

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2
Weld County, Colorado

Financial Statements
and
Independent Auditors' Report
December 31, 2020

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

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COLORADO CPA COMPANY

February 4, 2022

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Centennial Crossing 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 the Centennial Crossing Metropolitan District No. 2 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are 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 Centennial Crossing Metropolitan District No. 2's basic financial statements. The supplemental information as listed in the table of contents is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
February 4, 2022

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Statement of Net Position
December 31, 2020**

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents - restricted	\$ 1,001,616
Property taxes receivable	580,435
Other receivables	<u>1,795</u>
Total assets	<u>1,583,846</u>
Liabilities	
Tax-supported revenue long-term promissory notes	
Unpaid interest	18,087
Due within one year	110,000
Due after one year	<u>5,696,000</u>
Total liabilities	5,824,087
Deferred inflows of resources	
Property taxes	<u>580,435</u>
Total liabilities and deferred inflows of resources	<u>6,404,522</u>
Net position	
Restricted for:	
Emergency reserve	5,000
Debt service	265,512
Capital projects	(5,086,587)
Unrestricted	<u>(4,601)</u>
Total net deficit	<u>\$ (4,820,676)</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Statement of Activities
For the Year Ended December 31, 2020**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government					
Government activities					
General government	\$ 6,643	\$ -	\$ -	\$ -	\$ (6,643)
Interest and related costs on long-term promissory notes	<u>218,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(218,268)</u>
Total	<u>\$ 224,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(224,911)</u>
General revenues:					
Property taxes				491,674	
Specific ownership taxes				23,399	
Interest income				33	
Other income				1,326	
Transfers to other governments				<u>(514,029)</u>	
Total general revenues				<u>2,403</u>	
Change in net position					(222,508)
Net position beginning of year					<u>(4,598,168)</u>
Net position end of year					<u>\$ (4,820,676)</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

**Balance Sheet - Governmental Funds
December 31, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Assets				
Assets				
Cash and cash equivalents - restricted	\$ -	\$ 264,116	\$ 737,500	\$ 1,001,616
Property taxes receivable	128,986	451,449	-	580,435
Other receivables	<u>399</u>	<u>1,396</u>	<u>-</u>	<u>1,795</u>
Total assets	<u>\$ 129,385</u>	<u>\$ 716,961</u>	<u>\$ 737,500</u>	<u>\$ 1,583,846</u>
Liabilities and Fund Balances				
Deferred inflows of resources				
Property taxes	<u>\$ 128,986</u>	<u>\$ 451,449</u>	<u>\$ -</u>	<u>\$ 580,435</u>
Total liabilities and deferred inflows of resources	<u>128,986</u>	<u>451,449</u>	<u>-</u>	<u>580,435</u>
Fund balances				
Restricted				
Emergency reserve	5,000	-	-	5,000
Debt service	-	265,512	-	265,512
Capital projects	-	-	737,500	737,500
Unassigned	<u>(4,601)</u>	<u>-</u>	<u>-</u>	<u>(4,601)</u>
Total fund balances	<u>399</u>	<u>265,512</u>	<u>737,500</u>	1,003,411
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 129,385</u>	<u>\$ 716,961</u>	<u>\$ 737,500</u>	

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

Long-term liabilities, including promissory notes, are not due and payable in the current period and, therefore, are not reported in the funds:

Long-term promissory notes	(5,806,000)
Unpaid interest	<u>(18,087)</u>

Net position of governmental activities	<u>\$ (4,820,676)</u>
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See notes to 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, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues				
Property taxes	\$ 109,261	\$ 382,413	\$ -	\$ 491,674
Specific ownership taxes	5,200	18,199	-	23,399
Interest income	2	31	-	33
Other income	<u>294</u>	<u>1,032</u>	-	<u>1,326</u>
Total revenues	<u>114,757</u>	<u>401,675</u>	<u>-</u>	<u>516,432</u>
Expenditures				
Fees	5,000	-	-	5,000
Treasurer's fees	1,643	5,752	-	7,395
Debt service				
Promissory notes principal	-	97,000	-	97,000
Promissory notes interest	<u>-</u>	<u>212,791</u>	<u>-</u>	<u>212,791</u>
Total expenditures	<u>6,643</u>	<u>315,543</u>	<u>-</u>	<u>322,186</u>
Excess of revenues over (under) expenditures	<u>108,114</u>	<u>86,132</u>	<u>-</u>	<u>194,246</u>
Other financing sources				
Transfers to District No. 1	(514,029)	-	-	(514,029)
Interfund transfers	<u>405,200</u>	<u>39,139</u>	<u>(444,339)</u>	<u>-</u>
Total other financing sources	<u>(108,829)</u>	<u>39,139</u>	<u>(444,339)</u>	<u>(514,029)</u>
Net change in fund balances	(715)	125,271	(444,339)	(319,783)
Fund balances - beginning of year	<u>1,114</u>	<u>140,241</u>	<u>1,181,839</u>	<u>1,323,194</u>
Fund balances - end of year	<u>\$ 399</u>	<u>\$ 265,512</u>	<u>\$ 737,500</u>	<u>\$ 1,003,411</u>

See notes to 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, 2020**

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

Net change in fund balances - total governmental funds \$ (319,783)

The issuance of long-term promissory notes provides current financial resources for governmental funds, while the repayment of the principal of long-term promissory notes 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.

Promissory notes principal payments	97,000
Change in accrued interest	<u>275</u>

Changes in net position of governmental activities \$ (222,508)

See notes to 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, 2020**

	<u>Original Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 108,799	\$ 109,261	\$ 462
Specific ownership taxes	4,108	5,200	1,092
Interest income	-	2	2
Other income	-	294	294
Total revenues	<u>112,907</u>	<u>114,757</u>	<u>1,850</u>
Expenditures			
Current			
Fees	-	5,000	5,000
Treasurer's fees	<u>1,636</u>	<u>1,643</u>	<u>7</u>
Total expenditures	<u>1,636</u>	<u>6,643</u>	<u>5,007</u>
Excess of revenues over expenditures	<u>111,271</u>	<u>108,114</u>	<u>(3,157)</u>
Other financing uses			
Transfers to District No. 1	(111,271)	(514,029)	(402,758)
Interfund transfers	-	405,200	405,200
Total other financing uses	<u>(111,271)</u>	<u>(108,829)</u>	<u>2,442</u>
Net change in fund balance	-	(715)	(715)
Fund balance - beginning of year	<u>-</u>	<u>1,114</u>	<u>1,114</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 399</u>	<u>\$ 399</u>

See notes to financial statements.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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 Financial Statements

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 are derived primarily from property taxes and other taxes.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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

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

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. Total expenditures in the general fund and the debt service fund exceeded appropriated amounts, which may be a violation of the State Budget Law.

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 Financial Statements

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, 2020 are comprised of property taxes due from Weld County that will not 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. The District does not have any items that qualify for reporting as deferred outflows as of December 31, 2020.

Long-Term Liabilities

In the government-wide financial statements, the long-term promissory notes are reported as liabilities in the statement of net position. Long-term promissory notes 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 Financial Statements

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 promissory note 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, 2020.

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, 2020.

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. There were interfund transfers of \$444,339 during 2020.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

The District continues to evaluate the impact of the pandemic and health protocols are having on its operations. No impairments of assets have been recorded as a result of the pandemic as of December 31, 2020. Due to the significant uncertainty surrounding the situation, the Board's judgment regarding the impact of the pandemic may change in the future. The extent of future impact cannot be reasonably estimated at this time.

Note 2 - Cash and Cash Equivalents and Investments - Restricted

The District considers all liquid instruments with original maturities of three months or less to be cash equivalents. At December 31, 2020, cash equivalents consisted of deposits with financial institutions.

Through the agreement with the bank, all cash is restricted for future general promissory note 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.

The District follows state statutes for deposits.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 2 - Cash and Cash Equivalents and Investments - Restricted (continued)

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, and certain money market funds.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

Fidelity Government Portfolio Class I Fund

The District was invested in Fidelity Government Portfolio Class I ("Investment"). The Investment is rated AAAM by Standards & Poor's, with a maturity weighted average of 40 days. The Investment is recorded at fair value and the District records the Investment using the NAV. The fund is a money market fund with each share maintaining a value of \$1.00. The money market fund invests in high quality instruments issued by the U.S. Government. At December 31, 2020 the District had \$1,001,616 invested with the trustee.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 3 - Long-Term Promissory Notes Payable

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

	Balance at January 1, 2020	Additions	Retirements	Balance at December 31, 2020	Due Within One Year
Series A 2016 - promissory note payable	\$ 2,758,000	\$ -	\$ (67,000)	\$ 2,691,000	\$ 70,000
Series A 2018 - promissory note payable	<u>3,145,000</u>	<u>-</u>	<u>(30,000)</u>	<u>3,115,000</u>	<u>40,000</u>
	<u>\$ 5,903,000</u>	<u>\$ -</u>	<u>\$ (97,000)</u>	<u>\$ 5,806,000</u>	<u>\$ 110,000</u>

\$3,160,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2018

On November 13, 2018, the District issued \$3,160,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2018 ("2018 Note") due on December 1, 2025. The 2018 Note bears interest at the average rate of 4.34%, with interest being payable semi-annually 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, promissory note principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 40,000	\$ 135,042	\$ 175,042
2022	50,000	133,268	183,268
2023	60,000	129,983	189,983
2024	70,000	128,681	198,681
2025	<u>2,895,000</u>	<u>125,643</u>	<u>3,020,643</u>
	<u>\$ 3,115,000</u>	<u>\$ 652,617</u>	<u>\$ 3,767,617</u>

\$3,000,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2016

On February 23, 2016, the District issued \$3,000,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2016 ("2016 Note") 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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 3 - Long-Term Promissory Notes (continued)

\$3,000,000 Revenue and Limited Tax Obligation Promissory Note Payable - Series 2016 (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 70,000	\$ 77,770	\$ 147,770
2021	72,000	75,747	147,747
2022	<u>2,549,000</u>	<u>73,666</u>	<u>2,622,666</u>
	<u>\$ 2,691,000</u>	<u>\$ 227,183</u>	<u>\$ 2,918,183</u>

Debt Authorization

As of December 31, 2020, the District has \$75,000,000 authorized debt. The District has not budgeted to issue any new debt during 2021.

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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

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, 2020. 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.

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 No. 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 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.

CENTENNIAL CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

Note 7 - Agreements (continued)

Intergovernmental Agreements

On June 5, 2012, an agreement ("IGA") was entered into by the District along with Centennial Crossing Metropolitan District No. 2 through No. 8 (collectively, "Centennial Crossing") and the Thompson Rivers Parks and Recreation District ("TRPRD"). The boundaries of Centennial Crossing are wholly within the existing boundaries of TRPRD and are deemed an "overlapping district." The IGA sets forth the limitations, terms, and conditions for Centennial Crossing to finance, construct, operate, and maintain certain public parks and recreation facilities within the boundaries of TRPRD.

On August 13, 2013, an Intergovernmental Cost Share Agreement was entered into by the District and TRPRD. In the terms of the agreement, the District has agreed to contribute \$60,000, regardless of the actual construction costs, toward project costs related to the construction of tennis courts within the District's boundary. In the event TRPRD has not awarded a contract for construction of the tennis facilities on or before April 30, 2014, the agreement may terminate at the sole discretion of the District or automatically upon completion of the construction. In 2015, this agreement was amended such that the term of the agreement shall be extended to a time until fully performed, terminated by the mutual agreement of the parties, or 25 years from the date of the 2015 amendment's execution, at which time all obligations shall be deemed satisfied whether or not paid in full. During the year ended December 31, 2015, the tennis courts were completed.

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. The park improvements were included in Metropolitan District No. 8

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, 2020**

	<u>Original Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 380,798	\$ 382,413	\$ 1,615
Specific ownership taxes	14,377	18,199	3,822
Interest income	-	31	31
Other income	-	1,032	1,032
Total revenues	<u>395,175</u>	<u>401,675</u>	<u>6,500</u>
Expenditures			
Current			
Treasurer's fees	5,725	5,752	(27)
Miscellaneous	5,000	-	5,000
Debt service			
Promissory notes principal	160,000	97,000	63,000
Promissory notes interest	440,944	212,791	228,153
Total expenditures	<u>611,669</u>	<u>315,543</u>	<u>296,126</u>
Excess of revenues under expenditures	<u>(216,494)</u>	<u>86,132</u>	<u>(302,626)</u>
Other financing sources			
Interfund transfers	-	39,139	39,139
Transfer to District No. 1	(893,654)	-	893,654
Transfer from District No. 3	186,068	-	(186,068)
Total other financing sources	<u>(707,586)</u>	<u>39,139</u>	<u>746,725</u>
Net change in fund balance	(924,080)	125,271	1,049,351
Fund balance - beginning of year	-	140,241	140,241
Fund balance - end of year	<u>\$ (924,080)</u>	<u>\$ 265,512</u>	<u>\$ 1,189,592</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, 2020**

	<u>Original Budget</u>	<u>Actual Amounts</u>	Variance with Original Budget Positive <u>(Negative)</u>
Revenues			
Interest income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources			
Interfund transfers	<u>-</u>	<u>(444,339)</u>	<u>(444,339)</u>
Total other financing sources	<u>-</u>	<u>(444,339)</u>	<u>(444,339)</u>
Net change in fund balance	-	(444,339)	(444,339)
Fund balance - beginning of year	<u>-</u>	<u>1,181,839</u>	<u>1,181,839</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 737,500</u>	<u>\$ 737,500</u>