

**DENMORE METROPOLITAN DISTRICT NO. 1
Weld County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2024

DENMORE METROPOLITAN DISTRICT NO. 1

TABLE OF CONTENTS

December 31, 2024

Independent auditor’s report 1-3

Basic financial statements

Government-wide financial statements

 Statement of net position 4

 Statement of activities 5

Fund financial statements

 Balance sheet – governmental funds 6

 Statement of revenues, expenditures, and changes in fund balances –
 governmental funds 7

 Reconciliation of the statement of revenues, expenditures, and changes
 in fund balances of governmental funds to the statement of activities 8

 Statement of revenues, expenditures, and changes in fund balances –
 budget and actual – general fund 9

Notes to financial statements 10

Supplementary information

 Statement of revenues, expenditures, and changes in fund balances –
 budget and actual – capital projects fund 22

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Denmore Metropolitan District No. 1
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Denmore Metropolitan District No. 1 (the District) as of and for the year ended December 31, 2024, 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, 2024, and the respective changes in financial position thereof, 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 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.

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 Responsibility 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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 opinions on the basic financial statements are 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 identified in the table of contents is presented for the purposes of additional analysis and legal compliance 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Economic Dependency

As disclosed in Note 9 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Fiscal Focus Partners, LLC

Arvada, Colorado
June 5, 2025

BASIC FINANCIAL STATEMENTS

DENMORE METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

December 31, 2024

	Governmental Activities
Assets	
Cash and investments	\$ -
Cash and investments - restricted	594
Total Assets	<u>594</u>
Liabilities	
Noncurrent liabilities:	
Due in more than one year	2,806,537
Total Liabilities	<u>2,806,537</u>
Net Position	
Restricted for:	
Capital projects	594
Unrestricted	(2,806,537)
Total Net Position	<u>\$ (2,805,943)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

DENMORE METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				Governmental Activities
General government	\$ 2,413,270	\$ -	\$ -	\$ (2,413,270)
Interest on long-term debt and related costs	27,353	-	-	(27,353)
Total primary government	<u>\$ 2,440,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,440,623)</u>
General Revenues:				
Interest income				466
Total general revenues				<u>466</u>
Change in net position				(2,440,157)
Net position - beginning				<u>(365,786)</u>
Net position - ending				<u>\$ (2,805,943)</u>

DENMORE METROPOLITAN DISTRICT NO. 1

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments - restricted	-	594	594
Total Assets	<u>-</u>	<u>594</u>	<u>594</u>
Liabilities and Fund Balances			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted for:			
Capital projects	-	594	594
Unassigned	-	-	-
Total Fund Balances	<u>-</u>	<u>594</u>	<u>594</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 594</u>	

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

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

Loan payable	(2,806,537)
Accrued interest	-
	<u>-</u>

Net position of governmental activities	<u>\$ (2,805,943)</u>
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The accompanying Notes to Financial Statements are an integral part of these statements.

DENMORE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	General	Capital Projects	Total Governmental Funds
Revenues			
Investment income	\$ -	\$ 466	\$ 466
Total revenues	-	466	466
Expenditures			
Reimbursement to St. Vrain Sanitation District	-	2,413,270	2,413,270
Total expenditures	-	2,413,270	2,413,270
Excess of revenue over (under) expenditures	-	(2,412,804)	(2,412,804)
Other financing sources (uses)			
Developer advance	-	2,413,320	2,413,320
Total other financing sources (uses)	-	2,413,320	2,413,320
Net change in fund balances	-	516	516
Fund balances - beginning	-	78	78
Fund balances - ending	\$ -	\$ 594	\$ 594

The accompanying Notes to Financial Statements are an integral part of these statements.

DENMORE METROPOLITAN DISTRICT NO. 1

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2024

Net change in fund balances - total governmental funds	\$ 516
Amounts reported for governmental activities in the statement of activities are different because:	
Long-term debt (e.g. loans) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Developer advances - proceeds	(2,413,320)
Some revenues and 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 payable - change in liability	<u>(27,353)</u>
Change in net position of governmental activities	<u>\$ (2,440,157)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

DENMORE METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2024

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Revenue	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
General government			
Contingency	50,000	-	50,000
Total expenditures	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess of revenue over (under) expenditures	(50,000)	-	50,000
Other financing sources (uses)			
Developer advance	50,000	-	50,000
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

DENMORE METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

Note 1 – Reporting Entity

Denmore Metropolitan District No. 1 (the District) was organized on March 8, 2023, as a quasi-municipal organization established under the State of Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the Town of Firestone, Colorado (the Town).

The District was established in connection with Denmore Metropolitan District Nos. 2-5 (collectively, the Districts) to provide for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts. Upon completion of construction, the Districts anticipate dedicating public improvements to the Town, or other appropriate jurisdiction. The Districts are authorized, but not obligated, to own, operate, and maintain Public Improvements not otherwise required to be dedicated to the Town or other public entity, including, but not limited to street improvements, traffic and safety controls, retaining walls, park and recreation improvements and facilities, trails, open space, landscaping, drainage improvements, and irrigation system improvements. All parks, trails, and open space not otherwise dedicated to the Town and owned by the Districts are required to be open to the general public free of charge. The Districts may provide covenant enforcement, design review services and other services to the residents, owners, and taxpayers within the Districts pursuant to and in accordance with § 32-1-1004(8) C.R.S. The Districts may impose a mill levy, Special Assessments, and/or Fees to pay for Operation and Maintenance Costs in accordance with the Service Plan and the Intergovernmental Agreement (Note 6).

It is anticipated that the Districts may enter into one or more intergovernmental agreements governing the relationship between and among the Districts with respect to the Districts' purpose and services. Such intergovernmental agreements between and among the Districts, shall be designed to help assure the orderly development of the Public Improvements and Regional Improvements and essential services in accordance with the requirements of the Districts' Service Plan. To the extent the Districts enter into an intergovernmental agreement that constitutes a Debt, such intergovernmental agreement shall have a term of no longer than forty years from its effective date. Upon the expiration of its term, any intergovernmental agreement constituting Debt shall be of no further effect and the associated Debt shall be fully discharged and no longer an obligation of the Districts.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provides 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.

DENMORE METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

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 (i.e., the statement of net position and the statement of activities) report information on 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 of the District 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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered 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 for those required to be accounted for in another fund.

DENMORE METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

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

Budgets

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

Pooled Cash

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 of 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 remits 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 open space, landscape and parks, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

DENMORE METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements for which the District retains title are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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 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:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaids) or is legally or contractually required to be maintained intact.

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

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

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and Investments

Cash and investments are reflected on the December 31, 2024 Statement of net position as follows:

Statement of net position:	
Cash and investments – unrestricted	\$ –
Cash and investments – restricted	594
Total cash and investments	<u>\$ 594</u>
Cash and investments as of December 31, 2024 consist of the following:	
Deposits with financial institutions	\$ –
Investments	594
Total cash and investments	<u>\$ 594</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. As of December 31, 2024, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2024, the District had no cash deposits.

Investments

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

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- 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

The District generally limits its investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party. Colorado revised statutes limit investment maturities to five year or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. As of December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average maturity less than 60 days	\$ 594

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. The District holds all its investments in the COLOTRUST PLUS+ portfolio.

COLOTRUST PLUS+, which operates similarly to a money market fund and each share is equal in value to \$1.00, offers daily liquidity. The portfolio may invest in U.S. Treasury securities and 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 PLUS+ is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

Note 4 – Long-Term Obligations

The District’s outstanding long-term obligations at December 31, 2024, are as follows:

	Balance at December 31, 2023	Additions	Deletions	Balance at December 31, 2024	Due within one year
Developer Advances –					
Capital projects	\$ 360,813	\$ 2,413,320	\$ -	\$ 2,774,133	\$ -
Accrued interest	5,051	27,353	-	32,404	-
	<u>\$ 365,864</u>	<u>\$ 2,440,673</u>	<u>\$ -</u>	<u>\$ 2,806,537</u>	<u>\$ -</u>

Developer Advances

Public Improvements Acquisition and Reimbursement Agreement

In June 2023, the District and TPH Firestone Trail, LLC (TPH) entered into the Public Improvements Acquisition and Reimbursement Agreement (the Agreement) to establish the terms and conditions for the acquisition of certain public improvements financed and constructed by TPH that is to be owned by the District and the reimbursement of certified District eligible costs incurred by TPH.

The Agreement enumerates items required for the acquisition of public improvements by the District which include certified digital record drawings, test results for improvements, pressure tests for irrigation systems, operation and maintenance manuals, an indemnification agreement, a bill of sale, a special warranty deed and a warranty agreement. Upon substantial completion and notification of public improvements, the District’s engineer and TPH will inspect improvements. After receipt of the engineer certification, the District shall acquire the public improvements and deliver to TPH notice of acquisition.

Additionally, the Agreement provides that funds advanced by TPH on behalf of the District for district eligible costs may be reimbursed.

Advances provided by TPH bear a simple interest rate of the Municipal Market Data “AAA” General Obligation Yield Curve, 30- year constant maturity published by Refinitiv on each payment advance from the date of Deposit into the District’s account, the date of direct payment by TPH or from the effective date of the District’s acceptance resolution.

The District anticipates issuing bonds, loans, or other obligations (the "Bonds") and shall use the proceeds of the Bonds (the "Proceeds") to reimburse TPH for the Certified District Eligible Costs concurrently with or as soon as possible following closing of the Bonds. In the event that the District has not issued Bonds in an amount sufficient to reimburse TPH, then the District, at the request of TPH, shall exercise reasonable efforts to issue a promissory note or other privately placed debt instrument to TPH for the Certified District Eligible Costs which have not been previously reimbursed with the Proceeds.

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

Debt Authorization

Pursuant to their Service Plan, the Districts shall not: (a) issue any Debt; (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds; (c) impose and collect any Fees used for the purpose of repayment of Debt; or (d) levy any Special Assessments until the Town approves an Approved Development Plan. An Approved Development Plan is defined as a development plan, subdivision development agreement, final plat, or other land use application process established by the Town for the Project as approved in its final form by the Town pursuant to the Town Code, that identifies, among other things, the Public Improvements necessary for facilitating development of property within the District Boundaries.

The Service Plan sets the maximum debt mill levy at fifty mills, subject to adjustment until the amount of aggregate debt of a District imposing the maximum debt mill levy combined with the debt of any District pledging its maximum mill levy to the same debt service obligations is equal to or less than 50% of the Districts' assessed valuation. At that time, the mill levy may be imposed at such a rate as is necessary to pay the Debt service on such Debt, without limitation of rate increase; provided, however, that after any conversion to an unlimited mill levy, the Districts shall not issue additional Debt that would cause the aggregate Debt to exceed 50% of the Districts' then-assessed value.

On May 2, 2023, a majority of the qualified electors of the District authorized the issuance of indebtedness at an interest rate not to exceed 18% per annum. As of December 31, 2024, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

<u>Purpose</u>	<u>Total Authorized</u>
Water and water system	\$ 71,000,000
Sanitation and storm sewer systems	71,000,000
Streets	71,000,000
Transportation	71,000,000
Safety protection	71,000,000
Fire protection	71,000,000
Security services	71,000,000
TV relay	71,000,000
Park and recreation	71,000,000
Oil and gas incremental directional drilling	71,000,000
Mosquito control	71,000,000
Operations and maintenance	71,000,000
Refunding	781,000,000
Private contract debt	71,000,000
Intergovernmental agreements	71,000,000
Total	<u>\$ 1,775,000,000</u>

The Intergovernmental Agreement (Not) restricts the Districts from providing any television relay and translation facilities other than for the installation of conduit as part of a street construction project, any mosquito control facilities and services; and any solid waste disposal, collection and transportation facilities unless provided for in a separate agreement with the Town.

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

Note 5 – Line Extension Participation and Reimbursement

In November 2023 the District and St. Vrain Sanitation District (SVSD)(collectively, the Parties) entered into that certain Line Extension Participation and Reimbursement Agreement, recorded with the Weld County Clerk and Recorder at Reception No. 4931143 (the Reimbursement Agreement), for the purpose of establishing terms and conditions of the District's participation in the costs and expense of line extensions from the SVSD infrastructure system. The term of the agreement is 15 years. SVSD will accomplish the design, construction, and provision of easements for an approximate 6,650 feet of line extension. The District agreed to fund the entire costs and expenses incurred by SVSD in the design construction, cost of easement acquisition and all other costs associated with the construction of the line extension. Additionally, the District will reimburse SVSD for its development, engineering, staff, and administration time, excluding SVSD's legal and other non-staff consultant's fees that may be incurred and directly attributed to this Line Extension in the amount of 1 % of the total estimated construction cost.

In connection with the Reimbursement Agreement, the District agreed to remit to SVSD the sum of \$360,813, representing the estimated Design and Easement Acquisition Deposit; which amount includes estimated costs of engineering design, easement acquisition, ditch crossing permitting, environmental surveys, route analysis, utility locates, the 1 % District Fee and a 15% contingency.

The Parties agreed that a Line Extension Fee for the line extension shall be \$527 per single family equivalency (SFE). This fee increases \$25 on January 1, 2025 (and every other year thereafter) for all connections to the line extension. For all SFE's issued by SVSD that connect to the line extension, SVSD will collect the Line Extension Fee in addition to its regular fees and charges, including any other surcharges or additional Line Extension Fees. SVSD agreed to remit to the District, on or before January 1 of each calendar year, the District's share of the reimbursement fees collected in an amount not to exceed 100% of the applicable fees collected during the prior calendar year.

In October 2024 the Parties executed that certain First Amendment to the Line Extension Participation and Reimbursement Agreement, recorded with the Weld County Clerk and Recorder at Reception No. 4989458 (the "Amendment"). The Amendment grants the District limited authorization to complete the installation of sanitary sewer lines from Weld County Road 26 to Denmore Phase 1 within the Town of Firestone. In connection with the Amendment, the District provided SVSD \$2,413,270 during 2024 for services to be provided by SVSD in completing the extension.

Note 6 – Intergovernmental Agreement

Denmore Metropolitan District Nos. 1-5 (collectively, the Districts) and the Town of Firestone (the Town) entered into an Intergovernmental Agreement in 2023. The Intergovernmental Agreement provides for the Districts to dedicate to the Town or other appropriate jurisdiction public improvements and regional improvements. The Intergovernmental Agreement further requires the Districts to impose the Town O&M Mill Levy with the initial imposition of a debt service mill levy. Revenues generated by the Town O&M Mill Levy are required to be remitted to the Town on an annual basis.

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

Note 7 – Net Position

The District reports net position consisting of two components – restricted and unrestricted.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. At December 31, 2024 the District had restricted net position as follows:

	Governmental Activities
Capital projects	<u>\$ 594</u>

The District has unrestricted deficit net position of (\$ 2,806,537) as of December 31, 2024. This deficit amount is a result of the District being responsible for repayments of developer advances utilized for public improvement reimbursements provided to other governmental entities.

Note 8 – Related Parties

Members of the Board of Directors are owners of or otherwise associated with the Developer and related companies and may have conflicts of interest with respect to certain transactions which come before the Board.

Note 9 – Economic Dependency

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

Note 10 – 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 May 2, 2023, a majority of the District’s electors authorized the District to increase taxes \$10,000,000 annually to pay the District’s administration, covenant enforcement, design review, operations, maintenance and other similar expenses, without limitation on the mill levy rate imposed, and in amounts sufficient to produce the annual increase or a lesser amount as may be necessary. The proceeds of such taxes and investment income thereon may be collected and spent by the District as a voter-approved revenue change without regard to spending, revenue-raising, or the limitations contained in TABOR or

DENMORE METROPOLITAN DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2024

Section 29-1-301, C.R.S. Additionally, the electors also authorized the District to collect, retain and spend any revenue from fees of up to \$10,000,000 annually without regard to any limitations imposed by TABOR.

On May 2, 2023, a majority of the District's electors authorized the District to increase taxes \$10,000,000 annually to pay for capital costs of public improvements, without limitation on the mill levy rate imposed, and in amounts sufficient to produce the annual increase or a lesser amount as may be necessary. The proceeds of such taxes and investment income thereon may be collected and spent by the District as a voter-approved revenue change without regard to spending, revenue-raising, or the limitations contained in TABOR or Section 29-1-301, C.R.S. Additionally, the electors also authorized the District to collect, retain and spend any revenue from fees of up to \$10,000,000 annually for the purpose of paying the costs of any public improvements, facilities, systems, programs or projects without regard to any limitations imposed by TABOR.

On May 2, 2023, a majority of the District's electors authorized the District to increase taxes \$10,000,000 annually to pay for pursuant to one or more intergovernmental agreements or other contracts, regional improvement obligated pursuant to the District's service plan, and agreement or other contracts with private parties. The proceeds of such taxes and investment income thereon may be collected and spent by the District as a voter-approved revenue change without regard to spending, revenue-raising, or the limitations contained in TABOR or Section 29-1-301, C.R.S.

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 interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

DENMORE METROPOLITAN DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND**

For the Year Ended December 31, 2024

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Investment income	\$ -	\$ 466	\$ 466
Total revenues	<u>-</u>	<u>466</u>	<u>466</u>
Expenditures			
General government			
Reimbursement to St. Vrain Sanitation District	4,368,072	2,413,270	1,954,802
Contingency	1,000,000	-	1,000,000
Total expenditures	<u>5,368,072</u>	<u>2,413,270</u>	<u>2,954,802</u>
Excess of revenue over (under) expenditures	(5,368,072)	(2,412,804)	2,955,268
Other financing sources (uses)			
Developer advance	5,368,072	2,413,320	(2,954,752)
Total other financing sources (uses)	<u>5,368,072</u>	<u>2,413,320</u>	<u>(2,954,752)</u>
Net change in fund balances	<u>-</u>	<u>516</u>	<u>516</u>
Fund balances - beginning	<u>55</u>	<u>78</u>	<u>23</u>
Fund balances - ending	<u>\$ 55</u>	<u>\$ 594</u>	<u>\$ 539</u>