

Havana Business Improvement District

Arapahoe County, Colorado

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

Table of Contents

Independent Auditor's Report	1-3
<u>Basic Financial Statements</u>	
Governmental Funds Balance Sheet/Statement of Net Position	4
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to Financial Statements	7-20
<u>Supplemental Information</u>	
Five Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22



Independent Auditor's Report

Board of Directors
Havana Business Improvement District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Havana Business Improvement District (the "District"), as of and for the year ended December 31, 2025, 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 Havana Business Improvement District as of December 31, 2025, 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.

Supplemental Information

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

Colorado CPA Company PC

Highlands Ranch, Colorado
April 15, 2026

Havana Business Improvement District
Balance Sheet/Statement of Net Position
Governmental Funds
December 31, 2025

	<u>General Fund</u>	<u>Funds Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 553,273	\$ 553,273	\$ -	\$ 553,273
Cash and investments - restricted	26,589	26,589	-	26,589
Receivable from County Treasurer	3,320	3,320	-	3,320
Prepaid expense	13,522	13,522	-	13,522
Property taxes receivable - ensuing year	702,527	702,527	-	702,527
Capital assets, net of accumulated depreciation	-	-	77,351	77,351
Total assets	<u>\$ 1,299,231</u>	<u>\$ 1,299,231</u>	<u>77,351</u>	<u>1,376,582</u>
Liabilities				
Accounts payable & accrued expenses	\$ 3,930	\$ 3,930	-	3,930
Total liabilities	<u>3,930</u>	<u>3,930</u>	<u>-</u>	<u>3,930</u>
Deferred inflows of resources				
Deferred property taxes	<u>702,527</u>	<u>702,527</u>	<u>-</u>	<u>702,527</u>
Total deferred inflows of resources	<u>702,527</u>	<u>702,527</u>	<u>-</u>	<u>702,527</u>
Fund balances/net position				
Fund balances:				
Nonspendable:				
Prepaid expenses	13,522	13,522	(13,522)	-
Restricted:				
Emergencies	26,589	26,589	(26,589)	-
Assigned	118,761	118,761	(118,761)	-
Unassigned	<u>433,902</u>	<u>433,902</u>	<u>(433,902)</u>	<u>-</u>
Total fund balances	<u>592,774</u>	<u>592,774</u>	<u>(592,774)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,299,231</u>	<u>\$ 1,299,231</u>		
Net position:				
Restricted for:				
Emergencies			26,589	26,589
Unrestricted			<u>566,185</u>	<u>566,185</u>
Total net position			<u>\$ 670,125</u>	<u>\$ 670,125</u>

Note: the accompanying notes are an integral part of these financial statements.

Havana Business Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Funds Total	Adjustments	Statement of Activities
Expenditures/expenses				
Accounting & audit	\$ 18,598	\$ 18,598	\$ -	\$ 18,598
Consumer marketing	237,329	237,329	-	237,329
Consulting	128,515	128,515	-	128,515
Website & branding	24,097	24,097	-	24,097
Executive director mileage	5,722	5,722	-	5,722
Event expenses	24,003	24,003	-	24,003
Event giveaways	26,733	26,733	-	26,733
Event entertainment	25,355	25,355	-	25,355
Insurance	12,800	12,800	-	12,800
Influencers	11,157	11,157	-	11,157
IT services	14,400	14,400	-	14,400
Legal	2,943	2,943	-	2,943
Board development	7,032	7,032	-	7,032
Miscellaneous event expenses	89	89	-	89
Networking	9,700	9,700	-	9,700
Office supplies & overhead	12,495	12,495	-	12,495
Professional development & training	873	873	-	873
Program management	-	-	-	-
Promotion	12,453	12,453	-	12,453
Salaries & benefits	146,686	146,686	-	146,686
Sponsorship	20,192	20,192	-	20,192
Stakeholder relations	1,513	1,513	-	1,513
ART2 expense & identity	35,000	35,000	(35,000)	-
Treasurer's fees	9,168	9,168	-	9,168
Tool Workforce Program	24,138	24,138	(15,441)	8,697
Payroll processing	2,054	2,054	-	2,054
Depreciation	-	-	13,582	13,582
Total expenditures/expenses	813,045	813,045	(36,859)	776,186
General revenues				
Property taxes	610,093	610,093	-	610,093
URA property tax increment	103,859	103,859	-	103,859
Specific ownership taxes	38,365	38,365	-	38,365
Interest income	13,653	13,653	-	13,653
Miscellaneous income	798.00	798	-	798
Total general revenues	766,768	766,768	-	766,768
Excess (deficiency) of revenues over expenditures and net changes in fund balances	(46,277)	(46,277)	46,277	
Change in net position			(9,418)	(9,418)
Fund balances / net position				
Beginning of year, restated	639,051	639,051	40,492	679,543
End of year	\$ 592,774	\$ 592,774	\$ 77,351	\$ 670,125

Note: the accompanying notes are an integral part of these financial statements.

Havana Business Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2025

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
General revenues			
Property taxes	\$ 608,526	\$ 610,093	\$ 1,567
URA property tax increment	87,865	103,859	15,994
Specific ownership taxes	36,512	38,365	1,853
Interest income	22,345	13,653	(8,692)
Miscellaneous income	-	798	798
Total general revenues	755,248	766,768	11,520
Expenditures			
Accounting & audit	\$ 17,000	18,598	(1,598)
Consumer marketing	177,500	237,329	(59,829)
Consulting	135,000	128,515	6,485
Website & branding	25,000	24,097	903
Executive director mileage	-	5,722	(5,722)
Event expenses	5,250	24,003	(18,753)
Event giveaways	16,000	26,733	(10,733)
Event entertainment	21,500	25,355	(3,855)
Insurance	12,000	12,800	(800)
Influencers	5,000	11,157	(6,157)
IT services	15,000	14,400	600
Legal	10,000	2,943	7,057
Board development	10,500	7,032	3,468
Miscellaneous event expenses	4,300	89	4,211
Networking	38,000	9,700	28,300
Office supplies & overhead	15,000	12,495	2,505
Professional development & training	1,500	873	627
Program management	20,000	-	20,000
Promotion	67,000	12,453	54,547
Salaries & benefits	147,050	146,686	364
Sponsorship	47,250	20,192	27,058
Stakeholder relations	5,250	1,513	3,737
ART2 expense & identity	50,000	35,000	15,000
Treasurer's fees	9,000	9,168	(168)
Tool Workforce Program	30,000	24,138	5,862
Payroll processing	2,200	2,054	146
Contingency	539,153	-	539,153
Emergency reserve	26,589	-	26,589
Total expenditures	1,452,042	813,045	638,997
Excess (deficiency) of revenues over expenditures and net changes in fund balance	(696,794)	(46,277)	650,517
Fund balances			
Beginning of year	639,051	639,051	-
End of year	\$ (57,743)	\$ 592,774	\$ 650,517

Note: the accompanying notes are an integral part of these financial statements.

Havana Business Improvement District

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 1 – Definition of Reporting Entity

Definition of Reporting Entity

Havana Business Improvement District (the “District”), located in Arapahoe County, Colorado, is a quasi-municipal corporation and political subdivision of the State of Colorado organized by the City of Aurora (“City”) pursuant to Ordinance No. 2007-36 (“Organizing Ordinance”). The Organizing Ordinance was effective on July 21, 2007 and the District is governed pursuant to provisions of the Colorado Business Improvement District Act Sections 31-25-1201 et seq., C.R.S. The District comprises the commercially assessed properties along the Havana Corridor in Aurora that encompasses both sides of Havana Street from East Sixth Avenue to the North and East Dartmouth Avenue to the South, or more specifically set forth in the Organizing Ordinance. The District was established for the purpose of providing enhancements and otherwise unavailable public services and improvements within its boundaries. The District's primary revenues are property taxes. The District is governed by an appointed Board of Directors.

As required by accounting principles generally accepted in the United States of America (“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 Governmental Accounting Standards Boards (“GASB”) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 a component unit of the City of Aurora.

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

The District had one employee during the year and all operations and administrative functions are contracted.

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to GAAP as applicable to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the District consistently applied in the preparation of financial statements are described as follows:

Havana Business Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

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. Governmental activities are normally 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.

Adoption of New Accounting Standard

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. This standard is set to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Certain key components that are affected by this guidance include the management's discussion and analysis, unusual or infrequent items, presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, major component unit information, and budgetary comparison information. This District adopted the requirements of the guidance effective for the year ended December 31, 2025, with no major changes in regard to this standard.

Note 2 – Summary of Significant Accounting Policies (continued)

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied and 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 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 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.

The District reports the following major governmental fund:

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.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. 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.

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.

Havana Business Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2025, 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 investments 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 net asset value.

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. 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.

Deferred Outflows 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 that qualify for reporting in this category.

Deferred Inflows of Resources

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

Havana Business Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include signs and office equipment, are reported in the applicable governmental or business-type 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 that will be conveyed to other governmental entities are classified as construction in progress, are not included in the calculation of net investment in capital assets, and are not depreciated. Land and certain landscaping improvements are not depreciated. 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.

As of December 31, 2025, all capital assets are fully depreciated. During the year, the District recognized \$13,582 depreciation expense.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

District signs	7 years
Office equipment	5 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. As of December 31, 2025, the District has no long-term obligations.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Equity

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaids or inventory) or is legally or contractually required to be maintained intact. The non-spendable fund balance in the General Fund represents prepaid expenses.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation. Emergency Reserves are provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of the General Fund balance has been restricted in accordance with this requirement.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. The assigned fund balance in the General Fund represents the amount appropriated for use in the following budget year.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above-described criteria.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

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

Unrestricted net position – consists of all other net position that does not meet the definition of the above component 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.

Property Taxes

Property taxes are levied by the District 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 who assess the property tax obligation of 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 at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in 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 of revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Havana Business Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 3 – Cash and Investments

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - unrestricted	\$ 553,273
Cash and investments - restricted	<u>26,589</u>
Total	<u><u>\$ 579,862</u></u>

Cash and investments as of December 31, 2025, consist of the following:

Deposits with financial institutions	\$ 257,934
Investment - COLOTRUST	<u>321,928</u>
Total	<u><u>\$ 579,862</u></u>

Cash Deposits

Custodial Credit Risk – Deposits

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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 does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Note 3 – Cash and Investments (continued)

Investments

Investment Policies

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 investment pools.

Concentration Risk and Custodial Risk – Investments

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 GAAP. 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.

Havana Business Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 3 – Cash and Investments (continued)

Investments (continued)

As of December 31, 2025, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The 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. As of December 31, 2025, the District had \$321,928 invested in COLOTRUST Plus+.

Restricted Cash and Investments

As of December 31, 2025, a portion of the District’s cash and investments were restricted for restricted for emergency reserves.

Havana Business Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 4 – Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

<u>Governmental-type activities</u>	<u>Balance 01/01/2025</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance 12/31/2025</u>
Capital assets being depreciated:				
District signs	\$ 66,484	\$ 50,441	\$ -	\$ 116,925
Office equipment	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>1,700</u>
Total capital assets being depreciated	68,184	50,441	-	118,625
Accumulated depreciation	<u>(27,692)</u>	<u>(13,582)</u>	<u>-</u>	<u>(41,274)</u>
Net capital assets being depreciated	<u>40,492</u>	<u>36,859</u>	<u>-</u>	<u>77,351</u>
Governmental-type assets, net	<u>\$ 40,492</u>	<u>\$ 36,859</u>	<u>\$ -</u>	<u>\$ 77,351</u>

Note 5 – Related Party Information

All of the Board of Directors have financial interests in entities that own property within the boundaries of the District, are active in developing property within the boundaries of the District or are employed by such entities 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.

During 2024, the District entered into a consulting agreement for managed IT services with a provider that is owned by one of the members of the Board of Directors. The District pays \$1,200 per month for these services, and paid a total of \$14,400, with \$1,200 of this reflected as a prepaid expense as of December 31, 2025.

Note 6 – Cooperation Agreement

On August 23, 2010, the Aurora Urban Renewal Authority (“Authority”) and the District entered into a Cooperation Agreement. Under the agreement, the Authority will allocate to the District 100% of the district property tax increment. The district property tax increment will be paid on January 31st, commencing January 31, 2011. The Agreement will terminate on January 31, 2035, unless terminated earlier by the authority. \$103,859 was received under this agreement during the year.

Note 7 – Risk Management

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the “Pool”) as of December 31, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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 – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), which adds a new Section 20 to Article X of the Colorado Constitution. 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.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

Note 8 – Tax, Spending and Debt Limitations (continued)

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 9 – Budgetary Information

The General Fund budget reports variances between the originally budgeted amounts and actual revenues and expenditures. The appropriation is at the total fund expenditures level, and oftentimes during the year, the District's management reallocates budgeted funds across categories as operational needs shift. Additionally, the District's management takes a conservative approach to budgeting, and manages its actual spending to stay within the total allotted budget.

Note 10 – Reconciliation of Government-Wide and Fund Financial Statements

Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. The adjustments have the following elements:

- Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds.

Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities include a reconciling column. The adjustments have the following elements:

- Governmental funds report capital outlays as expenditures, however, in the Statement of Activities, the costs of those assets are depreciated over the estimated useful lives of the fixed assets.

Havana Business Improvement District

Notes to the Financial Statements For the Year Ended December 31, 2025

Note 11 – Restatement

During 2025, the District discovered an error on their previously filed financial statements, whereby the capital assets, net of accumulated depreciation, was incorrectly reported. The District corrected the beginning balance in its 2025 financial statements. A summary of the changes resulting from the correction, follows:

	Government-wide Net Position
Balance at 12/31/2024, as previously reported	\$ 639,051
Effect of error correction	40,492
Balance at 12/31/2024	<u>\$ 679,543</u>

Government-wide Financial Statements	Balance 12/31/2024, as previously reported	Effect of Error Correction	Balance 12/31/2024
Capital assets	<u>\$ 97,305</u>	<u>\$ (29,121)</u>	<u>\$ 68,184</u>
Accumulated depreciation	<u>\$ (97,305)</u>	<u>\$ 69,613</u>	<u>\$ (27,692)</u>
Net position, as restated	<u>\$ 639,051</u>	<u>\$ 40,492</u>	<u>\$ 679,543</u>

Supplemental Information

Havana Business Improvement District
Five Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2025

Collection Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General Fund	Total Property Taxes:		Percent Collected to Levied
			Levied	Collected	
2021	\$ 97,715,270	4.500	\$ 439,719	\$ 438,451	99.71%
2022	\$ 113,366,196	4.500	\$ 510,148	\$ 496,451	97.32%
2023*	\$ 129,095,675	4.500	\$ 580,931	\$ 497,865	85.70%
2024	\$ 135,227,975	4.500	\$ 608,526	\$ 624,462	102.62%
2025	\$ 137,383,089	4.500	\$ 618,224	\$ 610,093	98.68%

Estimated for calendar year ending December 31, 2025:

\$ 156,117,210	4.500	\$ 702,527
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*Note: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.
Information received from the County Treasurer does not permit identification of specific year assessment.*

* This is based upon a revised assessed valuation provided by Arapahoe County during 2023