

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	20



Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Denargo Market Metropolitan District No. 1
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 Denargo Market Metropolitan District No. 1 (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 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, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

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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.

Dyess & Associates, P.C.

June 26, 2023

BASIC FINANCIAL STATEMENTS

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Investments	\$ 231,884
Cash and Investments - Restricted	10,800
Due from District No. 2	4,046
Prepaid Insurance	14,577
Capital Assets, Net of Accumulated Depreciation	3,640,343
Total Assets	3,901,650
 LIABILITIES	
Accounts Payable	52,092
Payroll Taxes Payable	398
Total Liabilities	52,490
 NET POSITION	
Investment in Capital Assets	3,640,343
Restricted for:	
Emergency Reserves	10,800
Unrestricted	198,017
Total Net Position	\$ 3,849,160

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General Government	\$ 586,780	\$ -	\$ 356,162	\$ 134,400	\$ (96,218)
Total Governmental Activities	<u>\$ 586,780</u>	<u>\$ -</u>	<u>\$ 356,162</u>	<u>\$ 134,400</u>	(96,218)
 GENERAL REVENUES					
Interest Income					3,272
Other Revenue					<u>462</u>
Total General Revenues					<u>3,734</u>
 CHANGE IN NET POSITION					
Net Position - Beginning of Year					<u>3,941,644</u>
 NET POSITION - END OF YEAR					
					<u>\$ 3,849,160</u>

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 127,756	\$ 104,128	\$ 231,884
Cash and Investments - Restricted	10,800	-	10,800
Due from District No. 2	4,046	-	4,046
Prepaid Expense	14,577	-	14,577
Total Assets	<u>\$ 157,179</u>	<u>\$ 104,128</u>	<u>\$ 261,307</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 49,617	\$ 2,475	\$ 52,092
Payroll Taxes Payable	398	-	398
Total Liabilities	<u>50,015</u>	<u>2,475</u>	<u>52,490</u>
FUND BALANCES			
Nonspendable for:			
Prepaid Expenses	14,577	-	14,577
Restricted for:			
Emergency Reserves	10,800	-	10,800
Assigned to:			
Capital Projects	-	101,653	101,653
Unassigned	81,787	-	81,787
Total Fund Balances	<u>107,164</u>	<u>101,653</u>	<u>208,817</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 157,179</u>	<u>\$ 104,128</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.

3,640,343

Net Position of Governmental Activities

\$ 3,849,160

Amounts reported for governmental activities in the statement of net position are the same as above.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General	Capital Projects	Total Governmental Funds
REVENUES			
Interest Income	\$ 3,272	\$ -	\$ 3,272
Other Revenue	462	-	462
Permit Fees	24,839	-	24,839
Transfer from District No. 2	331,323	-	331,323
Impact Fees	-	134,400	134,400
Total Revenues	<u>359,896</u>	<u>134,400</u>	<u>494,296</u>
EXPENDITURES			
Current:			
Accounting	35,038	-	35,038
Auditing	8,500	-	8,500
City of Denver Annual Fee	6,000	-	6,000
Director's Fees	2,600	-	2,600
District Management	51,894	-	51,894
Dues and Licenses	1,297	-	1,297
Election Expense	2,348	-	2,348
Insurance and Bonds	12,890	-	12,890
Landscape and Irrigation Repairs	2,965	-	2,965
Landscape and Options	19,580	-	19,580
Legal Services	45,072	-	45,072
Locates	9,950	-	9,950
Miscellaneous	37,007	-	37,007
Payroll Taxes	199	-	199
Repairs and Maintenance	2,295	-	2,295
Security	2,680	-	2,680
Site Lighting	1,192	-	1,192
Site Inspection	59,472	-	59,472
Snow Removal	76,107	-	76,107
Utilities	4,260	-	4,260
Capital Projects:			
Engineering	-	674	674
Legal Services	-	17,073	17,073
Miscellaneous	-	15,000	15,000
Total Expenditures	<u>381,346</u>	<u>32,747</u>	<u>414,093</u>
NET CHANGE IN FUND BALANCES	(21,450)	101,653	80,203
Fund Balances - Beginning of Year	<u>128,614</u>	<u>-</u>	<u>128,614</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 107,164</u></u>	<u><u>\$ 101,653</u></u>	<u><u>\$ 208,817</u></u>

See accompanying Notes to Basic Financial Statements.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds	\$	80,203
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Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation Expense		<u>(172,687)</u>
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Changes in Net Position of Governmental Activities	\$	<u><u>(92,484)</u></u>
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**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 1,000	\$ 3,272	\$ 2,272
Other Revenue	-	462	462
Permit Fees	5,000	24,839	19,839
Transfer from District No. 2	328,738	331,323	2,585
Total Revenues	<u>334,738</u>	<u>359,896</u>	<u>25,158</u>
EXPENDITURES			
Current:			
Accounting	35,000	35,038	(38)
Auditing	9,000	8,500	500
City of Denver Annual Fee	6,000	6,000	-
Contingency	12,400	-	12,400
Detention Pond Cleanup	10,000	-	10,000
Director's Fees	2,500	2,600	(100)
District Management	57,000	51,894	5,106
Dues and Licenses	1,300	1,297	3
Election Expense	2,300	2,348	(48)
Insurance and Bonds	11,800	12,890	(1,090)
Landscape and Irrigation Repairs	35,000	2,965	32,035
Landscape and Options	55,000	19,580	35,420
Legal Services	35,000	45,072	(10,072)
Locates	3,500	9,950	(6,450)
Miscellaneous	2,500	37,007	(34,507)
Payroll Taxes	200	199	1
Repairs and Maintenance	25,000	2,295	22,705
Security	7,500	2,680	4,820
Site Lighting	5,000	1,192	3,808
Site Inspection	24,000	59,472	(35,472)
Snow Removal	25,000	76,107	(51,107)
Street Sweeping	1,000	-	1,000
Streets and Sidewalk	27,000	-	27,000
Utilities	15,000	4,260	10,740
Total Expenditures	<u>408,000</u>	<u>381,346</u>	<u>26,654</u>
NET CHANGES IN FUND BALANCES	(73,262)	(21,450)	51,812
Fund Balance - Beginning of Year	<u>88,195</u>	<u>128,614</u>	<u>40,419</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,933</u>	<u>\$ 107,164</u>	<u>\$ 92,231</u>

See accompanying Notes to Basic Financial Statements.

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Organization

Denargo Market Metropolitan District No. 1 (the District, District No. 1, or Management District), a quasi-municipal corporation and political subdivision of the state of Colorado was organized by recorded order and decree of the District Court for the City and County of Denver (the City) on June 30, 2010, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City on March 8, 2010 and Amended on March 30, 2023. The District's service boundaries are located entirely within the City. The District is one of three related districts: Denargo Market Metropolitan Districts Nos. 1, 2, and 3 (the Districts). As of December 31, 2022, the Districts have the same membership of their respective Boards of Directors. Pursuant to the Service Plan, Districts Nos. 2 and 3 are referred to as the Financing Districts or Taxing Districts and District No. 1 is the Management District.

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

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

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

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

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

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization (Continued)

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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, except those required to be accounted for in another fund.

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

Budgets

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

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

Pooled Cash and Investments

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

Capital Assets

Capital assets, which include property and equipment, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Streets	30 Years
Sidewalks	30 Years
Street Lights	30 Years
Parks	30 Years

Equity

Net Position

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

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.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 231,884
Cash and Investments - Restricted	10,800
Total Cash and Investments	\$ 242,684

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 17,469
Investments	225,215
Total Cash and Investments	\$ 242,684

Deposits with Financial Institutions

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

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

At December 31, 2022, the District had a bank balance of \$17,746 and a carrying balance of \$17,469.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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, 2022, 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	\$ 225,215

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.

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investing 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.

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. COLOTRUST EDGE is rated AA Af/S1 by FitchRatings. 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.

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

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022, follows:

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
Capital Assets, Being Depreciated				
Streets	\$ 2,542,371	-	-	\$ 2,542,371
Parks	2,638,235	-	-	2,638,235
Total Capital Assets, Being Depreciated	5,180,606	-	-	5,180,606
Less: Accumulated Depreciation For:				
Streets	(677,968)	(84,746)	-	(762,714)
Parks	(689,608)	(87,941)	-	(777,549)
Total Accumulated Depreciation	(1,367,576)	(172,687)	-	(1,540,263)
Total Capital Assets, Being Depreciated, Net	3,813,030	(172,687)	-	3,640,343
Capital Assets, Net	\$ 3,813,030	\$ (172,687)	\$ -	\$ 3,640,343

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	<u>\$ 172,687</u>
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NOTE 5 AUTHORIZED DEBT

On May 4, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$256,155,000 at an interest rate not to exceed 18% per annum. On May 6, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$307,386,000 at an interest rate not to exceed 18% per annum. On May 2, 2023, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,136,000,000 at an interest rate not to exceed 18%. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 4, 2010	Amount Authorized on May 6, 2014	Series 2010 Subordinate Note	Amount Authorized on May 2, 2023	Authorized But Unissued
Streets	\$ 25,615,500	\$ 25,615,500	\$ -	\$ 142,000,000	\$ 193,231,000
Parks and Recreation	25,615,500	25,615,500	-	142,000,000	193,231,000
Water	25,615,500	25,615,500	-	142,000,000	193,231,000
Sanitation	25,615,500	25,615,500	-	142,000,000	193,231,000
Transportation	25,615,500	25,615,500	-	142,000,000	193,231,000
Mosquito Control	25,615,500	25,615,500	-	142,000,000	193,231,000
Traffic and Safety Controls	25,615,500	25,615,500	-	142,000,000	193,231,000
Operations and Maintenance	25,615,500	25,615,500	-	142,000,000	193,231,000
Refundings	25,615,500	25,615,500	-	142,000,000	193,231,000
Intergovernmental Agreements	25,615,500	25,615,500	-	142,000,000	193,231,000
Television Relay and Translation	-	25,615,500	-	-	25,615,500
Security Services and Improvements	-	25,615,500	-	142,000,000	167,615,500
Debt Issuances	-	-	(7,191,918)	-	(7,191,918)
Total	<u>\$ 256,155,000</u>	<u>\$ 307,386,000</u>	<u>\$ (7,191,918)</u>	<u>\$1,562,000,000</u>	<u>\$2,118,349,082</u>

Pursuant to the Amended Service Plan, the District is permitted to issue bonded indebtedness of up to \$142,000,000; provided however, that the total debt authorization of \$142,000,000 may increase by an additional \$5,000,000 with the prior written approval of the Manager of Finance of the City and County of Denver.

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

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 DISTRICT AGREEMENTS

Memorandum of Understanding

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

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

During the year ending December 31, 2022, District No. 2 transferred a total of \$331,323 representing property and specific ownership taxes collected by District No. 2.

2022-2025 Operation Funding Agreement

On October 11, 2022, the District and Developer entered into the 2022-2025 Operation Funding Agreement (OFA). Pursuant to the OFA, Developer agreed to advance funds (Developer Advance) up to \$100,000 towards the District's operations, maintenance and administrative expenses incurred for fiscal years 2022 through 2025. 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 in full, at the rate of 8% per annum. Developer's obligation to make any Developer Advances expires on December 31, 2025. Any Developer Advance not reimbursed by the District to Developer by December 31, 2062 shall be deemed to be forever discharged and satisfied in full.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 DISTRICT AGREEMENTS (CONTINUED)

2022-2025 Facilities Funding and Acquisition Agreement

On October 11, 2022, the District and Developer entered into the 2022-2025 Facilities Funding and Acquisition Agreement (FFAA). Pursuant to the FFAA, Developer agreed to fund up to \$25,000,000 towards Construction Related Expenses, including Improvements (both as defined in the FFAA). The Developer shall provide certain documents and materials to the District as set forth in the FFAA before requesting that any Improvements be acquired by the District. Simple interest shall accrue on Construction Related Expenses at the rate of 8% per annum from the date of deposit into the District’s account until paid in full. Payments by the District to Developer shall credit first against accrued and unpaid interest and then to the principal amount due. Developer’s obligation to pay any Construction Related Expenses expires on December 31, 2025. Any Construction Related Expenses not reimbursed by the District to Developer by December 31, 2062 shall be deemed to be forever discharged and satisfied in full.

NOTE 7 NET POSITION

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

Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. As of December 31, 2022, the District had investment in capital assets calculated as follows:

	Governmental Activities
Investment in Capital Assets:	
Capital Assets, Net	\$ 3,640,343
Investment in Capital Assets	\$ 3,640,343

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulation of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022 as follows:

Restricted Net Position:	
Emergency Reserves	\$ 10,800
Total Restricted Net Position	\$ 10,800

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 RELATED PARTY

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

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 natural disasters.

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 general and automobile liability, public officials, auto physical damage and worker's compensation coverage. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

DENARGO MARKET METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

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

On May 4, 2010 and May 6, 2014, the voters approved the District to increase property taxes \$3,000,000 annually for the purpose of paying the District's operations and maintenance expenses and \$6,000,000 (up to 10 mills) for paying the costs associated with regional improvements as required by the City, without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

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

On May 2, 2023, the voters approved the District to increase property taxes \$5,000,000 annually for the purpose of paying the District's operations and maintenance expenses up and \$6,000,000 (up to 10 mills) for paying the costs associated with regional improvements as required by the City, without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

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

SUPPLEMENTARY INFORMATION

**DENARGO MARKET METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Impact Fees	\$ -	\$ 134,400	\$ 134,400	\$ -
Total Revenues	-	134,400	134,400	-
EXPENDITURES				
Contingency	-	38,500	-	38,500
Engineering	-	1,500	674	826
Legal	-	20,000	17,073	2,927
Miscellaneous	-	15,000	15,000	-
Total Expenditures	-	75,000	32,747	42,253
NET CHANGES IN FUND BALANCES	-	59,400	101,653	(42,253)
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 59,400	\$ 101,653	\$ -