

**THE SANDS METROPOLITAN
DISTRICT NO. 2
El Paso 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

Board of Directors
The Sands Metropolitan District No. 2
El Paso County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 Sands Metropolitan District No. 2 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

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.

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

The other information, as listed in the table of contents, has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sincerely,



Wipfli LLP
Lakewood, Colorado

September 29, 2021

BASIC FINANCIAL STATEMENTS

THE SANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Accounts Receivable - County Treasurer | \$ 288 |
| Property Taxes Receivable | 130,151 |
| Due from The Sands Metropolitan District No. 1 | 12,155 |
| Due from The Sands Metropolitan District No. 3 | 17 |
| Due from The Sands Metropolitan District No. 4 | 189 |
| Total Assets | 142,800 |
| LIABILITIES | |
| Due to The Sands Metropolitan District No. 1 | 58 |
| Accrued Interest Payable | 56,444 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 12,315,000 |
| Total Liabilities | 12,371,502 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 130,151 |
| Total Deferred Inflows of Resources | 130,151 |
| NET POSITION | |
| Unrestricted | (12,358,853) |
| Total Net Position | \$ (12,358,853) |

See accompanying Notes to Basic Financial Statements.

**THE SANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

| | | Program Revenues | | | Net Revenue (Expense) and Change in Net Position |
|--|---------------|----------------------------|--|--|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General Government | \$ 7,288 | \$ - | \$ - | \$ 215,215 | \$ 207,927 |
| Intergovernmental Transfers Dedications of Assets to District No. 1 | 12,315,000 | - | - | - | (12,315,000) |
| Interest and related Costs on Long-Term Debt | 284,723 | - | - | - | (284,723) |
| Total Government Activities | \$ 12,607,011 | \$ - | \$ - | \$ 215,215 | (12,391,796) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 32,867 |
| Specific Ownership Taxes | | | | | 3,572 |
| Total General Revenues | | | | | 36,439 |
| CHANGE IN NET POSITION | | | | | |
| Net Position - Beginning of Year | | | | | (3,496) |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | \$ (12,358,853) |

See accompanying Notes to Basic Financial Statements.

**THE SANDS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|--|------------------|-------------------|---------------------|--------------------------------|
| ASSETS | | | | |
| Accounts Receivable - County Treasurer | \$ 58 | \$ 230 | \$ - | \$ 288 |
| Property Taxes Receivable | 26,031 | 104,120 | - | 130,151 |
| Due from The Sands Metropolitan District No. 1 | - | 12,155 | - | 12,155 |
| Due from The Sands Metropolitan District No. 3 | - | 17 | - | 17 |
| Due from The Sands Metropolitan District No. 4 | - | 189 | - | 189 |
| | <u>\$ 26,089</u> | <u>\$ 116,711</u> | <u>\$ -</u> | <u>\$ 142,800</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Due to The Sands Metropolitan District No. 1 | \$ 58 | \$ - | \$ - | \$ 58 |
| Total Liabilities | <u>58</u> | <u>-</u> | <u>-</u> | <u>58</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Property Tax Revenue | 26,031 | 104,120 | - | 130,151 |
| Total Deferred Inflows of Resources | <u>26,031</u> | <u>104,120</u> | <u>-</u> | <u>130,151</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Debt Service | - | 12,591 | - | 12,591 |
| Total Fund Balances | <u>-</u> | <u>12,591</u> | <u>-</u> | <u>12,591</u> |
| | <u>\$ 26,089</u> | <u>\$ 116,711</u> | <u>\$ -</u> | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| | <u>\$ 26,089</u> | <u>\$ 116,711</u> | <u>\$ -</u> | |
| 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 | | | | (12,315,000) |
| Accrued Interest Payable - Bonds | | | | (56,444) |
| Net Position of Governmental Activities | | | | <u>\$ (12,358,853)</u> |

See accompanying Notes to Basic Financial Statements.

THE SANDS 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 | \$ 6,574 | \$ 26,293 | \$ - | \$ 32,867 |
| Specific Ownership Taxes | 714 | 2,858 | - | 3,572 |
| Intergovernmental Revenue The Sands MD No. 1 | - | 84,181 | 105,323 | 189,504 |
| Intergovernmental Revenue The Sands MD No. 3 | - | 2,130 | - | 2,130 |
| Intergovernmental Revenue The Sands MD No. 4 | - | 23,581 | - | 23,581 |
| Total Revenues | <u>7,288</u> | <u>139,043</u> | <u>105,323</u> | <u>251,654</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| County Treasurer's Fees | 99 | 394 | - | 493 |
| Intergovernmental Expense | 7,189 | - | - | 7,189 |
| Debt Service: | | | | |
| Interest Expense | - | 126,058 | - | 126,058 |
| Capital Projects: | | | | |
| Bond Issue Costs | - | - | 101,827 | 101,827 |
| Intergovernmental Expense | - | - | 12,315,000 | 12,315,000 |
| Total Expenditures | <u>7,288</u> | <u>126,452</u> | <u>12,416,827</u> | <u>12,550,567</u> |
| EXCESS OF REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | - | 12,591 | (12,311,504) | (12,298,913) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Issuance | - | - | 12,315,000 | 12,315,000 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>12,315,000</u> | <u>12,315,000</u> |
| NET CHANGE IN FUND BALANCES | | | | |
| | - | 12,591 | 3,496 | 16,087 |
| Fund Balances (Deficit) - Beginning of Year | <u>-</u> | <u>-</u> | <u>(3,496)</u> | <u>(3,496)</u> |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ 12,591</u> | <u>\$ -</u> | <u>\$ 12,591</u> |

See accompanying Notes to Basic Financial Statements.

**THE SANDS METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 16,087

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment 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 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 Issuance (12,315,000)

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 Bonds - Change in Liability (56,444)

Change in Net Position of Governmental Activities \$ (12,355,357)

**THE SANDS 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 | \$ 6,574 | \$ 6,574 | \$ - |
| Specific Ownership Taxes | 723 | 714 | (9) |
| Contingency Income | 200 | - | (200) |
| Total Revenues | <u>7,497</u> | <u>7,288</u> | <u>(209)</u> |
| EXPENDITURES | | | |
| County Treasurer's Fees | 99 | 99 | - |
| Intergovernmental Expense | 7,198 | 7,189 | 9 |
| Contingency | 200 | - | 200 |
| Total Expenditures | <u>7,497</u> | <u>7,288</u> | <u>209</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| Fund Balance - Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See accompanying Notes to Basic Financial Statements.

THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

The Sands Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, which was formed on November 27, 2016, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's services area located in El Paso County, Colorado. The District, along with The Sands Metropolitan District Nos. 3 and 4, operate as the Financing Districts along with The Sands Metropolitan District No. 1 serving as the Coordinating District.

The Districts were established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protections, storm drainage, covenant enforcement and design review services, and parks and recreation facilities.

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

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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 SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 the 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. 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.

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

THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 inflows of resources in the year they are levied and measurable. The 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.

THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS

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.

As of December 31, 2020, the District had no cash deposits.

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 agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2020, the District had no investments.

**THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 | Retirements | Balance at December 31, 2020 | Due Within One Year |
|---------------------------|------------------------------------|----------------------|-------------|------------------------------------|------------------------|
| Bonds Payable: | | | | | |
| Series 2020 - Limited Tax | | | | | |
| General Obligation Bonds | \$ - | \$ 12,315,000 | \$ - | \$ 12,315,000 | \$ - |
| Total | <u>\$ -</u> | <u>\$ 12,315,000</u> | <u>\$ -</u> | <u>\$ 12,315,000</u> | <u>\$ -</u> |

\$12,315,000 Limited Tax General Obligation Bonds, Series 2020

On September 24, 2020, the District authorized the issuance of Limited Tax General Obligation Bonds, Series 2020 (the Series 2020 Bonds) in the aggregate principal amount of \$12,315,000 with an interest rate of 5.50% per annum calculated on the basis of a 360-day year of 12 30-day months, matures on December 1, 2050. The bonds are payable on each June 1 and December 1, commencing on December 1, 2020. The principal and interest on the bonds are payable solely from and the extent of Pledged Revenues, which may or may not be sufficient to pay the principal and interest on the bonds. The bonds are subject to redemption prior to maturity without premium.

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, and (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy. 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, premium, if any, and interest on the Bonds as the same become due and payable including any accrued interest and unpaid amounts and interest due as a result of compounding, if any.

The Series 2020 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 December 1, 2030 and thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The Series 2020 Bonds also are subject to mandatory redemption prior to maturity, in part, by lot, on each December 15, thereafter prior to the maturity date of the Series 2020 Bonds, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption based on the schedule below.

The District issued the Series 2020 Bonds for infrastructure related to streets, water, sewer, and storm drainage.

**THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

\$12,315,000 Limited Tax General Obligation Bonds, Series 2020 (Continued)

The District's Series 2020 Bonds principal and interest will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2021 | \$ - | \$ 677,325 | \$ 677,325 |
| 2022 | - | 677,325 | 677,325 |
| 2023 | - | 677,325 | 677,325 |
| 2024 | - | 677,325 | 677,325 |
| 2025 | - | 677,325 | 677,325 |
| 2026-2030 | 625,000 | 3,962,840 | 4,587,840 |
| 2031-2035 | 1,351,000 | 4,434,355 | 5,785,355 |
| 2036-2040 | 2,297,000 | 4,911,315 | 7,208,315 |
| 2041-2045 | 3,541,000 | 5,395,160 | 8,936,160 |
| 2046-2050 | 4,501,000 | 5,202,250 | 9,703,250 |
| Total | <u>\$ 12,315,000</u> | <u>\$ 27,292,545</u> | <u>\$ 39,607,545</u> |

Authorized Debt

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$399,561,442 at an interest rate not to exceed 12% per annum. At December 31, 2020, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | <u>Authorized November 8, 2016 Election</u> | <u>Authorization Used Series 2020 Bonds</u> | <u>Authorized But Unissued</u> |
|----------------------------------|---|---|--|
| Street Improvements | \$ 28,540,103 | \$ 2,728,808 | \$ 25,811,295 |
| Traffic and Safety Protection | 28,540,103 | 14,116 | 28,525,987 |
| Water | 28,540,103 | 3,127,767 | 25,412,336 |
| Sanitation/Storm Sewer | 28,540,103 | 6,025,261 | 22,514,842 |
| Parks and Recreation | 28,540,103 | 419,048 | 28,121,055 |
| Public Transportation | 28,540,103 | - | 28,540,103 |
| Mosquito Control | 28,540,103 | - | 28,540,103 |
| Fire Protection | 28,540,103 | - | 28,540,103 |
| Television Relay and Translation | 28,540,103 | - | 28,540,103 |
| Security | 28,540,103 | - | 28,540,103 |
| Operations and Maintenance Debt | 28,540,103 | - | 28,540,103 |
| Refunding | 57,080,206 | - | 57,080,206 |
| Reimbursement Agreements | 28,540,103 | - | 28,540,103 |
| Total | <u>\$ 399,561,442</u> | <u>\$ 12,315,000</u> | <u>\$ 387,246,442</u> |

As set forth in the District's 2016 Service Plan, the County has limited the amount of debt to be issued by the District to a total of \$28,540,103 without future approval by the County. The District may levy up to 50.000 mills – residential, and 35 mills – commercial for debt service and up to 10.000 mills for general operations and administrative expenses due to the ongoing operations and maintenance to be undertaken by the District.

THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 NET POSITION

The District has net position consisting of one component – unrestricted.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of debt obligations.

NOTE 6 RELATED PARTIES

The members of the Board of Directors of the District are employees, owners of, or otherwise associated with, Eagle Development Company, the Landhuis Company, Saint Aubyn Homes, LLC, and Affirmed Financial Services, LLC, holders of the District's outstanding bonds, and may have conflicts of interest in dealing with the District. See Note 4 concerning advances made by the Developer. Any potential conflicts have been filed in accordance with Colorado Law.

NOTE 7 AGREEMENTS

Master Intergovernmental Agreement (IGA)

On December 13, 2016, the District entered into a Master Intergovernmental Agreement (IGA) with The Sands Metropolitan District Nos. 1, 3, and 4. The IGA provides that The Sands Metropolitan District No. 1 will serve as the service district and will be responsible for managing the construction and operation of the facilities, and improvements for the Districts. The Sands Metropolitan District Nos. 2-4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements.

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). 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 property liability. 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.

THE SANDS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 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 which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has not provided for an emergency reserve fund equal to 3% fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 1, which provides for the required reserve amount.

On November 8, 2016, a majority of the District's electors authorized the District to collect and spend, or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under 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

**THE SANDS 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 | \$ 26,294 | \$ 26,293 | \$ 26,293 | \$ - |
| Specific Ownership Taxes | 2,892 | 2,858 | 2,858 | - |
| Intergovernmental Revenue The Sands MD No. 1 | 75,005 | 84,181 | 84,181 | - |
| Intergovernmental Revenue The Sands MD No. 3 | 2,132 | 2,130 | 2,130 | - |
| Intergovernmental Revenue The Sands MD No. 4 | 23,610 | 23,581 | 23,581 | - |
| Contingency Income | 1,000 | - | - | - |
| Total Revenues | <u>130,933</u> | <u>139,043</u> | <u>139,043</u> | <u>-</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fees | 394 | 394 | 394 | - |
| Bond Interest - Senior 2020 | 123,118 | 126,058 | 126,058 | - |
| Contingency | 1,000 | 1,548 | - | 1,548 |
| Total Expenditures | <u>124,512</u> | <u>128,000</u> | <u>126,452</u> | <u>1,548</u> |
| NET CHANGE IN FUND BALANCE | 6,421 | 11,043 | 12,591 | (1,548) |
| Fund Balance - Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 6,421</u> | <u>\$ 11,043</u> | <u>\$ 12,591</u> | <u>\$ (1,548)</u> |

**THE SANDS METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE 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 | | | |
| Intergovernmental Revenue The Sands MD No. 1 | \$ - | \$ 105,323 | \$ 105,323 |
| Contingency Income | 1,000 | - | (1,000) |
| Total Revenues | <u>1,000</u> | <u>105,323</u> | <u>104,323</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Contingency | 1,000 | - | 1,000 |
| Capital Projects: | | | |
| Bond Issue Costs | 50,000 | 101,827 | (51,827) |
| Intergovernmental Expense | 12,000,000 | 12,315,000 | (315,000) |
| Total Expenditures | <u>12,051,000</u> | <u>12,416,827</u> | <u>(365,827)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (12,050,000) | (12,311,504) | (261,504) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Issuance | 12,000,000 | 12,315,000 | 315,000 |
| Developer Advance | 10,050,000 | - | (10,050,000) |
| Repayment of Developer Advances | (10,000,000) | - | 10,000,000 |
| Total Other Financing Sources (Uses) | <u>12,050,000</u> | <u>12,315,000</u> | <u>265,000</u> |
| NET CHANGE IN FUND BALANCE | - | 3,496 | 3,496 |
| Fund Balance - Beginning of Year | - | (3,496) | (3,496) |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

OTHER INFORMATION

**THE SANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2020**

\$12,315,000 Limited Mill General Obligation Bonds
Series 2020
Dated September 24, 2020
Interest Rate 5.50%
Interest Payable June 1 and December 1
Principal Payable December 1

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2021 | \$ - | \$ 677,325 | \$ 677,325 |
| 2022 | - | 677,325 | 677,325 |
| 2023 | - | 677,325 | 677,325 |
| 2024 | - | 677,325 | 677,325 |
| 2025 | - | 677,325 | 677,325 |
| 2026 | 33,000 | 710,325 | 743,325 |
| 2027 | 106,000 | 781,510 | 887,510 |
| 2028 | 143,000 | 812,680 | 955,680 |
| 2029 | 151,000 | 812,815 | 963,815 |
| 2030 | 192,000 | 845,510 | 1,037,510 |
| 2031 | 203,000 | 845,950 | 1,048,950 |
| 2032 | 248,000 | 879,785 | 1,127,785 |
| 2033 | 261,000 | 879,145 | 1,140,145 |
| 2034 | 311,000 | 914,790 | 1,225,790 |
| 2035 | 328,000 | 914,685 | 1,242,685 |
| 2036 | 383,000 | 951,645 | 1,334,645 |
| 2037 | 404,000 | 951,580 | 1,355,580 |
| 2038 | 464,000 | 989,360 | 1,453,360 |
| 2039 | 490,000 | 989,840 | 1,479,840 |
| 2040 | 556,000 | 1,028,890 | 1,584,890 |
| 2041 | 587,000 | 1,029,310 | 1,616,310 |
| 2042 | 660,000 | 1,070,025 | 1,730,025 |
| 2043 | 696,000 | 1,069,725 | 1,765,725 |
| 2044 | 778,000 | 1,113,445 | 1,891,445 |
| 2045 | 820,000 | 1,112,655 | 1,932,655 |
| 2046 | 910,000 | 1,157,555 | 2,067,555 |
| 2047 | 960,000 | 1,157,505 | 2,117,505 |
| 2048 | 1,059,000 | 1,203,705 | 2,262,705 |
| 2049 | 1,117,000 | 1,203,460 | 2,320,460 |
| 2050 | 455,000 | 480,025 | 935,025 |
| Total | <u>\$ 12,315,000</u> | <u>\$ 27,292,545</u> | <u>\$ 39,607,545</u> |

THE SANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

| Year Ended <u>December 31,</u> | Prior Year Assessed Valuation for Current Year Tax Levy | Mills Levied | Total Property Taxes | | Percent Collected to Levied |
|---|---|-----------------|----------------------|--------------|-----------------------------------|
| | | | Levied | Collected | |
| 2018 | \$ 500,130 | 60.000 | \$ 30,008 | \$ 30,008.00 | 100.00 % |
| 2019 | 509,450 | 60.000 | 30,567 | 30,567 | 100.00 |
| 2020 | 590,460 | 55.664 | 32,868 | 32,867 | 100.00 |
| Estimated for the Year Ending <u>December 31,</u> | | | | | |
| 2021 | \$ 2,338,150 | 55.664 | \$ 130,151 | | |

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