

**DENARGO MARKET METROPOLITAN  
DISTRICT NO. 1  
City and County of Denver, Colorado**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Denargo Market Metropolitan District No. 1  
City and County of Denver, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Denargo Market Metropolitan District No. 1 as of and for the year 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.

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## **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 the major fund of the Denargo Market Metropolitan District No. 1, 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 Supplementary Information*

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

*Duggio & Associates, P.C.*

June 11, 2021

## **BASIC FINANCIAL STATEMENTS**

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 227,498
Cash and Investments - Restricted	10,400
Due from District No. 2	2,412
Permit Fees Receivable	39,316
Prepaid Insurance	10,517
Capital Assets, Net of Accumulated Depreciation	3,929,096
Total Assets	4,219,239
<b>LIABILITIES</b>	
Accounts Payable	18,637
Payroll Taxes Payable	428
Damage Deposits	81,173
Total Liabilities	100,238
<b>NET POSITION</b>	
Investment in Capital Assets	3,929,096
Restricted for:	
Emergency Reserves	10,400
Unrestricted	179,505
Total Net Position	\$ 4,119,001

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

<b>FUNCTIONS/PROGRAMS</b>	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
	Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
Government Activities:					
General Government	\$ 371,815	\$ -	\$ 346,387	\$ -	\$ (25,428)
Total Governmental Activities	\$ 371,815	\$ -	\$ 346,387	\$ -	(25,428)
<b>GENERAL REVENUES</b>					
Interest Income					59
Other Revenue					35
Total General Revenues					94
<b>CHANGE IN NET POSITION</b>					(25,334)
Net Position - Beginning of Year					4,144,335
<b>NET POSITION - END OF YEAR</b>					\$ 4,119,001

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General
<b>ASSETS</b>	
Cash and Investments	\$ 227,498
Cash and Investments - Restricted	10,400
Due from District No. 2	2,412
Permit Fees Receivable	39,316
Prepaid Insurance	10,517
Total Assets	\$ 290,143
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 18,637
Payroll Taxes Payable	428
Damage Deposits	81,173
Total Liabilities	100,238
<b>FUND BALANCES</b>	
Nonspendable for:	
Prepaid Expenses	10,517
Restricted for:	
Emergency Reserves	10,400
Assigned to:	
Subsequent Year's Expenditures	168,988
Total Fund Balances	189,905
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	3,929,096
Net Position of Governmental Activities	\$ 4,119,001

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

	Total Governmental Funds
<b>REVENUES</b>	
Interest Income	\$ 59
Other Revenue	35
Permit Fees	57,602
Transfer from District No. 2	288,785
Total Revenues	346,481
<b>EXPENDITURES</b>	
Current:	
Accounting	31,252
Auditing	4,500
City of Denver Annual Fee	6,000
Detention Pond Cleanup	1,829
Director's Fees	2,500
District Management	41,845
Election Expense	2,257
Insurance and Bonds	10,804
Landscape and Irrigation Repairs	40,064
Legal Services	17,995
Locates	1,401
Miscellaneous	2,059
Payroll Taxes	298
Repairs and Maintenance	1,029
Security	2,940
Sight Lighting	1,242
Site Inspection	6,525
Snow Removal	15,802
Utilities	10,642
Total Expenditures	200,984
<b>NET CHANGE IN FUND BALANCES</b>	145,497
Fund Balances - Beginning of Year	44,408
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 189,905</b>

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ 145,497

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation/amortization, in the current period.

Depreciation Expense (170,831)

Changes in Net Position of Governmental Activities \$ (25,334)

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Interest Income	\$ 2,000	\$ 59	\$ (1,941)
Other Revenue	-	35	35
Permit Fees	-	57,602	57,602
Transfer from District No. 2	295,067	288,785	(6,282)
Total Revenues	<u>297,067</u>	<u>346,481</u>	<u>49,414</u>
<b>EXPENDITURES</b>			
Current:			
Accounting	24,500	31,252	(6,752)
Auditing	4,500	4,500	-
City of Denver Annual Fee	6,000	6,000	-
Detention Pond Cleanup	6,000	1,829	4,171
Director's Fees	1,000	2,500	(1,500)
District Management	45,000	41,845	3,155
Election Expense	1,500	2,257	(757)
Insurance and Bonds	11,800	10,804	996
Landscape and Irrigation Repairs	45,535	40,064	5,471
Legal Services	30,000	17,995	12,005
Locates	3,500	1,401	2,099
Miscellaneous	2,500	2,059	441
Payroll Taxes	77	298	(221)
Repairs and Maintenance	27,100	1,029	26,071
Security	7,500	2,940	4,560
Sight Lighting	5,000	1,242	3,758
Site Inspection	12,000	6,525	5,475
Snow Removal	25,000	15,802	9,198
Street Sweeping	2,000	-	2,000
Streets and Sidewalk	7,000	-	7,000
Utilities	15,000	10,642	4,358
Total Expenditures	<u>282,512</u>	<u>200,984</u>	<u>81,528</u>
<b>NET CHANGES IN FUND BALANCES</b>	14,555	145,497	130,942
Fund Balance - Beginning of Year	<u>36,828</u>	<u>44,408</u>	<u>7,580</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 51,383</u>	<u>\$ 189,905</u>	<u>\$ 138,522</u>

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

**Organization**

Denargo Market Metropolitan District No. 1 (the District, District No. 1, or Management District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by recorded order and decree of the District Court for the City and County of Denver (the City) on June 30, 2010, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City on March 8, 2010. The District's service boundaries are located entirely within the City. The District is one of three related districts: Denargo Market Metropolitan Districts Nos. 1, 2, and 3 (the Districts). As of December 31, 2020, the Districts have the same membership of their respective Boards of Directors. Pursuant to the Service Plan, Districts Nos. 2 and 3 are referred to as the Financing Districts or Taxing Districts and District No. 1 is the Management District.

The District, in its capacity as the Management District, is responsible for managing, implementing, and coordinating the financing, acquisition, construction, completion, operation and maintenance of all public infrastructure and services within and without the project known as Denargo Market. The Financing Districts provide the funding for the improvements and the tax base needed to support ongoing operations of the Districts.

The Taxing District's are responsible for supporting the Management District in managing, implementing and coordinating the financing, acquisition, construction, completion, and maintenance of the Improvements (as defined in the Service Plan), some of which may ultimately be transferred to the City or other governmental entity, and the provision of related services within and without the boundaries of the Districts and the Service Area (as defined in the Service Plan).

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 to any other organization, nor is the District a component unit of any other primary governmental entity.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is 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.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Pooled Cash and Investments**

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

**Capital Assets**

Capital assets, which include property and equipment, are reported by the District. 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 acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

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 fixed assets, as applicable.

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

Streets	30 years
Sidewalks	30 years
Street Lights	30 years
Parks	30 years

**Equity**

**Net Position**

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

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Equity (Continued)**

**Fund Balance**

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

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

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

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

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

**NOTE 3 CASH AND INVESTMENTS**

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

Cash and Investments	\$ 227,498
Cash and Investments - Restricted	10,400
Total Cash and Investments	<u>\$ 237,898</u>

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

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

Deposits with Financial Institutions	\$ 6,142
Investments	<u>231,756</u>
Total Cash and Investments	<u><u>\$ 237,898</u></u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District had a bank balance of \$6,788 and a carrying balance of \$6,142.

**Investments**

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	<u>\$ 231,756</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the "Trust"), 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 the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC 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:

	Balance - December 31, 2019	Increases	Decreases	Balance - December 31, 2020
Capital Assets, Being Depreciated				
Streets	\$ 2,542,371	-	-	\$ 2,542,371
Parks	2,582,542	-	-	2,582,542
Total Capital Assets, Being Depreciated	5,124,913	-	-	5,124,913
Less: Accumulated Depreciation For:				
Streets	(508,476)	(84,746)	-	(593,222)
Parks	(516,510)	(86,085)	-	(602,595)
Total Accumulated Depreciation	(1,024,986)	(170,831)	-	(1,195,817)
Total Capital Assets, Being Depreciated, Net	4,099,927	(170,831)	-	3,929,096
Capital Assets, Net	<u>\$ 4,099,927</u>	<u>\$ (170,831)</u>	<u>\$ -</u>	<u>\$ 3,929,096</u>

Depreciation expense was charged for functions/programs of the District as follows:

Governmental Activities	<u>\$ 170,831</u>
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**NOTE 5 LONG-TERM OBLIGATIONS**

**Developer Advances**

On August 22, 2016, the District entered into a Multiple-Year Operation Funding Agreement (the MYOFA) with Denargo Market Development LLC ("Prior Developer"). The District's required to impose on a yearly basis during the term on the MYOFA a mill levy of at least 10 mills, but not more than the mill levy limit in the Service Plan ("Operations Mill Levy") for the Operations Expenses of the District. The revenue generated from the Operations Mill Levy plus specific ownership taxes generated as a result of the Operations Mill Levy shall be the Operations Revenue. The MYOFA provides that the Developer will advance funds to the District in an amount equal to the difference between the Assumed Annual Budget Amount, equal to the operation and maintenance budget for the following fiscal year and the Operations Revenue (the "Shortfall Amount"). If the District imposes an Operations Mill Levy of less than 10 mills, the Developer is not obligated under the MYOFA to fund any difference between the Operations Revenue that would be generated from the 10 mills Operations Mill Levy plus specific ownership taxes generate as a result of the Operations Mill Levy and the revenue generated from the Operations Mill Levy actually imposed in the applicable year. Amounts advance under the MYOFA accrue interest at 8% per annum.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 5 LONG-TERM OBLIGATIONS(CONTINUED)**

**Developer Advances (Continued)**

The District and Prior Developer entered into a Termination of Multiple-Year Operation Funding Agreement dated June 26, 2019 (the "Termination") whereby the MYOFA was terminated and the Prior Developer waived any right to reimbursement under the MYOFA, and the Prior Developer has no further obligation to advance funds to the District.

**NOTE 6 AUTHORIZED DEBT**

On May 4, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$256,155,000 at an interest rate not to exceed 18% per annum. On May 6, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$307,386,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 4, 2010	Amount Authorized on May 6, 2014	Series 2010 Subordinate Note	Authorized But Unissued
Streets	\$ 25,615,500	\$ 25,615,500	\$ -	\$ 51,231,000
Parks and Recreation	25,615,500	25,615,500	-	51,231,000
Water	25,615,500	25,615,500	-	51,231,000
Sanitation	25,615,500	25,615,500	-	51,231,000
Transportation	25,615,500	25,615,500	-	51,231,000
Mosquito Control	25,615,500	25,615,500	-	51,231,000
Traffic and Safety Controls	25,615,500	25,615,500	-	51,231,000
Operations and Maintenance	25,615,500	25,615,500	-	51,231,000
Refundings	25,615,500	25,615,500	-	51,231,000
Intergovernmental Agreements	25,615,500	25,615,500	-	51,231,000
Television Relay and Translation	-	25,615,500	-	25,615,500
Security Services and Improvements	-	25,615,500	-	25,615,500
Debt Issuances	-	-	(7,191,918)	(7,191,918)
Total	<u>\$ 256,155,000</u>	<u>\$ 307,386,000</u>	<u>\$ (7,191,918)</u>	<u>\$ 556,349,082</u>

Pursuant to the Service Plan, the District is permitted to issue bonded indebtedness of up to \$22,612,500; provided however that the total debt authorization of \$22,612,500 may increase by an additional \$3,000,000 with the prior written approval of the Manager of Finance of the City and County of Denver.

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

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2020**

**NOTE 7 DISTRICT AGREEMENTS**

**Memorandum of Understanding**

A Memorandum of Understanding was entered into on October 29, 2010, and amended on August 22, 2016, by and among the District, District No. 2 and District No. 3 (MOU). The MOU acknowledges that District No. 1 shall provide for the financing, construction, design, operation and maintenance of the Improvements, as well as the overall administration of the Districts and further acknowledges that the District has the authority to enter into agreement(s) and other obligations with the developer of the Property to provide for the financing of such services. The First Amendment to MOU acknowledges District No. 2 will issue debt to repay the Developer Note (which has since been paid off) and District No. 2 and District No. 3 (at such time as it has real property within its boundaries) will impose an operation mill levy to fund the Districts' services provided by the District. The First Amendment to MOU acknowledges that the Districts will enter into an IGA detailing such services ("District IGA").

The First Amendment to MOU also provides that the District IGA shall provide for District No. 2 and District No. 3 to remit revenues to the District for all costs incurred by the District pursuant to the First Amendment to MOU based on an allocable basis to be set forth in the District IGA. The District IGA also provides for the District and District No. 3 to reimburse District No. 2 for any debt issued by District No. 2 for public improvements based in allocable basis to be set forth in the District IGA.

During the year ending December 31, 2020, District No. 2 transferred a total of \$288,785 representing property and specific ownership taxes collected by District No. 2.

**NOTE 8 NET POSITION**

The District has a net position consisting of two components – investment in capital assets, restricted and unrestricted.

Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. As of December 31, 2020, the District had investment in capital assets calculated as follows:

	Governmental Activities
Investment in Capital Assets	
Capital Assets, Net	\$ 3,929,096
Investment in Capital Assets	\$ 3,929,096

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 8 NET POSITION (CONTINUED)**

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulation of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020 as follows:

Emergency Reserves	\$ 10,400
Total Restricted Net Position	<u>\$ 10,400</u>

**NOTE 9 RELATED PARTY**

Some members of the Board of Directors of the District may be or have been employees, consultants, owners of, or otherwise associated with the current developer of the property located within the Districts, JV Denargo LLC (Current Developer), and may have conflicts of interest in dealing with the District. Additionally, one of the directors is employed by the City and as such, may have conflicts of interest in dealing with the District. Specific details of transactions with the Current Developer regarding advances and debt are described elsewhere in these footnotes.

**NOTE 10 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 natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for general and automobile liability, public officials, auto physical damage and worker's compensation coverage. In the event aggregate 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.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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 4, 2010, the voters approved the District to increase property taxes \$3,000,000 annually for the purpose of paying the District's operations and maintenance expenses and \$6,000,000 (up to 10 mills) for paying the costs associated with regional improvements as required by the City, without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

Additionally, the voters authorized the District to collect, retain and spend all revenues received by the District during 2011 and all subsequent years as voter-approved revenue changes without regard to any spending, revenue raising or other limitation.

On May 6, 2014, the voters approved the District to increase property taxes \$3,000,000 annually for the purpose of paying the District's operations and maintenance expenses up and \$6,000,000 (up to 10 mills) for paying the costs associated with regional improvements as required by the City, without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

Additionally, the voters authorized the District to collect, retain and spend all revenues received by the District during 2014 and all subsequent years as voter-approved revenue changes without regard to any spending, revenue raising, or other limitation.

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 and qualification as an Enterprise will require judicial interpretation.