

MIDTOWN METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Midtown Metropolitan District (the District) as of and for the year ended December 31, 2023, 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 the District, as of December 31, 2023, and the respective changes in financial position and the 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

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 opinion. 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

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

Hiratsuka & Associates, LLP

July 22, 2024
Wheat Ridge, Colorado

Midtown Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash	\$ 48,003	\$ -	\$ -	\$ 48,003	\$ -	\$ 48,003
Cash and investments - restricted	18,712	333,809	205,243	557,764	-	557,764
Receivable - County Treasurer	1,357	4,072	-	5,429	-	5,429
Property taxes receivable	496,620	1,489,859	-	1,986,479	-	1,986,479
Prepaid	3,444	-	-	3,444	-	3,444
Capital assets not being depreciated	-	-	-	-	2,520,083	2,520,083
Capital assets, net	-	-	-	-	11,153,350	11,153,350
Total Assets	<u>\$ 568,136</u>	<u>\$ 1,827,740</u>	<u>\$ 205,243</u>	<u>\$ 2,601,119</u>	<u>13,673,433</u>	<u>16,274,552</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	512,570	512,570
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,570</u>	<u>512,570</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 568,136</u>	<u>\$ 1,827,740</u>	<u>\$ 205,243</u>	<u>\$ 2,601,119</u>		
LIABILITIES						
Accounts payable and accrued liabilities	\$ 29,371	\$ -	\$ 8,325	\$ 37,696	-	37,696
Developer payable	-	-	-	-	892,100	892,100
Accrued interest on developer payable	-	-	-	-	99,526	99,526
Accrued interest on long term debt	-	-	-	-	75,938	75,938
Long-term liabilities:						
Due in more than one year	-	-	-	-	25,427,361	25,427,361
Total Liabilities	<u>29,371</u>	<u>-</u>	<u>8,325</u>	<u>37,696</u>	<u>26,494,925</u>	<u>26,532,621</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	496,620	1,489,859	-	1,986,479	-	1,986,479
Total Deferred Inflows of Resources	<u>496,620</u>	<u>1,489,859</u>	<u>-</u>	<u>1,986,479</u>	<u>-</u>	<u>1,986,479</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	3,444	-	-	3,444	(3,444)	-
Restricted:						
Emergencies	18,712	-	-	18,712	(18,712)	-
Debt service	-	337,881	-	337,881	(337,881)	-
Capital projects	-	-	196,918	196,918	(196,918)	-
Unassigned	19,989	-	-	19,989	(19,989)	-
Total Fund Balances	<u>42,145</u>	<u>337,881</u>	<u>196,918</u>	<u>576,944</u>	<u>(576,944)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 568,136</u>	<u>\$ 1,827,740</u>	<u>\$ 205,243</u>	<u>\$ 2,601,119</u>		
Net Position:						
Restricted for:						
Emergencies					18,712	18,712
Debt service					261,943	261,943
Capital projects					196,918	196,918
Unrestricted					(12,209,551)	(12,209,551)
Total Net Position					<u>\$ (11,731,978)</u>	<u>\$ (11,731,978)</u>

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

Midtown Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
General & Administrative						
Accounting and audit	\$ 9,000	\$ -	\$ -	\$ 9,000	\$ -	\$ 9,000
Administrative	18,000	-	-	18,000	-	18,000
Insurance	5,558	-	-	5,558	-	5,558
Legal	9,389	-	16,248	25,637	-	25,637
Miscellaneous expenses	-	1,058	490	1,548	-	1,548
Paying agent fees	-	8,000	-	8,000	-	8,000
Treasurer's fees	3,359	10,077	-	13,436	-	13,436
Operations & Maintenance						
Holiday decorations	7,836	-	-	7,836	-	7,836
Ground & Landscape maintenance	77,554	-	-	77,554	-	77,554
Insurance	5,602	-	-	5,602	-	5,602
Security	317,259	-	-	317,259	-	317,259
Snow removal	45,524	-	-	45,524	-	45,524
Utilities	5,306	-	-	5,306	-	5,306
Management fees	40,449	-	-	40,449	-	40,449
Miscellaneous expenses	1,028	-	-	1,028	-	1,028
Bond interest expense	-	911,250	-	911,250	806,541	1,717,791
Developer interest expense	-	-	-	-	33,067	33,067
Depreciation	-	-	-	-	630,236	630,236
Total Expenditures	<u>545,864</u>	<u>930,385</u>	<u>16,738</u>	<u>1,492,987</u>	<u>1,469,844</u>	<u>2,962,831</u>
GENERAL REVENUES						
Property taxes	335,909	1,007,728	-	1,343,637	-	1,343,637
Specific ownership taxes	19,179	57,538	-	76,717	-	76,717
Interest income	-	21,288	9,721	31,009	-	31,009
Other income	11,022	-	-	11,022	-	11,022
Total General Revenues	<u>366,110</u>	<u>1,086,554</u>	<u>9,721</u>	<u>1,462,385</u>	<u>-</u>	<u>1,462,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(179,754)	156,169	(7,017)	(30,602)	(1,469,844)	(1,500,446)
OTHER FINANCING SOURCES (USES)						
Developer advances	182,077	-	7,923	190,000	(190,000)	-
Transfers in/out	36,042	(36,042)	-	-	-	-
Total Other Financing Sources (Uses)	<u>218,119</u>	<u>(36,042)</u>	<u>7,923</u>	<u>190,000</u>	<u>(190,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	38,365	120,127	906	159,398	(159,398)	
CHANGE IN NET POSITION					(1,500,446)	(1,500,446)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	3,780	217,754	196,012	417,546	(10,649,078)	(10,231,532)
END OF YEAR	<u>\$ 42,145</u>	<u>\$ 337,881</u>	<u>\$ 196,918</u>	<u>\$ 576,944</u>	<u>\$ (12,308,922)</u>	<u>\$ (11,731,978)</u>

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

Midtown Metropolitan District

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

For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$ 336,000	\$ 335,909	\$ (91)
Specific ownership taxes	18,093	19,179	1,086
Other income	<u>10,000</u>	<u>11,022</u>	<u>1,022</u>
	<u>364,093</u>	<u>366,110</u>	<u>2,017</u>
EXPENDITURES			
General & Administrative			
Accounting and audit	9,000	9,000	-
Administrative	18,000	18,000	-
Insurance	7,000	5,558	1,442
Legal	15,000	9,389	5,611
Miscellaneous expenses	2,050	-	2,050
Treasurer's fees	3,400	3,359	41
Operations & Maintenance			
Holiday decorations	5,000	7,836	(2,836)
Ground & Landscape maintenance	89,873	77,554	12,319
Insurance	4,875	5,602	(727)
Security	315,190	317,259	(2,069)
Snow removal	42,250	45,524	(3,274)
Utilities	6,095	5,306	789
Management fees	39,502	40,449	(947)
Miscellaneous expenses	-	1,028	(1,028)
Interest expense	-	-	-
Contingency	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures	<u>577,235</u>	<u>545,864</u>	<u>31,371</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(213,142)	(179,754)	33,388
OTHER FINANCING SOURCES (USES)			
Developer advances	211,000	182,077	(28,923)
Transfers in/out	<u>-</u>	<u>36,042</u>	<u>36,042</u>
Total Other Financing Sources (Uses)	<u>211,000</u>	<u>218,119</u>	<u>7,119</u>
NET CHANGE IN FUND BALANCE	(2,142)	38,365	40,507
FUND BALANCE:			
BEGINNING OF YEAR	<u>20,303</u>	<u>3,780</u>	<u>(16,523)</u>
END OF YEAR	<u>\$ 18,161</u>	<u>\$ 42,145</u>	<u>\$ 23,984</u>

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on December 5, 2016, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to coordinate and manage the financing, acquisition, construction, completion, operation and maintenance of all public infrastructure and services within and without the Midtown Industrial Center (the “Project”), including, without limitation, all streets, traffic and safety, water, sanitation, storms drainage, transportation, park and facilities, covenant control, security and marketing, and generally to serve the Midtown Industrial Center. The District’s primary revenues are 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.

Basis of Presentation

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The District had no *Program revenues* to report as of December 31, 2023. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. Subsequent to year end, the debt service fund budget was amended to increase expenditures from \$936,850 to \$972,892 due to the transfer of funds to the General Fund.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Interfund Balances

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. Deferred loss on bond issuance is amortized and recognized as interest expense over the life of the refunded bond.

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

Capital Assets

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

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

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

Long-Term Obligations

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

Deferred Loss on Bond Refunding

A deferred loss on refunding in the amount of \$532,160 was recognized on the 2022 bond refunding. This loss will be amortized using the effective interest method over the remaining life of the refunded bonds. During 2023, \$13,382 of interest related to this loss amortization was recognized by the District.

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 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 taxes are payable by April 30 or 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.

Fund Balance

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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 at December 31, 2023 is related to prepaid expenses for the District.

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 \$18,712 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 \$337,881 is restricted for the payment of debt service and related costs associated with the series 2022 Bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$196,918 is restricted for the payment of capital improvements for 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. The District has no amounts to report as Committed Fund Balance as of December 31, 2023.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority. The District has no amounts to report as Assigned Fund Balance as of December 31, 2023.

Unassigned Fund Balance

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

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balance of deferred outflows or resources related to those assets. At December 31, 2023 the District did not have any amounts to report in this category.

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

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

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

Interfund transfers

The transfer of funds between the Debt Service Fund and General Fund was related to funds which had been restricted in relation to the District’s prior 2017 Bonds and are no longer restricted under the 2022 Bonds (See Note 4).

Note 2: Cash and Investments

As of December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 48,003
Cash and investments - Restricted	<u>557,764</u>
Total	\$ <u>605,767</u>

Cash and investments as of December 31, 2023 consist of the following:

Deposits with financial institutions	\$ 66,715
Investments – Colotrust	<u>539,052</u>
	\$ <u>605,767</u>

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. 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.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Colotrust Prime Fund

As of December 31, 2023, the District had the following investment:

During 2023, the District's funds that were included in the trust accounts at UMB Bank were invested in the Colotrust Prime Fund. This fund is a local government investment pool operating similar to a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated by Standard & Poor's with a weighted average maturity of under 60 days. The fund consists of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. 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. As of December 31, 2023, the District has \$539,052 invested in the fund.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance 12/31/22	Additions	Disposals	Balance 12/31/23
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 813,283	\$ -	\$ -	\$ 813,283
Land easement	1,706,800	-	-	1,706,800
Total capital assets not being depreciated	<u>2,520,083</u>	<u>-</u>	<u>-</u>	<u>2,520,083</u>
<u>Capital assets being depreciated:</u>				
Water & sewer	3,625,150	-	-	3,625,150
Transportation	9,542,034	-	-	9,542,034
Parks & recreation	427,975	-	-	427,975
Landscaping	123,266	-	-	123,266
Furniture & fixtures	207,262	-	-	207,262
Total capital assets being depreciated	<u>13,925,687</u>	<u>-</u>	<u>-</u>	<u>13,925,687</u>
<u>Accumulated depreciation:</u>				
Water & sewer	(309,648)	(90,629)	-	(400,277)
Transportation	(1,630,096)	(477,101)	-	(2,107,197)
Parks & recreation	(73,133)	(21,399)	-	(94,532)
Landscaping	(28,060)	(11,498)	-	(39,558)
Furniture & fixtures	(101,164)	(29,609)	-	(130,773)
Total accumulated depreciation	<u>(2,142,101)</u>	<u>(630,236)</u>	<u>-</u>	<u>(2,772,337)</u>
Net capital assets being depreciated	<u>11,783,586</u>	<u>(630,236)</u>	<u>-</u>	<u>11,153,350</u>
Total capital assets, net	<u>\$ 14,303,669</u>	<u>\$ (630,236)</u>	<u>\$ -</u>	<u>\$ 13,673,433</u>

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2023, is as follows:

2022 Bonds

On June 14, 2022 the District issued Limited Tax General Obligation Refunding Bonds, Series 2022A-1 in the aggregate principal amount of \$13,500,000 (the "Series 2022A-1 Bonds") and the Limited Tax General Obligation Refunding and Improvement Capital Appreciation Bonds, Series 2022A-2 in the original aggregate principal amount of \$10,721,884 (the "Series 2022A-2 Bonds") for the purpose of refunding and fully discharging the Series 2017 Bonds and paying for the costs of certain Authorized Projects within the District.

The Series 2022A-1 Bonds bear interest at the rate of 6.75% per annum. Interest is calculated on the basis of a 360-day year of twelve 30-day months, payable on each June 1 and December 1 commencing December 1, 2022. The Series 2022A-1 Bonds are made up of two term bonds of \$1,000,000 ("2022A-1-1 Bonds") and \$12,500,000 ("2022A-1-2 Bonds") subject to mandatory sinking fund redemptions commencing December 1, 2026. The 2022A-1-1 Bonds are subject to optional redemption prior to maturity at any date after bond closing without redemption premium. The 2022A-1-2 Bonds are subject to optional redemption prior to maturity commencing December 1, 2035 without redemption premium. The bonds mature on December 1, 2051.

The Series 2022A-2 Bonds bear interest at 7% per annum which will compound during the accretion period (date of issuance to December 1, 2027) on each June 1 and December 1. Principal and interest payments on the 2022A-2 Bonds are due annually commencing December 1, 2026, through their maturity at December 1, 2051. The Series 2022A-2 Bonds are subject to a mandatory sinking fund redemption without redemption premium commencing December 1, 2026.

The Series 2022 Bonds are secured by Pledged Revenues including the Required Mill Levy imposed each year upon all taxable property located within the District in an amount sufficient to pay the Debt Service Requirements as the same become due and payable, but not in excess of 45.000 mills subject to adjustment in the event the method of calculating assessed valuation is changed after August 15, 2016, the portion of the specific ownership tax allocable to the amount of the Required Mill Levy, and any other legally available moneys that the Board determines in its sole discretion to credit to the Bond Fund.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
2022A-1 Bonds	\$ 13,500,000	-	-	13,500,000
2022A-2 Bonds	10,721,884	-	-	10,721,884
2022 Compound interest	412,318	793,159	-	1,205,477
	<u>\$ 24,634,202</u>	<u>\$ 793,159</u>	<u>\$ -</u>	<u>\$ 25,427,361</u>

The following is a summary of the annual long-term debt principal and interest requirements consisting of payments due on the Series 2022 Bonds upon full accretion:

	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ -	\$ 911,250	\$ 911,250
2025	-	-	911,250	911,250
2026	56,866	2,469	911,250	970,585
2027	16,866	3,134	907,875	927,875
2028	16,866	3,134	1,998,850	2,018,850
2029 - 2033	1,765,604	349,396	9,751,713	11,866,713
2034 - 2038	3,222,612	642,388	8,779,925	12,644,925
2039 - 2043	5,073,746	1,026,254	7,163,013	13,263,013
2044 - 2048	7,740,366	1,574,634	4,650,513	13,965,513
2049 - 2051	6,328,957	1,291,043	1,076,513	8,696,513
	<u>\$ 24,221,883</u>	<u>\$ 4,892,452</u>	<u>\$ 37,062,152</u>	<u>\$ 66,176,487</u>

Debt Authorization

As of December 31, 2023, the District had remaining voted debt authorization of approximately \$43,885,000. Per the District's Service Plan, the District cannot issue debt in excess of \$73,000,000. The District has not budgeted to issue any additional debt in 2024.

Note 5: Related Parties

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

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Reimbursement Agreements

On December 19, 2016 the District Amended and Restated its reimbursement agreement with Westfield-4120, LLLP, a related party. This agreement was then subsequently assigned to Westfield-OREP JV, LLLP (“the Developer”). The Developer may pay expenses on behalf of the District, and the District will reimburse the Developer for these expenses plus accrued interest of 4.25% per annum upon receipt of evidence acceptable to the District. Payments shall be applied first to interest and then to principal. As of December 31, 2023, the District owed the Developer \$892,100 for advances made to the general fund plus accrued interest of \$99,526. Advance income recognized for the year was \$190,000 and interest expense recorded for the year was \$33,067.

On December 9, 2019 the District entered into an additional reimbursement agreement with the Developer. The Developer agreed to fund the anticipated shortfall in the District’s 2020 revenue in a total amount not to exceed \$650,000. The District will reimburse the Developer from funds available for the advanced amount plus the accrued interest of 7% per annum upon deposit of funds to the District bank account. This agreement is automatically renewed each January 1st for successive periods of one year until one party provides notice of intent not to renew the Agreement.

Management and Operations Agreement

On July 12, 2017 the District entered into a Management and Operations agreement with Westfield Development Company, Inc. (“WDC”), a related party, whereas WDC is to provide certain operations and management services to the District, such as management, administrative and clerical services, and administration of the activities of the District. During 2019, this agreement was assigned to Westfield Property Services, LLC (“WPS”), a related party of the Developer. The District paid WPS \$21,000 in management fees and \$18,000 in accounting fees during 2023. The District also paid WPS \$240,003 for payroll reimbursements and maintenance expenses, of which \$6,540 was due at year end.

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.

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

Note 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.

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

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

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;

MIDTOWN METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances, loan and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures; however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Midtown Metropolitan District

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,007,900	\$ 1,007,900	\$ 1,007,728	\$ (172)
Specific ownership taxes	54,513	54,513	57,538	3,025
Interest income	<u>-</u>	<u>-</u>	<u>21,288</u>	<u>21,288</u>
Total Revenues	<u>1,062,413</u>	<u>1,062,413</u>	<u>1,086,554</u>	<u>24,141</u>
EXPENDITURES				
Treasurer fees	10,100	10,100	10,077	23
Miscellaneous	1,500	1,500	1,058	442
Legal	1,000	1,000	-	1,000
Bond interest	911,250	911,250	911,250	-
Paying agent fees	11,000	11,000	8,000	3,000
Contingency	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	<u>936,850</u>	<u>936,850</u>	<u>930,385</u>	<u>6,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,563	125,563	156,169	30,606
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	<u>-</u>	<u>(36,042)</u>	<u>(36,042)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(36,042)</u>	<u>(36,042)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	125,563	89,521	120,127	30,606
FUND BALANCE:				
BEGINNING OF YEAR	<u>273,795</u>	<u>217,754</u>	<u>217,754</u>	<u>-</u>
END OF YEAR	<u>\$ 399,358</u>	<u>\$ 307,275</u>	<u>\$ 337,881</u>	<u>\$ 30,606</u>

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

Midtown Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2023

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 9,721	\$ 9,721
Total Revenues	<u>-</u>	<u>9,721</u>	<u>9,721</u>
EXPENDITURES			
Legal	-	16,248	(16,248)
Professional services	-	-	-
Miscellaneous expenses	1,000	490	510
Interest expense	-	-	-
Capital expenditures	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Total Expenditures	<u>176,000</u>	<u>16,738</u>	<u>159,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(176,000)	(7,017)	168,983
OTHER FINANCING SOURCES (USES)			
Developer advances	<u>-</u>	<u>7,923</u>	<u>7,923</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>7,923</u>	<u>7,923</u>
NET CHANGE IN FUND BALANCE	(176,000)	906	176,906
FUND BALANCE:			
BEGINNING OF YEAR	<u>191,317</u>	<u>196,012</u>	<u>4,695</u>
END OF YEAR	<u>\$ 15,317</u>	<u>\$ 196,918</u>	<u>\$ 181,601</u>

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