

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

**KENT PLACE METROPOLITAN DISTRICT NO. 2  
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Independent Auditor's Report

Board of Directors  
Kent Place Metropolitan District No. 2  
Arapahoe County, Colorado

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Kent Place Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2019, 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 Kent Place Metropolitan District No. 2 as of December 31, 2019, 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 of America.

## 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*  
*Lakewood, Colorado*

April 13, 2020

## **BASIC FINANCIAL STATEMENTS**

**KENT PLACE METROPOLITAN DISTRICT NO. 2  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,482
Cash and Investments - Restricted	147,904
Receivable - County Treasurer	1,250
Property Taxes Receivable	<u>192,946</u>
Total Assets	<u>343,582</u>
<b>LIABILITIES</b>	
Due to Kent Place Metropolitan District No. 1	1,753
Accrued Interest Payable - 2016 Bonds	7,804
Noncurrent Liabilities:	
Due Within One Year	22,000
Due in More Than One Year	<u>2,864,107</u>
Total Liabilities	<u>2,895,664</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>192,946</u>
Total Deferred Inflows of Resources	<u>192,946</u>
<b>NET POSITION</b>	
Restricted For:	
Debt Service	8,972
Unrestricted	<u>(2,754,000)</u>
Total Net Position	<u><u>\$ (2,745,028)</u></u>

See accompanying Notes to Basic Financial Statements.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
<b>FUNCTIONS/PROGRAMS</b>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities	\$ 44,995	\$ -	\$ -	\$ -	\$ (44,995)
Interest and Related Costs on Long-Term Debt	167,859	-	-	-	(167,859)
Total Governmental Activities	\$ 212,854	\$ -	\$ -	\$ -	(212,854)
		<b>GENERAL REVENUES</b>			
					188,033
					14,968
					1,497
					204,498
		<b>CHANGE IN NET POSITION</b>			(8,356)
					(2,736,672)
		<b>NET POSITION - END OF YEAR</b>			\$ (2,745,028)

See accompanying Notes to Basic Financial Statements.

**KENT PLACE METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 1,482	\$ -	\$ 1,482
Cash and Investments - Restricted	-	147,904	147,904
Accounts Receivable - County Treasurer	271	979	1,250
Property Taxes Receivable	41,856	151,090	192,946
Total Assets	\$ 43,609	\$ 299,973	\$ 343,582
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Kent Place Metropolitan District No. 1	\$ 1,753	\$ -	\$ 1,753
Total Liabilities	1,753	-	1,753
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	41,856	151,090	192,946
Total Deferred Inflows of Resources	41,856	151,090	192,946
 <b>NET CHANGE IN FUND BALANCES</b>			
Restricted	-	148,883	148,883
Total Fund Balances	-	148,883	148,883
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 43,609	\$ 299,973	
 Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:			
Bonds Payable - Series 2016			(1,854,000)
Notes Payable			(900,000)
Accrued Interest on Series 2016 Bonds			(7,804)
Accrued Interest on Subordinate Note			(132,107)
Net Position of Governmental Activities			\$ (2,745,028)

See accompanying Notes to Basic Financial Statements.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 40,790	\$ 147,243	\$ 188,033
Specific Ownership Taxes	3,247	11,721	14,968
Net Investment Income	51	1,446	1,497
Total Revenues	<u>44,088</u>	<u>160,410</u>	<u>204,498</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	612	2,209	2,821
Transfer to Kent Place Metro District No. 1	44,383	-	44,383
Bond Interest	-	93,650	93,650
Bond Principal	-	19,000	19,000
Interest on Subordinate Note	-	48,000	48,000
Total Expenditures	<u>44,995</u>	<u>162,859</u>	<u>207,854</u>
<b>NET CHANGE IN FUND BALANCES</b>	(907)	(2,449)	(3,356)
Fund Balances - Beginning of Year	<u>907</u>	<u>151,332</u>	<u>152,239</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 148,883</u>	<u>\$ 148,883</u>

See accompanying Notes to Basic Financial Statements.

**KENT PLACE 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, 2019**

Net Change in Fund Balances - Governmental Funds	\$ (3,356)
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Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt (e.g., loans, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayment of Bond Principal	19,000
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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 Long-Term Debt Payable - Change in Liability	<u>(24,000)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (8,356)</u></u>
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**KENT PLACE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 41,417	\$ 40,790	\$ (627)
Specific Ownership Taxes	2,485	3,247	762
Net Investment Income	100	51	(49)
Other Income	1,000	-	(1,000)
Total Revenues	<u>45,002</u>	<u>44,088</u>	<u>(914)</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	621	612	9
Transfer to Kent Place Metro District No. 1	43,600	44,383	(783)
Contingency	1,779	-	1,779
Total Expenditures	<u>46,000</u>	<u>44,995</u>	<u>1,005</u>
<b>NET CHANGE IN FUND BALANCE</b>	(998)	(907)	91
Fund Balance - Beginning of Year	<u>3,343</u>	<u>907</u>	<u>(2,436)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,345</u>	<u>\$ -</u>	<u>\$ (2,345)</u>

See accompanying Notes to Basic Financial Statements.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Kent Place Metropolitan District No. 2 (District) was organized by Court Order on January 14, 2008, to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of public improvements, including street improvements, park and recreation facilities, sewer and drainage improvements, traffic and safety controls, water, television relay and translators, public transportation, fire protection, security services, mosquito and pest control, and other improvements needed for the development. The District was organized in conjunction with Kent Place Metropolitan District No. 1 (District No. 1). District No. 1 is anticipated to be the Operating District and District No. 2 is anticipated to be the Financing District. The Operating District will construct all (and may own and operate some) of the public facilities. The Financing District will generate the majority of tax revenues sufficient to pay the costs of the capital improvements. The functions of the Districts will be clarified in an intergovernmental agreement between the Districts. The District's service area is located entirely within the City of Englewood, Arapahoe County, Colorado.

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 property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 has 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 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 general obligation debt of the governmental funds.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 amended its annual budget for the year ended December 31, 2019.

**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.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

Fund Balance (Continued)

*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.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,482
Cash and Investments - Restricted	147,904
Total Cash and Investments	\$ 149,386

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 146,310
Investments	3,076
Total Cash and Investments	\$ 149,386

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**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, 2019, the District's cash deposits had a bank balance and a carrying balance of \$146,310.

**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

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 3,076

**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.

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance - December 31, 2018	Additions	Retirements	Balance - December 31, 2019	Due Within One Year
Subordinate Note - Series 2013	\$ 900,000	\$ -	\$ -	\$ 900,000	\$ -
Series 2016 - General Obligation Refunding and Improvement Bonds	1,873,000	-	19,000	1,854,000	22,000
Accrued interest - Subordinate Note	108,107	72,000	48,000	132,107	-
	<u>\$ 2,881,107</u>	<u>\$ 72,000</u>	<u>\$ 67,000</u>	<u>\$ 2,886,107</u>	<u>\$ 22,000</u>

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**2013 Subordinate Note**

On September 15, 2013, the District entered into a Subordinate Limited Tax General Obligation Note, Series 2013 (Subordinate Note). The Subordinate Note has a principal amount of \$900,000 with a maturity date of September 15, 2053, and carries a simple interest rate of 8.00%, payable annually beginning September 15, 2014. The principal and interest on the Subordinate Note are payable solely from and to the extent of the Subordinate Note Pledged Revenue on a basis subordinate to the Senior Note and other obligations of the District specifically set forth in the Note Resolution, which may or may not be sufficient to pay the principal and interest on the Subordinate Note. Failure of the District to make any interest payment on the Subordinate Note when the same shall come due shall not constitute an "Event of Default" under the Note Resolution. Interest on the Subordinate Note shall continue to accrue and shall be paid on the next Interest Payment Date when funds are available for such payment. Furthermore, if any amount of principal or interest remains due and owing on this Subordinate Note on September 15, 2053, such amounts shall be discharged and no further amounts shall be due on this Series 2013 Subordinate Note.

The Subordinate Note was issued for the purpose of paying the costs of acquiring public improvements. The Subordinate Note was purchased by Kent Place Investors, LLC, which is the Developer of the property in the District.

During 2019, \$48,000 of previously accrued interest was paid on the 2013 Subordinate Note. At December 31, 2019, the balance of accrued unpaid interest was \$132,107.

**Series 2016 Bonds**

\$1,916,000 General Obligation Refunding and Improvement Bonds, dated May 31, 2016, bear interest at 5.00%, payable semi-annually on June 1 and December 1, maturing on December 1, 2045. The proceeds of the bonds were used to repay the 2011 promissory note, a loan with principal amount of \$1,200,000 with a ten year maturity and carried rate of 4.5%, to reimburse the Developer for advances made to the District, to fund the Debt Service Reserve fund and to pay other costs of issuance.

The Bonds are 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, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines in its sole discretion to be treated as Pledged Revenue. 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 and interest on the Bonds. The maximum Required Mill Levy is 37.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. In no event shall the Required Mill Levy exceed 50 mills.

The Bonds are subject to redemption prior to maturity at the option of the District on or after December 1, 2019 at a redemption price equal to 101% of the principal amount plus accrued interest to the redemption date.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The Debt Service Reserve Fund was established upon issuance of the Series 2016 Bonds, and was funded in the amount of \$145,100. Moneys in this account are to be used solely as a reserve to pay the principal and interest on the Bonds. The balance in this account is \$146,310 at December 31, 2019.

Using the interest rate of 5.0%, the mandatory redemption of the Series 2016 General Obligation Refunding and Improvement Bonds is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 22,000	\$ 92,700	\$ 114,700
2021	23,000	91,600	114,600
2022	27,000	90,450	117,450
2023	28,000	89,100	117,100
2024	32,000	87,700	119,700
2025-2029	198,000	412,300	610,300
2030-2034	289,000	354,200	643,200
2035-2039	404,000	271,000	675,000
2040-2044	554,000	155,750	709,750
2045	277,000	13,850	290,850
Total	<u>\$ 1,854,000</u>	<u>\$ 1,658,650</u>	<u>\$ 3,512,650</u>

The above table does not include amortization of the Subordinate Note, as subordinate revenue may or may not be sufficient to pay the principal and interest when due. Therefore, the amortization of the Subordinate Note is not determinable.

**KENT PLACE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$420,000,000 for infrastructure improvements and operations, such debt to bear interest at a rate not in excess of 18% per annum. At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 6, 2007	Prior Authorization Used	Series 2016 Authorization Used	Authorized But Unissued as of December 31, 2019
Street Improvements	\$ 30,000,000	\$ 1,588,494	\$ 691,281	\$ 27,720,225
Water	30,000,000	-	-	30,000,000
Sanitation	30,000,000	-	-	30,000,000
Traffic and Safety	30,000,000	19,124	-	29,980,876
Intergovernmental Agreements	30,000,000	-	-	30,000,000
Private Party Agreements	30,000,000	-	-	30,000,000
Fire Protection, Ambulance Service	30,000,000	-	-	30,000,000
Perimeter and Interior Security	30,000,000	-	-	30,000,000
Park and Recreation	30,000,000	492,382	-	29,507,618
Mosquito Control	30,000,000	-	-	30,000,000
Television Relay and Translation	30,000,000	-	-	30,000,000
Public Transportation	30,000,000	-	-	30,000,000
Operations and Maintenance	30,000,000	-	-	30,000,000
Debt Refunding	30,000,000	-	1,224,719	28,775,281
	<u>\$ 420,000,000</u>	<u>\$ 2,100,000</u>	<u>\$ 1,916,000</u>	<u>\$ 415,984,000</u>

Pursuant to its Service Plan, the District is only permitted to issue debt up to \$30,000,000.

In the future, the District may issue a portion of, or all of, the remaining authorized but unissued general obligation debt as allowed under the Service Plan for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 5 NET POSITION**

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

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through Constitutional provisions or enabling legislation. The District had a restricted net position of \$8,972 for debt service as of December 31, 2019.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 NET POSITION (CONTINUED)**

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 issued for public improvements which were conveyed to the City of Englewood and which costs were removed from the District's financial records.

**NOTE 6 RELATED PARTIES**

The Developer of the property which constitutes the District is Kent Place Investors, LLC, which is an affiliate of Continuum Partners, LLC. All members of the Board of Directors are officers of, employees of, or associated with the Developer or its affiliates.

**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 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 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.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

On November 6, 2007, the District's voters authorized the District to increase property taxes \$5,000,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to District No. 1 (Operating District) pursuant to an anticipated intergovernmental agreement. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 1.

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 9 SUBSEQUENT EVENT**

On February 26, 2020, the District issued \$1,870,000 of Limited Tax General Obligation Refunding Bonds, Series 2020 (the 2020 Bonds). The 2020 Bonds were purchased by Academy Bank. Proceeds of the 2020 Bonds, along with District funds, were used to refund the 2016 Bonds and to pay the cost of issuance of the 2020 Bonds.

The 2020 Bonds bear interest at the rate of 3.9% per annum, which is due on June 1 and December 1, beginning on June 1, 2020. Principal is due on December 1, beginning on December 1, 2020, with final maturity on December 1, 2044.

The 2020 Bonds are secured by pledged revenues consisting of the Required Mill Levy, Specific Ownership Taxes collected as a result of certifying the Required Mill Levy, and any other legally available amounts designated by the District at its discretion, as may be permitted under the District's Service Plan.

The Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount necessary to generate revenues sufficient to pay the principal and interest on the 2020 Bonds when due, but not in excess of 37 mills, provided that if, on or after January 1, 2020, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the maximum mill levy of 37 mills may be increased or decreased to reflect such changes. But in no event shall the Required Mill Levy exceed 50 mills.

## **SUPPLEMENTARY INFORMATION**

**KENT PLACE METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 149,506	\$ 147,243	\$ 147,243	\$ -
Specific Ownership Taxes	8,970	11,721	11,721	-
Net Investment Income	2,100	1,445	1,446	1
Total Revenues	<u>160,576</u>	<u>160,409</u>	<u>160,410</u>	<u>1</u>
<b>EXPENDITURES</b>				
Current:				
County Treasurer's Fees	2,243	2,209	2,209	-
Paying Agent Fees	400	-	-	-
Interest on Subordinate Note	43,000	48,000	48,000	-
Bond Interest	93,650	93,650	93,650	-
Bond Principal	19,000	19,000	19,000	-
Contingency	1,707	3,141	-	3,141
Total Expenditures	<u>160,000</u>	<u>166,000</u>	<u>162,859</u>	<u>3,141</u>
<b>NET CHANGE IN FUND BALANCE</b>	576	(5,591)	(2,449)	3,142
Fund Balance - Beginning of Year	<u>148,559</u>	<u>151,332</u>	<u>151,332</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 148,559</u></u>	<u><u>\$ 145,741</u></u>	<u><u>\$ 148,883</u></u>	<u><u>\$ 3,142</u></u>

## **OTHER INFORMATION**

**KENT PLACE METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2019**

\$1,916,000 Series 2016,  
Limited Tax General Obligation  
Refunding and Improvement Bonds  
Interest Rate 5.0%  
Interest Payable  
June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 22,000	\$ 92,700	\$ 114,700
2021	23,000	91,600	114,600
2022	27,000	90,450	117,450
2023	28,000	89,100	117,100
2024	32,000	87,700	119,700
2025	33,000	86,100	119,100
2026	37,000	84,450	121,450
2027	39,000	82,600	121,600
2028	43,000	80,650	123,650
2029	46,000	78,500	124,500
2030	50,000	76,200	126,200
2031	53,000	73,700	126,700
2032	58,000	71,050	129,050
2033	61,000	68,150	129,150
2034	67,000	65,100	132,100
2035	70,000	61,750	131,750
2036	76,000	58,250	134,250
2037	80,000	54,450	134,450
2038	87,000	50,450	137,450
2039	91,000	46,100	137,100
2040	98,000	41,550	139,550
2041	103,000	36,650	139,650
2042	111,000	31,500	142,500
2043	117,000	25,950	142,950
2044	125,000	20,100	145,100
2045	277,000	13,850	290,850
Total	<u>\$ 1,854,000</u>	<u>\$ 1,658,650</u>	<u>\$ 3,512,650</u>

**NOTE:**

Amortization is based upon an annual interest rate of 5.0% per annum due on June 1 and December 1 of each year. Payment of principal and interest is calculated based upon a 30-year period, beginning on May 31, 2016, and all amounts of unpaid principal and accrued interest due and payable on December 31, 2045.

No amortization schedule is provided for the Subordinate Note, as subordinate revenue may or may not be sufficient to pay the principal and interest when due. Therefore, the amortization of the Subordinate Note is not determinable.

**KENT PLACE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2019**

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	
2015	\$ 3,442,568	10.250	37.000	\$ 162,661	\$ 162,113.0	99.66 %
2016	3,879,365	10.250	37.000	183,300	182,752	99.70
2017	3,827,225	10.250	37.000	180,836	180,895	100.03
2018	4,168,255	10.250	37.000	196,950	196,781	99.91
2019	\$ 4,040,691	10.250	37.000	\$ 190,923	\$ 188,033	98.49
Estimated for the Year Ending December 31, 2020	\$ 4,083,517	10.250	37.000	\$ 192,946		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.