

DENARGO MARKET METROPOLITAN DISTRICT NO. 2

141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1898
Tel: 303-987-0835 • 800-741-3254
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NOTICE OF A REGULAR MEETING AND AGENDA

<u>Board of Directors:</u>	<u>Office:</u>	<u>Term/Expires:</u>
Laura H. Newman	President	2020/May 2020
Donald D. Cabrera	Treasurer	2020/May 2020
Todd T. Wenskoski	Asst. Secretary	2022/May 2022
Jeffrey D. Jones	Asst. Secretary	2022/May 2022
David H. Smith	Asst. Secretary	2022/May 2022
Ann E. Finn	Secretary	

DATE: November 19, 2019
TIME: 4:30 p.m.
PLACE: Waterford RiNo
(Conference Room)
2797 Wewatta Way
Denver, Colorado 80216

I. ADMINISTRATIVE MATTERS

- A. Present Disclosures of Potential Conflicts of Interest.

- B. Approve Agenda; confirm location of the meeting and posting of meeting notices.

- C. Review and approve the Minutes of the July 22, 2019 special meeting (enclosure).

- D. Consider Regular Meeting dates for 2020. Review and consider approval of Resolution No. 2019-11-01; Resolution Establishing Regular Meeting Dates, Time and Location, Establishing a District Website, and Designating Location for Posting of 24-Hour Notices (enclosure).

II. **CONSENT AGENDA** – These items are considered to be routine and will be approved and/or ratified by one motion. There will be no separate discussion of these items unless a Board member so requests; in which event, the item will be removed from the Consent Agenda and considered in the Regular Agenda.

- Discuss §32-1-809, C.R.S. reporting requirements and mode of eligible elector notification (Transparency Notice was posted on the SDA's website in 2019).
 - Ratify appointment of District Accountant to prepare the 2020 Budget.
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III. PUBLIC COMMENT

- A. Members of the public may express their views to the Board on matters that affect the District. Comments will be limited to three (3) minutes per person.
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IV. FINANCIAL MATTERS

- A. Review and accept the unaudited financial statements through the period ending September 30, 2019 and schedule of cash position as of October 23, 2019 (enclosure).
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- B. Consider engagement of Dazzio & Associates, LLC to perform the 2019 Audit for an amount not to exceed \$4,500 (enclosure).
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- C. Review and consider adoption of a Resolution Authorizing Adjustment of the District Mill Levy in Accordance with the Colorado Constitution, Article X, Section 3 (to be distributed).
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- D. Conduct Public Hearing to consider Amendment to 2019 Budget and adopt Resolution to Amend the 2019 Budget and Appropriate Expenditures (enclosure).
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- E. Conduct Public Hearing on the proposed 2020 Budget and consider adoption of Resolutions No. 2019-11-__ to Adopt the 2020 Budget and Appropriate Sums of Money and Resolution No. 2019-11-__ to Set Mill Levies (for General Fund ____, Debt Service Fund ____ and Other Fund(s) ____ for a total mill levy of ____) (enclosures – preliminary assessed valuation, 2020 draft budget and resolution).
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- F. Consider authorizing the District Accountant to prepare and sign the DLG-70 Mill Levy Certification form for certification to the Board of County Commissioners and other interested parties.
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- G. Consider appointment of District Accountant to prepare the 2021 budget, and direct that the form of the 2021 budget be the same as the 2020 budget.
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V. LEGAL MATTERS

- A. Consider adoption of Resolution No. 2019-11-__; Resolution Calling a Regular Election for Directors on May 5, 2020, appointing the Designated Election Official (“DEO”) and authorizing the DEO to perform all tasks required for the conduct of a mail ballot election (enclosure - Election Resolution). Self-Nomination forms are due by February 28, 2020. Discuss the need for ballot issues and/or questions.
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- B. Discuss update on McGeady Becher P.C. District Records Retention Policy.
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VI. OTHER MATTERS

- A. Confirm annual meeting for property owners and overlapping entities (enclosure-notice of meeting that was published on October 10, 2019).
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VII. ADJOURNMENT **THERE ARE NO MORE REGULAR MEETINGS SCHEDULED FOR 2019.**

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE DENARGO MARKET METROPOLITAN DISTRICT NO. 2 HELD JULY 22, 2019

A Special Meeting of the Board of Directors (referred to hereafter as the "Board") of the Denargo Market Metropolitan District No. 2 (referred to hereafter as the "District") was held on Monday, the 22nd day of July, 2019, at 4:30 p.m., at The Waterford at RiNo, 2797 Wewatta Way, Denver, Colorado 80216. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Donald D. Cabrera

Todd T. Wenskoski

Also In Attendance Were:

Ann E. Finn; Special District Management Services, Inc.

Paula Williams, Esq.; McGeady Becher P.C.

Jason Carroll; CliftonLarsonAllen LLP

Jeffrey Jones; FORMATIV

Laura Newman and David Smith; Golub & Company LLC

Grant Tullen; Golub Intern

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board and to the Secretary of State. Attorney Williams noted that disclosures of potential conflicts of interest statements for each of the Directors had been filed with the Secretary of State seventy-two hours in advance of the meeting. Ms. Finn requested that the Directors consider whether they had any additional conflicts of interest to disclose. It was noted for the record that there were no additional disclosures made by the Directors present at the meeting and incorporated for the record those applicable disclosures made by the Board members prior to this meeting in accordance with the statutes.

RECORD OF PROCEEDINGS

ADMINISTRATIVE MATTERS

Agenda: Ms. Finn reviewed with the Board a proposed Agenda for the District's Special Meeting.

Following discussion, upon motion duly made by Director Cabrera, seconded by Director Wenskoski and, upon vote, unanimously carried, the Agenda was approved, as presented.

Approval of Meeting Location: The Board entered into a discussion regarding the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District's Board meeting.

Following discussion, the Board noted that the meeting location is within the boundaries of the District.

Minutes: The Board reviewed the Minutes of the June 26, 2019 Special Meeting.

Following discussion, upon motion duly made by Director Wenskoski, seconded by Director Cabrera and, upon vote, unanimously carried, the Board approved the Minutes of the June 26, 2019 Special Meeting.

Resignation of Directors: The resignations of Directors Abrams, Mitchell, and Metzger, effective June 26, 2019, were acknowledged.

Appointment of Directors: Ms. Finn confirmed that a Notice of Vacancies had been published in The Daily Journal on June 27, 2019 and the Board considered the appointment of Jeffrey D. Jones, Laura H. Newman, and David H. Smith to fill the vacancies created by the resignation of Directors Abrams, Mitchell, and Metzger.

Following discussion, upon motion duly made by Director Cabrera, seconded by Director Wenskoski and, upon vote, unanimously carried, Jeffrey D. Jones, Laura H. Newman, and David H. Smith were appointed to fill the vacancies created by the resignation of Directors Abrams, Mitchell, and Metzger. The Oaths of Office were administered.

Appointment of Officers: The Board entered into discussion regarding the appointment of officers.

RECORD OF PROCEEDINGS

Following discussion, upon motion duly made by Director Cabrera, seconded by Director Wenskoski and, upon vote, unanimously carried, the following slate of officers was appointed:

President	Laura H. Newman
Treasurer	Donald D. Cabrera
Assistant Secretary	Jeffrey D. Jones
Assistant Secretary	David H. Smith
Assistant Secretary	Todd T. Wenskoski
Secretary	Ann E. Finn

PUBLIC COMMENT

There were no public comments.

FINANCIAL MATTERS

2018 and 2019 Budget Amendment Hearings: The President opened the public hearings to consider the Resolutions to Amend the 2018 and 2019 Budgets and discuss related issues.

It was noted that publication of Notice stating that the Board would consider adoption of a Resolutions to Amend the 2018 and 2019 Budget and the date, time and place of the public hearing was made in a newspaper having general circulation within the District. No written objections were received prior to this public hearing.

No public comments were received and the public hearing was closed.

Following review and discussion, upon motion duly made by Director Cabrera, seconded by Director Wenskoski and, upon vote, unanimously carried, the Board adopted Resolution No. 2018-07-01 to Amend the 2018 Budget. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

It was noted there was no Amendment to the 2019 Budget at this time.

2018 Audit: Mr. Carroll reviewed the 2018 draft Audited Financial Statements with the Board.

Following review and discussion, upon motion duly made by Director Cabrera, seconded by Director Wenskoski and, upon vote, unanimously carried, the Board approved the 2018 Audited Financial Statements and authorized execution of the Representations Letter, subject to general counsel review and receipt of an unmodified opinion letter from the auditor.

RECORD OF PROCEEDINGS

The Board authorized the Accountant to file a request with the State Auditor for an extension of time to file the 2018 Audit.

LEGAL MATTERS

Eligible Governmental Entity Agreement between the District, Denargo Market Metropolitan District No. 2, Denargo Market Metropolitan District No. 3 and the Statewide Internet Portal Authority of Colorado ("SIPA"): The Board reviewed the Eligible Governmental Entity Agreement between the District, Denargo Market Metropolitan District No. 2, Denargo Market Metropolitan District No. 3 and SIPA.

Following review and discussion, upon motion duly made by Director Newman, seconded by Director Jones and, upon vote, unanimously carried, the Board ratified approval of the Eligible Governmental Entity Agreement between the District, Denargo Market Metropolitan District No. 2, Denargo Market Metropolitan District No. 3 and SIPA.

Installation of Cell Site in the Denargo Market Park: Ms. Finn presented to the Board a request from AT&T for installation of a Cell Site in the Denargo Market Park.

Small Cell Lease Agreement: The Board entered into discussion regarding the Small Cell Lease Agreement by and between the District and New Cingular Wireless PCS, LLC ("Lease Agreement").

Attorney Williams reviewed the Lease Agreement with the Board and suggested changes.

Following review and discussion, upon motion duly made by Director Jones, seconded by Director Wenskoski and, upon vote, unanimously carried, the Board determined to appoint a committee to work on recommendations for the Board on the proposed Lease Agreement.

OPERATIONS MATTERS

Site Visit and Ongoing Operations of the District: The Board entered into discussion regarding the site visit and ongoing operations of the District.

Following discussion, the Board authorized staff to obtain quotes and a priority list for various maintenance/capital projects and costs associated therewith for budgeting purposes.

Director Cabrera advised the Board that Cypress is creating traffic control/safety issues. The Board directed Director Cabrera to notify the District

RECORD OF PROCEEDINGS

Manager of the violations and for the District Manager to put Cypress on notice.

OTHER MATTERS

There were no other matters to discuss.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made, seconded and upon vote, unanimously carried the meeting was adjourned.

Respectfully submitted,

By: _____
Secretary for the Meeting

RESOLUTION FOR SECOND AMENDMENT TO 2018 BUDGET
DENARGO MARKET METROPOLITAN DISTRICT NO. 2

WHEREAS, the Board of Directors of the Denargo Market Metropolitan District No. 2 adopted a budget and appropriated funds for the fiscal year 2018 as follows:

Debt Service Fund	\$ 497,933.00
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WHEREAS, the necessity has arisen for additional expenditures in the Debt Service Fund requiring the unanticipated expenditure of funds in excess of those appropriated for the fiscal year 2018; and

WHEREAS, the expenditure of such funds is a contingency which could not have been reasonably foreseen at the time of adoption of the budget; and

WHEREAS, funds are available for such expenditures in the Debt Service Fund from bond proceeds; and

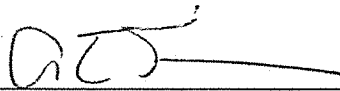
NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Denargo Market Metropolitan District No. 2 shall and hereby does amend the adopted Budget for the fiscal year 2018 and adopts a supplemental budget and appropriation for the Debt Service Fund, for the fiscal year 2018, as follows:

Debt Service Fund	\$ 503,000.00
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BE IT FURTHER RESOLVED, that such sums are hereby appropriated from the revenues of the District to the proper funds for the purposes stated.

DATED this 22nd day of July, 2019.

DENARGO MARKET METROPOLITAN
DISTRICT NO. 2

By: 
Secretary

RESOLUTION NO. 2019 - 11 - ____

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE DENARGO MARKET METROPOLITAN DISTRICT NO. 2
ESTABLISHING REGULAR MEETING DATES, TIME, AND LOCATION,
[ESTABLISHING DISTRICT WEBSITE] AND
DESIGNATING LOCATION FOR POSTING OF 24-HOUR NOTICES

A. Pursuant to Section 32-1-903, C.R.S., special districts are required to designate a schedule for regular meetings, indicating the dates, time and location of said meetings.

B. Pursuant to Section 24-6-402(2)(c)(I), C.R.S., special districts are required to designate annually at the board of directors of the district's first regular meeting of each calendar year, the public place at which notice of the date, time and location of regular and special meetings ("**Notice of Meeting**") will be physically posted at least 24 hours prior to each meeting ("**Designated Public Place**"). A special district is deemed to have given full and timely notice of a regular or special meeting if it posts its Notice of Meeting at the Designated Public Place at least 24 hours prior to the meeting.

C. Pursuant to Section 24-6-402(2)(c)(III), C.R.S., special districts are relieved of the requirement to post the Notice of Meeting at the Designated Public Place, and are deemed to have given full and timely notice of a public meeting, if a special district posts the Notice of Meeting online at a public website of the special district ("**District Website**") at least 24 hours prior to each regular and special meeting

D. Pursuant to Section 24-6-402(2)(c)(III), C.R.S., if a special district is unable to post a Notice of Meeting on the District Website at least 24 hours prior to the meeting due to exigent or emergency circumstances, then it must physically post the Notice of Meeting at the Designated Public Place at least 24 hours prior to the meeting.

E. Pursuant to Section 32-1-903, C.R.S., all special and regular meetings of the board shall be held at locations which are within the boundaries of the district or which are within the boundaries of any county in which the district is located, in whole or in part, or in any county so long as the meeting location does not exceed twenty (20) miles from the district boundaries unless such provision is waived.

F. The provisions of Section 32-1-903, C.R.S., may be waived if: (1) the proposed change of location of a meeting of the board appears on the agenda of a regular or special meeting; and (2) a resolution is adopted by the board stating the reason for which a meeting is to be held in a location other than under Section 32-1-903(1), C.R.S., and further stating the date, time and place of such meeting.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denargo Market Metropolitan District No. 2 (the "**District**"), Denver County, Colorado:

1. That the provisions of Section 32-1-903(1), C.R.S., be waived pursuant to the adoption of this Resolution.

2. That the Board of Directors (the “**District Board**”) has determined that conducting regular and special meetings pursuant to Section 32-1-903(1), C.R.S., would be inconvenient and costly for the directors and consultants of the District in that they live and/or work outside of the twenty (20) mile radius requirement.

3. That regular meetings of the District Board for the year 2020 shall be held on _____ at _____, at the The Waterford RiNo (Conference Room), 2792 Wewatta Way, Denver, Colorado 80216.

4. That special meetings of the District Board shall be held as often as the needs of the District require, upon notice to each director.

5. That, until circumstances change, and a future resolution of the District Board so designates, the location of all special and regular meetings of the District Board shall appear on the agenda(s) of said special and regular meetings.

6. That the residents and taxpaying electors of the District shall be given an opportunity to object to the meeting(s) location(s), and any such objections shall be considered by the District Board in setting future meetings.

7. That the District Board authorizes establishment of a District Website, if such District Website does not already exist, in order to provide full and timely notice of regular and special meetings of the District Board online pursuant to the provisions of Section 24-6-402(2)(c)(III), C.R.S.

8. That, if the District has established a District Website, the Notice of Meeting of the District Board shall be posted on the District Website at least 24 hours prior to each regular and special meeting pursuant to Section 24-6-402(2)(c)(III), C.R.S. and Section 32-1-903(2), C.R.S.

9. That, if the District has not yet established a District Website or is unable to post the Notice of Meeting on the District Website at least 24 hours prior to each meeting due to exigent or emergency circumstances, the Notice of Meeting shall be posted within the boundaries of the District at least 24 hours prior to each meeting, pursuant to Section 24-6-402(2)(c)(I) and (III), C.R.S., at the following Designated Public Place:

(a) At the park located at 28th Street and Delgany

10. Ann E. Finn, or her designee, is hereby appointed to post the above-referenced notices.

[SIGNATURE PAGE FOLLOWS]

**[SIGNATURE PAGE TO RESOLUTION ESTABLISHING REGULAR MEETING
DATES, TIME, AND LOCATION, [ESTABLISHING DISTRICT WEBSITE] AND
DESIGNATING LOCATION FOR 24-HOUR NOTICES]**

RESOLUTION APPROVED AND ADOPTED on _____, 20____.

**DENARGO MARKET METROPOLITAN
DISTRICT NO. 2**

By: _____
President

Attest:

Secretary

DENARGO MARKET METROPOLITAN DISTRICT NO. 2

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



CliftonLarsonAllen LLP
CLAAconnect.com

Accountant's Compilation Report

Board of Directors
Denargo Market Metropolitan District No. 2
Denver, Colorado

Management is responsible for the accompanying financial statements of Denargo Market Metropolitan District No. 2, which comprise the balance sheet - governmental funds as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balance - actual, for the period from January 01, 2019 through September 30, 2019, for the General Fund, in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the accompanying financial forecasted budget, which comprises the statement of revenues, expenditures, and changes in fund balance - budget, for the year then ending, for the General Fund, and the related summary of significant assumptions in accordance with guidelines for the presentation of financial forecast established by the American Institute of Certified Public Accountants. We have performed compilation engagements in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit, examine, or review the historical financial statements or the financial forecasted budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these historical financial statements and this financial forecasted budget.

The forecasted budget results may not be achieved as there will usually be differences between the forecasted budget and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit the management's discussion and analysis, the government-wide financial statements, the statement of revenues, expenditures and changes in fund balance - governmental funds, and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the historical financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the historical financial statements are not designed for those who are not informed about such matters.

The supplementary information and the supplementary financial forecasted budget information are presented for additional analysis and are not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however we have not audited, examined, or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on the supplementary historical information and the supplementary budget information.

We are not independent with respect to Denargo Market Metropolitan District No. 2.

Greenwood Village, Colorado
November 04, 2019

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Zion - 2016B COI Fund	\$ -	\$ 4	\$ 4
Zion - 2016B Loan Payment Account	-	2,432	2,432
Colotrust	1,197	4,819	6,016
Zion - Capitalized Interest Fund	-	10,635	10,635
Zion - Loan Payment Account	-	11,473	11,473
Zion Bank Pledged Revenue Account	-	398,822	398,822
Zion Bank Loan Fees Fund	-	32	32
Receivable from County Treasurer	1,072	3,217	4,289
TOTAL ASSETS	<u><u>\$ 2,269</u></u>	<u><u>\$ 431,434</u></u>	<u><u>\$ 433,703</u></u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Due to District No. 1	\$ 2,269	\$ -	\$ 2,269
Total Liabilities	<u>2,269</u>	<u>-</u>	<u>2,269</u>
FUND BALANCES			
Total Fund Balances	<u>-</u>	<u>431,434</u>	<u>431,434</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,269</u></u>	<u><u>\$ 431,434</u></u>	<u><u>\$ 433,703</u></u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

GENERAL FUND

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 193,492	\$ 193,492	\$ -
Specific ownership tax	11,610	10,668	(942)
TOTAL REVENUES	<u>205,102</u>	<u>204,160</u>	<u>(942)</u>
EXPENDITURES			
County Treasurer's fee	2,902	1,935	967
Transfers to District No. 1	202,200	201,363	837
TOTAL EXPENDITURES	<u>205,102</u>	<u>203,298</u>	<u>1,804</u>
NET CHANGE IN FUND BALANCES	-	862	862
FUND BALANCES - BEGINNING	<u>-</u>	<u>(862)</u>	<u>(862)</u>
FUND BALANCES - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

SUPPLEMENTARY INFORMATION

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

DEBT SERVICE FUND

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 580,475	\$ 580,475	\$ -
Specific ownership tax	34,829	32,005	(2,824)
Interest income	800	3,381	2,581
TOTAL REVENUES	<u>616,104</u>	<u>615,861</u>	<u>(243)</u>
EXPENDITURES			
Paying Agent Fees	2,000	1,500	500
Non use fees	16,000	3,000	13,000
Bond Interest - 2016A	345,541	172,297	173,244
Bond Interest - 2016B	2,050	11,665	(9,615)
County Treasurer's fee	8,707	5,805	2,902
Bond principal 2016A	175,000	-	175,000
Bond principal 2016B	875	-	875
TOTAL EXPENDITURES	<u>550,173</u>	<u>194,267</u>	<u>355,906</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,931	421,594	355,663
OTHER FINANCING SOURCES (USES)			
Proceeds from loan	-	489,456	489,456
Repay developer advance	-	(486,509)	(486,509)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,947</u>	<u>2,947</u>
NET CHANGE IN FUND BALANCES	65,931	424,541	358,610
FUND BALANCES - BEGINNING	<u>8,412</u>	<u>6,894</u>	<u>(1,518)</u>
FUND BALANCES - ENDING	<u>\$ 74,343</u>	<u>\$ 431,435</u>	<u>\$ 357,092</u>

This supplementary information should be read only in connection with the accompanying accountant's compilation report.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District, a quasi-municipal corporation, was formed in June 2010, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Denver, Colorado.

The District was established to provide for acquisition, construction, and installation of water, sanitation, drainage, street improvements, parks and recreational facilities, television relay and translation, and mosquito control.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.50%.

Expenditures

Administrative and Operating Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, banking, and meeting expense.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures (continued)

Debt Service

Principal and interest payments in 2019 are provided based on the debt amortization schedule from the Series 2016A and 2016B Bonds (discussed under Debts and Leases).

Debt and Leases

Series 2016 Bonds

\$10,000,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Improvement Loan, Series 2016A, dated September 29, 2016 (the Series 2016A Loan) as evidenced by a Loan Agreement between the District and ZB, N.A. dba Vectra Bank, Colorado (the Bank).

Proceeds from the sale of the Series 2016A Loan were used for the purposes of (i) reimbursing a portion of the costs of certain public infrastructure incurred by District No. 1; (ii) paying the costs of issuance of the Series 2016A Loan and (iii) funding a portion of interest to accrue on the Series 2016A Loan.

Interest is payable on each June 1 and December 1 beginning on June 1, 2017 and continuing through December 1, 2046, based on a 360-day year and actual number of days elapsed in any applicable period.

The Series 2016A Loan is a variable rate loan in which the rate resets as follows:

(a) From September 29, 2016 to the First Rate Reset Date, being December 1, 2021, interest is at the rate of 3.4425% per annum.

(b) Thereafter, on each five-year anniversary being, December 1, 2026; December 1, 2031; December 1, 2036; and December 1, 2041, interest is equal to the Bank Qualified Tax-Exempt Rate, as defined in the Loan Agreement, computed by the Bank, on each such Rate Reset Date.

The Series 2016A Loan is secured by and payable solely from Pledged Revenues, which include: the (a) Required Mill Levy; (b) Specific Ownership Taxes; (c) System Development Fees; (d) Additional Revenue, if any; and (e) any other legally available moneys.

The Required Mill Levy is equal to an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of and interest on the Series 2016A Loan as the same become due and payable in the succeeding collection year but not greater than 40 mills and not less than the Minimum Mill Levy, defined as the lesser of (a) 30 mills or (b) the number of mills necessary to produce tax revenue in the applicable loan year in an amount which, when combined with the other net revenue budgeted to be received in such loan year, will cause the Debt Service Ratio, as defined in the Loan Agreement, to equal 1.25 times, provided that the foregoing maximum mill levy and Minimum Mill Levy may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation occurring after March 8, 2010 (being the date of the Service Plan) so that to the extent possible, the actual revenues generated by such minimum and maximum mill levies are neither diminished nor enhanced as a result of such changes.

Among other adjustments, a change in the ratio of actual valuation of assessable property shall be deemed a change in the method of calculating assessed valuation.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases (continued)

The Series 2016A Loan is subject to prepayment on the following dates and under the following conditions:

(a) No Prepayment. During the first and second years after the closing date and during the first and second years of each five-year period occurring between Rate Reset Dates, the Series 2016A Loan shall not be prepaid. Specifically, the 2016A Loan may not be prepaid during the following periods:

- (i) from the Closing Date to but not including September 29, 2018;
- (ii) December 1, 2021 to but not including December 1, 2023;
- (iii) December 1, 2026 to but not including December 1, 2028;
- (iv) December 1, 2031 to but not including December 1, 2033;
- (v) December 1, 2036 to but not including December 1, 2038; and
- (vi) December 1, 2041 to but not including December 1, 2043.

(b) Prepayment with 1% Prepayment Fee. During the third year after the closing date and during the third year of each five-year period occurring between Rate Reset Dates, the Series 2016A Loan may be prepaid in whole, but not in part, upon payment of the then current loan balance plus accrued and unpaid interest thereon to the date of such prepayment, together with a prepayment fee equal to 1.0% of the loan balance during the following periods:

- (i) September 29, 2018 to but not including September 29, 2019;
- (ii) December 1, 2023 to but not including December 1, 2024;
- (iii) December 1, 2028 to but not including December 1, 2029;
- (iv) December 1, 2033 to but not including December 1, 2034;
- (v) December 1, 2038 to but not including December 1, 2039; and
- (vi) December 1, 2043 to but not including December 1, 2044.

(c) Prepayment at Par. During the fourth and fifth years after the closing date and during the fourth and fifth years occurring between Rate Reset Dates, the Series 2016A Loan may be prepaid in whole, but not in part, upon payment of the then current Loan Balance plus accrued and unpaid interest thereon to the date of such prepayment, without prepayment fee, premium or penalty; provided, during the following periods:

- (i) September 29, 2019 to but not including December 1, 2021;
- (ii) December 1, 2024 to but not including December 2026;
- (iii) December 1, 2029 to but not including December 1, 2031;
- (iv) December 1, 2034 to but not including December 1, 2036;
- (v) December 1, 2039 to but not including December 1, 2041; and
- (vi) December 1, 2044 through and including the Maturity Date.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases (continued)

On or after December 1, 2020 and November 30, 2021 - 3.00% plus the one-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

Thereafter, on each rate reset on December 1, 2021, and each 5-year anniversary of such date until maturity, interest is 3.00% plus the five-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance

On December 9, 2016, the District entered into a Loan Pricing and Purchase Agreement whereby the interest rate on the 2016B-1 Note was changed to the Bank Qualified Tax Exempt Rate, which is equal to the taxable rate, as defined above, multiplied by 75%.

The Series 2016B Loan is secured by and payable solely from the same Pledged Revenues as the Series 2016A Loan and follow the same prepayment conditions as the Series 2016A Loan. The Series 2016B Loan is parity debt to the Series 2016A Loan.

On December 27, 2017, the District received advances amounting to \$440,147. The advances are evidenced by the 2016B-1 and 2016B-2 Notes amounting to \$50,001 and \$390,146, respectively. Proceeds from the advances were used for the purposes of (i) reimbursing a portion of the costs of certain public infrastructure and operating costs incurred by District No. 1; (ii) paying the costs of issuance of the Series 2016B advances and (iii) funding a portion of interest to accrue on the Series 2016B-1 and 2016B-2 Notes.

Reserve Fund

Emergency Reserve

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all operating funds received by the District are transferred to District No. 1, which pays for all Districts' operations and maintenance costs, an emergency reserve is not reflected in the District's Budget.

This information is an integral part of the accompanying budget.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases (continued)

\$8,000,000 Limited Tax {Convertible to Unlimited Tax} Taxable General Obligation Advancing Improvement Loan, Series 201GB, dated September 29, 2016 (the Series 2016B Loan) as evidenced by a Loan Agreement with the Bank, with a maturity date of December 1, 2046. The 2016B Loan is further evidenced by the 2016B-1 and 2016B-2 Notes.

The District is authorized to request advances from the Bank on the Series 2016B Loan only under the following circumstances:

1. Inclusion of additional property into the District - Real property has been legally included within the boundaries of the District after September 29, 2016. Additional property included in the District after September 29, 2016 will be eligible for Advances based on (1) Contributed Land; (2) Construction Buildings; and (3) Completed Buildings.
2. True-Up of Assessed Valuation - After receipt of the final certified assessed valuation for 2017 from the Denver County Assessor, if the Assessed Value of the District No. 2 Property has increased from the projected assessed valuation of \$14,315,606 for 2017 that was the basis for the funding of the 2016A Loan on September 29, 2016.
3. Real property has been legally included within the boundaries of District No. 1 or District No. 3 after September 29, 2016 and there exists a pledge to the Bank of additional revenue. Property included in the boundaries of District No. 1 and/or District No. 3 after September 29, 2016 will be eligible for Advances based on (1) Contributed Land; (2) Construction Buildings; and (3) Completed Buildings.

The District may make advance requests once each calendar quarter in amounts not less than \$250,000 for Construction Buildings and Completed Buildings. There shall be no minimum amount for Advance Requests relating to Contributed Land or to True-Up of Assessed Valuations.

The Series 2016B Loan is a variable rate loan with interest accruing at the taxable rate as follows: For advances made:

Prior to December 1, 2017 - 3.00% plus the five-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

On or after December 1, 2017 and November 30, 2018 - 3.00% plus the four-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

On or after December 1, 2018 and November 30, 2019 - 3.00% plus the three-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

On or after December 1, 2019 and November 30, 2020 - 3.00% plus the two-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2

Schedule of Cash Position

September 30, 2019

Updated as of October 23, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>Colotrust</u>			
Balance as of 9/30/19	\$ 1,196.89	\$ 4,819.33	\$ 6,016.22
Subsequent activities:			
10/10/19 - PTAX	1,072.23	3,216.65	4,288.88
Anticipated Transfer to Denargo No. 1	(2,269.12)	-	(2,269.12)
Anticipated Transfer to pledged revenue fund	-	(6,807.31)	(6,807.31)
	<u>0.00</u>	<u>1,228.67</u>	<u>1,228.67</u>
<u>Zions - Loan Payment Account</u>			
Balance as of 9/30/19	-	11,473.12	11,473.12
Subsequent activities:			
<i>Anticipated Balance</i>	<u>-</u>	<u>11,473.12</u>	<u>11,473.12</u>
<u>Zions Bank - 2016 Loan Fees Fund</u>			
Balance as of 9/30/19	-	32.28	32.28
Subsequent activities:			
<i>Anticipated Balance</i>	<u>-</u>	<u>32.28</u>	<u>32.28</u>
<u>Zions Bank - Pledged Revenue Account</u>			
Balance as of 9/30/19	-	398,822.35	398,822.35
Subsequent activities:			
Anticipated Trasfer from CT		6,807.31	6,807.31
<i>Anticipated Balance</i>	<u>-</u>	<u>405,629.66</u>	<u>405,629.66</u>
<u>Zions Bank - 2016B Cap Interest Account</u>			
Balance as of 9/30/19	-	10,634.55	10,634.55
Subsequent activities:			
<i>Anticipated Balance</i>	<u>-</u>	<u>10,634.55</u>	<u>10,634.55</u>
<u>Zions Bank - 2016B COI Fund</u>			
Balance as of 9/30/19	-	4.03	4.03
Subsequent activities:			
<i>Anticipated Balance</i>	<u>-</u>	<u>4.03</u>	<u>4.03</u>
<u>Zions Bank - 2016B Loan Payment Account</u>			
Balance as of 9/30/19	-	2,431.96	2,431.96
Subsequent activities:			
<i>Anticipated Balance</i>	<u>-</u>	<u>2,431.96</u>	<u>2,431.96</u>
<i>Anticipated Balance</i>	<u>\$ -</u>	<u>\$ 430,205.60</u>	<u>\$ 430,205.60</u>

DENARGO MARKET METROPOLITAN DISTRICT #2
Property Taxes Reconciliation
2019

Property Taxes	Delinquent Taxes, Rebates and Abatements	Specific Ownership Taxes	Interest	Treasurer's Fees	Net Amount Received	Current Year			Prior Year		
						% of Total Property Taxes Received	Monthly	Y-T-D	Total Cash Received	% of Total Property Taxes Received	Monthly
		\$ 2,623.50			2,623.50	0.00%	0.00%	0.00%	3,230.71	0.00%	0.00%
January											
February		10,237.64		(1,169.14)	125,982.30	15.11%	15.11%	11.25%	71,588.46	11.25%	11.25%
March		3,704.59		(1,390.80)	141,393.39	17.97%	33.08%	0.85%	8,475.59	0.85%	12.10%
April		4,288.74		(2,477.61)	249,571.93	32.01%	65.09%	76.65%	470,259.69	76.65%	88.75%
May		4,230.84		(142.20)	18,308.64	1.84%	66.92%	11.25%	71,918.39	11.25%	100.00%
June		3,949.74		(2,559.92)	257,382.02	33.08%	100.00%	100.00%	3,087.39	0.00%	100.00%
July		4,561.18			4,561.18	0.00%	100.00%	100.00%	3,241.77	0.00%	100.00%
August		4,787.55			4,787.55	0.00%	100.00%	100.00%	2,623.50	0.00%	100.00%
September		4,288.87			4,288.87	0.00%	100.00%	100.00%	2,623.50	0.00%	100.00%
October					-	0.00%	100.00%	100.00%	2,623.50	0.00%	100.00%
November					-	0.00%	100.00%	100.00%	2,623.50	0.00%	99.43%
December					-	0.00%	100.00%	100.00%	2,623.50	0.00%	99.43%
\$ 773,966.40	\$ -	\$ 42,672.65	\$ -	\$ (7,739.67)	\$ 808,899.38	100.00%	100.00%	100.00%	\$ 644,919.50	99.43%	99.43%

Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
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Property Tax
General Fund
Debt Service

\$ 193,492.00	25.00%	\$ 193,491.85	100.00%
580,475.00	75.00%	580,474.55	100.00%
\$ 773,967.00	100.00%	\$ 773,966.40	100.00%

Specific Ownership Tax
General Fund
Debt Service

\$ 11,610.00	25.00%	\$ 10,668.39	91.89%
34,829.00	75.00%	32,004.26	91.89%
\$ 46,439.00	100.00%	\$ 42,672.65	91.89%

Treasurer's Fees
General Fund
Debt Service

\$ 2,902.00	25.00%	\$ 1,934.92	66.68%
8,707.00	75.00%	5,804.75	66.67%
\$ 11,609.00	100.00%	\$ 7,739.67	66.67%



Dazzio & Associates, PC

Certified Public Accountants

November 12, 2019

To the Board of Directors and Management
Denargo Market Metropolitan District No. 2
c/o Special District Management Services
141 Union Blvd., Suite 150
Lakewood, Colorado 80228

We are pleased to confirm our understanding of the services we are to provide Denargo Market Metropolitan District No. 2 (the District) for the year ended December 31, 2019. We will audit the financial statements of the governmental activities and each major fund including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the year ended December 31, 2019.

We have also been engaged to report on supplementary information that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

- 1) Debt Service Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

- 1) Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed.

Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and

liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees,

regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Dazzio & Associates, PC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a regulatory agency or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Dazzio & Associates, PC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulatory agency or its designee. The regulatory agency or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

Stephen Dazzio is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$4,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected

circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Duggio & Associates, P.C.

RESPONSE:

This letter correctly sets forth the understanding of Denargo Market Metropolitan District No. 2.

Management signature: _____

Title: _____

Date: _____

Board signature: _____

Title: _____

Date: _____

RESOLUTION TO AMEND 2019 BUDGET
DENARGO MARKET METROPOLITAN DISTRICT NO. 2

WHEREAS, the Board of Directors of the Denargo Market Metropolitan District No. 2 adopted a budget and appropriated funds for the fiscal year 2019 as follows:

General Fund	\$	205,102
Debt Service Fund	\$	550,173

WHEREAS, the necessity has arisen for additional expenditures in the General Fund and Debt Service Fund requiring the unanticipated expenditure of funds in excess of those appropriated for the fiscal year 2019; and

WHEREAS, the expenditure of such funds is a contingency which could not have been reasonably foreseen at the time of adoption of the budget; and

WHEREAS, funds are available for such expenditures in the General Fund from specific ownership taxes; and

WHEREAS, funds are available for such expenditures in the Debt Service Fund from proceeds from loan.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Denargo Market Metropolitan District No. 2 shall and hereby does amend the adopted Budget for the fiscal year 2019 and adopts a supplemental budget and appropriation for the General Fund and Debt Service Fund, for the fiscal year 2019, as follows:

General Fund	\$	210,000
Debt Service Fund	\$	1,100,000

BE IT FURTHER RESOLVED, that such sums are hereby appropriated from the revenues of the District to the proper funds for the purposes stated.

DATED this 19th day of November, 2019.

DENARGO MARKET METROPOLITAN
DISTRICT NO. 2

By: _____
Secretary

Certification of Valuation by County Assessor

Name of Jurisdiction Denargo Market Metropolitan District No 2 New Entity? ☐ Yes ☒ No
 IN Denver COUNTY, COLORADO ON August 21, 2019

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS ("5.5%" LIMIT) ONLY

In accordance with 39-5-121(2)(a) and 39-5-128(1), C.R.S., and no later than August 25, the Assessor certifies the TOTAL VALUATION FOR ASSESSMENT for the taxable year 2019:

1. Previous year's NET TOTAL TAXABLE assessed valuation:	1.	\$19,349,160
2. Current year's GROSS TOTAL TAXABLE assessed valuation:	2.	\$26,392,880
This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec. 20(8)(b), Colo. Constitution.		
3. LESS TIF District Increment, If any:	3.	\$0
4. Current year's NET TOTAL TAXABLE assessed valuation:	4.	\$26,392,880
5. New Construction*:	5.	\$0
New Construction is defined as: Taxable real property structures and the personal property connected with the structure.		
6. Increased production of producing mine*:	6.	\$0
7. Annexations/Inclusions:	7.	\$3,460,050
8. Previously exempt Federal property*:	8.	\$0
9. New primary oil or gas production from any producing oil and gas leasehold or land (29-1-301(1)(b), C.R.S.):	9.	\$0
Jurisdiction must apply (Form DLG 52B) to the division of Local Government before the value can be treated as growth in the limit calculation.		
10. Taxes collected last year on omitted property as of August 1 (29-1-301(1)(a), C.R.S.):	10.	\$0
11. Taxes abated and refunded as of August 1 (29-1-301(1)(a), C.R.S. and (39-10-114(1)(a)(I)(B), C.R.S.):	11.	\$0

*Jurisdiction must submit respective certifications (Forms DLG 52 & 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

USE FOR "TABOR LOCAL GROWTH" CALCULATIONS ONLY

In accordance with the provisions of Art. X, Sec. 20, Colo. Cons., and 39-5-121(2)(b), C.R.S., the Assessor certifies the TOTAL ACTUAL VALUATION for the taxable year 2019:

1. Current year's total actual value of ALL REAL PROPERTY:	1.	\$326,390,700
This includes the actual value of all taxable real property plus the actual value of religious, private school, and charitable real property.		
ADDITIONS to taxable real property:		
2. Construction of taxable real property improvements:	2.	\$0
Construction is defined as newly constructed taxable real property structures.		
3. Annexation/Inclusions:	3.	\$11,931,200
4. Increased mining production:	4.	\$0
Includes production from new mines and increases in production of existing producing mines.		
5. Previously exempt property:	5.	\$0
6. Oil or gas production from a new well:	6.	\$0
7. Taxable real property omitted from the previous year's tax warrant:	7.	\$0
If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)		
DELETIONS from taxable real property:		
8. Destruction of taxable real property improvements:	8.	\$0
9. Disconnections/Exclusions:	9.	\$0
10. Previously taxable property:	10.	\$0

IN ACCORDANCE WITH 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS:

1. Total actual value of all taxable property:	1.	
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NOTE: ALL LEVIES MUST BE CERTIFIED to the COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

Accountant's Compilation Report

Board of Directors
Denargo Market Metro District No. 2

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Denargo Market Metro District No. 2 for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Denargo Market Metro District No. 2.

Greenwood Village, Colorado
_____, 2019



An independent member of Nexia International

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

11/12/19

	ACTUAL 2018	BUDGET 2019	ACTUAL 9/30/2019	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 20,220	\$ 8,412	\$ 6,031	\$ 6,031	\$ 80,981
REVENUES					
Property taxes	612,244	773,967	773,967	773,967	1,063,053
Specific ownership tax	35,349	46,439	42,673	58,070	63,783
Interest income	2,281	800	3,381	3,500	5,300
Proceeds from Loan	-	-	489,456	489,456	-
Total revenues	649,874	821,206	1,309,477	1,324,993	1,132,136
Total funds available	670,094	829,618	1,315,508	1,331,024	1,213,117
EXPENDITURES					
General Fund	162,760	205,102	203,298	207,148	281,695
Debt Service Fund	501,303	550,173	680,776	1,042,895	629,942
Total expenditures	664,063	755,275	884,074	1,250,043	911,637
Total expenditures and transfers out requiring appropriation	664,063	755,275	884,074	1,250,043	911,637
ENDING FUND BALANCES	\$ 6,031	\$ 74,343	\$ 431,434	\$ 80,981	\$ 301,480

This financial information should be read only in connection with the accompanying accountant's
 compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

11/12/19

	ACTUAL 2018	BUDGET 2019	ACTUAL 9/30/2019	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION					
Residential	\$ 15,393,180	\$ 18,878,110	\$ 18,878,110	\$ 18,878,110	\$ 25,943,940
State assessed	-	355,500	355,500	355,500	350,300
Personal property		115,550	115,550	115,550	98,640
Certified Assessed Value	<u>\$ 15,393,180</u>	<u>\$ 19,349,160</u>	<u>\$ 19,349,160</u>	<u>\$ 19,349,160</u>	<u>\$ 26,392,880</u>
MILL LEVY					
General	7.816	10.000	10.000	10.000	10.069
Debt Service	32.184	30.000	30.000	30.000	30.209
Total mill levy	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>	<u>40.278</u>
PROPERTY TAXES					
General	\$ 120,313	\$ 193,492	\$ 193,492	\$ 193,492	\$ 265,750
Debt Service	495,414	580,475	580,475	580,475	797,303
Budgeted property taxes	<u>\$ 615,727</u>	<u>\$ 773,967</u>	<u>\$ 773,967</u>	<u>\$ 773,967</u>	<u>\$ 1,063,053</u>
BUDGETED PROPERTY TAXES					
General	\$ 120,313	\$ 193,492	\$ 193,492	\$ 193,492	\$ 265,750
Debt Service	495,414	580,475	580,475	580,475	797,303
	<u>\$ 615,727</u>	<u>\$ 773,967</u>	<u>\$ 773,967</u>	<u>\$ 773,967</u>	<u>\$ 1,063,053</u>

This financial information should be read only in connection with the accompanying accountant's
 compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

11/12/19

	ACTUAL 2018	BUDGET 2019	ACTUAL 9/30/2019	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ (862)	\$ (862)	\$ -
REVENUES					
Property taxes	153,061	193,492	193,492	193,492	265,750
Specific ownership tax	8,837	11,610	10,668	14,518	15,945
Total revenues	161,898	205,102	204,160	208,010	281,695
Total funds available	161,898	205,102	203,298	207,148	281,695
EXPENDITURES					
General and administrative					
County Treasurer's fee	1,531	2,902	1,935	2,902	2,658
Transfers to District No. 1	161,229	202,200	201,363	204,246	279,037
Total expenditures	162,760	205,102	203,298	207,148	281,695
Total expenditures and transfers out requiring appropriation	162,760	205,102	203,298	207,148	281,695
ENDING FUND BALANCE	\$ (862)	\$ -	\$ -	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's
 compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

11/12/19

	ACTUAL 2018	BUDGET 2019	ACTUAL 9/30/2019	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ 20,220	\$ 8,412	\$ 6,893	\$ 6,893	\$ 80,981
REVENUES					
Property taxes	459,183	580,475	580,475	580,475	797,303
Specific ownership tax	26,512	34,829	32,005	43,552	47,838
Interest income	2,281	800	3,381	3,500	5,300
Proceeds from loan	-	-	489,456	489,456	-
Total revenues	487,976	616,104	1,105,317	1,116,983	850,441
Total funds available	508,196	624,516	1,112,210	1,123,876	931,422
EXPENDITURES					
General and administrative					
County Treasurer's fee	4,592	8,707	5,805	5,805	7,973
Paying Agent Fees	1,500	2,000	1,500	1,500	2,000
Bond Issuance Cost	1,500	-	-	-	-
Non use fees	18,396	16,000	3,000	16,000	16,000
Bond Interest - 2016A	349,031	345,541	172,297	345,541	340,363
Bond Interest - 2016B	21,883	2,050	11,665	11,665	44,578
Repay developer advance	-	-	486,509	486,509	-
Debt Service					
Bond principal 2016A	100,000	175,000	-	175,000	200,000
Bond principal 2016B	4,401	875	-	875	19,028
Total expenditures	501,303	550,173	680,776	1,042,895	629,942
Total expenditures and transfers out requiring appropriation	501,303	550,173	680,776	1,042,895	629,942
ENDING FUND BALANCE	\$ 6,893	\$ 74,343	\$ 431,434	\$ 80,981	\$ 301,480

This financial information should be read only in connection with the accompanying accountant's
 compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District, a quasi-municipal corporation, was formed in June 2010, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Denver, Colorado.

The District was established to provide for acquisition, construction, and installation of water, sanitation, drainage, street improvements, parks and recreational facilities, television relay and translation, and mosquito control.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.50%.

Expenditures

Administrative and Operating Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, banking, and meeting expense.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures (Continued)

Debt Service

Principal and interest payments in 2020 are provided based on the debt amortization schedule from the Series 2016A and 2016B Bonds (discussed under Debts and Leases).

Debt and Leases

Series 2016 Bonds

\$10,000,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Improvement Loan, Series 2016A, dated September 29, 2016 (the Series 2016A Loan) as evidenced by a Loan Agreement between the District and ZB, N.A. dba Vectra Bank, Colorado (the Bank).

Proceeds from the sale of the Series 2016A Loan were used for the purposes of (i) reimbursing a portion of the costs of certain public infrastructure incurred by District No. 1; (ii) paying the costs of issuance of the Series 2016A Loan and (iii) funding a portion of interest to accrue on the Series 2016A Loan.

Interest is payable on each June 1 and December 1 beginning on June 1, 2017 and continuing through December 1, 2046, based on a 360-day year and actual number of days elapsed in any applicable period.

The Series 2016A Loan is a variable rate loan in which the rate resets as follows:

(a) From September 29, 2016 to the First Rate Reset Date, being December 1, 2021, interest is at the rate of 3.4425% per annum.

(b) Thereafter, on each five-year anniversary being, December 1, 2026; December 1, 2031; December 1, 2036; and December 1, 2041, interest is equal to the Bank Qualified Tax-Exempt Rate, as defined in the Loan Agreement, computed by the Bank, on each such Rate Reset Date.

The Series 2016A Loan is secured by and payable solely from Pledged Revenues, which include: the (a) Required Mill Levy; (b) Specific Ownership Taxes; (c) System Development Fees; (d) Additional Revenue, if any; and (e) any other legally available moneys.

The Required Mill Levy is equal to an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of and interest on the Series 2016A Loan as the same become due and payable in the succeeding collection year but not greater than 40 mills and not less than the Minimum Mill Levy, defined as the lesser of (a) 30 mills or (b) the number of mills necessary to produce tax revenue in the applicable loan year in an amount which, when combined with the other net revenue budgeted to be received in such loan year, will cause the Debt Service Ratio, as defined in the Loan Agreement, to equal 1.25 times, provided that the foregoing maximum mill levy and Minimum Mill Levy may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation occurring after March 8, 2010 (being the date of the Service Plan) so that to the extent possible, the actual revenues generated by such minimum and maximum mill levies are neither diminished nor enhanced as a result of such changes.

Among other adjustments, a change in the ratio of actual valuation of assessable property shall be deemed a change in the method of calculating assessed valuation.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases (continued)

The Series 2016A Loan is subject to prepayment on the following dates and under the following conditions:

(a) No Prepayment. During the first and second years after the closing date and during the first and second years of each five-year period occurring between Rate Reset Dates, the Series 2016A Loan shall not be prepaid. Specifically, the 2016A Loan may not be prepaid during the following periods:

- (i) from the Closing Date to but not including September 29, 2018;
- (ii) December 1, 2021 to but not including December 1, 2023;
- (iii) December 1, 2026 to but not including December 1, 2028;
- (iv) December 1, 2031 to but not including December 1, 2033;
- (v) December 1, 2036 to but not including December 1, 2038; and
- (vi) December 1, 2041 to but not including December 1, 2043.

(b) Prepayment with 1% Prepayment Fee. During the third year after the closing date and during the third year of each five-year period occurring between Rate Reset Dates, the Series 2016A Loan may be prepaid in whole, but not in part, upon payment of the then current loan balance plus accrued and unpaid interest thereon to the date of such prepayment, together with a prepayment fee equal to 1.0% of the loan balance during the following periods:

- (i) September 29, 2018 to but not including September 29, 2019;
- (ii) December 1, 2023 to but not including December 1, 2024;
- (iii) December 1, 2028 to but not including December 1, 2029;
- (iv) December 1, 2033 to but not including December 1, 2034;
- (v) December 1, 2038 to but not including December 1, 2039; and
- (vi) December 1, 2043 to but not including December 1, 2044.

(c) Prepayment at Par. During the fourth and fifth years after the closing date and during the fourth and fifth years occurring between Rate Reset Dates, the Series 2016A Loan may be prepaid in whole, but not in part, upon payment of the then current Loan Balance plus accrued and unpaid interest thereon to the date of such prepayment, without prepayment fee, premium or penalty; provided, during the following periods:

- (i) September 29, 2019 to but not including December 1, 2021;
- (ii) December 1, 2024 to but not including December 2026;
- (iii) December 1, 2029 to but not including December 1, 2031;
- (iv) December 1, 2034 to but not including December 1, 2036;
- (v) December 1, 2039 to but not including December 1, 2041; and
- (vi) December 1, 2044 through and including the Maturity Date.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases (continued)

\$8,000,000 Limited Tax {Convertible to Unlimited Tax} Taxable General Obligation Advancing Improvement Loan, Series 2016B, dated September 29, 2016 (the Series 2016B Loan) as evidenced by a Loan Agreement with the Bank, with a maturity date of December 1, 2046. The 2016B Loan is further evidenced by the 2016B-1 and 2016B-2 Notes.

The District is authorized to request advances from the Bank on the Series 2016B Loan only under the following circumstances:

1. Inclusion of additional property into the District - Real property has been legally included within the boundaries of the District after September 29, 2016. Additional property included in the District after September 29, 2016 will be eligible for Advances based on (1) Contributed Land; (2) Construction Buildings; and (3) Completed Buildings.
2. True-Up of Assessed Valuation - After receipt of the final certified assessed valuation for 2017 from the Denver County Assessor, if the Assessed Value of the District No. 2 Property has increased from the projected assessed valuation of \$14,315,606 for 2017 that was the basis for the funding of the 2016A Loan on September 29, 2016.
3. Real property has been legally included within the boundaries of District No. 1 or District No. 3 after September 29, 2016 and there exists a pledge to the Bank of additional revenue. Property included in the boundaries of District No. 1 and/or District No. 3 after September 29, 2016 will be eligible for Advances based on (1) Contributed Land; (2) Construction Buildings; and (3) Completed Buildings.

The District may make advance requests once each calendar quarter in amounts not less than \$250,000 for Construction Buildings and Completed Buildings. There shall be no minimum amount for Advance Requests relating to Contributed Land or to True-Up of Assessed Valuations.

The Series 2016B Loan is a variable rate loan with interest accruing at the taxable rate as follows: For advances made:

Prior to December 1, 2017 - 3.00% plus the five-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

On or after December 1, 2017 and November 30, 2018 - 3.00% plus the four-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

On or after December 1, 2018 and November 30, 2019 - 3.00% plus the three-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

On or after December 1, 2019 and November 30, 2020 - 3.00% plus the two-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

**DENARGO MARKET METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

On or after December 1, 2020 and November 30, 2021 - 3.00% plus the one-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance.

Thereafter, on each rate reset on December 1, 2021, and each 5-year anniversary of such date until maturity, interest is 3.00% plus the five-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the advance

On December 9, 2016, the District entered into a Loan Pricing and Purchase Agreement whereby the interest rate on the 2016B-1 Note was changed to the Bank Qualified Tax Exempt Rate, which is equal to the taxable rate, as defined above, multiplied by 75%.

The Series 2016B Loan is secured by and payable solely from the same Pledged Revenues as the Series 2016A Loan and follow the same prepayment conditions as the Series 2016A Loan. The Series 2016B Loan is parity debt to the Series 2016A Loan.

On December 27, 2017, the District received advances amounting to \$440,147. The advances are evidenced by the 2016B-1 and 2016B-2 Notes amounting to \$50,001 and \$390,146, respectively. Proceeds from the advances were used for the purposes of (i) reimbursing a portion of the costs of certain public infrastructure and operating costs incurred by District No. 1; (ii) paying the costs of issuance of the Series 2016B advances and (iii) funding a portion of interest to accrue on the Series 2016B-1 and 2016B-2 Notes.

During June 2019 the District drew an additional \$308,983 against its existing Series 2016B loan. The new proceeds from the loan were used to pay off in its entirety the outstanding principal and interest that was due under the Series 2016 B-1 and Series 2016 B-2 Loans.

Reserve Fund

Emergency Reserve

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all operating funds received by the District are transferred to District No. 1, which pays for all Districts' operations and maintenance costs, an emergency reserve is not reflected in the District's Budget.

This information is an integral part of the accompanying budget.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Bonds and Interest Maturing in the Year Ending December 31,	\$10,000,000		
	General Obligation Limited Tax Convertible to		
	Unlimited Tax Bonds Dated September 29, 2016		
	Series 2016A		
	Interest Rate of 3.4425%		
	Payable June 1 and December 1		
	Principal Due December 1		
	Principal	Interest	Total
2020	\$ 200,000	\$ 340,363	\$ 540,363
2021	125,000	332,452	457,452
2022	150,000	328,089	478,089
2023	175,000	322,853	497,853
2024	175,000	317,614	492,614
2025	200,000	310,638	510,638
2026	150,000	303,657	453,657
2027	175,000	298,422	473,422
2028	200,000	293,114	493,114
2029	225,000	285,333	510,333
2030	225,000	277,480	502,480
2031	250,000	269,627	519,627
2032	300,000	261,616	561,616
2033	300,000	250,431	550,431
2034	325,000	239,959	564,959
2035	350,000	228,615	578,615
2036	400,000	216,992	616,992
2037	425,000	202,438	627,438
2038	450,000	187,604	637,604
2039	475,000	171,898	646,898
2040	525,000	155,744	680,744
2041	550,000	136,995	686,995
2042	600,000	117,798	717,798
2043	625,000	96,856	721,856
2044	700,000	75,247	775,247
2045	725,000	50,610	775,610
2046	725,000	25,305	750,305
	<u>\$ 9,725,000</u>	<u>\$ 6,097,750</u>	<u>\$ 15,822,750</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Bonds and Interest Maturing in the Year Ending December 31,	\$50,001		
	General Obligation Limited Tax Convertible to		
	Unlimited Tax Bonds Dated September 29, 2016		
	Series 2016B-1		
	Interest Rate of 4.0875%		
	Payable June 1 and December 1		
	Principal Due December 1		
	Principal	Interest	Total
2020	\$ 1,000	\$ 2,021	\$ 3,021
2021	625	1,974	2,599
2022	750	1,948	2,698
2023	875	1,917	2,792
2024	875	1,886	2,761
2025	1,000	1,844	2,844
2026	750	1,803	2,553
2027	875	1,772	2,647
2028	1,000	1,740	2,740
2029	1,125	1,694	2,819
2030	1,125	1,647	2,772
2031	1,250	1,601	2,851
2032	1,500	1,553	3,053
2033	1,500	1,487	2,987
2034	1,625	1,425	3,050
2035	1,750	1,357	3,107
2036	2,000	1,288	3,288
2037	2,125	1,202	3,327
2038	2,250	1,114	3,364
2039	2,375	1,021	3,396
2040	2,625	925	3,550
2041	2,750	813	3,563
2042	3,000	699	3,699
2043	3,125	575	3,700
2044	3,500	447	3,947
2045	3,625	300	3,925
2046	3,626	150	3,776
	\$ 48,626	\$ 36,203	\$ 84,829

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

	\$390,146		
	General Obligation Limited Tax Convertible to		
	Unlimited Tax Bonds Dated September 29, 2016		
	Series 2016B-2		
	Interest Rate of 5.45%		
	Payable June 1 and December 1		
	Principal Due December 1		
Bonds and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2020	\$ 7,803	\$ 21,022	\$ 28,825
2021	4,877	20,534	25,411
2022	5,852	20,265	26,117
2023	6,828	19,941	26,769
2024	6,828	19,618	26,446
2025	7,803	19,187	26,990
2026	5,852	18,756	24,608
2027	6,828	18,432	25,260
2028	7,803	18,105	25,908
2029	8,778	17,624	26,402
2030	8,778	17,139	25,917
2031	9,754	16,654	26,408
2032	11,704	16,159	27,863
2033	11,704	15,468	27,172
2034	12,680	14,821	27,501
2035	13,655	14,121	27,776
2036	15,606	13,403	29,009
2037	16,581	12,504	29,085
2038	17,557	11,588	29,145
2039	18,532	10,617	29,149
2040	20,483	9,620	30,103
2041	21,458	8,462	29,920
2042	23,409	7,276	30,685
2043	24,384	5,982	30,366
2044	27,310	4,648	31,958
2045	28,285	3,126	31,411
2046	28,285	1,563	29,848
	<u>\$ 379,417</u>	<u>\$ 376,635</u>	<u>\$ 756,052</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

\$8,000,000			
General Obligation Limited Tax Convertible to			
Unlimited Tax Bonds Dated June 21, 2019			
Series 2016B-1			
Interest Rate of 3.88%			
Payable June 1 and December 1			
Principal Due December 1			
Bonds and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2020	\$ 7,118	\$ 12,576	\$ 19,694
2021	7,433	12,262	19,694
2022	7,725	11,969	19,694
2023	8,028	11,666	19,694
2024	8,313	11,381	19,694
2025	8,671	11,023	19,694
2026	9,012	10,682	19,694
2027	9,366	10,328	19,694
2028	9,707	9,987	19,694
2029	10,116	9,578	19,694
2030	10,514	9,181	19,694
2031	10,927	8,767	19,694
2032	11,334	8,360	19,694
2033	11,802	7,892	19,694
2034	12,266	7,428	19,694
2035	12,748	6,946	19,694
2036	13,232	6,462	19,694
2037	13,770	5,925	19,694
2038	14,311	5,383	19,694
2039	14,873	4,821	19,694
2040	15,447	4,247	19,694
2041	16,065	3,629	19,694
2042	16,697	2,997	19,694
2043	17,353	2,341	19,694
2044	18,031	1,663	19,694
2045	18,745	949	19,694
2046	5,407	213	5,620
	\$ 319,009	\$ 198,656	\$ 517,665

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

\$8,000,000			
General Obligation Limited Tax Convertible to Unlimited Tax Bonds Dated June 21, 2019			
Series 2016B-2			
Interest Rate of 5.17%			
Payable June 1 and December 1			
Principal Due December 1			
Bonds and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2020	\$ 3,107	\$ 8,959	\$ 12,066
2021	3,294	8,772	12,066
2022	3,467	8,599	12,066
2023	3,648	8,417	12,066
2024	3,817	8,249	12,066
2025	4,040	8,026	12,066
2026	4,252	7,814	12,066
2027	4,474	7,591	12,066
2028	4,689	7,377	12,066
2029	4,955	7,111	12,066
2030	5,214	6,851	12,066
2031	5,488	6,578	12,066
2032	5,758	6,308	12,066
2033	6,077	5,988	12,066
2034	6,396	5,670	12,066
2035	6,731	5,335	12,066
2036	7,070	4,995	12,066
2037	7,454	4,611	12,066
2038	7,845	4,220	12,066
2039	8,256	3,809	12,066
2040	8,680	3,386	12,066
2041	9,144	2,921	12,066
2042	9,624	2,442	12,066
2043	10,128	1,938	12,066
2044	10,655	1,411	12,066
2045	11,217	848	12,066
2046	4,965	260	5,226
	\$ 170,447	\$ 148,487	\$ 318,934

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

DENARGO MARKET METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

TOTALS

	Principal	Interest	Total
2020	\$ 219,028	\$ 384,941	\$ 603,969
2021	141,229	375,993	517,222
2022	167,793	370,870	538,664
2023	194,380	364,794	559,174
2024	194,833	358,748	553,581
2025	221,514	350,718	572,232
2026	169,865	342,713	512,578
2027	196,543	336,545	533,089
2028	223,199	330,323	553,522
2029	249,974	321,340	571,314
2030	250,631	312,298	562,929
2031	277,419	303,227	580,646
2032	330,296	293,996	624,292
2033	331,083	281,267	612,350
2034	357,967	269,303	627,270
2035	384,884	256,374	641,258
2036	437,908	243,141	681,049
2037	464,930	226,680	691,610
2038	491,963	209,910	701,873
2039	519,037	192,166	711,203
2040	572,235	173,922	746,157
2041	599,418	152,820	752,238
2042	652,730	131,212	783,942
2043	679,991	107,691	787,682
2044	759,496	83,416	842,912
2045	786,872	55,834	842,706
2046	767,283	27,491	794,774
	<u>\$ 10,642,499</u>	<u>\$ 6,857,731</u>	<u>\$ 17,500,230</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

RESOLUTION NO. 2019 - 11 - ____

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE DENARGO MARKET METROPOLITAN DISTRICT NO. 2
TO ADOPT THE 2020 BUDGET AND APPROPRIATE SUMS OF MONEY

WHEREAS, the Board of Directors of the Denargo Market Metropolitan District No. 2 ("District") has appointed the District Accountant to prepare and submit a proposed 2020 budget to the Board at the proper time; and

WHEREAS, the District Accountant has submitted a proposed budget to this Board on or before October 15, 2019, for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on November 19, 2019, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, the budget has been prepared to comply with all terms, limitations and exemptions, including, but not limited to, reserve transfers and expenditure exemptions, under Article X, Section 20 of the Colorado Constitution ("TABOR") and other laws or obligations which are applicable to or binding upon the District; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law.

WHEREAS, the Board of Directors of the District has made provisions therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget; and

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues provided in the budget to and for the purposes described below, as more fully set forth in the budget, including any inter-fund transfers listed therein, so as not to impair the operations of the District.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denargo Market Metropolitan District No. 2:

1. That the budget as submitted, amended, and summarized by fund, hereby is approved and adopted as the budget of the Denargo Market Metropolitan District No. 2 for the 2020 fiscal year.

2. That the budget, as hereby approved and adopted, shall be certified by the Secretary of the District to all appropriate agencies and is made a part of the public records of the District.

3. That the sums set forth as the total expenditures of each fund in the budget attached hereto as **EXHIBIT A** and incorporated herein by reference are hereby appropriated from the revenues of each fund, within each fund, for the purposes stated.

ADOPTED this 19th day of November, 2019.

Secretary

(SEAL)

EXHIBIT A
(Budget)

I, Ann Finn, hereby certify that I am the duly appointed Secretary of the Denargo Market Metropolitan District No. 2, and that the foregoing is a true and correct copy of the budget for the budget year 2020, duly adopted at a meeting of the Board of Directors of the Denargo Market Metropolitan District No. 2 held on November 19, 2019.

By: _____
Secretary

RESOLUTION NO. 2019 - 11 - ____

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE DENARGO MARKET METROPOLITAN DISTRICT NO. 2
TO SET MILL LEVIES

WHEREAS, the Board of Directors of the Denargo Market Metropolitan District No. 2 ("District") has adopted the 2020 annual budget in accordance with the Local Government Budget Law on November 19, 2019; and

WHEREAS, the adopted budget is attached to the Resolution of the Board of Directors to Adopt the 2020 Budget and Appropriate Sums of Money, and such budget is incorporated herein by this reference; and

WHEREAS, the amount of money necessary to balance the budget for general fund expenses from property tax revenue is identified in the budget; and

WHEREAS, the amount of money necessary to balance the budget for debt service fund expenses from property tax revenue is identified in the budget.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denargo Market Metropolitan District No. 2:

1. That for the purposes of meeting all general fund expenses of the District during the 2020 budget year, the District determined to levy mills upon each dollar of the total valuation for assessment of all taxable property within the District, as set forth in the budget, to raise the required revenue.

2. That for the purposes of meeting all debt service fund expenses of the District during the 2020 budget year, the District determined to levy mills upon each dollar of the total valuation for assessment of all taxable property within the District, as set forth in the budget, to raise the required revenue.

3. That the District Accountant of the District is hereby authorized and directed to immediately certify to the City Council of the City and County of Denver, Colorado, the mill levies for the District as set forth in the District's Certification of Tax Levies (attached hereto as **EXHIBIT A** and incorporated herein by reference), recalculated as needed upon receipt of the final certification of valuation from the County Assessor in order to comply with any applicable revenue and other budgetary limits.

ADOPTED this 19th day of November, 2019.

Secretary

(SEAL)

EXHIBIT A
(Certification of Tax Levies)

RESOLUTION NO. 2019-11-_____

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
DENARGO MARKET METROPOLITAN DISTRICT NO. 2
CALLING A REGULAR ELECTION FOR DIRECTORS
MAY 5, 2020**

A. The term of the office of Director Cabrera shall expire upon the election of his successor at the regular election, to be held on May 5, 2020 (“**Election**”), and upon such successor taking office.

B. The terms of the offices to which Directors Jones, Smith and Newman have previously been appointed expire upon their re-election, or the election of their successors at the Election, and upon such successors taking office.

C. In accordance with the provisions of the Special District Act (“**Act**”) and the Uniform Election Code (“**Code**”), the Election must be conducted to elect two (2) Directors to serve until the next regular election, to occur May 3, 2022, and two (2) Directors to serve until the second regular election, to occur May 2, 2023.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Denargo Market Metropolitan District No. 2 (the “**District**”) of the City and County of Denver, Colorado:

1. Date and Time of Election. The Election shall be held on May 5, 2020, between the hours of 7:00 A.M. and 7:00 P.M. pursuant to and in accordance with the Act, Code, and other applicable laws. At that time, two (2) Directors shall be elected to serve until the next regular election, to occur May 3, 2022, and two (2) Directors shall be elected to serve until the second regular election, to occur May 2, 2023.

2. Precinct. The District shall consist of one (1) election precinct for the convenience of the eligible electors of the District.

3. Conduct of Election. The Election shall be conducted as an independent mail ballot election in accordance with all relevant provisions of the Code. The Designated Election Official shall have on file, no later than fifty-five (55) days prior to the Election, a plan for conducting the independent mail ballot Election.

4. Designated Election Official. Ann E. Finn shall be the Designated Election Official and is hereby authorized and directed to proceed with any action necessary or appropriate to effectuate the provisions of this Resolution and of the Act, Code or other applicable laws. The Election shall be conducted in accordance with the Act, Code and other applicable laws. Among other matters, the Designated Election Official shall appoint election judges as necessary, arrange for the required notices of election (either by mail or publication) and printing of ballots, and direct that all other appropriate actions be accomplished.

5. Absentee Ballot Applications. NOTICE IS FURTHER GIVEN, pursuant to Section 1-13.5-1002, C.R.S., that applications for and return of absentee ballots may be filed

with the Designated Election Official of the District, c/o Special District Management Services, Inc., 141 Union Blvd., Suite 150, Lakewood, CO 80228, between the hours of 8:00 a.m. and 5:00 p.m., until the close of business on the Tuesday immediately preceding the Election (April 28, 2020).

6. Self-Nomination and Acceptance Forms. Self-nomination and acceptance forms are available at the office of the Designated Election Official located at the above address. All candidates must file a self-nomination and acceptance form with the Designated Election Official no later than 3:00 P.M. on February 28, 2020.

7. Cancellation of Election. If the only matter before the electors is the election of Directors of the District and if, at 5:00 P.M. on March 3, 2020, there are not more candidates than offices to be filled at the Election, including candidates timely filing affidavits of intent, the Designated Election Official shall cancel the Election and declare the candidates elected. Notice of such cancellation shall be published and posted in accordance with law.

8. Severability. If any part or provision of this Resolution is adjudged to be unenforceable or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Resolution, it being the Board of Director's intention that the various provisions hereof are severable.

9. Repealer. All acts, orders and resolutions, or parts thereof, of the Board of Directors which are inconsistent or in conflict with this Resolution are hereby repealed to the extent only of such inconsistency or conflict.

10. Effective Date. The provisions of this Resolution shall take effect as of the date adopted and approved by the Board of Directors of Denargo Market Metropolitan District No. 2.

[SIGNATURE PAGE FOLLOWS]

**[SIGNATURE PAGE TO RESOLUTION
CALLING A REGULAR ELECTION FOR DIRECTORS
MAY 5, 2020]**

RESOLUTION APPROVED AND ADOPTED ON NOVEMBER _____, 2019.

**DENARGO MARKET METROPOLITAN
DISTRICT NO. 2**

By: _____
President

Attest:

Secretary

**NOTICE OF MEETING OF THE BOARD OF DIRECTORS OF THE
DENARGO MARKET METROPOLITAN DISTRICT NOS. 1 AND 2**

NOTICE is hereby given that a meeting of the Board of Directors of the Denargo Market Metropolitan District Nos. 1 and 2, of the City and County of Denver, State of Colorado, shall be held at 4:30 p.m. on Tuesday, November 19, 2019 at The Waterford RiNo, Conference Room, 2797 Wewatta Way, Denver, Colorado 80216.

The address of the Districts' office where the names and addresses of the Board of Directors and their officers may be obtained is Special District Management Services, Inc., 141 Union Boulevard, Suite 150, Lakewood, Colorado 80228, and the office telephone number is 303-987-0835, fax number is 303-987-2032 and e-mail address is receptionist@sdmsi.com.

The City and County of Denver maintains a file regarding the Districts.

DENARGO MARKET METROPOLITAN
DISTRICT NOS. 1 AND 2

By: /s/ Ann E. Finn
Secretary