

KENT PLACE METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

KENT PLACE METROPOLITAN DISTRICT NO. 2

TABLE OF CONTENTS


INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT WIDE FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes – In Fund Balances – Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
NOTES TO THE FINANCIAL STATEMENTS	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	17
OTHER INFORMATION	
Schedule of Debt Service Requirements to Maturity	18
Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected	19

INDEPENDENT AUDITOR'S REPORT



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kent Place Metro District No. 2

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of Kent Place Metropolitan District No. 2, 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.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kent Place Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kent Place Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



An independently owned member
RSM US Alliance

RSM

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kent Place Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kent Place Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management 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.

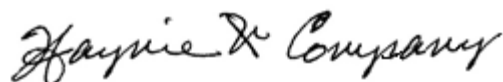
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Kent Place Metropolitan District No. 2's financial statements as a whole. The supplemental information section is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Littleton, CO
September 30, 2022

BASIC FINANCIAL STATEMENTS

KENT PLACE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,111
Cash and investments - restricted	3,040
Receivable- county treasurer	1,832
Property taxes receivable	189,889
Total assets	195,872
LIABILITIES	
Due to Kent Place Metropolitan District No. 1	1,508
Accrued interest payable- 2020 bonds	5,801
Non-current liabilities:	
Due within one year	40,000
Due in more than one year	2,816,112
Total liabilities	2,863,421
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	189,889
Total deferred inflows of resources	189,889
NET POSITION	
Unrestricted	(2,857,438)
Total net position	\$ (2,857,438)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

KENT PLACE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 45,050	\$ -	\$ -	\$ -	\$ (45,050)
Interest and related costs on long-term debt	142,866	-	-	-	(142,866)
	<u>\$ 187,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(187,916)</u>
General revenues:					
Property taxes					183,461
Specific ownership taxes					12,953
Net investment income					1,264
Total general revenue					<u>197,678</u>
Change in net position					<u>9,762</u>
Net position - beginning					<u>(2,867,200)</u>
Net position - ending					<u>\$ (2,857,438)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

KENT PLACE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,111	\$ -	\$ 1,111
Cash and investments - restricted	-	3,040	3,040
Receivable from county treasurer	397	1,435	1,832
Property taxes receivable	41,193	148,696	189,889
Total assets	42,701	153,171	195,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Due to Kent Place Metropolitan District No. 1	1,508	-	1,508
Total liabilities	1,508	-	1,508
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	41,193	148,696	189,889
Total deferred inflows of resources	41,193	148,696	189,889
NET CHANGE IN FUND BALANCES			
Restricted	-	4,475	4,475
Total fund balances	-	4,475	4,475
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 42,701	\$ 153,171	
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:			
Bond payable- series 2020			(1,785,000)
Notes payable			(900,000)
Accrued interest on series 2020 bonds			(5,801)
Accrued interest on subordinate notes			(171,112)
Net position of governmental activities			\$ (2,857,438)

These financial statements should be read only in connection with
the accompanying notes to financial statements

KENT PLACE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 39,799	\$ 143,662	\$ 183,461
Specific ownership tax	2,810	10,143	12,953
Net investment income	271	993	1,264
Total Revenue	<u>42,880</u>	<u>154,798</u>	<u>197,678</u>
EXPENDITURES			
General			
County Treasurer Fees	601	2,170	2,771
Intergovernmental expenditures	42,279	-	42,279
Bond interest- series 2020	-	70,980	70,980
Bond principal - series 2020	-	35,000	35,000
Interest on subordinate note	-	49,995	49,995
Total Expenditures	<u>42,880</u>	<u>158,145</u>	<u>201,025</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(3,347)</u>	<u>(3,347)</u>
NET CHANGE IN FUND BALANCE	-	(3,347)	(3,347)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>7,822</u>	<u>7,822</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 4,475</u>	<u>\$ 4,475</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements

KENT PLACE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

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

Net change in fund balance - Total governmental funds	\$	(3,347)
---	----	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Bond principal paid		35,000
---------------------	--	--------

Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on note payable		(22,005)
Net change in accrued interest on bonds payable		114

Change in net position of governmental activities	\$	<u>9,762</u>
---	----	--------------

These financial statements should be read only in connection with the accompanying notes to financial statements.

KENT PLACE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	Budgeted Amount Original & Final	YTD Actual	Variance Favorable (Unfavorable)
REVENUES			
Property tax	\$ 40,772	\$ 39,799	\$ (973)
Specific ownership tax	2,854	2,810	(44)
Net investment income	100	271	171
Other income	1,000	-	(1,000)
Total revenue	<u>44,726</u>	<u>42,880</u>	<u>(1,846)</u>
EXPENDITURES			
County treasurer fees	612	601	11
Intergovernmental expenditures	43,142	42,279	863
Contingency	972	-	972
Total expenditures	<u>44,726</u>	<u>42,880</u>	<u>1,846</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

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.

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 FINANCIAL STATEMENTS (continued)

The statement of activities demonstrates the degree to which direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation — The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

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 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:

General Fund – 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.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on the long-term general obligation debt of the governmental funds.

Budget Information — In accordance with the State Budget Law, the District’s Board of Directors 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 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. In the Debt Service Fund expenditures exceeded appropriations by \$158, this may be a violation of state statute.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

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 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: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ amount governments, not every government or every governmental fund will present all of these components. The following classification describe the relative strength of the spending constraints:

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

Restricted – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed – 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 – 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.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

Unassigned – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 1,111
Cash and investments-restricted	<u>\$ 3,040</u>
Total cash and investments	<u>\$ 4,151</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 100
Investments	<u>\$ 4,051</u>
Total cash and investments	<u>\$ 4,151</u>

Deposits with financial institutions — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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.

At December 31, 2021, the District's cash deposit had a bank balance and a carrying value balance of \$100.

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.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

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 and certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- 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
- Certain certificates of participation
- Certain securities lending agreements

As of December 31, 2021, 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	\$ 4,051

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, 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 a 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.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

4. LONG-TERM LIABILITIES

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2021:

	Balance - December 31, 2020	Additions	Retirements	Balance - December 31, 2021	Due Within One Year
Bonds payable					
General obligation bonds series 2020	\$ 1,820,000	\$ -	\$ 35,000	\$ 1,785,000	\$ 40,000
Series 2013- subordinate notes	900,000	-	-	900,000	-
	2,720,000	-	35,000	2,685,000	40,000
Accrued interest on					
Subordinate notes	149,107	72,000	49,995	171,112	-
Total long-term obligations	\$ 2,869,107	\$ 72,000	\$ 84,995	\$ 2,856,112	\$ 40,000

Subordinate Notes — On September 15, 2013, the District entered into a Subordinate Limited Tax General Obligation Note, Series 2013 in the amount of \$900,000. On August 25, 2020, the Subordinate Note was reassigned to two new owners and designated as No. R-1 and No. R-2. Each reassigned Subordinate Note has a principal amount of \$450,000 with a maturity date of September 15, 2053, and carries a simple interest rate of 8.00%, payable annually on December 15. The principal of and interest on the Subordinate Notes are payable solely from and to the extent of the Series 2013 Subordinate Pledged Revenue on a basis subordinate to the Senior 2020 Bonds and other obligations of the District specifically set forth in the Note Resolution, which may or may not be sufficient to pay the principal of and interest on the Subordinate Notes. Failure of the District to make any interest payment on the Subordinate Notes when the same shall come due shall not constitute an “Event of Default” under the Note Resolution. Interest on the Subordinate Notes 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 the Subordinate Notes on September 15, 2053, such amounts shall be discharged, and no further amounts shall be due on the Subordinate Notes.

During 2021, \$49,995 of previously accrued interest was paid on the Subordinate Notes. At December 31, 2021, the balance of accrued unpaid interest was \$171,112.

Series 2020 Bonds — 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. As of December 31, 2021, the accrued interest balance on the 2020 bonds was \$5,801.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

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.

The mandatory redemption of the Series 2020 Limited Tax General Obligation Refunding Bonds is as follows:

	Governmental Activities		
	Bonded Debt		
	Principal	Interest	Total
2022	\$ 40,000	\$ 69,615	\$ 109,615
2023	40,000	68,055	108,055
2024	45,000	66,495	111,495
2025	45,000	64,740	109,740
2026	50,000	62,985	112,985
2027-2031	295,000	283,725	578,725
2032-2036	395,000	218,595	613,595
2037-2041	500,000	133,575	633,575
2042-2044	375,000	29,640	404,640
	<u>\$ 1,785,000</u>	<u>\$ 997,425</u>	<u>\$ 2,782,425</u>

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

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, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

	Amount Authorized on November 6, 2007	Prior Authorization Used	Series 2016 Authorization Used	Series 2020 Authorization Used	Authorized But Unissued as of December 31, 2021
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	1,870,000	26,905,281
	<u>420,000,000</u>	<u>2,100,000</u>	<u>1,916,000</u>	<u>1,870,000</u>	<u>414,114,000</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.

5. NET POSITION

The District 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 no restricted net position for debt service as of December 31, 2021.

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.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

6. RELATED PARTY

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.

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.

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.

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.

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 limitation 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 limitation 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.

KENT PLACE METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

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.

This information is an integral part of the accompanying financial statements

SUPPLEMENTAL INFORMATION

KENT PLACE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2021

	<u>Budgeted Amounts Original & Final</u>	<u>YTD Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property tax	\$ 147,178	\$ 143,662	\$ (3,516)
Specific ownership tax	10,302	10,143	(159)
Net investment income	500	993	493
Total Revenue	<u>157,980</u>	<u>154,798</u>	<u>(3,182)</u>
EXPENDITURES			
Current			
County treasurer fees	2,208	2,170	38
Interest on subordinate note	49,000	49,995	(995)
Bond interest- series 2020	70,980	70,980	-
Bond principal- series 2020	35,000	35,000	-
Contingency	799	-	799
Total Expenditures	<u>157,987</u>	<u>158,145</u>	<u>(158)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(7)</u>	<u>(3,347)</u>	<u>(3,340)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7)	(3,347)	(3,340)
FUND BALANCE - BEGINNING OF YEAR	<u>7</u>	<u>7,822</u>	<u>7,815</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 4,475</u>	<u>\$ 4,475</u>

OTHER INFORMATION

KENT PLACE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2021

\$1,870,000 Series 2020,
Limited Tax General Obligation
Refunding Bonds
Interest Rate of 3.90%
Interest Payable
June 1 and December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 40,000	\$ 69,615	\$ 109,615
2023	40,000	68,055	108,055
2024	45,000	66,495	111,495
2025	45,000	64,740	109,740
2026	50,000	62,985	112,985
2027	50,000	61,035	111,035
2028	55,000	59,085	114,085
2029	60,000	56,940	116,940
2030	65,000	54,600	119,600
2031	65,000	52,065	117,065
2032	70,000	49,530	119,530
2033	75,000	46,800	121,800
2034	80,000	43,875	123,875
2035	80,000	40,755	120,755
2036	90,000	37,635	127,635
2037	90,000	34,125	124,125
2038	95,000	30,615	125,615
2039	100,000	26,910	126,910
2040	105,000	23,010	128,010
2041	110,000	18,915	128,915
2042	120,000	14,625	134,625
2043	125,000	9,945	134,945
2044	130,000	5,070	135,070
	<u>\$ 1,785,000</u>	<u>\$ 997,425</u>	<u>\$ 2,782,425</u>

STATEMENT OF NET POSITION
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
December 31, 2021

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 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
2020	4,083,517	10.250	37.000	192,946	197,590	102.41
2021	3,977,795	10.250	37.000	187,950	183,461	97.61
Estimate for the Year Ending December 31, 2022	\$ 4,018,807	10.250	37.000	\$ 189,889		

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.