</u>	<u>275,934</u>	<u>(4,746)</u>
EXPENDITURES			
Current:			
County Treasurer's Fees	105	105	-
Intergovernmental Expenditures	278,231	275,829	2,402
Contingency	2,344	-	2,344
Total Expenditures	<u>280,680</u>	<u>275,934</u>	<u>4,746</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

South Sloan's Lake Metropolitan District No. 2 (the District), 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 and County of Denver recorded on January 16, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City and County of Denver on August 5, 2013. The District's service area is located entirely within the City and County of Denver, Colorado.

The District was organized in conjunction with South Sloan's Lake Metropolitan District No. 1 (District No. 1 and collectively, the Districts). The Districts were established to provide financing for the acquisition, construction, completion, and operation and maintenance of public improvements, including all streets, traffic and safety, water, sanitation, storm drainage, transportation, mosquito control, and park and recreation facilities.

The District serves as the Financing District and District No. 1 serves as the Coordinating District. The Coordinating District provides for the construction design, operation, and maintenance of the Districts' Improvements, as well as the overall administration of the Districts. The Financing District pays tax collections and/or bond proceeds and other revenue to the Coordinating District, which revenue will be applied to the payment of: (i) the acquisition, construction, and financing of the Improvements; and (ii) the costs of administration, operation, and maintenance of the Improvements that are owned, operated, and/or maintained by the Districts. Debt associated with each District will be incurred directly by each District.

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.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 and intergovernmental revenues.

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 and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 government 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.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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 has amended its annual budget for the year ended December 31, 2020.

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 total cash.

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, sale 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.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Inflows 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.

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.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Investments - Restricted	<u>\$ 462,625</u>
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Cash and investments as of December 31, 2020 consist of the following:

Investments:

Investments	<u>\$ 462,625</u>
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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, 2020, the District had no cash deposits.

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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 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), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

As of December 31, 2020, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 462,625

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by the state statutes for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
General Obligation Loan Payable:					
2019 Bond	\$ 22,815,000	\$ -	\$ -	\$ 22,815,000	\$ 150,000
Total	22,815,000	-	-	22,815,000	
Unamortized Bond Premium	1,666,463	-	86,430	1,580,033	88,646
Total	<u>\$ 24,481,463</u>	<u>\$ -</u>	<u>\$ 86,430</u>	<u>\$ 24,395,033</u>	<u>\$ 88,646</u>

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

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2019 (the Bonds)

The District issued the Bonds on December 10, 2019, in the amount of \$22,815,000. Proceeds from the sale of the Bonds were used for the purposes of (a) refunding in full the District's 2016 Loan, (b) paying a portion of the costs of capital infrastructure improvements, (c) funding capitalized interest, (d) funding the Reserve Fund, and (e) paying the costs of issuing the Bonds.

The Bonds bear interest at rates ranging from 3% to 5% and are payable semiannually on June 1 and December 1, beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The Bonds mature on December 1, 2049.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2019 (the Bonds) (Continued)

The Bonds are subject to redemption prior to maturity at the option of the District on any date, on and after December 1, 2029, in whole or in part, upon payment of a redemption price equal to the principal amount of Bonds to be redeemed, plus interest accrued to the redemption date.

To the extent principal of any bond is not paid when due, such principal shall remain outstanding and continue to bear interest until paid. To the extent interest on any bond is not paid when due, such interest shall compound semiannually on each June 1 and December 1 at the rate borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law and the District's electoral authorization in repayment of the Bonds.

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue, consisting of (a) Property Tax Revenue, (b) Specific Ownership Tax Revenue, and (c) any other legally available moneys that the District determines, in its absolute discretion, to credit to the Revenue Fund.

The District has covenanted to levy the Required Mill Levy upon all property subject to taxation by the District in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable, but not in excess of 50 mills as adjusted for changes in the method of calculating assessed valuation after January 1, 2013. An increase or decrease to the Required Mill Levy is to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the applicable mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. The District certified 27.039 mills as the Required Mill Levy for 2020 (collection year 2021).

The Bonds are further secured by the Reserve Fund in the amount of the Reserve Requirement of \$1,517,000. The Reserve Fund is funded with a surety policy issued by Assured Guaranty Municipal Corp., a New York stock insurance company (AGM).

AGM also issued its Municipal Bond Insurance Policy for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds.

The District also receives incremental property taxes from DURA which are pledged to the payment of the Bonds.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2019 (the Bonds) (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>
2021	\$ 150,000	\$ 877,200	\$ 1,027,200
2022	280,000	869,700	1,149,700
2023	295,000	855,700	1,150,700
2024	355,000	840,950	1,195,950
2025	375,000	823,200	1,198,200
2026-2030	2,395,000	3,800,250	6,195,250
2031-2035	3,305,000	3,202,250	6,507,250
2036-2040	4,385,000	2,458,450	6,843,450
2041-2045	5,695,000	1,481,250	7,176,250
2046-2049	5,580,000	426,300	6,006,300
Total	<u>\$ 22,815,000</u>	<u>\$ 15,635,250</u>	<u>\$ 38,450,250</u>

Authorized Debt

On November 5, 2013, a majority of the qualified electors of the District authorized the issuance of indebtedness of \$50,000,000 for each of the facilities listed in the table below, \$50,000,000 for operations and maintenance, \$50,000,000 for refunding of debt and \$50,000,000 for intergovernmental contracts, at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Debt</u> <u>Authorized</u>	<u>Authorization</u> <u>Used</u> <u>February 17,</u> <u>2016</u>	<u>Authorization</u> <u>Used</u> <u>December 10,</u> <u>2019</u>	<u>Authorized</u> <u>But</u> <u>Unissued</u>
Streets	\$ 50,000,000	\$ 11,369,499	\$ 5,031,809	\$ 33,598,692
Water	50,000,000	863,224	396,815	48,739,961
Storm or Sanitary Sewer	50,000,000	2,867,181	1,672,571	45,460,248
Parks and Recreation	50,000,000	199,328	105,539	49,695,133
Traffic and Safety	50,000,000	200,768	108,266	49,690,966
Mosquito Control	50,000,000	-	-	50,000,000
Public Transportation	50,000,000	-	-	50,000,000
Operations and Maintenance	50,000,000	-	-	50,000,000
Refunding of Debt	50,000,000	-	-	50,000,000
Intergovernmental Contracts	50,000,000	-	-	50,000,000
Total	<u>\$ 500,000,000</u>	<u>\$ 15,500,000</u>	<u>\$ 7,315,000</u>	<u>\$ 477,185,000</u>

Pursuant to the Service Plan, each District shall not issue debt in an aggregate amount in excess of \$50,000,000. Additionally, the maximum debt mill levy is 50 mills as adjusted.

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.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 NET POSITION

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

Restricted net position includes 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 for debt service in the amount of \$116,701 as of December 31, 2020.

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements constructed by District No. 1 and which costs are recorded in District No. 1's financial records or transferred to other governments.

NOTE 6 RELATED PARTY

The Developer of the property which constitutes the District is EFG-South Sloan's Lake I, LLC (the Developer). Two of the members of the Board of Directors are employees, owners, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. One member of the Board of Directors is associated with the developer of multi-family residential property in the District, and one member of the Board of Directors is a District resident.

NOTE 7 DISTRICT AGREEMENT

Memorandum of Understanding

The District and District No. 1 entered into the Memorandum of Understanding dated January 27, 2014 (MOU), whereby the Districts agreed that District No. 1 would provide for the construction, design, operation, and maintenance of the Public Improvements, as well as the overall administration of the Districts. The MOU also contemplated the execution of the FFCOA (defined below) which FFCOA would designate a primary operations and management District and to provide for the flow of funds by and among the Districts.

Facilities Funding, Construction and Operation Agreement

The District and District No. 1 entered into the Facilities Funding, Construction and Operation Agreement dated effective February 17, 2016 (FFCOA), whereby the Districts established District No. 1 as the "Operating District" and as such would be responsible for the construction, design and operation of the Public Improvements, and established the District as the "Financing District" and as such would be responsible to pay for the services and benefit of the Public Improvements received from the Operating District. The Districts acknowledged and agreed that the Public Improvements are needed by the Districts and would benefit the property owners in the service areas of the Districts and that the provision of services and operation and maintenance of the Public Improvements by the Operating District would produce efficiencies and reduce the cost of the same.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 DISTRICT AGREEMENT (CONTINUED)

Cooperation Agreement

The District is located within the boundaries of an urban redevelopment area designated in an urban renewal plan adopted by the City and County of Denver and known as the "St. Anthony's Urban Redevelopment Plan" (the Urban Renewal Plan). In accordance with Section 31-25-101, et. seq., Colorado Revised Statutes, as amended (the Urban Renewal Act) and the Urban Renewal Plan, Denver Urban Renewal Authority (DURA) is authorized to undertake certain projects within the area designated in the Urban Renewal Plan and to finance such projects by utilizing certain incremental increases in the property taxes, including property taxes imposed by the District. The District, District No. 1, and DURA entered into a Cooperation Agreement, pursuant to which DURA agreed to segregate incremental property taxes and specific ownership taxes attributable to the District's mill levies from the aggregate incremental property taxes DURA receives in connection with the Urban Renewal Plan and remit those incremental property taxes and specific ownership taxes to the District.

NOTE 8 INTERFUND AND OPERATING TRANSFERS

The transfer from the Debt Service Fund to the Capital Project Fund was the result of excess funds related to the District's Cost of Issuance that were applied to the District's Project Fund Account as allowed per the terms of the Indenture.

NOTE 9 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 (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', crime, and workers' compensation 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 needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 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.

On November 5, 2013, the District's voters passed an election question to increase property taxes \$50,000,000 annually and increase in fees \$50,000,000 annually to pay the District's operation and maintenance costs. The electors further authorized an increase in fees of \$50,000,000 to pay expenses pursuant to intergovernmental agreements. Additionally, a majority of the District's electors authorized the District to collect, retain, and spend all revenue annually without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 28,350	\$ 28,350	\$ 28,344	\$ (6)
Specific Ownership Taxes	42,795	35,327	36,686	1,359
TIF Revenue from DURA	678,404	678,181	678,053	(128)
Net Investment Income	407	3,200	3,194	(6)
Total Revenues	<u>749,956</u>	<u>745,058</u>	<u>746,277</u>	<u>1,219</u>
EXPENDITURES				
Debt Service:				
County Treasurer's Fees	284	284	286	(2)
Paying Agent Fee	-	5,000	3,000	2,000
Bond Interest Expense	855,270	855,270	855,270	-
Miscellaneous	200	-	-	-
Contingency	7,111	6,161	-	6,161
Total Expenditures	<u>862,865</u>	<u>866,715</u>	<u>858,556</u>	<u>8,159</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112,909)	(121,657)	(112,279)	9,378
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	-	(28,285)	(28,285)	-
Total Other Financing Uses	<u>-</u>	<u>(28,285)</u>	<u>(28,285)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(112,909)	(149,942)	(140,564)	9,378
Fund Balance - Beginning of Year	<u>560,931</u>	<u>602,617</u>	<u>602,617</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 448,022</u>	<u>\$ 452,675</u>	<u>\$ 462,053</u>	<u>\$ 9,378</u>

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ 14,000	\$ 10,987	\$ (3,013)
Total Revenues	-	14,000	10,987	(3,013)
EXPENDITURES				
Debt Service:				
Transfer to District No. 1	-	2,205,603	2,202,590	3,013
Total Expenditures	-	2,205,603	2,202,590	3,013
EXCESS OF REVENUES UNDER EXPENDITURES	-	(2,191,603)	(2,191,603)	-
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	28,285	28,285	-
Total Other Financing Sources	-	28,285	28,285	-
NET CHANGE IN FUND BALANCE	-	(2,163,318)	(2,163,318)	-
Fund Balance - Beginning of Year	-	2,163,318	2,163,318	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

OTHER INFORMATION

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

Bonds and Interest Maturing in the Year Ending December 31,	Limited Tax General Obligation Bonds		
	Principal	Interest	Total
			Initial Funded Amount \$22,815,000
			Interest Rate of 3.00 - 5.00% Payable June 1 and December 1 Principal Due December 1
2021	\$ 150,000	\$ 877,200	\$ 1,027,200
2022	280,000	869,700	1,149,700
2023	295,000	855,700	1,150,700
2024	355,000	840,950	1,195,950
2025	375,000	823,200	1,198,200
2026	415,000	804,450	1,219,450
2027	435,000	783,700	1,218,700
2028	485,000	761,950	1,246,950
2029	505,000	737,700	1,242,700
2030	555,000	712,450	1,267,450
2031	580,000	690,250	1,270,250
2032	630,000	667,050	1,297,050
2033	655,000	641,850	1,296,850
2034	705,000	615,650	1,320,650
2035	735,000	587,450	1,322,450
2036	790,000	558,050	1,348,050
2037	820,000	526,450	1,346,450
2038	880,000	493,650	1,373,650
2039	915,000	458,450	1,373,450
2040	980,000	421,850	1,401,850
2041	1,020,000	382,650	1,402,650
2042	1,085,000	341,850	1,426,850
2043	1,130,000	298,450	1,428,450
2044	1,205,000	253,250	1,458,250
2045	1,255,000	205,050	1,460,050
2046	1,320,000	167,400	1,487,400
2047	1,360,000	127,800	1,487,800
2048	1,430,000	87,000	1,517,000
2049	1,470,000	44,100	1,514,100
Total	\$ 22,815,000	\$ 15,635,250	\$ 38,450,250

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied	Property Taxes		Percent Collected to Levied
	Gross	Net		Levied	Collected	
2016	\$ 7,412,170	\$ 755,195	35.000	\$ 26,432	\$ 25,308	95.75 %
2017	8,566,540	757,885	38.288	29,018	29,018	100.00
2018	16,586,040	977,694	37.529	36,692	36,692	100.00
2019	19,848,360	977,461	41.378	40,445	39,242	97.03
2020	26,498,200	1,053,243	36.917	38,882	38,874	99.98
Estimated for Year Ending December 31, 2021	35,115,030	1,052,011	37.039	38,965		

NOTE: Property taxes collected in any one year 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.

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
TEN LARGEST TAXPAYERS IN THE DISTRICT
DECEMBER 31, 2020**

Taxpayer	Assessed Valuation	% of Assessed Valuation
CL Sloan's Lake LP	\$ 9,034,260	25.73%
NAVA Lakehouse Limited Partnership	6,266,610	17.85
HM Residences at Sloans Lake LLC	5,912,990	16.84
AEI CCP Sloans LLC	3,178,470	9.05
Sloans Lake-FCA LLC	2,656,350	7.56
Alamo Sloans LLC	635,890	1.81
KUH Sloans LLC	430,600	1.23
Public Service Company of Colorado	374,330	1.07
Sloans Block Retail LLC	303,600	0.86
Sloans Block 3 Retail LLC	244,650	0.70
All Other	6,077,280	17.31
Total	\$ 35,115,030	100.00%

**SOUTH SLOAN'S LAKE METROPOLITAN DISTRICT NO. 2
 HISTORICAL PROPERTY TAX COLLECTIONS OF THE DISTRICT
 DECEMBER 31, 2020**

<u>Levy/Collection Year</u>	<u>Taxes Levied</u>	<u>Tax Collections</u>	<u>Percent Collected</u>
2016/2017	\$ 327,996	\$ 325,009	99.09%
2017/2018	616,616	616,616	100.00
2018/2019	813,477	789,322	97.03
2019/2020	968,885	968,701	99.98