

**SECOND CREEK FARM
METROPOLITAN DISTRICT NO. 2
Commerce City, Colorado**

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

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	5
NOTES TO BASIC FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	16
OTHER INFORMATION	
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Second Creek Farm Metropolitan District No. 2
Commerce City, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Second Creek Farm Metropolitan District No. 2, as of December 31, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 16, 2021

BASIC FINANCIAL STATEMENTS

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 111
Cash and Investments - Restricted	455
Receivable - County Treasurer	5
Property Tax Receivable	1,372
Total Assets	<u>1,943</u>
LIABILITIES	
Due to District No. 1	112
Due to District No. 3	459
Total Liabilities	<u>571</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,372
Total Deferred Inflows of Resources	<u>1,372</u>
NET POSITION	
Total Net Position	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 12	\$ -	\$ -	\$ -	\$ (12)
Intergovernmental Expenditures for Operations and Infrastructure Improvements	<u>855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(855)</u>
Total Governmental Activities	<u>\$ 867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(867)</u>
GENERAL REVENUES					
Property Taxes					773
Specific Ownership Taxes					56
Interest Income					<u>38</u>
Total General Revenues					<u>867</u>
CHANGE IN NET POSITION					
Net Position - Beginning of Year					<u>-</u>
NET POSITION - END OF YEAR					<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Debt Service	Total Governmental Funds
ASSETS			
Investments	\$ 111	\$ -	\$ 111
Investments - Restricted	-	455	455
Receivable - County Treasurer	1	4	5
Property Tax Receivable	229	1,143	1,372
Total Assets	<u>\$ 341</u>	<u>\$ 1,602</u>	<u>\$ 1,943</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Due to District No. 1	112	-	112
Due to District No. 3	<u>-</u>	<u>459</u>	<u>459</u>
Total Liabilities	112	459	571
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	<u>229</u>	<u>1,143</u>	<u>1,372</u>
Total Deferred Inflows of Resources	229	1,143	1,372
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 341</u>	<u>\$ 1,602</u>	<u>\$ 1,943</u>

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 130	\$ 643	\$ 773
Specific Ownership Taxes	9	47	56
Interest Income	6	32	38
Total Revenues	<u>145</u>	<u>722</u>	<u>867</u>
EXPENDITURES			
Current:			
County Treasurer's Fees	2	10	12
Transfers to District No. 1	143	-	143
Transfers to District No. 3	-	712	712
Total Expenditures	<u>145</u>	<u>722</u>	<u>867</u>
NET CHANGE IN FUND BALANCES	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Final and Original Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 129	\$ 130	\$ 1
Specific Ownership Taxes	10	9	(1)
Interest Income	-	6	6
Other Revenue	50	-	(50)
Total Revenues	<u>189</u>	<u>145</u>	<u>(44)</u>
EXPENDITURES			
Current:			
County Treasurer's Fees	2	2	-
Transfers to District No. 1	137	143	(6)
Contingency	50	-	50
Total Expenditures	<u>189</u>	<u>145</u>	<u>44</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>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Second Creek Farm Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on December 2, 2002 concurrently with the organization of Second Creek Farm Metropolitan District No. 1 (District No. 1). Second Creek Farm Metropolitan District No. 3 (District No. 3) and Second Creek Farm Metropolitan District No. 4 (District No. 4 and together with the District, District No. 1 and District No. 3, the Districts) were both formed in 2006. The Districts are governed by the Colorado Special District Act and other applicable statutes governing political subdivisions. The District's service area is located entirely within the City of Commerce City, Colorado (the City). The Districts were organized to work cooperatively to provide construction, installation, financing and operation of public improvements, including streets and safety controls, transportation, mosquito control, television relay, water, sanitary sewer, storm drainage, park and recreation improvements, and facilities and erosion control to their service area.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity. The District has no employees and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

SECOND CREEK FARM 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 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. Expenditures for property, plant and equipment are shown as increases in assets and redemption of bonds and notes are recorded as reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in 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. 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.

SECOND CREEK FARM 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 total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 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.

Intergovernmental Revenue and 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 Board of 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, at the taxpayer's election, or in equal installments 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 Districts.

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

Deferred 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.

SECOND CREEK FARM 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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 111
Investments - Restricted	<u>455</u>
Total Investments	<u><u>\$ 566</u></u>

Investments as of December 31, 2020 consist of the following:

Investments	\$ 566
Total Investments	<u><u>\$ 566</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District had no cash deposits.

Investments

The District has adopted a formal investment policy which 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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund	Weighted Average	
Trust (CSAFE)	60 Days	\$ 566

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute 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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS

On October 23, 2019, the District entered into a Capital Pledge Agreement with District No. 3 whereby the District covenants to levy an ad valorem mill levy each year upon all taxable property of the District in the amount of 50 mills. The District will transfer all ad valorem tax revenue derived from such levy and all Specific Ownership Tax revenue allocable to such levy to District No. 3 for payment on District No. 3's 2019 Bonds.

Debt Authorization

The District authorized the incurrence of debt at elections held in 2002, 2005 and 2014 (the Elections). At December 31, 2020, the District had authorized (from the 2014 election) but unissued indebtedness in the following amount allocated for the following purposes:

	Debt Authorized	Authorization Used	Authorized But Unissued
Street Improvements	\$ 147,850,235	\$ -	\$ 147,850,235
Safety Protection	140,000,000	-	140,000,000
Water	142,960,145	-	142,960,145
Sanitation	142,380,281	-	142,380,281
Parks and Recreation	144,209,337	-	144,209,337
Public Transportation	140,000,000	-	140,000,000
Mosquito Control	140,000,000	-	140,000,000
Television Relay and Translation	140,000,000	-	140,000,000
Security Services	70,000,000	-	70,000,000
Fire Protection	70,000,000	-	70,000,000
Operations and Maintenance	72,050,000	-	72,050,000
Refunding	157,400,000	-	157,400,000
Intergovernmental Agreements	140,000,000	-	140,000,000
Total	\$ 1,646,849,998	\$ -	\$ 1,646,849,998

Per the Service Plan, the District is limited to issuing \$70,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 RELATED PARTY

All of the members of the Board of Directors of the District are employees, owners, or are otherwise associated with the Original Developers and New Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board. Also, the New Developer has various agreements with the District.

Facilities Funding, Construction and Operations Agreement

On February 8, 2006, and as amended and restated on January 1, 2019, the District entered into an Amended and Restated Facilities Funding, Construction and Operations Agreement (FFCO) with District Nos. 3 and 4 (Consumer Districts) and District No. 1 (Service District) establishing certain obligations as to the financing, construction, operation and maintenance of improvements as contemplated in the Service Plans for the purpose of providing essential services within the Districts in a timely and coordinated fashion.

Pursuant to the FFCO, District No. 1 is designated as the Service District and agrees to provide the following: (1) district operation and maintenance services (including, but not limited to, drafting proposals, supervising and ensuring contract compliance, procuring all inventory, providing operators supervision, and other service with respect to the operations and maintenance of the District); and (2) administration services (generally comprised of serving as the official custodian of the Districts, coordinating all District Board meetings, ongoing District maintenance and administration, budget preparation, and coordinating activities); and (3) project administration services (including drafting and reviewing proposals, site coordination, contractor scheduling, oversight and review of construction activities).

The FFCO provides that the Consumer Districts agree to pay the Service District revenue from the imposition of a mill levy against all property within its respective boundaries and specific ownership taxes. All revenue received from the Consumer Districts will be transferred on a monthly basis to the Service District.

Amounts outstanding with the Developer from the District and Districts Nos. 1 and 4 were assigned and assumed by District No. 1 in furtherance of its role as the Service District under the FFCO.

NOTE 6 AGREEMENTS

Facilities Fees

On March 14, 2018 and amended on October 19, 2020, the District adopted a facilities fee resolution imposing facilities fees which are due and payable upon issuance of a building permit to a buyer by the City or Adams County. The fee, at the District's discretion, may be used for costs associated with capital improvements, operations and maintenance, and/or pledged for debt service payments. The fees are \$2,500 per single family detached dwelling unit and \$1,500 per attached single-family attached dwelling unit. The District did not collect any fees in 2020.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 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 official's liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 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.

At the Elections, 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 and also authorized the District to increase property taxes by up to \$2,000,000 annually.

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. TABOR reserve is not provided when the District's ending fund balance is a deficit.

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

SECOND CREEK FARM 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		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Property Tax	\$ 643	\$ 643	\$ 643	\$ -
Specific Ownership Tax	51	47	47	-
Interest Income	-	132	32	(100)
Total Revenues	694	822	722	(100)
EXPENDITURES				
County Treasurer's Fee	10	10	10	-
Transfers to District No. 3	684	712	712	-
Contingency	-	100	-	100
Total Expenditures	694	822	722	100
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

SECOND CREEK FARM 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 Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 89,200	50.000	0.000	\$ 4,460	\$ 4,460	100.00 %
2017	21,890	50.000	0.000	1,095	1,095	99.95
2018	29,630	50.000	0.000	1,482	1,482	99.97
2019	3,510	55.277	0.000	195	195	100.01
2020	11,550	11.132	55.664	772	773	99.87
Estimated for the Year Ending December 31,						
2021	\$ 20,530	11.132	55.664	\$ 1,372		

NOTE:

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