

**DUS METROPOLITAN DISTRICT NO. 2
City and County of Denver, Colorado**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

**DUS METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2022**

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Independent Auditors' Report

Board of Directors
DUS Metropolitan District No. 2
City and County of Denver, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the DUS Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of DUS Metropolitan District No. 2 as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 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 opinion.

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.

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 GAAS 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 GAAS, 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.

Other Matters

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

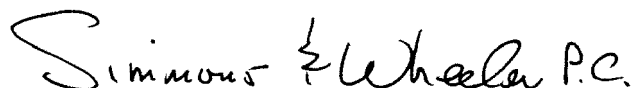
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprises of the schedules as listed in the table of contents but does not include the basic financial statements and our auditor's report there on. 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.



Englewood, CO
September 14, 2023

BASIC FINANCIAL STATEMENTS

**DUS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities
ASSETS	
Receivable - County Treasurer	\$ 8,901
Property Taxes Receivable	415,726
Total Assets	424,627
LIABILITIES	
Due to DUS Metro District No. 1	8,901
Total Liabilities	8,901
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	415,726
Total Deferred Inflows of Resources	415,726
NET POSITION	
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

**DUS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

		Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 630,681	\$ -	\$ -	-	\$ (630,681)
Interest and Related Costs on Long-Term Debt	<u>279,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279,649)</u>
Total Governmental Activities	<u>\$ 910,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(910,330)</u>
GENERAL REVENUES					
Property Taxes					406,426
Specific Ownership Taxes					134,550
Net Investment Income					316
Other Income					369,038
Total General Revenues					<u>910,330</u>
CHANGE IN NET POSITION					
Net Position - Beginning of Year					-
NET POSITION - END OF YEAR					<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**DUS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Fund
ASSETS			
Receivable - County Treasurer	\$ 8,901	\$ -	\$ 8,901
Property Taxes Receivable	415,726	285,068	700,794
Total Assets	\$ 424,627	\$ 285,068	\$ 709,695
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to DUS Metro District No. 1	\$ 8,901	\$ -	\$ 8,901
Total Liabilities	8,901	-	8,901
 DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	130,658	285,068	415,726
Total Deferred Inflows of Resources	130,658	285,068	415,726
 FUND BALANCE			
Unassigned:			
General Government	-	-	-
Total Fund Balance	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 139,559	\$ 285,068	\$ 424,627

See accompanying Notes to Basic Financial Statements.

**DUS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
REVENUES			
Net Investment Income	\$ 316	\$ -	\$ 316
Other Income	369,038	-	369,038
Property Taxes	126,777	279,649	406,426
Specific Ownership Tax	134,550	-	134,550
Total Revenues	630,681	279,649	910,330
EXPENDITURES			
Current:			
County Treasurer's Fee	1,268	2,766	4,034
Transfer to DUS Metro District No.1	629,413	-	629,413
Intergovernmental Transfer - DUSPA/Denver	-	276,883	276,883
Total Expenditures	630,681	279,649	910,330
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**DUS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ -	\$ 316	\$ 316
Other Income	5,000	374,379	369,038	(5,341)
Property Taxes	126,777	126,777	126,777	-
Specific Ownership Tax	138,844	138,844	134,550	(4,294)
Total Revenues	<u>270,621</u>	<u>640,000</u>	<u>630,681</u>	<u>(9,319)</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	1,268	1,268	1,268	-
Contingency	5,000	6,551	-	6,551
Transfer to DUS Metro District No.1	264,353	632,181	629,413	2,768
Total Expenses	<u>270,621</u>	<u>640,000</u>	<u>630,681</u>	<u>9,319</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

DUS Metropolitan District No. 2 (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 of the City and County of Denver on February 5, 2009 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 in the City and County of Denver, Colorado (the City).

The District was organized in conjunction with four other metropolitan districts: DUS Metropolitan District Nos. 1 and 3 through 5. The Districts were organized to finance, construct, own, manage, and operate public improvements, including streets, traffic and safety protection, water, sewer and storm drainage, transportation, mosquito control, and park and recreation improvements for the use and benefit of the inhabitants and taxpayers of the District in a mixed-use development project that includes redevelopment of the City's historic Denver Union Station and an adjacent property known as Market Street Station. The Service Plans for the Districts anticipated that District No.1 would serve as the Management District and that District Nos. 2-5 (the Taxing Districts) would generate revenue to pay the costs of the District improvements. Additionally, the Service Plans of the Districts anticipated that District Nos. 2 and 3 would contribute a portion of their debt service mill levy revenues to assist in the financing of the Denver Union Station redevelopment project (the DUS Project) and that District Nos. 4 and 5 would finance the redevelopment of Market Street Station. In 2017, District Nos. 4 and 5 withdrew from the current structure and are no longer associated with District Nos. 1-3.

On November 4, 2008, the District's voters authorized general obligation indebtedness of \$3,100,000,000 for the above listed facilities and powers, but the District's Service Plan limits the total debt issuance to \$300,000,000, with a maximum debt mill levy of 50.000 mills. The District's Service Plan was amended in 2017. Under the Amended Service Plan, it was recognized that the original authorization of \$300,000,000 has been used by the DUS Project (see Note 7). The Amended Service Plan also provided the District with an additional \$50,000,000 to finance District improvements.

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.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 of resources and the sum of liabilities and deferred inflows of resources 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. 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.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Debt Service Fund accounts for the resources accumulated and payments made for the DUS Project Mill Levy Pledge Agreement. (See Note 7)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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 amended its annual budget for the year ended December 31, 2022.

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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

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.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

At December 31, 2022, the District had no cash or investments. All applicable property tax payments were deposited directly to the Management District or to the Downtown Denver Development Authority (see Note 7).

**DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 LONG-TERM OBLIGATIONS

Authorized Debt

On November 4, 2008, the District’s electors authorized the incurrence of general obligation debt totaling \$3,100,000,000 in principal at a rate not to exceed 14%. At December 31, 2022, the District has authorized but unissued indebtedness for the following purposes:

	Authorized November 4, 2008 Election	Authorization Used for DUS Project	Remaining at December 31, 12/31/2022
Streets	\$ 300,000,000	\$ -	\$ 300,000,000
Parks and Recreation	300,000,000	-	300,000,000
Water Supply System	300,000,000	-	300,000,000
Sanitation System	300,000,000	-	300,000,000
Public Transportation	300,000,000	-	300,000,000
Mosquito Control	300,000,000	-	300,000,000
Traffic Safety	300,000,000	-	300,000,000
Fire Protection	300,000,000	-	300,000,000
Operations and Maintenance	100,000,000	-	100,000,000
Bond Refunding	300,000,000	-	300,000,000
Intergovernmental Agreements	300,000,000	300,000,000	-
Total	<u>\$ 3,100,000,000</u>	<u>\$ 300,000,000</u>	<u>\$ 2,800,000,000</u>

The Original Service Plan of the District authorized \$300,000,000 of total aggregate debt for District Improvements. The Amended Service Plan authorized an additional \$50,000,000 of debt authorization for District Improvements.

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.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 NET POSITION

The District has net position consisting of one component – unrestricted.

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

NOTE 6 RELATED PARTIES

The original developer of the property within the District was Union Station Neighborhood Company LLC (USNC), which was a joint venture with Continuum Partners LLC and East West Partners. USNC has since dissolved, but the members of the Board of Directors of the District are employees of, owners of, or associated with Continuum Partners LLC and East West Partners, and as such, may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENTS

Background

The City and County of Denver (the City) created and organized the Downtown Denver Development Authority (the DDA) to transact business as a development authority. In November of 2008, the City approved that certain Denver Union Station Plan of Development (the DUS Plan) which authorizes the DDA to undertake development and redevelopment projects and activities within the DUS Plan Area (as defined in the 2010 Cooperation Agreement) and to finance such projects and activities with certain incremental property tax revenues.

In 2008, the City created the Denver Union Station Project Authority (DUSPA), for the purpose of financing, designing, constructing, operating, and maintaining certain public improvements within the boundaries of the District and District Nos. 1 and 3, i.e., the DUS Project. To accomplish this purpose, DUSPA issued loans to finance the DUS Project (the DUSPA Loans). Pursuant to certain agreements described below, the District and District No. 3 made certain pledges to assist with the payment of the DUSPA Loans.

On February 3, 2017, the City, in order to achieve interest rate savings and other economies, entered into a loan agreement to refund the DUSPA Loans (the 2017 Loan).

**DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 AGREEMENTS (CONTINUED)

DDA/DUS District Nos. 1-3 Cooperation and Pledge Agreement

On June 9, 2010, the District, District No. 1, District No. 3 and the DDA entered into that certain DDA/DUS District Nos. 1-3 Cooperation and Pledge Agreement (the 2010 Cooperation Agreement). Concurrent with the issuance of the 2017 Loan, the 2010 Cooperation Agreement was amended and restated in its entirety by that certain Amended and Restated DDA/DUS District Nos. 1-5 Cooperation and Pledge Agreement dated February 3, 2017 (the 2017 Cooperation Agreement), between the District, District Nos. 1, 3, 4 and 5, and the DDA. Pursuant to the 2017 Cooperation Agreement, the DDA agreed to remit to each of the District and District Nos. 3 through 5, respectively, the incremental property tax revenue (TIF) derived from the District and District Nos. 3, 4 and 5's imposition of any mill levies not pledged to the payment of the 2017 Loan pursuant to the 2017 Pledge Agreement (defined below), including those revenues required to be transferred by District No. 1 to the Regional Transportation District (RTD) pursuant to the RTD Agreement (defined below).

DUS Project Mill Levy Pledge Agreement

On June 22, 2010, the District, District No. 1, District No. 3 and DUSPA entered into that certain DUS Project Mill Levy Agreement (the 2010 Pledge Agreement), whereby the District and District No. 3 agreed to pledge certain revenues to DUSPA for the payment of the DUSPA Loans. Concurrent with the issuance of the 2017 Loan, the 2010 Pledge Agreement was terminated and the District, District No. 1, District No. 3, the City, and various lenders entered into the DUS Project Mill Levy Pledge Agreement dated February 3, 2017 (the 2017 Pledge Agreement). Pursuant to the 2017 Pledge Agreement, all revenues derived from the imposition of a mill levy of fifteen (15) mills (the DUS Project Mill Levy) on property within the District and District No. 3 are pledged to the 2017 Loan until the earlier of (i) the 2017 Loan being defeased or repaid, or (ii) December 31, 2049 (the Termination Date). The 2017 Pledge Agreement acknowledges that until December 23, 2038 (the TIF Term), all property tax increment revenues derived from the imposition of the DUS Project Mill Levy (the DUS Project TIF Revenue) are pledged to the repayment of the 2017 Loan and that, pursuant to a pledge agreement between the City and the DDA, the DDA pledges such revenues to the City for the repayment of the 2017 Loan. Until the expiration of the TIF Term, to the extent the District receives any DUS Project TIF Revenue, the District agrees to transfer the same to the City. After the expiration of the TIF Term, the District will transfer all DUS Project TIF Revenue to the City until the Termination Date.

RTD Agreement

The District, District No. 1 and District No. 3 entered into the Intergovernmental Agreement for Denver Union Station Historic Station Zone At-Grade Public Improvement Operation and Maintenance with RTD dated February 11, 2010, as amended (the RTD Agreement), pursuant to which the District and District No. 3 agreed to impose a levy of ten (10) mills (the O&M Mill Levy). District No. 1 agreed to remit the revenues from the O&M Mill Levy to RTD for the payment of operation and maintenance of certain Historic Station Zone Improvements upon their completion.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 AGREEMENTS (CONTINUED)

RTD Agreement (Continued)

On January 15, 2021, the District and District Nos. 1 and 3 entered into the Amended and Restated Intergovernmental Agreement for Denver Union Station Historic Station Zone At-Grade Public Improvement Operation and Maintenance with the Regional Transportation District (Amended RTD Agreement). The District and District No. 3 agree to annually budget and appropriate an amount sufficient to fund costs equal to the DUS District Contribution and transfer such funds to District No.1. District No. 1 will remit the DUS District Contribution to RTD for payment of the Historic Station Zone operations and maintenance costs. The DUS District Contribution is 60% of the actual Historic Station Zone operations and maintenance costs.

District Nos. 1-3: Facilities Funding, Construction, and Operations Agreement

The District, District No. 1 and District No. 3 entered into the District Nos. 1-3 Facilities Funding, Construction and Operations Agreement dated November 12, 2013, as amended by a First Amendment effective January 1, 2021 (the FFCOA), whereby District No.1, as the Management District, agrees to provide administrative services, as well as coordinating, construction and management of certain improvements to the District and District No. 3.

District No. 1 agrees to own (subject to transfer to other governmental entities or authorities), operate, maintain, fund and construct certain District Improvements (as defined in the FFCOA) and manage, operate and maintain the Public Space Improvements (as defined in the FFCOA), and the District and District No. 3 agree to contribute to the cost of the same through the imposition of a mill levy.

Intergovernmental Agreement – Special District Security Services

The District, District No. 1, District No. 3, and the City, acting by and through its Denver Police Department, entered into an Intergovernmental Agreement – Special District Security Services dated August 5, 2022 (the Security IGA), whereby the City consented to the District, District No. 1, District No. 3 to provide Security Services (as defined therein) within their boundaries subject to the terms and conditions therein. The term of the Security IGA expires on December 31, 2025.

DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 (the 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, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 4, 2008, the District's voters approved election questions allowing the District to levy annual taxes and fees of up to \$10,000,000 for operations and maintenance costs and allow the District to collect and spend additional revenue without regard to any spending, revenue raising, or other limitation contained within TABOR.

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

The District transfers all of its revenue in excess of expenses to DUS Metropolitan District No. 1. Therefore, no Emergency Reserve has been provided for in the District. The Emergency Reserve related to the District's revenue stream is captured in DUS Metropolitan District No.1.

**DUS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

SUPPLEMENTARY INFORMATION

**DUS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR END DECEMBER 31, 2022**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Income	\$ 2,000	\$ 28,194	\$ -	\$ (28,194)
Property Taxes	276,572	276,572	279,649	3,077
Total Revenues	<u>278,572</u>	<u>304,766</u>	<u>279,649</u>	<u>(25,117)</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	2,766	2,766	2,766	-
Contingency	2,000	2,000	-	2,000
Intergovernmental Transfer - DUSPA/Denver	<u>273,806</u>	<u>300,000</u>	<u>276,883</u>	<u>23,117</u>
Total Expenses	<u>278,572</u>	<u>304,766</u>	<u>279,649</u>	<u>25,117</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION

DUS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2022

Year Ended December 31,	Prior Year Net Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt	Levied	Collected	
2018	\$ 17,743,649	10.000	15.000	\$ 443,591	\$ 484,950	109.32%
2019	16,052,959	10.000	15.000	401,324	389,694	97.10
2020	19,965,803	9.548	15.150	493,115	478,609	97.06
2021	18,800,831	7.000	15.161	416,645	421,581	101.18
2022	18,110,967	7.000	15.271	403,349	406,426	100.76
Estimated for the Year Ending December 31, 2023	\$ 18,585,777	7.030	15.338	\$ 415,726		

NOTE:

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.