

MIDTOWN METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2019

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midtown Metropolitan District
City and County of Denver, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Midtown Metropolitan District (the District), City and County of Denver, Colorado, as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Midtown Metropolitan District, City and County of Denver, Colorado, as of December 31, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. GAAP.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund and Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund were presented for the purpose of additional analysis and were not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund and Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

July 29, 2020
Wheat Ridge, Colorado

Midtown Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash	\$ 15,316	\$ -	\$ -	\$ 15,316	\$ -	\$ 15,316
Cash and investments - restricted	8,024	206,124	1,255,548	1,469,696	-	1,469,696
Receivable - County Treasurer	300	600	-	900	-	900
Property taxes receivable	120,033	240,065	-	360,098	-	360,098
Developer receivable	61,000	-	-	61,000	(61,000)	-
Due to (from) other funds	4,523	(4,523)	-	-	-	-
Capital assets not being depreciated	-	-	-	-	2,282,892	2,282,892
Capital assets, net	-	-	-	-	13,779,238	13,779,238
Total Assets	<u>\$ 209,196</u>	<u>\$ 442,266</u>	<u>\$ 1,255,548</u>	<u>\$ 1,907,010</u>	<u>16,001,130</u>	<u>17,908,140</u>
LIABILITIES						
Accounts payable	\$ 79,192	\$ 1,341	\$ -	\$ 80,533	-	80,533
Contracts & retainage payable	-	-	193,394	193,394	-	193,394
Developer payable	-	-	-	-	418,100	418,100
Accrued interest on developer payable	-	-	-	-	5,761	5,761
Accrued interest on long term debt	-	-	-	-	34,375	34,375
Long-term liabilities:						
Due within one year	-	-	-	-	343,258	343,258
Due in more than one year	-	-	-	-	20,627,318	20,627,318
Total Liabilities	<u>79,192</u>	<u>1,341</u>	<u>193,394</u>	<u>273,927</u>	<u>21,428,812</u>	<u>21,702,739</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	120,033	240,065	-	360,098	-	360,098
Total Deferred Inflows of Resources	<u>120,033</u>	<u>240,065</u>	<u>-</u>	<u>360,098</u>	<u>-</u>	<u>360,098</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	8,024	-	-	8,024	(8,024)	-
Debt service	-	200,860	-	200,860	(200,860)	-
Capital projects	-	-	1,062,154	1,062,154	(1,062,154)	-
Unassigned	1,947	-	-	1,947	(1,947)	-
Total Fund Balances	<u>9,971</u>	<u>200,860</u>	<u>1,062,154</u>	<u>1,272,985</u>	<u>(1,272,985)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 209,196</u>	<u>\$ 442,266</u>	<u>\$ 1,255,548</u>	<u>\$ 1,907,010</u>		
Net Position:						
Restricted for:						
Emergencies					8,024	8,024
Debt service					166,485	166,485
Capital projects					1,062,154	1,062,154
Unrestricted					<u>(5,391,360)</u>	<u>(5,391,360)</u>
Total Net Position					<u>\$ (4,154,697)</u>	<u>\$ (4,154,697)</u>

The notes to the financial statements are an integral part of these statements.

Midtown Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
General & Administrative						
Accounting and audit	\$ 19,250	\$ -	\$ -	\$ 19,250	\$ -	\$ 19,250
Administrative	18,000	-	-	18,000	-	18,000
Insurance	2,992	-	-	2,992	-	2,992
Legal	15,618	2,076	-	17,694	-	17,694
Miscellaneous expenses	1,512	2,049	16,683	20,244	-	20,244
Treasurer's fees	546	1,091	-	1,637	-	1,637
Operations & Maintenance						
Cleaning	3,708	-	-	3,708	-	3,708
Supplies	5,438	-	-	5,438	-	5,438
Decorations	11,367	-	-	11,367	-	11,367
Engineering services	4,069	-	-	4,069	-	4,069
Ground & Landscape maintenance	2,626	-	-	2,626	-	2,626
Garage & Parking lot	12,858	-	-	12,858	-	12,858
Security	104,220	-	-	104,220	-	104,220
Snow removal	56,191	-	-	56,191	-	56,191
Utilities	246	-	-	246	-	246
Management fees	8,750	-	-	8,750	-	8,750
Miscellaneous expenses	83	-	-	83	-	83
Bond principal	-	118,465	-	118,465	(118,465)	-
Interest expense	-	412,500	-	412,500	1,110,279	1,522,779
Capital expenditures	-	-	4,788,596	4,788,596	(4,788,596)	-
Depreciation	-	-	-	-	264,511	264,511
Total Expenditures	<u>267,474</u>	<u>536,181</u>	<u>4,805,279</u>	<u>5,608,934</u>	<u>(3,532,271)</u>	<u>2,076,663</u>
GENERAL REVENUES						
Property taxes	54,553	109,106	-	163,659	-	163,659
Specific ownership taxes	4,118	8,236	-	12,354	-	12,354
Interest income	-	5,301	84,084	89,385	-	89,385
Other income	5,000	-	-	5,000	-	5,000
Total General Revenues	<u>63,671</u>	<u>122,643</u>	<u>84,084</u>	<u>270,398</u>	<u>-</u>	<u>270,398</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(203,803)	(413,538)	(4,721,195)	(5,338,536)	3,532,271	(1,806,265)
OTHER FINANCING SOURCES (USES)						
Developer advances	<u>208,100</u>	<u>241,000</u>	<u>-</u>	<u>449,100</u>	<u>(449,100)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>208,100</u>	<u>241,000</u>	<u>-</u>	<u>449,100</u>	<u>(449,100)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	4,297	(172,538)	(4,721,195)	(4,889,436)	4,889,436	
CHANGE IN NET POSITION					(1,806,265)	(1,806,265)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>5,674</u>	<u>373,398</u>	<u>5,783,349</u>	<u>6,162,421</u>	<u>(8,510,853)</u>	<u>(2,348,432)</u>
END OF YEAR	<u>\$ 9,971</u>	<u>\$ 200,860</u>	<u>\$ 1,062,154</u>	<u>\$ 1,272,985</u>	<u>\$ (5,427,682)</u>	<u>\$ (4,154,697)</u>

The notes to the financial statements are an integral part of these statements.

Midtown Metropolitan District

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

For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 54,600	\$ 54,600	\$ 54,553	\$ (47)
Specific ownership taxes	3,000	5,000	4,118	(882)
Maintenance agreement	10,125	-	-	-
Maintenance fee	3,000	-	-	-
Other income	-	5,000	5,000	-
	<u>70,725</u>	<u>64,600</u>	<u>63,671</u>	<u>(929)</u>
EXPENDITURES				
Treasurer's fees	800	800	546	254
Accounting and audit	19,350	19,350	19,250	100
Administrative	18,000	18,000	18,000	-
Miscellaneous	3,000	3,000	1,512	1,488
Insurance	2,800	2,800	2,992	(192)
Legal	7,900	16,000	15,618	382
Electrical/HVAC	1,400	-	-	-
Elevator	2,800	-	-	-
Cleaning	-	4,000	3,708	292
General supplies/repairs	1,750	5,500	5,438	62
Holiday decorations	12,000	12,000	11,367	633
Engineering services	1,750	4,100	4,069	31
Insurance-property	4,000	-	-	-
Grounds & landscaping maintenance	14,150	3,000	2,626	374
Parking area maintenance	10,125	13,000	12,858	142
Security	40,000	105,000	104,220	780
Snow removal	31,000	57,000	56,191	809
Utilities and water	6,300	500	246	254
Management fee	10,000	10,000	8,750	1,250
Miscellaneous	-	-	83	(83)
Contingency	5,000	-	-	-
	<u>192,125</u>	<u>274,050</u>	<u>267,474</u>	<u>6,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(121,400)	(209,450)	(203,803)	5,647
OTHER FINANCING SOURCES (USES)				
Developer advances	125,000	210,000	208,100	(1,900)
	<u>125,000</u>	<u>210,000</u>	<u>208,100</u>	<u>(1,900)</u>
Total Other Financing Sources (Uses)				-
NET CHANGE IN FUND BALANCE	3,600	550	4,297	3,747
FUND BALANCE:				
BEGINNING OF YEAR	6,321	6,321	5,674	(647)
END OF YEAR	<u>\$ 9,921</u>	<u>\$ 6,871</u>	<u>\$ 9,971</u>	<u>\$ 3,100</u>

The notes to the financial statements are an integral part of these statements.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Midtown Metropolitan District (“District”), located in the City and County of Denver, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 5, 2016, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to coordinate and manage the financing, acquisition, construction, completion, operation and maintenance of all public infrastructure and services within and without the Midtown Industrial Center (the “Project”), including, without limitation, all streets, traffic and safety, water, sanitation, storms drainage, transportation, park and facilities, covenant control, security and marketing, and generally to serve the Midtown Industrial Center. The District's primary revenues are bond proceeds, however moving forward property taxes will be the primary source of revenue. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The District had no *Program revenues* to report as of December 31, 2019. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

The District amended its total appropriations; in the General Fund from \$192,125 to \$274,050 due to an excess of expected operating expenditures, and the Debt Service Fund from \$421,340 to \$540,340 due to surplus funds triggering an early principal payment on the 2017B Bonds.

Assets, Liabilities and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Land and certain improvements are not depreciated. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Roads & Traffic	20 years
Parks & Recreation	20 years
Landscaping	15 years
Furniture & Fixtures	7 years
Water & Sewer	40 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$8,024 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$200,860 is restricted for the payment of the debt service costs associated with the series 2017 Bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$1,062,154 is restricted for the payment of the costs associated with capital improvements within the District, including financing costs.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The District has no amounts to report as Committed Fund Balance as of December 31, 2019.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority. The District has no amounts to report as Assigned Fund Balance as of December 31, 2019.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balance of deferred outflows or resources related to those assets. At December 31, 2019 the District did not have any amounts to report in this category.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash	\$ 15,316
Cash and investments - Restricted	<u>1,469,696</u>
Total	\$ <u>1,485,012</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 223,340
Investments – Fidelity Treasury Fund	<u>1,261,672</u>
	\$ <u>1,485,012</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act (“PDPA”), requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee).

Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2019, the District had the following investment:

Fidelity Investments Money Market Treasury Portfolio – Class III Fund

During 2019, the District's funds that were included in the trust accounts at UMB Bank were invested in the Fidelity Investments Money Market Treasury Portfolio – Class III Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 31, 2019, the District has \$1,261,672 invested in the fund.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/19</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$11,538,045	\$ 4,788,596	\$(15,750,549)	\$ 576,092
Land easement	-	-	1,706,800	1,706,800
Total capital assets not being depreciated	<u>11,538,045</u>	<u>4,788,596</u>	<u>(14,043,749)</u>	<u>2,282,892</u>
<u>Capital assets being depreciated:</u>				
Water & sewer	-	-	3,625,150	3,625,150
Transportation	-	-	9,542,034	9,542,034
Parks & recreation	-	-	427,975	427,975
Landscaping	-	-	241,328	241,328
Furniture & fixtures	-	-	207,262	207,262
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>14,043,749</u>	<u>14,043,749</u>
<u>Accumulated depreciation:</u>				
Water & sewer	-	(37,762)	-	(37,762)
Transportation	-	(198,792)	-	(198,792)
Parks & recreation	-	(8,916)	-	(8,916)
Landscaping	-	(6,704)	-	(6,704)
Furniture & fixtures	-	(12,337)	-	(12,337)
Total accumulated depreciation	<u>-</u>	<u>(264,511)</u>	<u>-</u>	<u>(264,511)</u>
Net capital assets being depreciated	<u>-</u>	<u>(264,511)</u>	<u>14,034,749</u>	<u>13,779,238</u>
Total capital assets, net	<u>\$11,538,045</u>	<u>\$ 4,524,085</u>	<u>\$ -</u>	<u>\$16,062,130</u>

The District retains the right to maintain ownership in the facilities and/or retain responsibility for operations and maintenance of public improvements within the District. Assets which will be conveyed to other governments are included in construction in progress and not subject to depreciation.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2019, is as follows:

On July 12, 2017, the District issued Limited Tax General Obligation Bonds, Series 2017A in the aggregate principal amount of \$5,500,000.00 (the "Series 2017A Bonds"), Limited Tax General Obligation Capital Appreciation Bonds, Series 2017B in the original aggregate principal amount of \$1,983,542 (the "Series 2017B Bonds"), and Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2017C, in the original aggregate principal amount of \$11,016,458 (the "Series 2017C Bonds"), for the purpose of defraying the costs of all or a portion of the Project. The Series 2017 Bonds bear interest at the rate of 7.50% per annum. Interest is calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available on each June 1 and December 1. Interest on the Series 2017A Bonds is payable semi-annually commencing December 1, 2017 and mature on June 1, 2047. The Series 2017B and Series 2017C Bonds will compound during the accretion period (date of issuance to December 1, 2023) on each June 1 and December 1. Principal and interest payments on the 2017 B Bonds is due annually commencing December 1, 2020, through their maturity at the end of the accretion period December 1, 2023. The Series 2017C Bonds will start paying interest semi-annually commencing December 1, 2023 and mature on June 1, 2047. The Series 2017 Bonds are subject to a mandatory sinking fund redemption.

The Series 2017 Bonds are secured by Pledged Revenues including the Required Mill Levy imposed each year upon all taxable property located within the District in an amount sufficient to pay the Debt Service Requirements as the same become due and payable, but not in excess of 50.000 mills, the portion of the specific ownership tax allocable to the amount of the Required Mill Levy, and any other legally available moneys that the Board determines in its sole discretion to credit to the Bond Fund.

The following is a summary of the annual long-term debt principal and interest requirements upon full accretion of the Series 2017 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 343,258	\$ 509,692	\$ 852,951
2021	396,792	563,757	960,549
2022	499,896	655,812	1,155,708
2023	625,130	812,370	1,437,500
2024	-	1,734,750	1,734,750
2025 - 2029	737,347	8,951,403	9,688,750
2030 - 2034	1,513,533	8,574,967	10,088,500
2035 - 2039	3,492,029	8,223,471	11,715,500
2040 - 2044	5,957,324	6,772,926	12,730,250
2045 - 2047	4,816,226	2,815,774	7,632,000
	<u>\$ 18,381,535</u>	<u>\$ 39,614,923</u>	<u>\$ 57,996,458</u>

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

The following is an analysis of changes in long-term debt for the period ending December 31, 2019:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
2017 Bonds	\$ 18,500,000	\$ -	\$ (118,465)	\$ 18,381,535
Compound interest	1,482,470	1,106,571	-	2,589,041
	<u>\$ 19,982,470</u>	<u>\$ 1,106,571</u>	<u>\$ (118,465)</u>	<u>\$ 20,970,576</u>

Debt Authorization

As of December 31, 2019, the District had remaining voted debt authorization of approximately \$54,500,000. The District has not budgeted to issue any new debt during 2020. Per the District's Service Plan, the District cannot issue debt in excess of \$73,000,000.

Note 5: Related Parties

All the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed.

Reimbursement Agreements

On December 19, 2016 the District Amended and Restated its reimbursement agreement with Westfield-4120, LLLP, a related party. This agreement was then subsequently assigned to Westfield-OREP JV, LLLP ("the Developer"). The Developer may pay expenses on behalf of the District, and the District will reimburse the Developer for these expenses plus accrued interest of 4.25% per annum upon receipt of evidence acceptable to the District. Payments shall be applied first to interest and then to principal. As of December 31, 2019, the District owed the Developer \$218,100 for advances made to the general and debt service fund plus accrued interest of \$5,264.

On December 9, 2019 the District entered into an additional reimbursement agreement with the Developer. The Developer agreed to fund the anticipated shortfall in the District's 2020 revenue in a total amount not to exceed \$650,000. The District will reimburse the Developer from funds available for the advanced amount plus the accrued interest of 7% per annum upon deposit of funds to the District bank account. During 2019, \$200,000 of this amount was received by the District. As of December 31, 2019 the District owed the Developer \$200,000 plus accrued interest of \$497.

At December 31, 2019 the District owes Westfield-OREP JV, LLLP \$21,682 of reimbursable development costs.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Management and Operations Agreement

On July 12, 2017 the District entered into a Management and Operations agreement with Westfield Development Company, Inc. (“WDC”), a related party, whereas WDC is to provide certain operations and management services to the District, such as management, administrative and clerical services, and administration of the activities of the District. During 2019, this agreement was assigned to Westfield Property Services, LLC (“WPS”), a related party of the Developer. The District paid WDC accounting fees of \$12,250 and administrative fees of \$18,000 during 2019, of which \$1,500 of administrative fees were payable at year end. The District paid WPS \$8,750 in management fees during 2019, of which \$1,750 was payable at year end. The District also paid WPS \$5,638 for maintenance expenses, of which \$2,587 was due at year end.

Construction Management Agreement

On July 15, 2017 the District entered into a Construction Management agreement with WDC to assist, manage and supervise the completion of various construction efforts on the Project, and act as the Manager for the construction of the Project at the request of the District. The District paid WDC a management fee of \$36,111 MMD 5 during 2019, and also reimbursed the Company for \$62,301 of expenses related to the District, of which \$12,825 was payable at year end.

Note 6: Commitments

Per the Series 2017 Bond agreements, amounts which remain unused for capital expenditures in the Project Funds three years after issuance are to be applied towards 2017A Bond payments. At the date financial statements were available to be issued, approximately \$1,067,000 was remaining after this three year mark, and the District and bondholders are in the process of negotiating an updated allocation of the repayment to the 2017B Bonds.

Note 7: Tax, Spending and Debt Limitations

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

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

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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

On November 8, 2016, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond/loan interest payable are not due and payable in the current period and, therefore, are not in the funds.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances, loan and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures; however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Midtown Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 109,100	\$ 109,100	\$ 109,106	\$ 6
Specific ownership taxes	5,530	5,530	8,236	2,706
Interest income	<u>-</u>	<u>-</u>	<u>5,301</u>	<u>5,301</u>
Total Revenues	<u>114,630</u>	<u>114,630</u>	<u>122,643</u>	<u>8,013</u>
EXPENDITURES				
Treasurer fees	1,600	1,600	1,091	509
Miscellaneous	6,240	6,240	2,049	4,191
Bond principal	-	119,000	118,465	535
Bond interest	412,500	412,500	412,500	-
Legal	-	-	2,076	(2,076)
Contingency	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Expenditures	<u>421,340</u>	<u>540,340</u>	<u>536,181</u>	<u>4,159</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(306,710)	(425,710)	(413,538)	12,172
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>-</u>	<u>241,000</u>	<u>241,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>241,000</u>	<u>241,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(306,710)	(184,710)	(172,538)	12,172
FUND BALANCE:				
BEGINNING OF YEAR	<u>375,652</u>	<u>375,652</u>	<u>373,398</u>	<u>(2,254)</u>
END OF YEAR	<u>\$ 68,942</u>	<u>\$ 190,942</u>	<u>\$ 200,860</u>	<u>\$ 9,918</u>

The notes to the financial statements are an integral part of these statements.

Midtown Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$ 22,469	\$ 84,084	\$ 61,615
Total Revenues	<u>22,469</u>	<u>84,084</u>	<u>61,615</u>
EXPENDITURES			
Miscellaneous expenses	-	16,683	(16,683)
Capital expenditures	<u>6,363,689</u>	<u>4,788,596</u>	<u>1,575,093</u>
Total Expenditures	<u>6,363,689</u>	<u>4,805,279</u>	<u>1,558,410</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,341,220)	(4,721,195)	1,620,025
NET CHANGE IN FUND BALANCE	(6,341,220)	(4,721,195)	1,620,025
FUND BALANCE:			
BEGINNING OF YEAR	<u>6,533,373</u>	<u>5,783,349</u>	<u>(750,024)</u>
END OF YEAR	<u>\$ 192,153</u>	<u>\$ 1,062,154</u>	<u>\$ 870,001</u>

The notes to the financial statements are an integral part of these statements.