

Harmony Technology Park Metropolitan District

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Harmony Technology Park Metropolitan District
Larimer County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Harmony Technology Park 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; 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. 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 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 respective financial position of the governmental activities and each major fund of Harmony Technology Park 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.

Other Matters

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the 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 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
Lakewood, Colorado

September 27, 2021

Harmony Technology Park Metropolitan District

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Assets</u>
ASSETS						
Cash and investments	\$ 160,395	\$ -	\$ -	\$ 160,395	\$ -	\$ 160,395
Cash and investments - restricted	2,223	375,304	415,312	792,839	-	792,839
Receivable - County Treasurer	592	2,429	-	3,021	-	3,021
Property taxes receivable	64,654	538,784	-	603,438	-	603,438
Prepaid expenses	4,956	-	-	4,956	-	4,956
Capital assets not being depreciated	-	-	-	-	1,447,866	1,447,866
Total Assets	<u>232,820</u>	<u>916,517</u>	<u>415,312</u>	<u>1,564,649</u>	<u>1,447,866</u>	<u>3,012,515</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	1,347,983	1,347,983
Total Deferred Outflows of Resources	-	-	-	-	<u>1,347,983</u>	<u>1,347,983</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 232,820</u>	<u>\$ 916,517</u>	<u>\$ 415,312</u>	<u>\$ 1,564,649</u>		
LIABILITIES						
Accounts payable	\$ 3,418	\$ -	\$ -	\$ 3,418	-	3,418
Accrued interest on bonds	-	-	-	-	25,954	25,954
Long-term liabilities:						
Due within one year	-	-	-	-	125,000	125,000
Due in more than one year	-	-	-	-	12,312,249	12,312,249
Total Liabilities	<u>3,418</u>	<u>-</u>	<u>-</u>	<u>3,418</u>	<u>12,463,203</u>	<u>12,466,621</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>64,654</u>	<u>538,784</u>	<u>-</u>	<u>603,438</u>	<u>-</u>	<u>603,438</u>
Total Deferred Inflows of Resources	<u>64,654</u>	<u>538,784</u>	<u>-</u>	<u>603,438</u>	<u>-</u>	<u>603,438</u>
FUND BALANCE/NET POSITION						
Nonspendable:						
Prepays	4,956	-	-	4,956	(4,956)	-
Restricted:						
Emergencies	2,223	-	-	2,223	(2,223)	-
Debt service	-	377,733	-	377,733	(377,733)	-
Capital projects	-	-	415,312	415,312	(415,312)	-
Unassigned	<u>157,569</u>	<u>-</u>	<u>-</u>	<u>157,569</u>	<u>(157,569)</u>	<u>-</u>
Total Fund Balances	<u>164,748</u>	<u>377,733</u>	<u>415,312</u>	<u>957,793</u>	<u>(957,793)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 232,820</u>	<u>\$ 916,517</u>	<u>\$ 415,312</u>	<u>\$ 1,564,649</u>		
Net Investment in Capital Assets					(10,864,383)	(10,864,383)
Restricted for:						
Emergencies					2,223	2,223
Debt service					351,779	351,779
Capital projects					415,312	415,312
Unrestricted					<u>1,385,508</u>	<u>1,385,508</u>
Total Net Position (Deficit)					<u>\$ (8,709,561)</u>	<u>\$ (8,709,561)</u>

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

Harmony Technology Park 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>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of Activities
EXPENDITURES						
Accounting and audit	\$ 13,374	\$ -	\$ -	\$ 13,374	\$ -	\$ 13,374
Insurance	5,642	-	-	5,642	-	5,642
Legal	19,469	-	-	19,469	-	19,469
Miscellaneous expenses	80	-	-	80	-	80
Treasurer's fees	2,038	8,355	-	10,393	-	10,393
Maintenance	4,817	-	-	4,817	-	4,817
Directors Fees	800	-	-	800	-	800
Bond interest expense	-	534,525	-	534,525	(6,712)	527,813
Cost of Issuance	-	197,575	-	197,575	-	197,575
Trustee fees	-	3,500	-	3,500	-	3,500
Total Expenditures	<u>46,220</u>	<u>743,955</u>	<u>-</u>	<u>790,175</u>	<u>(6,712)</u>	<u>783,463</u>
GENERAL REVENUES						
Property taxes	101,732	417,101	-	518,833	-	518,833
Specific ownership taxes	7,293	29,901	-	37,194	-	37,194
Interest income	<u>183</u>	<u>3,154</u>	<u>1,205</u>	<u>4,542</u>	<u>-</u>	<u>4,542</u>
Total General Revenues	<u>109,208</u>	<u>450,156</u>	<u>1,205</u>	<u>560,569</u>	<u>-</u>	<u>560,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	62,988	(293,799)	1,205	(229,606)	6,712	(222,894)
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	12,415,000	-	12,415,000	(12,415,000)	-
Payment to refunding agent	-	(12,289,861)	-	(12,289,861)	12,289,861	-
Transfers in/out	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>185,139</u>	<u>-</u>	<u>125,139</u>	<u>(125,139)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	2,988	(108,660)	1,205	(104,467)	104,467	
CHANGE IN NET POSITION					(222,894)	(222,894)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>161,760</u>	<u>486,393</u>	<u>414,107</u>	<u>1,062,260</u>	<u>(9,548,927)</u>	<u>(8,486,667)</u>
END OF YEAR	<u>\$ 164,748</u>	<u>\$ 377,733</u>	<u>\$ 415,312</u>	<u>\$ 957,793</u>	<u>\$ (9,667,354)</u>	<u>\$ (8,709,561)</u>

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

Harmony Technology Park Metopolitan District

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

For the Year Ended December 31, 2020

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 101,750	\$ 101,732	\$ (18)
Specific ownership taxes	7,631	7,293	(338)
Interest income	<u>100</u>	<u>183</u>	<u>83</u>
Total Revenues	<u>109,481</u>	<u>109,208</u>	<u>(273)</u>
EXPENDITURES			
Accounting and audit	15,000	13,374	1,626
Engineering	5,000	-	5,000
Insurance	6,500	5,642	858
Legal	25,000	19,469	5,531
Maintenance	20,000	4,817	15,183
Director's fees	1,200	800	400
Miscellaneous expenses	100	80	20
Treasurer's fees	2,035	2,038	(3)
Emergency reserve	2,245	-	2,245
Contingency	<u>145,824</u>	<u>-</u>	<u>145,824</u>
Total Expenditures	<u>222,904</u>	<u>46,220</u>	<u>176,684</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,423)	62,988	176,411
OTHER FINANCING SOURCES (USES)			
Transfers in/out	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(173,423)	2,988	176,411
FUND BALANCE:			
BEGINNING OF YEAR	<u>175,151</u>	<u>161,760</u>	<u>(13,391)</u>
END OF YEAR	<u>\$ 1,728</u>	<u>\$ 164,748</u>	<u>\$ 163,020</u>

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

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Harmony Technology Park Metropolitan District (the “District”), located in the City of Fort Collins, Larimer County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. 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 in May 2010, concurrently with Harmony Technology Park Metropolitan District No. 1 (“District No. 1”) and Harmony Technology Park Metropolitan District No. 3, (“District No. 3”) as a quasi-municipal corporation and political subdivision established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the property owners and citizens of the District. During 2018, District No. 1 and District No. 3 passed a resolution to dissolve, and on May 15, 2018 both Districts were dissolved. During 2019, the District changed its name to Harmony Technology Park Metropolitan District. The District's primary revenues are property taxes. 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.

Harmony Technology Park 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 and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

Harmony Technology Park 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. The District amended the total appropriations in the Debt Service Fund from \$545,783 to \$13,100,000 as a result of the issuance of the 2020 Loan.

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, 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 short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the District 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.

Harmony Technology Park 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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 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 capital 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. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2020.

Harmony Technology Park 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.

The nonspendable fund balance in the General Fund in the amount of \$4,956 represents prepaid expenditures.

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 \$2,223 of the General Fund balance has been restricted in compliance with this requirement.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

The restricted fund balance in the Debt Service Fund in the amount of \$377,733 is restricted for the payment of the debt service costs associated with the Series 2020 Loan (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$415,312 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, 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.

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.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

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.

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	\$ 160,395
Cash and investments - restricted	<u>792,839</u>
Total	<u>\$953,234</u>

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

Deposits with financial institutions	\$ 771,382
COLOTRUST	181,834
Morgan Stanley Institutional Liquidity Funds	<u>18</u>
Total	<u>\$ 953,234</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.

Investments

Credit Risk

The District's investment policy requires the District to follow 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 investment pools.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

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.

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 investment is 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:

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 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 \$181,834 invested in COLOTRUST.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

Morgan Stanley Institutional Liquidity Funds

During 2018, the District's funds that were included in the trust accounts at UMB Bank were invested in the Morgan Stanley Institutional Liquidity Funds Government Securities Portfolio. 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 6 days or less. As of December 31, 2020, the District has \$18 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

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>
Capital assets not being depreciated:				
Easements	\$ 1,447,866	\$ -	\$ -	\$ 1,447,866
Total capital assets not being depreciated	1,447,866	-	-	1,447,866
Government type assets, net	<u>\$ 1,447,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,447,866</u>

Upon completion and acceptance, all capital assets excluding storm/detention ponds and the easement will be conveyed by the District to other local governments. The District will not be responsible for maintenance of improvements conveyed to other local governments.

Note 4: Long-Term Debt

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

\$12,415,000 2020 Taxable (Converting to Tax-exempt) General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding Loan Series 2020

On December 8, 2020, the District entered into a Loan Agreement with BBVA Mortgage Corporation ("Lender") for \$12,415,000 2020 Taxable (Converting to Tax-exempt) General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding Loan Series 2020 ("2020 Loan") for the purposes of refunding the Series 2017 Bonds. The 2020 Loan was initially issued bearing Taxable Interest of 3.31% converting to a Tax-Exempt Rate of 2.61% on the Tax-Exempt Conversion Date which is expected to be September 2, 2022. Interest payments are due on June 1 and December 1 each year beginning June 1, 2021 while principal payments are due on December 1 each year beginning December 1, 2021 through the maturity date of December 2035. The 2020 Loan is secured by the Required Mill Levy, the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy, and any other legally available moneys which the District determines in its sole discretion to apply as Pledged Revenue. The District is subject to various covenants with regards to the 2020 Loan.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

The 2020 Loan was issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2017. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$1,347,983. This amount is recorded as a deferred outflow and is being amortized over the remaining life of the new debt issued. Due to the timing of the issuance of the 2020 Loan no amount of the loss on refunding was amortized. This advance refunding was undertaken to, obtain a more favorable interest rate, and fund the Reserve Fund account of \$352,703 and resulted in a present value savings of approximately \$1,157,000.

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

	Principal	Interest	Total
2021	\$ 125,000	\$ 402,946	\$ 527,946
2022	180,000	385,292	565,292
2023	265,000	316,071	581,071
2024	330,000	309,155	639,155
2025	335,000	300,542	635,542
2026-2030	1,945,000	1,361,637	3,306,637
2031-2035	9,235,000	1,086,152	10,321,152
	<u>\$ 12,415,000</u>	<u>\$4,161,795</u>	<u>\$ 16,576,795</u>

\$10,930,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2017

On September 15, 2017, the District issued \$10,930,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2017 (“Series 2017 Bonds”), for the purpose of: (i) funding and reimbursing a portion of the costs of organizing the District and of acquiring, construction and installing certain Public Infrastructure; (ii) funding the Reserve Fund; (iii) funding a portion of the interest to accrue on the Series 2017 Bonds; and (iv) paying the cost of issuance. The Series 2017 Bonds bore interest at the rates ranging between 4.5% and 5.0% payable semiannually on each June 1 and December 1, commencing on December 1, 2017.

The Series 2017 Bonds were subject to a mandatory sinking fund redemption commencing on December 1, 2022 and were 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, commencing on December 1, 2022, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

The Series 2017 Bonds were secured by the Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available monies as determined by the District. The Series 2017 Bonds were also secured by the Reserve Fund which was funded with proceeds of the 2017 Bonds.

The Series 2017 Bonds were fully defeased in 2020 with the issuance of the 2020 Loan. Funds were deposited in an escrow to fully repay the bonds on December 1, 2022.

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

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
<u>General Obligation</u>					
Series 2017 Bonds	\$10,930,000	\$ -	\$10,930,000	\$ -	\$ -
Series 2020 Loan	-	12,415,000	-	12,415,000	125,000
<u>Other</u>					
Interest on Reimbursement Obligation	22,249	-	-	22,249	-
Total	<u>\$10,952,249</u>	<u>\$ 12,415,000</u>	<u>\$10,930,000</u>	<u>\$ 12,437,249</u>	<u>\$ 125,000</u>

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$200,655,000. The District has not budgeted to issue any new debt during 2021. Per the District's Service Plan, the District can not issue debt in excess of \$14,800,000.

Note 5: Related Party

Some of the Board of Directors are employees, owners or are otherwise associated with the Landowner or MAV Development Company, the Manager of Harmony Technology Park, LLC (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.

Note 6: Other Agreements

Resolution of the Board of Directors of Harmony Technology Park Metropolitan District

On October 28, 2015, the Board of Directors adopted policies and procedures regarding the acceptance of District eligible costs. The Accepted Improvements and related Accepted Costs were approved at \$7,250,815.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

Funding and Reimbursement Agreement

On October 28, 2015, the District and the Developer entered into a Funding and Reimbursement Agreement whereby the Developer agreed to provide funding for operations and maintenance expenses of the District as needed up to \$100,000 per year but not more than \$500,000 total and the District agreed to reimburse the Developer for such advances, along with interest at 8% per annum. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2020. This Agreement evidences the District's intent to repay the Developer for advances, however this Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multi- fiscal year financial obligation. Repayment of advances is subject to annual appropriations by the District. At December 31, 2020, the outstanding balance consisted of unpaid interest in the amount of \$22,249

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.

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 May 4, 2010, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Harmony Technology Park Metropolitan District

Notes to Financial Statements December 31, 2020

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, developer advances payable and accrued interest on bonds and developer advances 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 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; and
- 2) 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

Harmony Technology Park 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 417,174	\$ 417,174	\$ 417,101	\$ (73)
Specific ownership taxes	20,856	20,856	29,901	9,045
Interest income	<u>10,000</u>	<u>10,000</u>	<u>3,154</u>	<u>(6,846)</u>
Total Revenues	<u>448,030</u>	<u>448,030</u>	<u>450,156</u>	<u>2,126</u>
EXPENDITURES				
Bond interest expense	534,525	534,525	534,525	-
Treasurer's fees	6,258	8,500	8,355	145
Cost of Issuance	-	200,000	197,575	
Trustee/paying agent fees	<u>5,000</u>	<u>6,975</u>	<u>3,500</u>	<u>3,475</u>
Total Expenditures	<u>545,783</u>	<u>750,000</u>	<u>743,955</u>	<u>3,620</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,753)	(301,970)	(293,799)	5,746
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	12,415,000	12,415,000	-
Payment to refunding agent	-	(12,350,000)	(12,289,861)	60,139
Transfers in/out	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>125,000</u>	<u>185,139</u>	<u>60,139</u>
NET CHANGE IN FUND BALANCE	(37,753)	(176,970)	(108,660)	65,885
FUND BALANCE:				
BEGINNING OF YEAR	<u>481,017</u>	<u>481,017</u>	<u>486,393</u>	<u>5,376</u>
END OF YEAR	<u>\$ 443,264</u>	<u>\$ 304,047</u>	<u>\$ 377,733</u>	<u>\$ 71,261</u>

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

Harmony Technology Park 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>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 3,000	\$ 1,205	\$ (1,795)
Total Revenues	<u>3,000</u>	<u>1,205</u>	<u>(1,795)</u>
EXPENDITURES			
Capital expenditures	<u>415,937</u>	<u>-</u>	<u>415,937</u>
Total Expenditures	<u>415,937</u>	<u>-</u>	<u>415,937</u>
NET CHANGE IN FUND BALANCE	(412,937)	1,205	414,142
FUND BALANCE:			
BEGINNING OF YEAR	<u>412,937</u>	<u>414,107</u>	<u>1,170</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 415,312</u>	<u>\$ 415,312</u>

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

Harmony Technology Park Metopolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2020

Collection Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property	Mills Levied		Total Property Tax		Percent Collected to Levied
	<u>Tax Levy</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2013	\$ 1,422,000	0.000	10.000	\$ 14,220	\$ 14,220	100.00%
2014	\$ 1,426,770	10.000	0.000	\$ 14,268	\$ 14,268	100.00%
2015	\$ 2,034,860	15.000	0.000	\$ 30,523	\$ 30,523	100.00%
2016	\$ 4,528,721	20.000	0.000	\$ 90,574	\$ 90,574	100.00%
2017	\$ 4,914,067	25.000	0.000	\$ 122,852	\$ 122,852	100.00%
2018	\$ 9,382,269	5.000	15.000	\$ 187,645	\$ 187,645	100.00%
2019	\$ 14,196,646	5.000	15.000	\$ 283,933	\$ 283,932	100.00%
2020	\$ 20,349,962	5.000	20.500	\$ 518,924	\$ 518,833	99.98%
Estimated for year ending December 31, 2021	\$ 21,551,366	3.000	25.000	\$ 603,438		

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.