

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2
Weld County, Colorado

Financial Statements
and
Independent Auditors' Report
December 31, 2018

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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Board of Directors
Centennial Crossing Metropolitan District No. 2
Weld County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Centennial Crossing Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 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 Centennial Crossing Metropolitan District No. 2 as of December 31, 2018, and the respective changes in the 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 of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles general 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 supplemental 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 supplemental 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

December 1, 2019

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Statement of Net Position
December 31, 2018**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents - restricted	\$ 3,151,879
Property taxes receivable and other	<u>288,062</u>
Total assets	<u>3,439,941</u>
Liabilities	
Tax-supported revenue long-term debt	
Unpaid interest	14,369
Due within one year	80,000
Due after one year	<u>5,903,000</u>
Total liabilities	<u>5,997,369</u>
Deferred inflows of resources	
Property taxes	<u>287,122</u>
Total liabilities and deferred inflows of resources	<u>6,284,491</u>
Net position	
Restricted for:	
Emergency reserve	5,000
Debt service	134,174
Capital projects	(2,978,933)
Unrestricted	<u>(4,791)</u>
Total net position	<u>\$ (2,844,550)</u>

See notes to basic financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Statement of Activities
For the Year Ended December 31, 2018**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Government activities					
General government	\$ 534	\$ -	\$ -	\$ -	\$ (534)
Interest and related costs on long-term debt	243,180	-	-	-	(243,180)
	<u>\$ 243,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(243,714)</u>
General revenues:					
Property taxes					160,133
Specific ownership taxes					11,250
Interest income					2,665
Transfers to other governments					(104,278)
Total general revenues					<u>69,770</u>
Change in net position					(173,944)
Net position beginning of year					(2,670,606)
Net position end of year					<u>\$ (2,844,550)</u>

See notes to basic financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Balance Sheet - Governmental Funds
December 31, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Assets				
Assets				
Cash and cash equivalents - restricted	\$ -	\$ 133,443	\$ 3,018,436	\$ 3,151,879
Property taxes receivable and other	<u>64,014</u>	<u>224,048</u>	<u>-</u>	<u>288,062</u>
Total assets	<u>\$ 64,014</u>	<u>\$ 357,491</u>	<u>\$ 3,018,436</u>	<u>\$ 3,439,941</u>
Liabilities and Fund Balances				
Deferred inflows of resources				
Property taxes	<u>\$ 63,805</u>	<u>\$ 223,317</u>	<u>\$ -</u>	<u>\$ 287,122</u>
Fund balances				
Restricted				
Emergency reserve	5,000	-	-	5,000
Debt service	-	134,174	-	134,174
Capital projects	-	-	3,018,436	3,018,436
Unassigned	<u>(4,791)</u>	<u>-</u>	<u>-</u>	<u>(4,791)</u>
Total fund balances	<u>209</u>	<u>134,174</u>	<u>3,018,436</u>	<u>3,152,819</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,014</u>	<u>\$ 357,491</u>	<u>\$ 3,018,436</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Long-term liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds:				
Long-term debt				(5,983,000)
Accrued interest payable				<u>(14,369)</u>
Net position of governmental activities				<u>\$ (2,844,550)</u>

See notes to basic financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues				
Property taxes	\$ 35,585	\$ 124,548	\$ -	\$ 160,133
Specific ownership taxes	2,500	8,750	-	11,250
Interest income	<u>7</u>	<u>22</u>	<u>2,636</u>	<u>2,665</u>
Total revenues	<u>38,092</u>	<u>133,320</u>	<u>2,636</u>	<u>174,048</u>
Expenditures				
Current				
Treasurer's fees	534	1,869	-	2,403
Fees	-	2,000	-	2,000
Miscellaneous	-	(1,914)	-	(1,914)
Debt service				
Long-term debt principal	-	62,000	-	62,000
Long-term debt interest	-	92,617	-	92,617
Debt issuance costs	<u>-</u>	<u>141,093</u>	<u>-</u>	<u>141,093</u>
Total expenditures	<u>534</u>	<u>297,665</u>	<u>-</u>	<u>298,199</u>
Excess of revenues over (under) expenditures	<u>37,558</u>	<u>(164,345)</u>	<u>2,636</u>	<u>(124,151)</u>
Other financing sources				
Proceeds from long-term debt	-	-	3,160,000	3,160,000
Transfers to District No. 1	(104,278)	-	-	(104,278)
Interfund transfers	<u>66,845</u>	<u>170,003</u>	<u>(236,848)</u>	<u>-</u>
Total other financing sources	<u>(37,433)</u>	<u>170,003</u>	<u>2,923,152</u>	<u>3,055,722</u>
Net change in fund balances	125	5,658	2,925,788	2,931,571
Fund balances - beginning of year	<u>84</u>	<u>128,516</u>	<u>92,648</u>	<u>221,248</u>
Fund balances - end of year	<u>\$ 209</u>	<u>\$ 134,174</u>	<u>\$ 3,018,436</u>	<u>\$ 3,152,819</u>

See notes to basic financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018**

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

Net change in fund balances - total governmental funds \$ 2,931,571

The issuance of long-term debt provides current financial resources for governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued as expenditures, whereas these accounts are deferred and amortized in the statement of activities.

Long-term debt proceeds	(3,160,000)
Long-term debt payments	62,000
Change in accrued interest	<u>(7,515)</u>

Changes in net position of governmental activities \$ (173,944)

See notes to basic financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**General Fund - Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with Original Budget Positive (Negative)</u>	<u>Budget Amounts Amended and Final</u>
Revenues				
Property taxes	\$ 124,548	\$ 35,585	\$ (88,963)	\$ 35,585
Specific ownership taxes	95	2,500	2,405	2,500
Interest income	<u>-</u>	<u>7</u>	<u>7</u>	<u>7</u>
	<u>124,643</u>	<u>38,092</u>	<u>(86,551)</u>	<u>38,092</u>
Expenditures				
Current				
Treasurer's fees	<u>450</u>	<u>534</u>	<u>(84)</u>	<u>534</u>
Total expenditures	<u>450</u>	<u>534</u>	<u>(84)</u>	<u>534</u>
Excess of revenues over expenditures	<u>124,193</u>	<u>37,558</u>	<u>(86,467)</u>	<u>37,558</u>
Other financing uses				
Interfund transfers	-	66,845	66,845	66,845
Transfers to District No. 1	<u>(124,193)</u>	<u>(104,278)</u>	<u>19,915</u>	<u>(104,278)</u>
Total other financing uses	<u>(124,193)</u>	<u>(37,433)</u>	<u>86,760</u>	<u>(37,433)</u>
Net change in fund balance	-	125	125	125
Fund balance - beginning of year	<u>-</u>	<u>84</u>	<u>84</u>	<u>84</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 209</u>	<u>\$ 209</u>	<u>\$ 209</u>

See notes to basic financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies

Centennial Crossing Metropolitan District No. 2 (the "District") was organized and established as a quasi-municipal corporation and political subdivision of the state of Colorado pursuant to the State of Colorado Special District Act. The District's service area is located in Weld County, Colorado. The District was established to provide financing to Centennial Crossing Metropolitan District No. 1 ("District No. 1") for the design, acquisition, construction, installation, and financing of infrastructure, including streets, parks and recreation facilities, a water system, a sanitation system, a transportation system, mosquito control, a safety protection system, a television relay and translation system, and security services. All facilities constructed by the District will be conveyed to other governmental entities for perpetual maintenance.

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, the appointment of a voting majority of the organization's governing body, the 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 one of four associated districts, with District No. 1 serving as the operating district. District No. 1 receives property tax revenue from the three taxing districts, Centennial Crossing Metropolitan Districts No. 2, No. 3, and No. 8.

The District is governed by an elected Board of Directors (the "Board"). 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.

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). GASB is responsible for establishing U.S. GAAP for state and local governments through its pronouncements. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The operations are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenditures, as appropriate.

The statement of activities demonstrates the degree to which the direct 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 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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

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. Revenues

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

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

are derived primarily from property taxes and other taxes.

The Debt Service Fund accounts for the resources that are restricted, committed, or assigned for principal and interest on long-term general obligation debt of the governmental funds, as well as financial resources being accumulated for future debt service.

The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned to the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board can modify the budget by line item within the total appropriation without notification. The appropriation can be modified only upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Property Taxes

Property taxes are levied by the District's Board. 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 deferred property tax revenue is recorded as revenue in the year it is available or collected. Property taxes are levied by the District and transferred to District No. 1 to pay operating and debt service costs.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period, and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District as of December 31, 2018 are comprised of property taxes due from Weld County that will be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represent property taxes for which an enforceable legal claim to assets exists but for which the levy pertains to the subsequent year.

Long-Term Liabilities

In the government-wide financial statements, the long-term debt are reported as liabilities in the statement of net position. Long-term term are reported gross.

Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction-in-progress and are not depreciated.

Upon the completion of the improvements by the District, the assets may be conveyed to the town of Milliken (the "Town") or other governmental entities for ownership and maintenance. The District's costs of the improvements are removed from the District's capital assets upon acceptance by the governmental entity.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Fund Balance - Governmental Funds

The fund balances for the District's governmental funds are displayed in up to five components:

Non-spendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency Reserves of \$5,000 have been provided for as required by Article X, Section 20 of the Colorado Constitution (Note 5).
- The restricted fund balance in the Debt Service Fund is to be used exclusively for the payment of future general obligation long-term debt principal, interest, and related costs.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board. There is no committed fund balance for the year ended December 31, 2018.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2018.

Unassigned – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Interfund Transfers

Funds are occasionally transferred between funds when the need arises.

Subsequent Events

The District has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or disclosure in the financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 2 - Cash and Cash Equivalents - Restricted

The District considers all liquid instruments with original maturities of three months or less to be cash equivalents. At December 31, 2018, cash equivalents consisted of deposits with financial institutions.

Through the agreement with the bank, all cash is restricted for future general obligation long-term debt obligations, interest, and capital projects.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (the "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. The 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 equal to 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.

Note 3 - Long-Term Debt

The following is an analysis of the changes in the District's long-term debt obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Series A 2016 - long-term debt	\$ 2,885,000	\$ -	\$ (62,000)	\$ 2,823,000	\$ 65,000
Series A 2018 - long-term debt	-	3,160,000	-	3,160,000	15,000
	<u>\$ 2,885,000</u>	<u>\$ 3,160,000</u>	<u>\$ (62,000)</u>	<u>\$ 5,983,000</u>	<u>\$ 80,000</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Notes to Basic Financial Statements
December 31, 2018**

Note 3 - Long-Term Debt (continued)

\$3,160,000 Revenue and Limited Tax Obligation Long-Term Debt - Series 2018

On November 13, 2018, the District issued \$3,160,000 Revenue and Limited Tax Obligation Long-Term Debt - Series 2018 ("2018 Note") consisting of long-term debt due on December 1, 2025. The 2018 Note bears interest at the average rate of 4.34%, with interest being payable quarterly and principal being payable annually on December 1, commencing on December 1, 2019. The District may prepay all or a portion of the 2018 Note without prepayment fees.

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,000	\$ 137,088	\$ 152,088
2020	30,000	136,381	166,381
2021	40,000	135,042	175,042
2022	50,000	133,268	183,268
2023 - 2025	<u>3,025,000</u>	<u>119,980</u>	<u>3,144,980</u>
	<u>\$ 3,160,000</u>	<u>\$ 661,759</u>	<u>\$ 3,821,759</u>

\$3,000,000 Revenue and Limited Tax Obligation Long-Term Debt - Series 2016

On February 23, 2016, the District issued \$3,000,000 Revenue and Limited Tax Obligation Long-Term Debt - Series 2016 ("2016 Note") consisting of long-term debt due on March 1, 2023. The 2016 Note bears interest at the average rate of 2.89%, with interest being payable quarterly and principal being payable annually on December 1, commencing on December 1, 2016. Prior to the maturity date and at such time the District has available funds, this note may be prepaid in whole no earlier than February 23, 2021.

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 65,000	\$ 81,423	\$ 146,423
2020	67,000	79,539	146,539
2021	70,000	77,596	147,596
2022	72,000	75,568	147,568
2023	<u>2,549,000</u>	<u>67,323</u>	<u>2,616,323</u>
	<u>\$ 2,823,000</u>	<u>\$ 381,449</u>	<u>\$ 3,204,449</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 4 - Related Party

Certain members of the Board are employees, owners, or otherwise associated with Lot Holding Investments, LLC (the "Developer") and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts have been disclosed to the Board.

Note 5 - 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 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 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.

Note 6 - Risk Management

Except as provided in the Colorado Governmental Immunity Act as it may be amended, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool") as of December 31, 2018. 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.

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

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Basic Financial Statements December 31, 2018

Note 7 - Agreements

District Operating Agreement

On January 16, 2007, a District Operating Agreement (the "Operating Agreement") was entered into by and among District No. 1 and Centennial Crossing Metropolitan Districts Nos. 2, 3, 4, 5, 6, 7, and 8 (collectively, the "Taxing Districts"). District No. 1 and the Taxing Districts were organized to provide essential public improvements and services for the project commonly known as Centennial Crossing located in the Town. The purpose of the Operating Agreement is to set forth the rights and obligations of the Taxing Districts to fully fund District No. 1 and to provide services (as defined in the agreement) on behalf of the districts. In the Operating Agreement, District No. 1 is to perform specific services for the Taxing Districts and serve as custodian and repository for the Taxing Districts' records. The Taxing Districts shall pay service costs (as defined in the agreement) of District No. 1 by the imposition of taxes against the taxable property located within their boundaries.

On July 14, 2015, the Board deemed it in the best interest of Centennial Crossing Metropolitan Districts No. 4 through No. 7 ("Districts No. 4 through No. 7") to be dissolved and that a petition for dissolution be filed with the District Court of Weld County, Colorado (the "Court"). On January 7, 2016 the Court ordered the dissolution of Districts No. 4 through No. 7, with all future services of Districts No. 4 through No. 7 to be provided by Centennial Crossing Metropolitan District No. 8, pursuant to the Intergovernmental Agreement for Assignment and Assumption of Obligations.

Infrastructure Agreement

District No. 1 approved the Infrastructure Acquisition Agreement ("IAA") on January 16, 2007 between District No. 1 and the Developer. The IAA states that the Developer has caused and/or may in the future cause to be constructed certain public improvements for the benefit of the districts and the property within the districts. The Developer is willing to provide such public improvements on the condition that District No. 1 agrees to acquire the improvements from the Developer and pay the reasonable costs related to the construction of those improvements.

The District entered into the Second Amendment to the Infrastructure Acquisition Agreement (the "2013 Amendment") dated April 22, 2013 with the Developer. The 2013 Amendment amends the IAA to include park improvements set forth in the IAA. The park improvements were previously dedicated to the Town for perpetual ownership, operation, and maintenance. In the 2013 Amendment, District No. 1 agreed to assume operations and maintenance responsibility of the park improvements. Further, the Developer and District No. 1 agreed that the Developer is entitled to reimbursement for the costs of the park improvements. The purchase price for the park improvements agreed to by District No. 1 and the Developer is \$1,250,000. The term of the 2013 Amendment is through February 2046, with annual rent of \$1. The total rent of \$33 was paid in advance at the execution of the 2013 Amendment.

Note 8 - Commitments and Contingencies

The District has requested an extension to file its financial statements, which was not granted. The impact to the financial statements cannot be determined at this time.

SUPPLEMENTAL INFORMATION

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Debt Service Fund - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with Original Budget Positive (Negative)</u>	<u>Budget Amounts Amended and Final</u>
Revenues				
Property taxes	\$ 35,585	\$ 124,548	\$ 88,963	\$ 124,548
Specific ownership taxes	95	8,750	8,655	8,750
Interest income	<u>-</u>	<u>22</u>	<u>22</u>	<u>22</u>
	<u>35,680</u>	<u>133,320</u>	<u>97,640</u>	<u>133,320</u>
Expenditures				
Current				
Treasurer's fees	450	1,869	(1,419)	1,869
Miscellaneous	-	(1,914)	1,914	(1,914)
Fees	-	2,000	(2,000)	2,000
Debt service				
Long-term debt principal	62,000	62,000	-	62,000
Long-term interest	83,222	92,617	(9,395)	92,617
Debt issuance costs	<u>-</u>	<u>141,093</u>	<u>(141,093)</u>	<u>141,093</u>
Total expenditures	<u>145,672</u>	<u>297,665</u>	<u>(151,993)</u>	<u>297,665</u>
Excess of revenues under expenditures	<u>(109,992)</u>	<u>(164,345)</u>	<u>(54,353)</u>	<u>(164,345)</u>
Other financing sources				
Interfund transfers	-	170,003	170,003	170,003
Transfers from District No. 1	<u>109,992</u>	<u>-</u>	<u>(109,992)</u>	<u>-</u>
Total other financing sources	<u>109,992</u>	<u>170,003</u>	<u>60,011</u>	<u>170,003</u>
Net change in fund balance	-	5,658	5,658	5,658
Fund balance - beginning of year	<u>-</u>	<u>128,516</u>	<u>128,516</u>	<u>128,516</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 134,174</u>	<u>\$ 134,174</u>	<u>\$ 134,174</u>

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Capital Funds - Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2018**

	<u>Original</u>	<u>Actual Amounts</u>	<u>Variance with Original Budget Positive (Negative)</u>	<u>Budget Amounts Amended and Final</u>
Revenues				
Interest income	\$ -	\$ 2,636	\$ (2,636)	\$ 2,636
Expenditures				
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	2,636	(2,636)	2,636
Other financing sources				
Proceeds from long-term debt	-	3,160,000	(3,160,000)	3,160,000
Interfund transfers	-	(236,848)	236,848	(236,848)
Total other financing sources	-	2,923,152	(2,923,152)	2,923,152
Net change in fund balance	-	2,925,788	(2,925,788)	2,925,788
Fund balance - beginning of year	-	92,648	(92,648)	92,648
Fund balance - end of year	\$ -	\$ 3,018,436	\$ (3,018,436)	\$ 3,018,436