

3rd and Havana Metropolitan District

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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COLORADO CPA COMPANY

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of 3rd and Havana Metropolitan District (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of 3rd and Havana Metropolitan District as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required 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 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 3, 2022

3rd and Havana Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 13,993	\$ -	\$ -	\$ 13,993	\$ -	\$ 13,993
Cash and investments - restricted	944	3,010,325	2,790,942	5,802,211	-	5,802,211
Receivable County Treasurer	95	-	420	515	-	515
Property taxes receivable	4,414	-	20,440	24,854	-	24,854
Developer receivable	5,679	-	-	5,679	(5,679)	-
Capital assets, net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	17,981,044	<u>17,981,044</u>
Total Assets	<u>\$ 25,125</u>	<u>\$ 3,010,325</u>	<u>\$ 2,811,802</u>	<u>\$ 5,847,252</u>	<u>17,975,365</u>	<u>23,822,617</u>
LIABILITIES						
Accounts payable	\$ 20,688	\$ 2,895	\$ 7,000	\$ 30,583	-	30,583
Accrued interest on bonds	-	-	-	-	89,422	89,422
Long-term liabilities						
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	26,452,564	<u>26,452,564</u>
Total Liabilities	<u>20,688</u>	<u>2,895</u>	<u>7,000</u>	<u>30,583</u>	<u>26,541,986</u>	<u>26,572,569</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>4,414</u>	<u>-</u>	<u>20,440</u>	<u>24,854</u>	<u>-</u>	<u>24,854</u>
Total Deferred Inflows of Resources	<u>4,414</u>	<u>-</u>	<u>20,440</u>	<u>24,854</u>	<u>-</u>	<u>24,854</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	944	-	-	944	(944)	-
Capital projects	-	3,007,430	-	3,007,430	(3,007,430)	-
Debt Service	-	-	2,784,362	2,784,362	(2,784,362)	-
Unassigned	<u>(921)</u>	<u>-</u>	<u>-</u>	<u>(921)</u>	921	<u>-</u>
Total Fund Balances	<u>23</u>	<u>3,007,430</u>	<u>2,784,362</u>	<u>5,791,815</u>	<u>(5,791,815)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,125</u>	<u>\$ 3,010,325</u>	<u>\$ 2,811,802</u>	<u>\$ 5,847,252</u>		
Net Position:						
Restricted for:						
Emergencies					944	944
Debt service					2,694,940	2,694,940
Capital projects					3,007,430	3,007,430
Unrestricted					<u>(8,478,120)</u>	<u>(8,478,120)</u>
Total Net Position					<u>\$ (2,774,806)</u>	<u>\$ (2,774,806)</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, 2021

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting & audit	\$ 16,912	\$ -	\$ -	\$ 16,912	\$ -	\$ 16,912
Insurance	2,928	-	-	2,928	-	2,928
Legal	23,407	-	-	23,407	-	23,407
Treasurer's fees	48	-	214	262	-	262
ARI Mill levy	392	-	-	392	-	392
Bond interest expense	-	-	1,073,063	1,073,063	307,730	1,380,793
Developer advance interest	-	-	-	-	25,503	25,503
Trustee fees	-	-	7,000	7,000	-	7,000
Capital improvements	<u>-</u>	<u>11,662,313</u>	<u>-</u>	<u>11,662,313</u>	<u>(11,662,313)</u>	<u>-</u>
Total Expenditures	<u>43,687</u>	<u>11,662,313</u>	<u>1,080,277</u>	<u>12,786,277</u>	<u>(11,329,080)</u>	<u>1,457,197</u>
GENERAL REVENUES						
Property taxes	3,047	-	13,573	16,620	-	16,620
Specific ownership taxes	1,156	-	5,151	6,307	-	6,307
Interest and other income	<u>148</u>	<u>715</u>	<u>2,105</u>	<u>2,968</u>	<u>-</u>	<u>2,968</u>
Total General Revenues	<u>4,351</u>	<u>715</u>	<u>20,829</u>	<u>25,895</u>	<u>-</u>	<u>25,895</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(39,336)	(11,661,598)	(1,059,448)	(12,760,382)	11,329,080	(1,431,302)
OTHER FINANCING SOURCES (USES)						
Developer advance	<u>5,679</u>	<u>871,685</u>	<u>-</u>	<u>877,364</u>	<u>(877,364)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,679</u>	<u>871,685</u>	<u>-</u>	<u>877,364</u>	<u>(877,364)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(33,657)	(10,789,913)	(1,059,448)	(11,883,018)	11,883,018	
CHANGE IN NET POSITION					(1,431,302)	(1,431,302)
FUND BALANCE/NET POSITION						
BEGINNING 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>
END OF YEAR	<u>\$ 23</u>	<u>\$ 3,007,430</u>	<u>\$ 2,784,362</u>	<u>\$ 5,791,815</u>	<u>\$ (8,566,621)</u>	<u>\$ (2,774,806)</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, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 2,770	\$ 2,770	\$ -
Specific ownership taxes	139	1,051	912
Property taxes ARI	277	277	-
Specific ownership taxes ARI	14	105	91
TIF Revenue	12,295	-	(12,295)
Interest and other income	-	148	148
	<u>15,495</u>	<u>4,351</u>	<u>(11,144)</u>
EXPENDITURES			
Accounting & audit	2,500	16,912	(14,412)
Engineering	10,000	-	10,000
Election expense	5,000	-	5,000
Insurance	2,500	2,928	(428)
Legal	10,000	23,407	(13,407)
Miscellaneous expenses	2,000	-	2,000
Treasurer's fees ARI	4	4	-
ARI Mill levy	287	392	(105)
Treasurer's fees	42	44	(2)
Management	1,500	-	1,500
Contingency	17,776	-	17,776
	<u>51,609</u>	<u>43,687</u>	<u>7,922</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,114)	(39,336)	(3,222)
OTHER FINANCING SOURCES (USES)			
Developer advance	47,724	5,679	(42,045)
	<u>47,724</u>	<u>5,679</u>	<u>(42,045)</u>
NET CHANGES IN FUND BALANCE	11,610	(33,657)	(45,267)
FUND BALANCE - BEGINNING OF YEAR	-	33,680	33,680
	<u>-</u>	<u>33,680</u>	<u>33,680</u>
FUND BALANCE - END OF YEAR	\$ 11,610	\$ 23	\$ (11,587)
	<u>\$ 11,610</u>	<u>\$ 23</u>	<u>\$ (11,587)</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, 2021

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, 2021

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, 2021

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, 2021, 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, 2021

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, 2021

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.

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 \$944 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 \$2,2784,362 is restricted for the payment of the debt service costs associated with the Special Revenue and Tax Supported Senior Bonds Series 2020A (see Note 4).

3rd and Havana Metropolitan District

Notes to Financial Statements December 31, 2021

The restricted fund balance in the Capital Projects Fund in the amount of \$3,007,430 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, 2021

Note 2: Cash and Investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 13,993
Cash and investments - Restricted	<u>5,802,211</u>
Total	\$ <u>5,816,204</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 12,318
MSILF Treasury	3,000,218
Investments – COLOTRUST	<u>2,803,668</u>
Total	\$ <u>5,816,204</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, 2021

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, 2021, 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, 2021 the District had \$3,000,218 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 COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2021, the District had \$2,803,668 invested in COLOTRUST Plus+.

3rd and Havana Metropolitan District

Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 6,318,731	\$ 11,662,313	\$ -	\$ 17,981,044
Total capital assets not being depreciated:	<u>6,318,731</u>	<u>11,662,313</u>	<u>-</u>	<u>17,981,044</u>
Government type assets, net	<u>\$ 6,318,731</u>	<u>\$ 11,662,313</u>	<u>\$ -</u>	<u>\$ 17,981,044</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, 2021, 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, 2021

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, 2021

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>
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	635,000	1,007,813	1,642,813
2027-2031	3,755,000	4,587,487	8,342,487
2032-2036	5,370,000	3,493,087	8,863,087
2037-2041	3,840,000	2,057,737	5,897,737
2042-2046	2,480,000	1,357,912	3,837,912
2047-2049	3,620,000	473,287	4,093,287
	<u>\$ 21,150,000</u>	<u>\$ 17,216,025</u>	<u>\$ 38,366,025</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2021:

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</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	307,730	-	414,804	-
Total General Obligation Bonds	<u>25,107,074</u>	<u>307,730</u>	<u>-</u>	<u>25,414,804</u>	<u>-</u>
Other - Developer Advances					
Developer Advance Principal - Operating	135,287	-	-	135,287	-
Developer Advance Interest - Operating	5,285	8,117	-	13,402	-
Developer Advance Principal - Capital	-	871,685	-	871,685	-
Developer Advance Interest - Capital	-	17,386	-	17,386	-
Total Other - Developer Advances	<u>140,572</u>	<u>897,188</u>	<u>-</u>	<u>1,037,760</u>	<u>-</u>
Total	<u>\$ 25,247,646</u>	<u>\$ 1,204,918</u>	<u>\$ -</u>	<u>\$ 26,452,564</u>	<u>\$ -</u>

3rd and Havana Metropolitan District

Notes to Financial Statements
December 31, 2021

Debt Authorization

The District has voted authorized debt of \$1,500,000,000, which is limited to \$25,000,000 by its Service Plan. After the issuance of the Series 2020 Bonds, the District has \$1,475,000,000 in voted authorized debt and \$0 remaining Debt Authority under its Service Plan. The District has not budgeted to issue any additional debt in 2022.

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, 2021

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, 2021, the amount of principal and interest outstanding due to the Developer under this agreement is \$135,287 and \$13,402, 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, 2021

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, 2021, the amount of principal and interest outstanding due to the Developer under this agreement is \$871,685 and \$17,386, respectively.

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.

3rd and Havana Metropolitan District

Notes to Financial Statements
December 31, 2021

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, 2021

	Original & Final <u>Budget</u>	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest and other income	\$ <u>5,000</u>	\$ <u>715</u>	\$ <u>(4,285)</u>
Total Revenues	<u>5,000</u>	<u>715</u>	<u>(4,285)</u>
EXPENDITURES			
Capital improvements	<u>14,899,478</u>	<u>11,662,313</u>	<u>3,237,165</u>
Total Expenditures	<u>14,899,478</u>	<u>11,662,313</u>	<u>3,237,165</u>
NET CHANGES IN FUND BALANCE	(14,894,478)	(10,789,913)	4,104,565
FUND BALANCE - BEGINNING OF YEAR	<u>14,894,478</u>	<u>13,797,343</u>	<u>1,097,135</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 3,007,430</u>	<u>\$ 3,007,430</u>

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, 2021

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 13,571	\$ 13,573	\$ 2
Specific ownership taxes	1,086	5,151	4,065
Use tax revenue	1,174,052	-	(1,174,052)
PIF Revenue	17,391	-	(17,391)
Tif Property taxes	60,244	-	(60,244)
Interest	4,000	2,105	(1,895)
Total Revenues	1,270,344	20,829	(1,249,515)
EXPENDITURES			
Bond interest expense	1,073,063	1,073,063	-
URA collection fees	12,000	-	12,000
PIF Collection fees	348	-	348
Trustee fees	7,000	7,000	-
Treasurer's fees	204	214	(10)
Total Expenditures	1,092,615	1,080,277	12,338
CHANGE IN FUND BALANCE	177,729	(1,059,448)	(1,237,177)
FUND BALANCE - BEGINNING OF YEAR	3,846,124	3,843,810	(2,314)
FUND BALANCE - END OF YEAR	\$ 4,023,853	\$ 2,784,362	\$ (1,239,491)

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, 2021

(Unaudited)

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<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%
2021	\$ 276,962	10.000	49.000	1.000	\$ 16,618	\$ 16,620	100.01%
Estimated for year ending December 31, 2022	\$ 401,248	10.000	50.941	1.000	\$ 24,854		

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.