

SECTION 14
METROPOLITAN DISTRICT
Denver and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2020

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental 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 of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	19
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Projects Fund	20
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected for Collection Years 2015 to 2020	21



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Independent Auditor's Report

Board of Directors
Section 14 Metropolitan District
Denver and Jefferson Counties, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Section 14 Metropolitan District (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 Section 14 Metropolitan District, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 16, 2021

BASIC FINANCIAL STATEMENTS

**SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2020**

ASSETS

Cash and investments - unrestricted	\$ 1,642,841
Cash with County Treasurer	6,640
Property taxes receivable	1,097,639
Prepaid expense	5,811
Capital assets, net of depreciation	260,481
Total assets	<u>3,013,412</u>

LIABILITIES

Accounts payable	32,546
Total liabilities	<u>32,546</u>

DEFERRED INFLOWS OF RESOURCES

Property tax revenue	1,097,639
Total deferred inflows of resources	<u>1,097,639</u>

NET POSITION

Investment in capital assets	260,481
Restricted for emergencies	35,600
Restricted for debt service	188
Unrestricted	1,586,958
Total net position	<u>\$ 1,883,227</u>

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

**SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 408,497	\$ -	\$ -	\$ -	\$ (408,497)
Interest and fiscal charges	10,716	-	-	-	(10,716)
	<u>\$ 419,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(419,213)</u>
General revenues:					
Taxes:					
Property taxes					1,099,122
Specific ownership taxes					77,265
Net investment income					<u>9,471</u>
Total general revenues					<u>1,185,858</u>
Change in net position					766,645
Net position - beginning					<u>1,116,582</u>
Net position - ending					<u>\$ 1,883,227</u>

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

**SECTION 14 METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments - unrestricted	\$ 1,642,653	\$ 188	\$ -	\$ 1,642,841
Cash with County Treasurer	6,640	-	-	6,640
Property tax receivable	1,097,639	-	-	1,097,639
Prepaid expense	5,811	-	-	5,811
TOTAL ASSETS	<u>\$ 2,752,743</u>	<u>\$ 188</u>	<u>\$ -</u>	<u>\$ 2,752,931</u>
LIABILITIES				
Accounts payable	\$ 32,546	\$ -	\$ -	\$ 32,546
Total liabilities	<u>32,546</u>	<u>-</u>	<u>-</u>	<u>32,546</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	1,097,639	-	-	1,097,639
Total deferred inflows of resources	<u>1,097,639</u>	<u>-</u>	<u>-</u>	<u>1,097,639</u>
FUND BALANCES				
Nonspendable - prepaid items	5,811	-	-	5,811
Spendable:				
Restricted for:				
Emergencies	35,600	-	-	35,600
Debt service	-	188	-	188
Unassigned	1,581,147	-	-	1,581,147
Total fund balances	<u>1,622,558</u>	<u>188</u>	<u>-</u>	<u>1,622,746</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,752,743</u>	<u>\$ 188</u>	<u>\$ -</u>	

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

Some long-term assets used in governmental activities are not financial resources
and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets 260,481

Net position of governmental activities \$ 1,883,227

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

**SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property tax	\$ 1,099,122	\$ -	\$ -	\$ 1,099,122
Specific ownership tax	77,265	-	-	77,265
Net investment income	9,437	32	2	9,471
Total revenues	<u>1,185,824</u>	<u>32</u>	<u>2</u>	<u>1,185,858</u>
EXPENDITURES				
Current				
Management fees	14,427	-	3,854	18,281
Accounting	10,976	-	-	10,976
Audit	5,042	-	-	5,042
Legal	32,703	-	15,591	48,294
Insurance	6,946	-	-	6,946
Election expense	1,164	-	-	1,164
Directors fees	1,500	-	-	1,500
C&C of Denver annual fee	3,000	-	-	3,000
County Treasurer's fees	15,372	-	-	15,372
Payroll taxes	115	-	-	115
Utilities	118,036	-	-	118,036
Landscape maintenance	126,999	-	-	126,999
Engineering	-	-	20,210	20,210
Miscellaneous	395	-	-	395
Developer reimbursement	-	-	206,914	206,914
Total expenditures	<u>336,675</u>	<u>-</u>	<u>246,569</u>	<u>583,244</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>849,149</u>	<u>32</u>	<u>(246,567)</u>	<u>602,614</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(246,238)	-	-	(246,238)
Transfer from other funds	-	-	246,238	246,238
Total other financing sources (uses)	<u>(246,238)</u>	<u>-</u>	<u>246,238</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>602,911</u>	<u>32</u>	<u>(329)</u>	<u>602,614</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,019,647</u>	<u>156</u>	<u>329</u>	<u>1,020,132</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,622,558</u></u>	<u><u>\$ 188</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,622,746</u></u>

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

**SECTION 14 METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	\$ 602,614
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. Instead the cost of the asset is allocated over its estimated useful life, and recorded as depreciation expense in each of those years.	
Depreciation	<u>(32,167)</u>
	<u>(32,167)</u>
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, it has no effect on net position.	
Developer advance principal payments	<u>167,287</u>
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.	
Change in accrued interest payable - advances	<u>28,911</u>
	<u>28,911</u>
Change in net position - Governmental activities	<u><u>\$ 766,645</u></u>

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

SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 1,101,005	\$ 1,099,122	\$ (1,883)
Specific ownership taxes	86,608	77,265	(9,343)
Net investment income	5,001	9,437	4,436
Total Revenues	<u>1,192,614</u>	<u>1,185,824</u>	<u>(6,790)</u>
EXPENDITURES			
Management fees	12,000	14,427	(2,427)
Accounting	12,000	10,976	1,024
Audit	6,000	5,042	958
Legal	25,100	32,703	(7,603)
Insurance	7,300	6,946	354
Directors fees	2,300	1,500	800
Election expense	1,000	1,164	(164)
C&C of Denver annual fee	3,000	3,000	-
County Treasurer's fees	16,515	15,372	1,143
Dues and subscriptions	600	-	600
Payroll taxes	176	115	61
Utilities	110,000	118,036	(8,036)
Landscape maintenance	115,000	126,999	(11,999)
Miscellaneous	1,000	395	605
Contingency	85,000	-	85,000
Emergency reserves	35,778	-	35,778
Total Expenditures	<u>432,769</u>	<u>336,675</u>	<u>96,094</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>759,845</u>	<u>849,149</u>	<u>89,304</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	(1,332,454)	(246,238)	1,086,216
Total other financing sources (uses)	<u>(1,332,454)</u>	<u>(246,238)</u>	<u>1,086,216</u>
NET CHANGE IN FUND BALANCE	(572,609)	602,911	1,175,520
FUND BALANCE - BEGINNING OF YEAR	611,351	1,019,647	408,296
FUND BALANCE - END OF YEAR	<u>\$ 38,742</u>	<u>\$ 1,622,558</u>	<u>\$ 1,583,816</u>

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

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Section 14 Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Jefferson and Denver Counties, Colorado. The District was established to provide financing for the acquisition, construction and installation of water and sewer facilities and park and open space facilities. The majority of the facilities constructed by the District have been conveyed to other entities for perpetual maintenance except certain roadway median landscaping improvements.

The District has no employees and all operations and administrative functions are contracted.

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.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District, the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, being reported as net position.

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.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property and specific ownership taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 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.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each funds' average equity balance in total cash.

Capital Assets

Capital assets, which include land and infrastructure improvements, are reported in the governmental activities column 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process and are not included in the calculation of net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Monuments and signs	25 years
Streets	20 years

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the 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 30 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 revenues are recorded as revenue in the year they are available or collected.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Cash and investments - unrestricted	<u>\$ 1,642,841</u>
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Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 18,486
Investments	<u>1,624,355</u>
	<u>\$ 1,642,841</u>

Cash Deposits

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 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.

As of December 31, 2020, the District's cash deposits had a bank balance of \$40,540 and carrying balance of \$18,486.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District follows Colorado State Statutes which 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 the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$1,624,355</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's. A designated custodial bank serves as custodian for COLOTRUST's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for COLOTRUST'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 COLOTRUST. As of December 31, 2020, the District had \$1,624,355 invested in COLOTRUST held directly by the District. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at www.colotruster.com.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST and the First American Treasury Obligation Fund at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

<u>Governmental Activities</u>	<u>Balance at December 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2020</u>
Capital assets, being depreciated:				
Monuments and signs	\$ 459,156	\$ -	\$ -	\$ 459,156
Streets	157,386	-	-	157,386
Total capital assets, being depreciated	<u>616,542</u>	<u>-</u>	<u>-</u>	<u>616,542</u>
Less accumulated depreciation for:				
Monuments and signs	264,874	24,298	-	289,172
Streets	59,020	7,869	-	66,889
Total accumulated depreciation	<u>323,894</u>	<u>32,167</u>	<u>-</u>	<u>356,061</u>
Total capital assets, being depreciated, net	<u>292,648</u>	<u>(32,167)</u>	<u>-</u>	<u>260,481</u>
Governmental activities capital assets, net	<u>\$ 292,648</u>	<u>\$ (32,167)</u>	<u>\$ -</u>	<u>\$ 260,481</u>

NOTE 5 – LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2020</u>
Chanson, LLP advances	\$ 61,960	\$ -	\$ (61,960)	\$ -
Chanson, LLP interest	11,308	3,969	(15,277)	-
Section 14 Development Co. advances	105,327	-	(105,327)	-
Section 14 Development Co. interest	17,603	6,747	(24,350)	-
	<u>\$ 196,198</u>	<u>\$ 10,716</u>	<u>\$ (206,914)</u>	<u>\$ -</u>

The detail of the District's long-term obligations is as follows:

Project Funding and Reimbursement Agreement for Signage at Chanson Plaza – Chanson LLP

On July 11, 2019, the District entered into a Project Funding and Reimbursement Agreement with Chanson, LLP, effective June 1, 2018. Per this agreement, Chanson LLP will retrofit existing signage public improvements and the District will reimburse Chanson LLP for verified costs. Reimbursement will be made from annually appropriated amounts available after the payment of the District's annual costs of operation and debt, after all allocations of amounts required for repair, replacement or depreciation, and after payment of debt service requirements on the existing debt of the District. Reimbursement shall be made no later than December 15, 2019. Interest will accrue at the rate of 7% per annum commencing on the date that the verified

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

costs are expended by Chanson LLP. During 2020, the District paid \$61,960 in principal and \$15,277 in accrued interest under the agreement, and recognized interest expense of \$3,969.

Project Funding and Reimbursement Agreement for Signage at Belleview Shores – The Section 14 Development Co.

On July 11, 2019, the District entered into a Project Funding and Reimbursement Agreement with The Section 14 Development Co., effective June 1, 2018. Per this agreement, The Section 14 Development Co. will retrofit existing signage public improvements and the District will reimburse The Section 14 Development Co. for verified costs. Reimbursement will be made from annually appropriated amounts available after the payment of the District's annual costs of operation and debt, after all allocations of amounts required for repair, replacement or depreciation, and after payment of debt service requirements on the existing debt of the District. Reimbursement shall be made no later than December 15, 2019. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by The Section 14 Development Co. During 2020, the District paid \$105,327 in principal and \$24,350 in accrued interest under the agreement, and recognized interest expense of \$6,747.

Project Funding and Reimbursement Agreement (Future Projects) – Chanson LLP

On June 25, 2012, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with Chanson LLC (Chanson LLP as of December 2014). Per this agreement, Chanson LLP will design, construct, install and complete future improvements to the District's infrastructure not to exceed a total of \$59,999. Once the District has received written verification and certification from an independent engineer, the District will reimburse Chanson LLP for the verified costs using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Chanson LLP. At December 31, 2020, there were no advances due under the agreement.

Project Funding and Reimbursement Agreement (Future Projects) – Bowles Village Center LLP

On June 25, 2012, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with Bowles Village Center LLC (Bowles Village Center LLP as of December 2014) (Bowles). Per this agreement, Bowles will design, construct, install and complete future improvements to the District's infrastructure not to exceed a total of \$59,999. Once the District has received written verification and certification from an independent engineer, the District will reimburse Bowles for the verified costs using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Bowles. At December 31, 2020, there were no advances due under the agreement.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Project Funding and Reimbursement Agreement (Future Projects) – The Section 14 Development Co.

On June 25, 2012, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with The Section 14 Development Co. (Section 14 Development). Per this agreement, Section 14 Development will design, construct, install and complete future improvements to the District's infrastructure not to exceed a total of \$59,999. Once the District has received written verification and certification from an independent engineer, the District will reimburse Section 14 Development for the verified costs using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Section 14 Development. At December 31, 2020, there were no advances due under the agreement.

NOTE 6 – DEBT AUTHORIZATION

As of December 31, 2020, the District had \$14,000,000 of authorized by unissued indebtedness for refunding purposes.

NOTE 7 – FUND EQUITY

As of December 31, 2020, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$5,811 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$35,600 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12). The restricted fund balance in the Debt Service fund in the amount of \$188 is comprised of amounts restricted for debt service related administrative fees.

NOTE 8 - NET POSITION

The District's net position consists of three components – investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, developer advances, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the District reported \$260,481 as its investment in capital assets as no debt was issued to pay for construction.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

The restricted portion of net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2020 is as follows:

Restricted net position:

Emergency reserves (see Note 12)	\$ 35,600
Debt Service	<u>188</u>
	<u><u>\$ 35,788</u></u>

The District's unrestricted net position at December 31, 2020 totaled \$1,586,958.

NOTE 9 – RELATED PARTIES

The primary Developer of the property which constitutes the District is Jordon Perlmutter & Co. (Developer). During 2020, a majority of the members of the Board of Directors were officers or employees for, or otherwise associated with the Developer and may have conflicts of interest in matters involving the District.

Cost Sharing Agreement

On June 26, 1998 and most recently revised on May 3, 2006, the District entered into a Cost Sharing Agreement with the Developer, pursuant to which the District and Developer agreed to share the cost of providing landscape maintenance services and irrigation to property in and around the District. The District's share of these expenses ranges from 28-60%, depending on the location. The District reimbursed the Developer approximately \$217,158 for landscape maintenance and utilities under the terms of this agreement during the year ended December 31, 2020.

NOTE 10 - AGREEMENTS

Intergovernmental Agreement – Grant Water and Sanitation District

The District has a mutual service agreement with Grant Water and Sanitation District (Grant) which recognizes that the District has been formed to provide services as set forth in its service plan, including construction of water and sanitation facilities which Grant has determined it cannot currently construct. Facilities are to be constructed by the District in accordance with the master plan and the rules and regulations of the Grant Water and Sanitation District. All water and sanitation facilities shall be conveyed to Grant or the City of Denver for ownership and maintenance purposes.

License Agreement (Existing Signage and Monumentation) – Chanson LLP

On November 22, 2010, the District entered into a License Agreement with Chanson LLC (Chanson LLP as of December 2014) (Chanson). Per this agreement, Chanson grants the District a non-exclusive license for access to the existing signage and monumentation (Existing

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Existing signage at its own expense.

License Agreement (Signage and Monumentation) – Chanson LLP

On November 22, 2010, the District entered into a License Agreement with Chanson LLC (Chanson LLP as of December 2014) (Chanson). Per this agreement, Chanson grants the District a non-exclusive license for access to any newly constructed signage and monumentation (Signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Signage at its own expense.

License Agreement (Existing Signage and Monumentation) – Bowles Village Center LLP

On November 22, 2010, the District entered into a License Agreement with Bowles Village Center LLC (Bowles Village Center LLP as of December 2014) (Bowles). Per this agreement, Bowles grants the District a non-exclusive license for access to the existing signage and monumentation (Existing signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Existing signage at its own expense.

License Agreement (Existing Signage and Monumentation) – The Section 14 Development Co.

On November 22, 2010, the District entered into a License Agreement with The Section 14 Development Co. (Section 14 Development). Per this agreement, Section 14 Development grants the District a non-exclusive license for access to the existing signage and monumentation (Existing signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Existing signage at its own expense.

NOTE 11 - 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) 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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12 - 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 that 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.

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.

On May 3, 1994, the District's electors authorized the District to retain and spend all revenue derived from sales tax reimbursements up to a maximum of \$2,000,000, program payment fees up to a maximum of \$2,000,000, revenues collected from rates, tolls, fees and charges for services or facilities furnished by the District up to a maximum of \$2,000,000 annually commencing in 1994 and all subsequent years without limitations under TABOR.

On November 6, 2012, a majority of the District's electors authorized the District to increase its taxes by \$320,296 annually beginning in 2013 and in each year thereafter without limitation under TABOR to pay administration, operations and capital expenses

On November 5, 2019, a majority of the District's electors authorized the District to increase its taxes by \$1,194,595 annually beginning in 2020 and in each year thereafter without limitation under TABOR to pay administration, operations and capital expenses; such taxes to consist of an ad valorem mill levy not to exceed 23.669 mills.

Additionally, a majority of the District's electors authorized the District to increase taxes by \$1,194,595 annually or by such lesser amount as necessary to pay the District's administration, operations, maintenance, and capital expenses, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2019 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District.

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

SECTION 14 METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Net investment income	\$ -	\$ 32	\$ 32
Total Revenues	<u>-</u>	<u>32</u>	<u>32</u>
EXPENDITURES			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>32</u>	<u>32</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>156</u>	<u>156</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 188</u></u>	<u><u>\$ 188</u></u>

SECTION 14 METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Net investment income	\$ 15	\$ 2	\$ (13)
Total Revenues	<u>15</u>	<u>2</u>	<u>(13)</u>
EXPENDITURES			
Management fees	10,000	3,854	6,146
Legal	30,000	15,591	14,409
Developer reimbursement	380,000	206,914	173,086
Engineering	30,000	20,210	9,790
Storm drainage improvements	200,000	-	200,000
Contingency	1,799	-	1,799
Total Expenditures	<u>651,799</u>	<u>246,569</u>	<u>405,230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(651,784)</u>	<u>(246,567)</u>	<u>405,217</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,332,454	246,238	(1,086,216)
Total other financing sources (uses)	<u>1,332,454</u>	<u>246,238</u>	<u>(1,086,216)</u>
NET CHANGE IN FUND BALANCE	680,670	(329)	(680,999)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>329</u>	<u>329</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 680,670</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (680,670)</u></u>

OTHER INFORMATION

**SECTION 14 METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED FOR YEARS 2015 TO 2020
Year Ended December 31, 2020
(UNAUDITED)**

Year Ended December 31,	Assessed Valuation	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2015 Total Collections					
Jefferson County	\$ 36,808,664	23.422	\$ 862,132		
City & County of Denver	\$ 7,870,650	23.552	\$ 185,369		
<u>Plus Excluded Property Subject to Debt Levy Only</u>					
Jefferson County 1994 Exclusion	\$ 3,745,159	6.846	\$ 25,639		
Grant Ranch Cove Exclusion	\$ 3,038,017	19.088	\$ 57,989		
Westlake Exclusion	\$ 3,369,410	6.846	\$ 23,067		
Village @ Raccoon Creek Exclusion	\$ 3,028,900	19.038	\$ 57,664		
	<u>\$ 57,860,800</u>		<u>\$ 1,211,860</u>	<u>\$ 1,211,116</u>	99.94%
2016 Total Collections					
Jefferson County	\$ 38,108,589	23.290	\$ 887,549		
City & County of Denver	\$ 8,464,690	23.290	\$ 197,143		
<u>Plus Excluded Property Subject to Debt Levy Only</u>					
Jefferson County 1994 Exclusion	\$ 4,320,335	6.550	\$ 28,298		
Grant Ranch Cove Exclusion	\$ 3,537,679	18.180	\$ 64,315		
Westlake Exclusion	\$ 4,221,010	6.550	\$ 27,648		
Village @ Raccoon Creek Exclusion	\$ 3,512,810	18.180	\$ 63,863		
	<u>\$ 62,165,113</u>		<u>\$ 1,268,816</u>	<u>\$ 1,262,599</u>	99.51%
2017 Total Collections					
Jefferson County	\$ 37,534,351	23.669	\$ 888,401		
City & County of Denver	\$ 8,443,000	23.669	\$ 199,837		
<u>Plus Excluded Property Subject to Debt Levy Only</u>					
Jefferson County 1994 Exclusion	\$ 4,220,332	6.687	\$ 28,221		
Grant Ranch Cove Exclusion	\$ 3,546,470	18.559	\$ 65,819		
Westlake Exclusion	\$ 4,150,630	6.687	\$ 27,755		
Village @ Raccoon Creek Exclusion	\$ 3,506,510	18.559	\$ 65,077		
	<u>\$ 61,401,293</u>		<u>\$ 1,275,110</u>	<u>\$ 1,270,210</u>	99.62%
2018 Total Collections					
Jefferson County	\$ 42,757,296	23.691	\$ 1,012,964		
City & County of Denver	\$ 9,583,720	23.669	\$ 226,837		
<u>Plus Excluded Property Subject to Debt Levy Only</u>					
Jefferson County 1994 Exclusion	\$ 4,886,852	4.976	\$ 24,317		
Grant Ranch Cove Exclusion	\$ 3,672,778	14.006	\$ 51,441		
Westlake Exclusion	\$ 4,806,530	4.976	\$ 23,917		
Village @ Raccoon Creek Exclusion	\$ 3,762,240	13.812	\$ 51,964		
	<u>\$ 69,469,416</u>		<u>\$ 1,391,440</u>	<u>\$ 1,352,795</u>	97.22%
2019 Total Collections					
Jefferson County	\$ 41,154,972	23.803	\$ 979,613		
City & County of Denver	\$ 9,315,930	23.669	\$ 220,499		
<u>Plus Excluded Property Subject to Debt Levy Only</u>					
Jefferson County 1994 Exclusion	\$ 4,915,422	5.819	\$ 28,603		
Grant Ranch Cove Exclusion	\$ 3,689,155	16.150	\$ 59,580		
Westlake Exclusion	\$ 4,598,240	5.819	\$ 26,757		
Village @ Raccoon Creek Exclusion	\$ 3,592,890	16.150	\$ 58,025		
	<u>\$ 67,266,609</u>		<u>\$ 1,373,077</u>	<u>\$ 1,367,106</u>	99.57%
2020 Total Collections					
Jefferson County	\$ 42,890,765	20.465	\$ 877,761		
City & County of Denver	\$ 11,162,300	20.000	\$ 223,246		
	<u>\$ 73,311,652</u>		<u>\$ 1,101,007</u>	<u>\$ 1,099,122</u>	99.83%