

3rd and Havana Metropolitan District

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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# COLORADO CPA COMPANY

August 18, 2021

Board of Directors  
3rd and Havana Metropolitan District  
Arapahoe County, Colorado

## **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities and each major fund of the 3rd and Havana Metropolitan District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, 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; 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 opinions 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 from 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 3rd and Havana Metropolitan District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplemental Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 3rd and Havana Metropolitan District's basic financial statements. The supplemental information as listed in the table of contents is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Colorado CPA Company PC*

Highlands Ranch, Colorado

August 18, 2021

**3rd and Havana Metropolitan District**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2020

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 42,637	\$ -	\$ -	\$ 42,637	\$ -	\$ 42,637
Cash and investments - restricted	1,015	13,797,343	3,843,798	17,642,156	-	17,642,156
Receivable County Treasurer	2	-	12	14	-	14
Property taxes receivable	3,047	-	13,571	16,618	-	16,618
Prepaid expense	100	-	-	100	-	100
Capital assets, net of depreciation	-	-	-	-	6,318,731	6,318,731
Total Assets	<u>\$ 46,801</u>	<u>\$ 13,797,343</u>	<u>\$ 3,857,381</u>	<u>\$ 17,701,525</u>	6,318,731	<u>24,020,256</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 10,074	\$ -	\$ -	\$ 10,074	-	10,074
Accrued interest on bonds	-	-	-	-	89,422	89,422
Long-term liabilities						
Due in more than one year	-	-	-	-	25,247,646	25,247,646
Total Liabilities	<u>10,074</u>	<u>-</u>	<u>-</u>	<u>10,074</u>	25,337,068	<u>25,347,142</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	<u>3,047</u>	<u>-</u>	<u>13,571</u>	<u>16,618</u>	<u>-</u>	<u>16,618</u>
Total Deferred Inflows of Resources	<u>3,047</u>	<u>-</u>	<u>13,571</u>	<u>16,618</u>	<u>-</u>	<u>16,618</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	100	-	-	100	(100)	-
Restricted:						
Emergencies	1,015	-	-	1,015	(1,015)	-
Capital projects	-	13,797,343	-	13,797,343	(13,797,343)	-
Debt Service	-	-	3,843,810	3,843,810	(3,843,810)	-
Unassigned	<u>32,565</u>	<u>-</u>	<u>-</u>	<u>32,565</u>	<u>(32,565)</u>	<u>-</u>
Total Fund Balances	<u>33,680</u>	<u>13,797,343</u>	<u>3,843,810</u>	<u>17,674,833</u>	<u>(17,674,833)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 46,801</u>	<u>\$ 13,797,343</u>	<u>\$ 3,857,381</u>	<u>\$ 17,701,525</u>		
Net Position:						
Restricted for:						
Emergencies					1,015	1,015
Debt service					3,754,388	3,754,388
Capital projects					13,797,343	13,797,343
Unrestricted					<u>(18,896,250)</u>	<u>(18,896,250)</u>
Total Net Position					<u>\$ (1,343,504)</u>	<u>\$ (1,343,504)</u>

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

### 3rd and Havana Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting & audit	\$ 11,099	\$ -	\$ -	\$ 11,099	\$ -	\$ 11,099
Insurance	2,317	-	-	2,317	-	2,317
Legal	25,640	-	-	25,640	-	25,640
Treasurer's fees	3	-	13	16	-	16
Bond interest expense	-	-	301,054	301,054	196,496	497,550
Developer advance interest	-	-	-	-	4,564	4,564
Bond issuance costs	-	740,669	-	740,669	-	740,669
Capital improvements	-	6,318,731	-	6,318,731	(6,318,731)	-
Total Expenditures	<u>39,059</u>	<u>7,059,400</u>	<u>301,067</u>	<u>7,399,526</u>	<u>(6,117,671)</u>	<u>1,281,855</u>
<b>GENERAL REVENUES</b>						
Property taxes	174	-	869	1,043	-	1,043
Specific ownership taxes	44	-	156	200	-	200
Interest and other income	-	446	149	595	-	595
Total General Revenues	<u>218</u>	<u>446</u>	<u>1,174</u>	<u>1,838</u>	<u>-</u>	<u>1,838</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(38,841)	(7,058,954)	(299,893)	(7,397,688)	6,117,671	(1,280,017)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	25,000,000	-	25,000,000	(25,000,000)	-
Developer advance	72,521	-	-	72,521	(88,501)	(15,980)
Transfer from/(to) other funds	-	(4,143,703)	4,143,703	-	-	-
Total Other Financing Sources (Uses)	<u>72,521</u>	<u>20,856,297</u>	<u>4,143,703</u>	<u>25,072,521</u>	<u>(25,088,501)</u>	<u>(15,980)</u>
<b>NET CHANGES IN FUND BALANCES</b>	33,680	13,797,343	3,843,810	17,674,833	(17,674,833)	
<b>CHANGE IN NET POSITION</b>					(1,295,997)	(1,295,997)
<b>FUND BALANCE/NET POSITION</b>						
BEGINNING OF YEAR	-	-	-	-	(47,507)	(47,507)
END OF YEAR	<u>\$ 33,680</u>	<u>\$ 13,797,343</u>	<u>\$ 3,843,810</u>	<u>\$ 17,674,833</u>	<u>\$ (19,018,337)</u>	<u>\$ (1,343,504)</u>

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

### 3rd and Havana Metropolitan District

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

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 174	\$ 174	\$ -
Specific ownership taxes	<u>294</u>	<u>44</u>	<u>(250)</u>
Total Revenues	<u>468</u>	<u>218</u>	<u>(250)</u>
<b>EXPENDITURES</b>			
Accounting & audit	2,500	11,099	(8,599)
Engineering	10,000	-	10,000
Election expense	5,000	-	5,000
Insurance	2,500	2,317	183
Legal	10,000	25,640	(15,640)
Miscellaneous expenses	2,000	-	2,000
Treasurer's fees	3	3	-
Management	1,500	-	1,500
Contingency	<u>16,466</u>	<u>-</u>	<u>16,466</u>
Total Expenditures	<u>49,969</u>	<u>39,059</u>	<u>10,910</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(49,501)</b>	<b>(38,841)</b>	<b>10,660</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	<u>49,501</u>	<u>72,521</u>	<u>23,020</u>
Total Other Financing Sources (Uses)	<u>49,501</u>	<u>72,521</u>	<u>23,020</u>
<b>NET CHANGES IN FUND BALANCE</b>	<b>-</b>	<b>33,680</b>	<b>33,680</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 33,680</u></u>	<u><u>\$ 33,680</u></u>

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

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

#### Note 1: Summary of Significant Accounting Policies

The accounting policies of the 3rd and Havana Metropolitan District (the “District”) located in Arapahoe County, 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 is a quasi-municipal corporation organized and created in 2017 which derives its revenue principally from general property taxes. The District was organized under Title 32 and all properties within the District are mixed use properties. The District is responsible for managing, implementing, and coordinating the financing, construction, and operations and maintenance.

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

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, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides 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.

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

#### Basis of Presentation

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

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. For the most part, 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. 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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

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

Budgets are adopted on a non-GAAP basis for the governmental funds. 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.

#### Assets, Liabilities, Deferred Outflows/Inflows of Resources 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, 2020, 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. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

#### 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 has no items to report under 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 items that qualify for reporting in this category. Deferred property taxes are deferred and 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 defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Upon completion, all public improvements will be conveyed to the City of Aurora (“City”) (see Note 8) and are not owned or depreciated by the District.

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

#### 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### 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 Equity

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. A nonspendable fund balance of \$100 is for prepaid expenses.

#### 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 \$1,015 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 \$3,843,810 is restricted for the payment of the debt service costs associated with the Special Revenue and Tax Supported Senior Bonds Series 2020A (see Note 3).

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

The restricted fund balance in the Capital Projects Fund in the amount of \$13,797,343 is restricted for the payment of the costs for capital improvements within the District.

#### 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.

#### 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.

#### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, and all funds can report negative amounts.

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. The District can report three categories of net position, as follows:

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 balances of deferred outflows of resources related to those assets. The District has no amount 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.

3rd and Havana Metropolitan District

Notes to Financial Statements  
December 31, 2020

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 42,637
Cash and investments - Restricted	<u>17,642,156</u>
Total	<u>\$ 17,684,793</u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 44,652
MSILF Treasury	13,787,237
Investments – COLOTRUST	<u>3,852,904</u>
Total	<u>\$ 17,684,793</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.

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding 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 investing pools.

Custodial and Concentration of Credit Risk

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

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

#### Interest Rate Risk

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

#### Investment Valuation

Certain investments are measured at fair value 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. The District's investments are not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

As of December 31, 2020, the District had the following investments:

#### Morgan Stanley Institutional Liquidity Fund

The Morgan Stanley Institutional Liquidity Fund ("MSILF") is rated AAAM by Standard & Poor's and the maturity is weighted average under 18 days. MSILF records its investments at fair value and the District records its investment in MSILF using the net asset value method. The fund is a money market fund with each share maintaining a value of \$1.00. The money market fund invests in high quality debt securities issued by the U.S. Government. At December 31, 2020 the District had \$13,787,237 invested in the MSILF held by a trustee.

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$3,852,904 invested in COLOTRUST.

3rd and Havana Metropolitan District

Notes to Financial Statements  
December 31, 2020

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2020</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$6,318,731	\$ -	\$ 6,318,731
Total capital assets not being depreciated:	-	6,318,731	-	6,318,731
Government type assets, net	<u>\$ -</u>	<u>\$6,318,731</u>	<u>\$ -</u>	<u>\$ 6,318,731</u>

Upon completion, acceptance, and the applicable warranty period, the completed capital assets will be conveyed by the District to the City or other appropriate entities for ongoing ownership, operations, and maintenance. The District will not be responsible for maintenance.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

Special Revenue and Tax Supported Senior Bonds Series 2020A and 2020B

On August 12, 2020, the District issued \$21,150,000 as Special Revenue and Tax Supported Senior Bonds, Series 2020A (“2020A Bonds”) and \$3,850,000 as Special Revenue and Tax Supported Subordinate Bonds (“2020B Bonds” and together with the 2020A Bonds, the “Series 2020 Bonds”) for the purposes of (a) financing certain Public Improvements related to the Development, (b) funding the Reserve Fund, (c) funding a portion of the interest to accrue on the 2020A Bonds, and (d) paying the costs of issuing the 2020 Bonds. The 2020A Bonds that bear interest at a rate of 4.500% mature on December 1, 2030 and the 2020A Bonds that bear interest at a rate of 5.250% mature on December 1, 2049. Interest payments are payable semiannually on each June 1 and December 1 on the 2020A Bonds, commencing December 1, 2020. The 2020A Bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption prior to the maturity date of such 2020A Bonds, in part, upon payment of par and accrued interest, without redemption premium, beginning December 1, 2023. The 2020A Bonds maturing on December 1, 2049 are subject to mandatory sinking fund redemption prior to the maturity date of such 2020A Bonds, in part, upon payment of par and accrued interest, without redemption premium, beginning December 1, 2031. The 2020B Bonds bear interest at the rate of 7.750%, payable annually on December 15, commencing on December 15, 2025, to the extent that Pledged Revenue is available, and mature on December 15, 2049. The 2020B Bonds are subject to mandatory sinking fund redemption prior to the maturity date of such 2020B Bonds, in part, upon payment of par and accrued interest, without redemption premium, beginning December 15, 2020.

3rd and Havana Metropolitan District

Notes to Financial Statements  
December 31, 2020

The 2020A Bonds are secured by and payable solely from and to the extent of the Pledge Revenue, generally consisting of (a) Property Tax Revenues, (b) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, (c) PFRA Revenues, (d) PIF Revenues, (e) Capital Fees, if any, and (f) other legally available moneys that the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The 2020B Bonds are secured by and payable solely from and to the extent of the Pledge Revenue, generally consisting of (a) Subordinate Property Tax Revenues, (b) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy, (c) PFRA Revenues, PIF Revenues, and Capital Fees, if any, remaining after deduction of all amounts thereof used, paid, pledged, or otherwise applied to the payment of the 2020A Bonds, and (d) other legally available moneys that the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledge Revenue.

Optional redemption

The Series 2020A Bonds and 2020B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, December 1, 2025 and December 15, 2025, respectively, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

2020A Bonds	
<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2025, to November 30, 2026	3.00%
December 1, 2026, to November 30, 2027	2.00%
December 1, 2027, to November 30, 2028	1.00%
December 1, 2028, and thereafter	0.00%

  

2020B Bonds	
<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 15, 2025, to December 14, 2026	3.00%
December 15, 2026, to December 14, 2027	2.00%
December 15, 2027, to December 14, 2028	1.00%
December 15, 2028, and thereafter	0.00%

3rd and Havana Metropolitan District

Notes to Financial Statements  
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements for the 2020A Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,073,063	\$ 1,073,063
2022	-	1,073,063	1,073,063
2023	320,000	1,073,063	1,393,063
2024	550,000	1,058,663	1,608,663
2025	580,000	1,033,913	1,613,913
2026-2030	3,525,000	4,746,113	8,271,113
2031-2035	5,005,000	3,755,850	8,760,850
2036-2040	4,670,000	2,302,913	6,972,913
2041-2045	2,315,000	1,479,450	3,794,450
2046-2049	<u>4,185,000</u>	<u>693,000</u>	<u>4,878,000</u>
	<u>\$ 21,150,000</u>	<u>\$ 18,289,088</u>	<u>\$ 39,439,088</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds					
Series 2020A Bonds	\$ -	\$ 21,150,000	\$ -	\$ 21,150,000	\$ -
Series 2020B Bonds - Subordinate Bonds	-	3,850,000	-	3,850,000	-
Accrued Interest On Series 2020B Bonds	-	107,074	-	107,074	-
Total General Obligation Bonds	<u>-</u>	<u>25,107,074</u>	<u>-</u>	<u>25,107,074</u>	<u>-</u>
Other - Developer Advances					
Developer Advance Principal - Operating	46,786	88,501	-	135,287	-
Developer Advance Interest - Operating	<u>721</u>	<u>4,564</u>	<u>-</u>	<u>5,285</u>	<u>-</u>
Total Other - Developer Advances	<u>47,507</u>	<u>93,065</u>	<u>-</u>	<u>140,572</u>	<u>-</u>
Total	<u>\$ 47,507</u>	<u>\$ 25,200,139</u>	<u>\$ -</u>	<u>\$ 25,247,646</u>	<u>\$ -</u>

3rd and Havana Metropolitan District

Notes to Financial Statements  
December 31, 2020

Debt Authorization

As of December 31, 2020, the District has no remaining voted debt authorized. The District has not budgeted to issue any new debt during 2021.

Note 5: Related Party

Some members of the Board of Directors are owners, officers, employees, or 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 to the Board (See Note 8).

Note 6: 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.

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.

Note 7: 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.

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

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 8: Other Agreements

##### Operations Reimbursement Agreement

The District and Dillon Place, LLC ("Prior Developer") entered into an Operations Reimbursement Agreement dated December 11, 2017 (as the same may be amended from time to time, the "ORA") for the purpose of paying the operating expenses of the District. The Prior Developer assigned all of its rights, title, and interest in the ORA to Argenta, LLC ("Developer") on September 3, 2019. The ORA automatically renews through 12/31/2021 as amended. The District agreed to reimburse such advances, respectively, together with interest thereon at a rate equal to 6%, subject to annual appropriation and budget approval, from legally available funds within any fiscal year and not otherwise required for operations, capital improvement, and debt service costs and expenses of the District. Any amounts due to the Developer are subordinate to all bonded indebtedness of the District.

As of December 31, 2020, the amount of principal and interest outstanding due to the Developer under this agreement is \$135,287 and \$5,285, respectively.

##### City Intergovernmental Agreement

The District and the City are parties to an Intergovernmental Agreement dated July 24, 2017 ("City IGA"). The City IGA requires the District to dedicate all of the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Master Plan and other rules and regulations of the City and applicable provisions of the City Code. The City IGA also provides that the District may not issue any debt until such time as the City as approved a development plan for the District and the District has approved the imposition of the Aurora Regional Improvement Mill Levy. As of the date of the bond issuance, the City has approved a development plan for the District and the District has approved the imposition of the Aurora Regional Improvement Mill Levy. The City IGA requires the District to impose a 1.000 mill levy (subject to adjustment for changes in the method of calculating the assess valuation after January 1, 2004) for Aurora Regional Improvements (the "ARI Mill Levy"). Per the City IGA, the ARI Mill Levy will increase to 1.500 mills in collection year 2039 and 20.000 mills in collection year 2049. Revenues received from the ARI Mill Levy are not available to pay debt service on the Series 2020 Bonds or operations, and are reflected as expenditures in the General Fund.

## 3rd and Havana Metropolitan District

### Notes to Financial Statements December 31, 2020

#### Construction Project Delivery Contract

On September 3, 2019, the District and Argenta Constructors LLC (“General Contractor”) have entered into a Construction Project Delivery Contract (as the same may be amended from time to time, the “Construction Contract”). The Construction Contract provides that the General Contractor will construct the public improvements on behalf of the District subject to payment by the District.

#### Facilities Funding and Acquisition Agreement

The District and the Prior Developer entered into a Facilities Funding and Acquisition Agreement (“FFAA”) dated December 11, 2017. The Prior Developer assigned all of its rights, title, and interest in the FFAA to the Developer on September 3, 2019. The FFAA provides that the Developer may (a) construct public improvements on behalf of the District, subject to future acquisition and reimbursement by the District; or (b) provide advances up to the amount of the certified construction related expenses to the District so that the District is able to construct the public improvements. The District agreed to reimburse such advances, together with 8% interest. In the event that the District is unable to reimburse the Developer for any such advance of the Public Improvements within thirty years from the date of the advance, any amount of principal and accrued interest outstanding shall be deemed to be forever discharged and satisfied in full. The agreement terminates on December 31, 2047, unless terminated earlier by mutual written agreement of both parties.

As of December 31, 2020, no amount is due to the Developer under this agreement.

3rd and Havana Metropolitan District

Notes to Financial Statements  
December 31, 2020

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 may have the following elements:

- 1) capital improvements used in governmental 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 interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) 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;
- 2) governmental funds report developer advances and/or bond proceeds as revenue, however, they are reported as long-term debt in the Statement of Activities;
- 3) 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; and
- 4) governmental funds report capital outlays as expenditures, however, they are capitalized as construction in progress to be conveyed to other governments upon completion.

**SUPPLEMENTAL INFORMATION**

### 3rd and Havana Metropolitan District

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

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	Actual	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Interest and other income	\$ -	\$ 446	\$ 446
Total Revenues	-	446	446
<b>EXPENDITURES</b>			
Capital improvements	23,038,089	6,318,731	16,719,358
Bond issuance costs	407,125	740,669	(333,544)
Total Expenditures	23,445,214	7,059,400	16,385,814
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(23,445,214)	(7,058,954)	16,386,260
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	25,000,000	25,000,000	-
Transfer (to) other funds	(1,554,786)	(4,143,703)	(2,588,917)
Total Other Financing Sources (Uses)	23,445,214	20,856,297	(2,588,917)
<b>NET CHANGES IN FUND BALANCE</b>			
	-	13,797,343	13,797,343
<b>FUND BALANCE - BEGINNING OF YEAR</b>			
	-	-	-
<b>FUND BALANCE - END OF YEAR</b>			
	\$ -	\$13,797,343	\$ 13,797,343

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

### 3rd and Havana Metropolitan District

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

For the Year Ended December 31, 2020

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 869	\$ 869	\$ -
Specific ownership taxes	70	156	86
Use tax revenue	1,000,000	-	(1,000,000)
Interest and other income	4,000	149	(3,851)
Total Revenues	1,004,939	1,174	(1,003,765)
<b>EXPENDITURES</b>			
Bond interest expense	1,100,000	301,054	798,946
Trustee fees	5,000	-	5,000
Treasurer's fees	13	13	-
URA collection fees	14,000	-	14,000
Total Expenditures	1,119,013	301,067	817,946
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(114,074)	(299,893)	(185,819)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	1,554,786	4,143,703	2,588,917
Total Other Financing Sources (Uses)	1,554,786	4,143,703	2,588,917
<b>CHANGE IN FUND BALANCE</b>	1,440,712	3,843,810	2,403,098
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ 1,440,712	\$3,843,810	\$ 2,403,098

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

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION - UNAUDITED

### 3rd and Havana Metropolitan District

#### SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2020

(Unaudited)

Year Ended <u>31,</u>	Prior Year Assessed Valuation for Current Year Property <u>Tax Levy</u>	Mills Levied			<u>Contract</u>	<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>			<u>Levied</u>	<u>Collected</u>	
2020	\$ 17,383	10.000	50.000	0.000	\$ 1,043	\$ 1,043	100.00%	
Estimated for year ending December 31, 2021	276,962	10.000	49.000	1.000	16,618			

**NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.