

Marin Metropolitan District
Financial Statements
Year Ended December 31, 2020
with
Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marin Metropolitan District
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Marin Metropolitan District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Marin Metropolitan District, as of December 31, 2020, and the respective changes in financial position thereof, 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.

I

Fiscal Focus Partners, LLC

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fiscal Focus Partners

Greenwood Village, Colorado
January 11, 2023

MARIN METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 1,292,045	\$ -	\$ 1,292,045	\$ -	\$ 1,292,045
Cash and investments - restricted	884	134,860	135,744	-	135,744
Prepaid expenses	<u>12,520</u>	<u>-</u>	<u>12,520</u>	<u>-</u>	<u>12,520</u>
Total Assets	<u>\$ 1,305,449</u>	<u>\$ 134,860</u>	<u>\$ 1,440,309</u>	<u>-</u>	<u>1,440,309</u>
LIABILITIES					
Accounts payable	\$ 5,742	\$ 1,762	\$ 7,504	-	7,504
Accrued interest on bonds	-	-	-	11,362,283	11,362,283
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,485,000</u>	<u>17,485,000</u>
Total Liabilities	<u>5,742</u>	<u>1,762</u>	<u>7,504</u>	<u>28,847,283</u>	<u>28,854,787</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	12,520	-	12,520	(12,520)	-
Restricted:					
Emergencies	884	-	884	(884)	-
Debt service	-	133,098	133,098	(133,098)	-
Assigned:					
Subsequent years expenditures	<u>1,286,303</u>	<u>-</u>	<u>1,286,303</u>	<u>(1,286,303)</u>	<u>-</u>
Total Fund Balances	<u>1,299,707</u>	<u>133,098</u>	<u>1,432,805</u>	<u>(1,432,805)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,305,449</u>	<u>\$ 134,860</u>	<u>\$ 1,440,309</u>		
Net Position:					
Restricted for:					
Debt service				884	884
Capital projects				-	-
Unrestricted				<u>(27,415,362)</u>	<u>(27,415,362)</u>
Total Net Position				<u>\$ (27,414,478)</u>	<u>\$ (27,414,478)</u>

The notes to the financial statements are an integral part of these statements.

MARIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 4,382	\$ -	\$ 4,382	\$ -	\$ 4,382
Insurance	2,808	-	2,808	-	2,808
Legal	22,188	-	22,188	-	22,188
Settlement/Misc	2,089,908	-	2,089,908	-	2,089,908
Miscellaneous expenses	83	-	83	-	83
Bond interest expense	-	-	-	2,112,120	2,112,120
Paying agent fees	-	5,566	5,566	-	5,566
Total Expenditures	<u>2,119,369</u>	<u>5,566</u>	<u>2,124,935</u>	<u>2,112,120</u>	<u>4,237,055</u>
GENERAL REVENUES					
Interest income	<u>24,041</u>	<u>750</u>	<u>24,791</u>	<u>-</u>	<u>24,791</u>
Total General Revenues	<u>24,041</u>	<u>750</u>	<u>24,791</u>	<u>-</u>	<u>24,791</u>
NET CHANGES IN FUND BALANCES	(2,095,328)	(4,816)	(2,100,144)	2,100,144	
CHANGE IN NET POSITION				(4,212,264)	(4,212,264)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>3,395,035</u>	<u>137,914</u>	<u>3,532,949</u>	<u>(26,735,163)</u>	<u>(23,202,214)</u>
END OF YEAR	<u>\$ 1,299,707</u>	<u>\$ 133,098</u>	<u>\$ 1,432,805</u>	<u>\$ (28,847,283)</u>	<u>\$ (27,414,478)</u>

The notes to the financial statements are an integral part of these statements.

MARIN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 80,000	\$ 24,041	\$ (55,959)
Total Revenues	80,000	24,041	(55,959)
EXPENDITURES			
Accounting and audit	5,000	4,382	618
Insurance	3,500	2,808	692
Legal	20,000	22,188	(2,188)
Special Legal Expense	20,000	-	20,000
Settlement/Misc	-	2,089,908	(2,089,908)
Miscellaneous expenses	-	83	(83)
Contingency	560	-	560
Emergency reserve	1,455	-	1,455
Total Expenditures	50,515	2,119,369	(2,068,854)
NET CHANGE IN FUND BALANCE	29,485	(2,095,328)	(2,124,813)
FUND BALANCE:			
BEGINNING OF YEAR	3,396,560	3,395,035	\$ (1,525)
END OF YEAR	\$ 3,426,045	\$ 1,299,707	\$ (2,126,338)

The notes to the financial statements are an integral part of these statements.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of Marin Metropolitan District, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in August 2007, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide street improvements, traffic and safety control, storm water drainage, water and sanitation, parks and recreation, and other public infrastructure improvements and related facilities that benefit the citizens of the District. The District's primary revenue is interest income. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, 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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

For the year ending December 31, 2020, as a result of the payment of settlement fees described in Note 6, total expenditures in the General Fund exceeded appropriations by \$2,063,456 which may be a violation of State Budget Law.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value.

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 minimum number of bank accounts. 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.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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 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 no items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$12,520 represents prepaid expenditures.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$884 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$133,098 is restricted for debt service.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2021.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive funds first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports two categories of net position, as follows:

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of net assets:	
Cash and investments	\$ 1,292,045
Cash and investments – Restricted	<u>135,744</u>
Total	\$ <u>1,427,789</u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 23,656
Colotrust	1,269,273
CSAFE	<u>134,860</u>
	\$ <u>1,427,789</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows Colorado statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Marin Metropolitan District

Notes to Financial Statements December 31, 2020

Investments

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investment Valuation

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

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

There are no unfunded commitments and there is no redemption notice period. At December 31, 2020, the District had \$1,269,273 invested in COLOTRUST Plus+.

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s at December 31, 2020. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. 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. The District had \$134,860 invested in CSAFE as of December 31, 2020.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colotrust	Weighted average Under 60 days	\$ 1,269,273
CSAFE	Weighted average Under 60 days	<u>134,860</u>
Total investments		<u>\$1,404,133</u>

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

On June 1, 2008 the District issued \$30,485,000 of General Obligation Bonds Series 2008 dated June 1, 2008 to finance capital improvements. The bonds are term bonds due in various amounts through December 1, 2028. Interest is payable semiannually on June 1 and December 1, at 7.75% of the principal amount then outstanding. The bonds are subject to early redemption prior to their respective maturities at the option of the District, at a redemption price equal to the principal amount plus accrued interest to the redemption date, without a redemption premium, on June 1, 2018 or any date thereafter. The bonds are subject to extraordinary mandatory redemption when: 1) amounts on deposit in the bond fund and the reserve fund, together with other available monies, are sufficient to pay and redeem in full all of the bonds then outstanding, including accrued interest; or

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

2) when the retained amount is transferred to the bond fund in accordance with the Indenture.

On December 1, 2012, the District made an extraordinary redemption of \$13,000,000. The redemption was applied to the sinking fund payments from 2014 through 2027 and the balance was applied to the 2028 payment.

The scheduled interest payments for years 2016 through 2020 were not made and the unpaid interest of \$11,177,173 is included in accrued interest as of December 31, 2020. In addition, unpaid interest accrues interest at the rate of the Bonds and is also included in accrued interest as of December 31, 2020.

The bonds are secured and payable from pledged revenue consisting of a limited tax mill levy of no more than 59.5 mills adjusted for change in the assessed value calculation, and specific ownership tax. As discussed further in Note 6, the District is currently prohibited from levying for the scheduled principal and interest payments. The Bonds are further secured by the reserve fund, which has a requirement, as defined in the Bond Indenture Agreement, of not less than \$3,048,500 and a surplus fund of up to \$1,000,000. At December 31, 2020 the balance in the reserve fund was \$111,490, which is less than the required amount. The balance in the surplus fund at December 31, 2020 was \$95.

Due to the uncertainty of the timing of the principal and interest payments on the Bonds, a schedule of the timing of these payments is not presented.

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Current</u> <u>Portion</u>
<u>General Obligation Bonds</u>					
Series 2008 Bonds	<u>\$ 17,485,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,485,000</u>	<u>\$ -</u>

Debt Authorization

District voters, at a November 2007 election, authorized the District to issue \$177,500,000 of general obligation bonds for infrastructure development, parks and recreation, and other uses. As of December 31, 2020, the District had remaining voted debt authorization of approximately \$147,015,000. The District has not budgeted to issue any additional debt in 2021.

The District's Service Plan limits the District's general obligation debt to \$35,500,000.

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 4: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 5: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the “Pool”) is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 6: Litigation

Landmark Towers Association, Inc. v. UMB Bank, N.A., Colorado BondShares, and Marin Metropolitan District

Marin Metropolitan District

Notes to Financial Statements
December 31, 2020

On October 22, 2020 Landmark, and Defendants Marin the District agreed to be bound by a preliminary injunction, Case Number (2020-CV-31938). The preliminary injunction did not prevent the District from disbursing to Landmark payment in accordance with the Court's ruling in No. (2011-CV-1076) and pursuant to the Collateral Interest in Litigation Proceeds Agreement. On October 27, 2020, the District wired funds totaling \$2,089,907.88 to Landmark representing the amount due under the Collateral Interest Agreement and all accrued interest.

On June 1, 2011, Landmark Towers Association, Inc. ("Landmark"), a homeowner association, filed an action on behalf of its members entitled Landmark Towers Ass'n, et al. v. UMB Bank, et al., Case Number 2011-CV-1076) in Arapahoe County District Court, Colorado ("Landmark Litigation"). The complaint filed in the Landmark Litigation sought a temporary restraining order, declaratory relief and permanent injunction against the UMB Bank ("UMB"), the trustee of the Bonds, Colorado BondShares ("Fund"), the bondholder of the Series 2008 Bonds, and the District alleging that the taxes imposed by the District pledged to pay the Bonds violated Colorado's Tax Payer Bill of Rights ("TABOR").

In August 2011, Landmark sought to freeze approximately \$13,000,000 in original proceeds from the sale of the Bonds to the Fund, which moneys were held by UMB as trustee. The District Court denied Landmark's efforts to freeze the \$13,000,000 and allowed those moneys to be paid to the Fund, which reduced the principal amount of the Bonds to the current level of \$17,485,000.

In July and August 2013, the District Court held a bench trial regarding Landmark's claims for declaratory relief and permanent injunction. On September 6, 2013, the District Court issued an order ("Sept. 6 Order") that the District was properly formed and that the election approving the taxes was proper, but nonetheless held that there were violations of TABOR relating to the property taxes. In particular, the District Court held that (1) bond proceeds were used to pay improper charges of the developer; (2) the taxes exceeded the maximum mill levy for debt service; and (3) the taxes did not benefit the Landmark taxpayers. After holding that the taxes did not provide a benefit to the Landmark taxpayers, the Court enjoined the District from imposing its taxes on the Landmark members for purposes of paying the Bonds (the "Injunction"). The District, the Fund and the trustee filed a motion for reconsideration of the Sept. 6 Order, which the District Court denied the motion in an order dated October 31, 2013 ("Oct. 31 Order").

The Fund filed a Notice of Appeal of the Sept. 6 Order and the Oct. 31 Order, including the Injunction.

On September 10, 2014 the District and Landmark entered into a Collateral Interest in Litigation Proceeds Agreement ("Collateral Interest Agreement"). The Collateral Interest Agreement was made pursuant to an order in the Landmark litigation. Pursuant to the order, the District owed Landmark \$1,305,624 as of August 31, 2014 plus interest at the rate of 10% per year.

Marin Metropolitan District

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On April 21, 2016, the Colorado Court of Appeals issued an Opinion, in which it concluded that the TABOR election held for approving the Bonds and the District's ad valorem property taxes was invalid because eligible electors were denied the right to vote in the election and that ineligible electors voted in the election. Based on those decisions, the Court of Appeals upheld the injunction against the District, prohibiting it from levying taxes for payment of the Bonds.

The Fund filed a petition with the Colorado Supreme Court to review the Court of Appeals' Opinion on various grounds. On November 7, 2016, the Supreme Court granted the petition or review. The matter has been briefed to the Supreme Court and oral arguments occurred on September 20, 2017. The Supreme Court allowed the injunction preventing collection of the taxes to stand.

On December 11, 2017, the Supreme Court reversed the Court of Appeals' opinion and remanded the case for further proceedings based on the requirement that a party seeking to contest an election file a written statement on intent to contest the election within ten days.

Marin Metropolitan District v. Paul R. Cockrel, individually; Collins, Cockrel & Cole, P.C.; Leann M. Jones, individually; Leann M. Jones, CPA, P.C. and Rike Palese, individually

On March 22, 2013, the District filed a complaint alleging (a) deceit based upon fraud; (b) fraudulent concealment; (c) professional malpractice; (d) breach of fiduciary duty; and (e) unjust enrichment against the various defendants.

In 2013, the District settled its claims against Mr. Palese for \$100,000, which was paid in full to the District in 2013. In 2016, the District settled its claim against Paul R. Cockrel, individually and Collins, Cockrel and Cole, PC for \$4,000,000 and the forgiveness of \$274,561 in payables owed to Collins, Cockrel & Cole, P.C. In 2016, the District settled its claim against Leann M. Jones, individually and Leann M. Jones, CPA, P.C. for \$500,000.

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Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have the following elements:

- 1) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) Governmental funds report long-term debt payments as expenditures; however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

MARIN METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2020

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ <u>3,000</u>	\$ <u>750</u>	\$ <u>(2,250)</u>
Total Revenues	<u>3,000</u>	<u>750</u>	<u>(2,250)</u>
EXPENDITURES			
Paying agent fees	<u>6,000</u>	<u>5,566</u>	<u>434</u>
Total Expenditures	<u>6,000</u>	<u>5,566</u>	<u>434</u>
NET CHANGE IN FUND BALANCE	(3,000)	(4,816)	(1,816)
FUND BALANCE:			
BEGINNING OF YEAR	<u>139,161</u>	<u>137,914</u>	<u>(1,247)</u>
END OF YEAR	<u><u>\$ 136,161</u></u>	<u><u>\$ 133,098</u></u>	<u><u>\$ (3,063)</u></u>

The notes to the financial statements are an integral part of these statements.