

**DENVER CONNECTION WEST
METROPOLITAN DISTRICT
CITY AND COUNTY OF DENVER, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denver Connection West Metropolitan District
City and County of Denver, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Denver Connection West Metropolitan District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted 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.

Supplementary 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 Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Daggio & Associates, P.C.

July 19, 2022

BASIC FINANCIAL STATEMENTS

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 296,876
Cash and Investments - Restricted	1,942,304
Prepaid Expense	3,667
Accounts Receivable	62,670
Accounts Receivable - Administrative Fees	1,500
Accounts Receivable - Other	965
Property Taxes Receivable	1,673,809
Receivable from County Treasurer	3,282
Capital Assets Not Being Depreciated	4,836,344
Capital Assets Being Depreciated	<u>4,851,483</u>
Total Assets	<u>13,672,900</u>
LIABILITIES	
Accounts Payable	109,657
Accrued Interest Payable	43,403
Noncurrent Liabilities:	
Due Within One Year	80,000
Due in More Than One Year	<u>32,294,039</u>
Total Liabilities	<u>32,534,510</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>1,673,809</u>
Total Deferred Inflows of Resources	<u>1,673,809</u>
NET POSITION	
Restricted for:	
Emergency Reserves	23,200
Debt Service	1,079,746
Unrestricted	<u>(21,638,365)</u>
Total Net Position	<u><u>\$ (20,535,419)</u></u>

See accompanying Notes to Basic Financial Statements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Government Activities:					
General Government	\$ 745,032	\$ 581,291	\$ -	\$ -	\$ (163,741)
Interest and Related Costs on Long-Term Debt	2,003,393	-	-	-	(2,003,393)
Total Governmental Activities	\$ 2,748,425	\$ 581,291	\$ -	\$ -	(2,167,134)
GENERAL REVENUES					
Property Taxes					878,510
Specific Ownership Taxes					47,403
Miscellaneous Income					2,966
Interest Income					991
Total General Revenues					929,870
CHANGES IN NET POSITION					
					(1,237,264)
Net Position - Beginning of Year					(19,298,155)
NET POSITION - END OF YEAR					
					\$ (20,535,419)

See accompanying Notes to Basic Financial Statements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

ASSETS	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Capital Projects Reserve</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 68,913	\$ 127,056	\$ -	\$ 1,972	\$ 98,935	\$ 296,876
Cash and Investments - Restricted	5,600	17,600	1,919,104	-	-	1,942,304
Accounts Receivable	-	62,670	-	-	-	62,670
Accounts Receivable - Administrative Fees	-	1,500	-	-	-	1,500
Accounts Receivable - Other	-	965	-	-	-	965
Prepaid Expense	-	-	3,667	-	-	3,667
Receivable from County Treasurer	656	-	2,626	-	-	3,282
Property Taxes Receivable	839,331	-	834,478	-	-	1,673,809
Total Assets	<u>\$ 914,500</u>	<u>\$ 209,791</u>	<u>\$ 2,759,875</u>	<u>\$ 1,972</u>	<u>\$ 98,935</u>	<u>\$ 3,985,073</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 42,865	\$ 27,838	\$ -	\$ 38,954	\$ -	\$ 109,657
Prepaid Assessments	-	7,411	-	-	-	7,411
Total Liabilities	<u>42,865</u>	<u>35,249</u>	<u>-</u>	<u>38,954</u>	<u>-</u>	<u>117,068</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes	839,331	-	834,478	-	-	1,673,809
Total Deferred Inflows of Resources	<u>839,331</u>	<u>-</u>	<u>834,478</u>	<u>-</u>	<u>-</u>	<u>1,673,809</u>
FUND BALANCES						
Nonspendable:						
Prepaid Expenses	-	-	3,667	-	-	3,667
Restricted for:						
Emergency Reserves	5,600	17,600	-	-	-	23,200
Bond Reserve Funds	-	-	794,569	-	-	794,569
Debt Service	-	-	1,127,161	-	-	1,127,161
Assigned to:						
Capital Projects	-	-	-	-	98,935	98,935
Committed to:						
Special Revenue	-	156,942	-	-	-	156,942
Unassigned	26,704	-	-	(36,982)	-	(10,278)
Total Fund Balances (Deficit)	<u>32,304</u>	<u>174,542</u>	<u>1,925,397</u>	<u>(36,982)</u>	<u>98,935</u>	<u>2,194,196</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 914,500</u>	<u>\$ 209,791</u>	<u>\$ 2,759,875</u>	<u>\$ 1,972</u>	<u>\$ 98,935</u>	

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

Capital assets are recorded as assets on the statement of net position, but are recorded as expenditures in the funds.

Capital Assets, Net	9,687,827
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(9,690,000)
Subordinate Bonds Payable	(2,448,000)
Accrued Interest on Bonds Payable-2017A	(43,403)
Accrued Interest on Bonds Payable-2017B	(8,704)
Developer Advance Payable - Accrued Interest	(4,291,968)
Developer Advance Payable	(15,935,367)

Net Position of Governmental Activities	<u>\$ (20,535,419)</u>
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See accompanying Notes to Basic Financial Statements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Debt Service	Capital Projects	Capital Projects Reserve	Total Governmental Funds
REVENUES						
General:						
Property Taxes	\$ 175,705	\$ -	\$ 702,805	\$ -	\$ -	\$ 878,510
Specific Ownership Tax	9,480	-	37,923	-	-	47,403
Administrative Fees	-	21,536	-	-	-	21,536
Miscellaneous Income	-	2,966	-	-	-	2,966
Operations and Maintenance Fee	-	559,755	-	-	-	559,755
Interest Income	77	-	914	-	-	991
Total Revenues	<u>185,262</u>	<u>584,257</u>	<u>741,642</u>	<u>-</u>	<u>-</u>	<u>1,511,161</u>
EXPENDITURES						
General:						
Accounting	46,749	-	-	-	-	46,749
County Treasurer's Fee	1,767	-	-	-	-	1,767
Auditing	4,900	-	-	-	-	4,900
Dues and Licenses	5,880	-	-	-	-	5,880
District Management	35,515	-	-	-	-	35,515
Legal Services	65,560	-	-	-	-	65,560
Miscellaneous	1,080	-	-	-	-	1,080
Special Revenue:						
Accounting	-	3,000	-	-	-	3,000
Administrative Management	-	74,106	-	-	-	74,106
Clubhouse Operations/Supplies	-	15,592	-	-	-	15,592
Covenant Control	-	15,647	-	-	-	15,647
District Management	-	15,058	-	-	-	15,058
Dog Park Maintenance	-	10,051	-	-	-	10,051
Insurance and Bonds	-	27,124	-	-	-	27,124
Landscape Maintenance	-	85,965	-	-	-	85,965
Legal Services	-	3,200	-	-	-	3,200
Miscellaneous	-	5,011	-	-	-	5,011
Pool Maintenance	-	18,825	-	-	-	18,825
Repairs and Maintenance	-	31,159	-	-	-	31,159
Security	-	30,675	-	-	-	30,675
Snow Removal	-	49,927	-	-	-	49,927
Social Committee	-	2,381	-	-	-	2,381
Utility - Electricity	-	12,775	-	-	-	12,775
Utility - Water	-	19,965	-	-	-	19,965
Debt Service:						
Bond Interest - Series 2017A	-	-	520,838	-	-	520,838
Bond Interest - Series 2017B	-	-	201,840	-	-	201,840
Bond Principal - Series 2017B	-	-	75,000	-	-	75,000
County Treasurer's Fee	-	-	7,034	-	-	7,034
Paying Agent Fees	-	-	5,500	-	-	5,500
Capital Outlay:						
Engineering	-	-	-	30,085	-	30,085
Legal Services	-	-	-	25,033	-	25,033
Reserve for Capital Improvements - Reserve Study	-	-	-	-	1,429	1,429
Total Expenditures	<u>161,451</u>	<u>420,461</u>	<u>810,212</u>	<u>55,118</u>	<u>1,429</u>	<u>1,448,671</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,811	163,796	(68,570)	(55,118)	(1,429)	62,490
OTHER FINANCING SOURCES (USES)						
Developer Advance	-	-	-	17,267	-	17,267
Transfers to/from Other Fund	-	(51,972)	-	-	51,972	-
Total Other Financing Sources	<u>-</u>	<u>(51,972)</u>	<u>-</u>	<u>17,267</u>	<u>51,972</u>	<u>17,267</u>
NET CHANGE IN FUND BALANCES	23,811	111,824	(68,570)	(37,851)	50,543	79,757
Fund Balances - Beginning of Year	8,493	62,718	1,993,967	869	48,392	2,114,439
FUND BALANCES (DEFICITS)-END OF YEAR	<u>\$ 32,304</u>	<u>\$ 174,542</u>	<u>\$ 1,925,397</u>	<u>\$ (36,982)</u>	<u>\$ 98,935</u>	<u>\$ 2,194,196</u>

See accompanying Notes to Basic Financial Statements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Changes in Fund Balances - Total Governmental Funds \$ 79,757

Amounts reported for governmental activities in the statement of net 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 expense the allocation of the cost of any depreciable assets over the estimated useful life of the asset. During the current period, this is the net amount of capital outlay.

Depreciation Expense (101,073)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Current Year Bond Principal Payment 75,000

The issuance of long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer Advances (17,267)

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.

Accrued Interest on Bonds - Change in Liability 266

Accrued Interest on Developer Advances - Change in Liability (1,273,947)

Change in Net Position of Governmental Activities \$ (1,237,264)

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 175,847	\$ 175,847	\$ 175,705	\$ (142)
Specific Ownership Tax	8,792	8,792	9,480	688
Interest Income	20	80	77	(3)
Total Revenues	<u>184,659</u>	<u>184,719</u>	<u>185,262</u>	<u>543</u>
EXPENDITURES				
General and Administrative				
Accounting	32,000	45,000	46,749	(1,749)
Auditing	5,200	4,900	4,900	-
Contingency	3,042	115	-	115
County Treasurer's Fee	1,758	1,758	1,767	(9)
District Management	43,000	43,000	35,515	7,485
Dues and Licenses	4,000	5,227	5,880	(653)
Legal Services	53,000	60,000	65,560	(5,560)
Miscellaneous	3,000	3,000	1,080	1,920
Total Expenditures	<u>145,000</u>	<u>163,000</u>	<u>161,451</u>	<u>1,549</u>
NET CHANGE IN FUND BALANCES	39,659	21,719	23,811	2,092
Fund Balances - Beginning of Year	<u>4,664</u>	<u>8,493</u>	<u>8,493</u>	<u>-</u>
FUND BALANCES END OF YEAR	<u>\$ 44,323</u>	<u>\$ 30,212</u>	<u>\$ 32,304</u>	<u>\$ 2,092</u>

See accompanying Notes to Basic Financial Statements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Administrative Fees	\$ 21,000	\$ 21,536	\$ 536
Operations and Maintenance Fee	548,372	559,755	- 11,383
Reimbursed Expenditures	10,000	-	- (10,000)
Other Revenue	1,000	2,966	1,966
Total Revenues	<u>580,372</u>	<u>584,257</u>	<u>3,885</u>
EXPENDITURES			
Accounting	3,000	3,000	-
Clubhouse Operations/Supplies	50,000	15,592	34,408
Social Committee	-	2,381	(2,381)
Dog Park Maintenance	10,000	10,051	(51)
Insurance and Bonds	31,000	27,124	3,876
District Management	3,000	15,058	(12,058)
Legal Services	5,000	3,200	1,800
Miscellaneous	3,000	5,011	(2,011)
Administrative Management	91,000	74,106	16,894
Pool Maintenance	30,000	18,825	11,175
Repairs and Maintenance	10,000	31,159	(21,159)
Landscape Maintenance	187,560	85,965	101,595
Landscape Improvements	10,000	-	10,000
Security	14,000	30,675	(16,675)
Covenant Control	5,000	15,647	(10,647)
Contingency	812	-	812
Utility - Water	25,000	19,965	5,035
Utility - Electricity	10,000	12,775	(2,775)
Snow Removal	40,000	49,927	(9,927)
Total Expenditures	<u>528,372</u>	<u>420,461</u>	<u>107,911</u>
EXCESS OF REVENUES OVER EXPENDITURES	52,000	163,796	111,796
OTHER FINANCING SOURCES			
Transfer to Other Funds	(51,972)	(51,972)	-
Total Other Financing Uses	<u>(51,972)</u>	<u>(51,972)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	28	111,824	111,796
Fund Balances - Beginning of Year	<u>130,521</u>	<u>62,718</u>	<u>(67,803)</u>
FUND BALANCES END OF YEAR	<u>\$ 130,549</u>	<u>\$ 174,542</u>	<u>\$ 43,993</u>

See accompanying Notes to Basic Financial Statements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for the City and County of Denver and recorder on December 1, 2016, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City and County of Denver, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements and services, including streets, water, storm, sanitation, safety protection, and parks and recreation facilities, transportation, mosquito control, and covenant enforcement.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

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.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are District property taxes and interest. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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 Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with operations and maintenance of the District.

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

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

The Capital Projects Reserve Fund is used to account for financial resources to be used for replacing and/or maintain community center and capital improvements.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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 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.

The District has amended its annual budget for the year ended December 31, 2021.

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.

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 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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:

Buildings and Improvements	50 Years
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Facilities Fees

On December 9, 2016 the District's Board of Directors approved and adopted the Denver Connection West Metropolitan District Facilities Fee Resolution, as recorded on February 10, 2017, for the imposition of a one-time Facilities Fee for the use of the District service system.

The Facilities Fee is charged against each residential building located within the property (Dwelling Unit) and imposes a rate of \$3,000 per Equivalent Unit, defined as the right to use the District service system for one dwelling unit (Equivalent Unit). The Facilities Fee is payable on or before the date of issuance of a building permit.

District Fees

Pursuant to Resolution No. 2017-05-01, Resolution of the Board of Directors of Denver Connection West Metropolitan District Regarding the Imposition of District Fees, which was recorded in the real property records of the City and County of Denver, Colorado, at Reception No. 2017098069, and Resolution No. 2020-11-04, Amended and Restated Resolution of the Board of Directors of Denver Connection West Metropolitan District Regarding the Imposition of District Fees, which was recorded in the real property records of the City and County of Denver, Colorado, at Reception No. 2020215237 (collectively, the "Previous O&M Resolutions"), the District imposed an operations and maintenance fee to offset the costs associated with the operations and maintenance services the District provided (the "O&M Fee"). For 2021, the O&M Fee was \$177 per quarter for each single-family unit; \$212 per quarter for each rear-loaded single-family unit; and \$196 per quarter for each townhome unit. Under the Previous O&M Resolutions, for 2021, the District also imposed an administrative fee of \$250 per unit to offset the administrative costs associated with the transfer of real property to new owners.

In 2021 (for tax collection year 2022), and in accordance with the Service Plan, a majority of the Board of Directors, who were residents of the District, determined to impose a modified mill levy in the General Fund to generate the property tax revenue necessary to pay for operation and maintenance services, thus eliminating the need for the O&M Fee.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District Fees (Continued)

On November 23, 2021, the District adopted Resolution No. 2021-11-06, Resolution of the Board of Directors of Denver Connection West Metropolitan District Authorizing Imposition of a Modified Operations Mill Levy in Accordance with the Service Plan (the "Modified O&M Mill Levy Resolution"), under which the District authorized imposition of a mill levy in the General Fund in an amount that would generate the same amount of property tax revenue as would have been generated pursuant to the O&M Fee. For imposition year 2021 (collection year 2022), the District imposed a mill levy of 44.790 mills in the General Fund, instead of imposing the O&M Fee. Thus, for 2022, the District's major source of revenue in the General Fund is property taxes.

To clarify the District's imposition of an administrative fee, on January 25, 2022, the District adopted Resolution No. 2022-01-01, Resolution of the Board of Directors of the Denver Connection West Metropolitan District Regarding the Imposition of Administrative Fees (the "Administrative Fee Resolution"), which was recorded in the real property records of the City and County of Denver, Colorado, at Reception No. 2022027232. Under the Administrative Fee Resolution, the District imposes a fee to offset the costs of certain administrative functions related to the transfer of property (the "Administrative Fee"). For 2022, the Administrative Fee is \$250 per unit to offset the administrative costs associated with the transfer of real property to new owners.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

Deficits

The Capital Project Funds reported a deficit in the fund financial statements as of December 31, 2021. The deficit will be eliminated with the receipt of developer advances in 2021.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 296,876
Cash and Investments - Restricted	1,942,304
Total Cash and Investments	<u>\$ 2,239,180</u>

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

Deposits with Financial Institutions	\$ 348,189
Investments	<u>1,890,991</u>
Total Cash and Investments	<u><u>\$ 2,239,180</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.

At December 31, 2021, the District's cash deposits had a bank balance of \$347,189 and a carrying balance of \$348,189.

Investments

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

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

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.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, 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	\$ 682
Colorado Surplus Asset Fund Trust Investment (CSAFE)	Weighted-Average Maturity Under 60 Days	<u>1,890,309</u>
Total Investments		<u><u>\$ 1,890,991</u></u>

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE. COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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. COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, 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 PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's and COLOTRUST EDGE is rated AAAf/S1 by Fitch Ratings. 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 or weekly, and there is no redemption notice period.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, 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 a custodian agreement.

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 custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2021:

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Progress				
Parks and Open Space	\$ 4,836,344	\$ -	\$ -	\$ 4,836,344
Total Capital Assets Not Being Depreciated	4,836,344	-	-	4,836,344
Capital Assets, Being Depreciated:				
Community Center - HUB	5,053,629	-	-	5,053,629
Total Capital Assets Being Depreciated	5,053,629	-	-	5,053,629
Less Accumulated Depreciation for:				
Community Center - HUB	(101,073)	(101,073)	-	(202,146)
Total Accumulated Depreciation	(101,073)	(101,073)	-	(202,146)
Total Capital Assets, Being Depreciated, Net	4,952,556	(101,073)	-	4,851,483
Governmental Activities - Capital Assets, Net	<u>\$ 9,788,900</u>	<u>\$ (101,073)</u>	<u>\$ -</u>	<u>\$ 9,687,827</u>

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

Governmental Activities:	
General Government	<u>\$ 101,073</u>

Certain assets, primarily the Community Center, are remaining with the District for ownership and maintenance.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
G.O. Bonds - Series 2017A	\$ 9,690,000	\$ -	\$ -	\$ 9,690,000	\$ 80,000
G.O. Subordinate Bonds - Series 2017B	2,523,000	-	75,000	2,448,000	-
Accrued Interest - 2017B Subordinate Bonds	8,970	201,574	201,840	8,704	-
Developer Advances - General	110,576	-	-	110,576	-
Interest on Developer Advances - General	24,781	8,846	-	33,627	-
Developer Advances - Capital	15,807,524	17,267	-	15,824,791	-
Interest on Developer Advances - Capital	2,993,240	1,265,101	-	4,258,341	-
Total	<u>\$ 31,158,091</u>	<u>\$ 1,492,788</u>	<u>\$ 276,840</u>	<u>\$ 32,374,039</u>	<u>\$ 80,000</u>

On August 23, 2017, the District issued \$9,690,000 in Series 2017A Limited Tax (convertible to unlimited tax) General Obligation Bonds with interest of 5.375% (2017A Bonds). The 2017A Bonds are subject to redemption prior to maturity at the option of the District and due on August 1, 2047. In addition, the 2017A bonds are subject to mandatory sinking fund redemption beginning December 1, 2022.

The 2017A Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2022, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2022, to November 30, 2023	3.00%
December 1, 2023, to November 30, 2024	2.00
December 1, 2024, to November 30, 2025	1.00
December 1, 2025, and thereafter	0.00

The 2017A Bonds are secured by and payable from Senior Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) all Senior Property Tax Revenues, (2) all Senior Specific Ownership Tax Revenues, (3) all Capital Fees and (4) any other legally available monies which the District determines to credit to the Senior Bond Fund.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The 2017A Bonds are also secured by amounts held by the Trustee in the Reserve Fund in the amount of \$793,519. The Reserve Fund was created for the purpose of paying, if necessary, the principal of, premium, if any, and interest on the 2017A Bonds. Senior Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the 2017A Bonds as the same become due and payable and to make up deficiencies in the Reserve Fund.

The maximum Senior Required Mill Levy is 40.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District.

On August 23, 2017, the District issued \$2,539,000 in Series 2017B Subordinate Bonds ("2017B Bonds", together with the 2017A Bonds, the "2017 Bonds"). The 2017B Bonds are special limited obligations of the District secured by and payable from the 2017B Subordinate pledged revenues, subject in all respects to the prior lien in favor of the 2017A Bonds. The Series 2017B Bonds are term bonds due on August 1, 2047 at an interest rate of 8.00%. The 2017B Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2017B Bonds compounds annually on each December 15. In the event any amount of principal or interest on the 2017B Bonds remains unpaid after the application of all Subordinate Pledged Revenue on December 15, 2057, the 2017B Bonds shall be deemed discharged.

Proceeds of the 2017 Bonds are being used to finance and reimburse the costs of public improvements necessary for development within the District. In addition, the proceeds of the 2017A Bonds were used to fund the capitalized interest account on the 2017A Bonds, fund the Senior Reserve Fund and pay the costs of issuing the Bonds.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 80,000	\$ 520,838	\$ 600,838
2023	110,000	516,538	626,538
2024	125,000	510,625	635,625
2025	135,000	503,906	638,906
2026	155,000	496,650	651,650
2027-2031	990,000	2,344,576	3,334,576
2032-2036	1,485,000	2,027,988	3,512,988
2037-2041	2,115,000	1,564,663	3,679,663
2042-2046	2,965,000	909,987	3,874,987
2047	1,530,000	54,824	1,584,824
Total	<u>\$ 9,690,000</u>	<u>\$ 9,450,595</u>	<u>\$ 19,140,595</u>

The amounts of principal and interest payments to be made in future years on the 2017B Subordinate Bonds will depend on pledged revenue collected and cannot be predicted with certainty.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 8, 2016, a majority of the qualified electors of the District who voted in the election authorized the issuance of District indebtedness in an amount not to exceed \$200,000,000. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Debt Authorized 2016 Election	Authorization Used for Series 2017A Bonds	Authorization Used for Series 2017B Bonds	Authorized But Unissued
Capital Improvements	\$ 140,000,000	\$ 9,690,000	\$ 2,539,000	\$ 127,771,000
Operations and Maintenance	20,000,000	-	-	20,000,000
Intergovernmental Agreements	20,000,000	-	-	20,000,000
Refunding	20,000,000	-	-	20,000,000
Total	<u>\$ 200,000,000</u>	<u>\$ 9,690,000</u>	<u>\$ 2,539,000</u>	<u>\$ 187,771,000</u>

NOTE 6 NET POSITION

The District's net position consists of two components – restricted and unrestricted.

The restricted component of net position includes assets 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 had restricted net position as of December 31, 2021 as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergency Reserves	\$ 23,200
Debt Service	<u>1,079,746</u>
Total Restricted Net Position	<u>\$ 1,102,946</u>

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets. The District has a deficit in unrestricted net position.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 AGREEMENTS

Operation Funding Agreement

The District and the Developer (William Lyon Homes, Inc.) entered into an Operation Funding Agreement on January 30, 2017, with an effective date of December 1, 2016, as amended by the first Amendment dated July 27, 2017 (Agreement).

Pursuant to the authority granted to the District by its Service Plan, as approved by the City Council of the City and County of Denver on September 12, 2016, as it may be amended from time to time (the Service Plan), the District intends to construct and/or acquire certain public improvements and provide certain services to benefit properties within its boundaries and/or service area (the District Services). In order for the public improvements to be constructed and/or acquired it is necessary for the District to be able to pay its ongoing operations and maintenance expenses which enable it to provide the District Services.

In order to enable the District to provide District Services, Developer is willing to advance funds to the District or to pay consultants directly for operations and maintenance expenses pursuant to the terms of this Agreement.

The District anticipates a shortfall in revenues available for operations and maintenance expenses to be incurred for fiscal years 2016 and 2019 in an aggregate amount of \$184,000 (the Shortfall Amount). The Developer shall advance funds necessary to fund, or shall directly pay, the District's operations and maintenance expenses on a periodic basis as needed for the fiscal years 2016 through 2019 up to the Shortfall Amount. The District shall, from time to time, provide written notice to the Developer that an advance of all or part of the Shortfall Amount is required.

Simple interest shall accrue on each Developer Advance from the date of deposit into the District's account or from the date of direct payment by Developer, until paid, at the rate of 8% per annum. Payments to reimburse the Developer shall be made on December 2 of each year and shall be applied as follows: first to the accrued and unpaid interest and then to the principal amount due pursuant to this Agreement.

The term of this Agreement commenced on December 1, 2016 and shall expire on December 31, 2019, unless terminated earlier by the mutual agreement of the Parties. Any obligation of Developer to advance funds will expire upon advance to the District of amounts sufficient to pay expenses incurred in 2016 through 2019, not to exceed the Shortfall Amount. Any obligation of District to reimburse Developer shall expire on December 31, 2059. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to this Agreement on or before December 31, 2059, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

As of December 31, 2021, outstanding advances under the Agreement totaled \$110,576 and accrued interest totaled \$33,327.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 AGREEMENTS (CONTINUED)

Facilities Funding and Acquisition Agreement

The District and the Developer entered into a Facilities Funding and Acquisition Agreement on January 30, 2017, with an effective date of December 1, 2016 (the Acquisition Agreement). Pursuant to the Acquisition Agreement, the Developer has agreed to advance funds to the District (each an "Advance") in the amount necessary to fund the costs of designing, testing, engineering, and construction of the public improvements, together with related consultant and management fees, as needed, up to \$20,000,000 (unless otherwise approved by the Developer), for the fiscal years 2016 through 2026. Alternatively, the Developer may design, construct, and complete certain public improvements and the District may acquire such improvements.

Subject to availability of funding, the District agrees to repay the Developer for advances made for organization expenses of the District and advances for construction related expenses with simple interest accruing thereon at the rate of 8% per annum. In the event the District has not repaid the Developer by December 31, 2057, any amount of principal and accrued interest outstanding on such date is to be deemed discharged and satisfied in full. The Acquisition Agreement does not constitute a debt or multiple fiscal year financial obligation of the District and the making of any reimbursement thereunder is subject to annual appropriation.

As of December 31, 2021, outstanding advances under the agreement totaled \$15,824,791 and accrued interest totaled \$4,258,341.

Gateway Improvement Funding Agreement

The District and the City and County of Denver, Colorado (City) entered into the Gateway Improvements Funding Agreement (Denver Connection West) dated September 19, 2019 (Gateway IGA). The Gateway IGA recognizes that the District is located within the Gateway Impact Fee Assessment Area (Assessment Area), as defined in the City's Gateway Impact Fee Ordinance 863, Series 2000 (Impact Fee Ordinance). The Impact Fee Ordinance provides for the collection of an Impact Fee to finance regional infrastructure within the Assessment Area. Under the Gateway IGA, the District intends to exercise its authority to construct, provide for or finance certain regional infrastructure for the Green Valley Ranch Boulevard expansion improvements and the Memphis Street traffic signal improvements (collectively, the Gateway Improvements), both of which are impact fee projects. In 2019, the City reimbursed the District for certain funds expended by the District for constructing the Gateway Improvements in the amount of \$1,543,979.67. The City initially accepted the Gateway Improvements in 2019 and provided for a three-year warranty period until final acceptance in 2022. Upon final acceptance, the District will convey the Gateway Improvements to the City for ownership and maintenance.

NOTE 8 INTERFUND AND OPERATING TRANSFERS

The transfer from the Special Revenue Fund to Capital Projects Reserve Fund was done to accumulate funds in the Capital Projects Reserve Fund.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior 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.

At the election on November 8, 2016, voters of the District approved an election question allowing the District to collect and expend each year all revenues without regard to the revenue and spending limitations of TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District'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.

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 SUBSEQUENT EVENT

On March 29, 2022 the District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Loan, Series 2022A-1, in the original aggregate principal amount of \$11,350,000 (the "Series 2022 A Loan") and Limited Tax (Convertible to Unlimited Tax) General Obligation Improvement Loan, Series 2022 A-2 in the original aggregate principal amount of up to \$1,400,000 (the "Series 2022A-2 Loan" and together with the 2022 A-1 Loan, the 2022 Loans"). The 2022 A-2 Loan has been incurred on the date hereof in the initial amount of \$105,000 ("Initial Advance") pursuant to Loan Agreement.

The Series 2022 A-1 Loan was issued for the purpose of (i) refunding the 2017 Bonds; and (ii) paying the costs related to the issuance of the Series 2022 A-1 Loan. The issuance of the Series 2022 A-1 Loan reduces interest costs relating to the 2017 Bonds or effects other economies and, accordingly, the Series 2022 A-1 Loan is being issued pursuant to Part 13 of Article 1 of Title 32, C.R.S. In addition, the refunding of the 2017 Bonds with proceeds of the Series 2022 A-1 Loan constitutes a refinancing of District bonded debt at a lower interest rate and Article X, Section 20 of the Colorado Constitution provides that voter approval in advance is not required for refinancing district bonded debt at a lower interest rate.

The Series 2022 A-2 Loan was issued for the purpose of (i) financing and refinancing the costs of certain public improvements, and (ii) paying the costs related to the issuance of Series 2022 A-2 Loan.

The District has amended its annual budget for the year ended December 31, 2022.

SUPPLEMENTARY INFORMATION

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 703,372	\$ 703,372	\$ 702,805	\$ (567)
Specific Ownership Tax	35,169	35,169	37,923	2,754
Interest Income	19,000	1,400	914	(486)
Total Revenues	<u>757,541</u>	<u>739,941</u>	<u>741,642</u>	<u>1,701</u>
EXPENDITURES				
County Treasurer's Fees	7,034	7,034	7,034	-
Paying Agent Fees	5,500	5,500	5,500	-
Bond Interest - Series 2017 A	520,838	520,838	520,838	-
Bond Interest - Series 2017 B	212,147	201,840	201,840	-
Bond Principal Series 2017B	50,000	75,000	75,000	-
Total Expenditures	<u>795,519</u>	<u>810,212</u>	<u>810,212</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(37,978)	(70,271)	(68,570)	1,701
Fund Balances - Beginning of Year	<u>1,991,522</u>	<u>1,993,967</u>	<u>1,993,967</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,953,544</u></u>	<u><u>\$ 1,923,696</u></u>	<u><u>\$ 1,925,397</u></u>	<u><u>\$ 1,701</u></u>

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Engineering	13,400	30,085	(16,685)
Public Art	250,000	-	250,000
Contingency	11,600	-	11,600
Legal	-	25,033	(25,033)
Total Expenditures	275,000	55,118	219,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(275,000)	(55,118)	219,882
OTHER FINANCING SOURCES (USES)			
Developer Advance	275,000	17,267	(257,733)
Total Other Financing Sources (Uses)	275,000	17,267	(257,733)
NET CHANGE IN FUND BALANCES	-	(37,851)	(37,851)
Fund Balances - Beginning of Year	-	869	869
FUND BALANCES (DEFICIT) END OF YEAR	\$ -	\$ (36,982)	\$ (36,982)

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
CAPITAL PROJECTS RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Reserve for Capital Improvements - Reserve Study	-	1,429	1,429	-
Contingency	-	71	-	71
Total Expenditures	-	1,500	1,429	71
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	(1,500)	(1,429)	(71)
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	51,972	51,972	51,972	-
Total Other Financing Sources (Uses)	51,972	51,972	51,972	-
NET CHANGE IN FUND BALANCE				
	51,972	50,472	50,543	(71)
Fund Balance - Beginning of Year	44,812	48,392	48,392	-
FUND BALANCE - END OF YEAR	<u>\$ 96,784</u>	<u>\$ 98,864</u>	<u>\$ 98,935</u>	<u>\$ (71)</u>

OTHER INFORMATION

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021**

\$9,690,000
Limited Tax (Convertible to Unlimited Tax)
General Obligation Bonds
Refunding and Improvement Bonds
Series 2017A
August 23, 2017
Principal due December 1
Interest Rates 5.375% Payable
June 1 and December 1

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 80,000	\$ 520,838	\$ 600,838
2023	110,000	516,538	626,538
2024	125,000	510,625	635,625
2025	135,000	503,906	638,906
2026	155,000	496,650	651,650
2027	160,000	488,319	648,319
2028	185,000	479,719	664,719
2029	195,000	469,775	664,775
2030	220,000	459,294	679,294
2031	230,000	447,469	677,469
2032	255,000	435,106	690,106
2033	270,000	421,400	691,400
2034	300,000	406,888	706,888
2035	315,000	390,763	705,763
2036	345,000	373,831	718,831
2037	365,000	355,287	720,287
2038	395,000	335,669	730,669
2039	420,000	314,438	734,438
2040	455,000	291,863	746,863
2041	480,000	267,406	747,406
2042	520,000	241,605	761,605
2043	550,000	213,656	763,656
2044	595,000	184,094	779,094
2045	625,000	152,113	777,113
2046	675,000	118,519	793,519
2047	1,530,000	54,824	1,584,824
Total	<u>\$ 9,690,000</u>	<u>\$ 9,450,595</u>	<u>\$ 19,140,595</u>

**DENVER CONNECTION WEST METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2017	\$ 6,460	50.000	0.000	\$ 323	\$ 323	100.00 %
2018	3,158,300	10.000	40.000	157,915	157,915	100.00
2019	4,230,150	11.055	44.222	233,830	163,776 (A)	70.04
2020	10,862,230	11.133	44.531	604,635	604,635	100.00
2021	15,795,120	11.133	44.531	879,219	878,510	99.92
Estimated for Year Ending December 31, 2022	\$ 18,739,250	44.790	44.531	\$ 1,673,809		

NOTES:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

(A) Includes a rebate of \$70,345 to taxpayers in 2019.