

PIVOT DENVER METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Capital Projects Fund	16
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	17



HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pivot Denver Metropolitan District
Adams County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pivot Denver 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 is derived from and related 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

June 18, 2024
Wheat Ridge, Colorado

Pivot Denver Metropolitan District

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

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ 955	\$ 651,373	\$ 6,351	\$ 658,679	\$ -	\$ 658,679
Receivable - County Treasurer	-	-	5	\$ 5	-	5
Property taxes receivable	-	-	82,582	\$ 82,582	-	82,582
Developer receivable	4,105	1,734	-	5,839	(5,839)	-
Prepaid	2,386	-	-	2,386	-	2,386
Capital assets not being depreciated	-	-	-	-	5,714,282	5,714,282
Total Assets	<u>\$ 7,446</u>	<u>\$ 653,107</u>	<u>\$ 88,938</u>	<u>\$ 749,491</u>	<u>5,708,443</u>	<u>6,457,934</u>
LIABILITIES						
Accounts payable	\$ 4,105	\$ 1,734	\$ -	\$ 5,839	-	5,839
Developer payable	-	-	-	-	85,501	85,501
Accrued interest on developer payable	-	-	-	-	5,273	5,273
Accrued interest on long term debt	-	-	-	-	39,912	39,912
Long-term liabilities:						
Due in more than one year	-	-	-	-	6,842,628	6,842,628
Total Liabilities	<u>4,105</u>	<u>1,734</u>	<u>-</u>	<u>5,839</u>	<u>6,973,314</u>	<u>6,979,153</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	-	-	82,582	82,582	-	82,582
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>82,582</u>	<u>82,582</u>	<u>-</u>	<u>82,582</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,386	-	-	2,386	(2,386)	-
Restricted:						
Emergencies	1,003	-	-	1,003	(1,003)	-
Debt service	-	-	6,356	6,356	(6,356)	-
Capital projects	-	651,373	-	651,373	(651,373)	-
Project	-	-	-	-	-	-
Unassigned	(48)	-	-	(48)	48	-
Total Fund Balances	<u>3,341</u>	<u>651,373</u>	<u>6,356</u>	<u>661,070</u>	<u>(661,070)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,446</u>	<u>\$ 653,107</u>	<u>\$ 88,938</u>	<u>\$ 749,491</u>		
Net Position:						
Restricted for:						
Emergencies					1,003	1,003
Capital projects					651,373	651,373
Unrestricted					(1,256,177)	(1,256,177)
Total Net Position					<u>\$ (603,801)</u>	<u>\$ (603,801)</u>

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

Pivot Denver 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>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
General & Administrative						
Accounting and administration	\$ 19,000	\$ -	\$ -	\$ 19,000	\$ -	\$ 19,000
Insurance	1,699	-	-	1,699	-	1,699
Legal	15,272	-	-	15,272	-	15,272
Treasurer's fees	-	-	7	7	-	7
Bank fees	-	11,048	-	11,048	-	11,048
Miscellaneous expenses	17	-	8	25	-	25
Developer advance repayment	-	7,556	-	7,556	(7,556)	-
Interest expense	-	-	-	-	462,248	462,248
Capital expenditures	-	5,714,282	-	5,714,282	(5,714,282)	-
	<u>35,988</u>	<u>5,732,886</u>	<u>15</u>	<u>5,768,889</u>	<u>(5,259,590)</u>	<u>509,299</u>
GENERAL REVENUES						
Property taxes	-	-	976	976	-	976
Specific ownership taxes	-	-	63	63	-	63
Interest income	-	192,475	192	192,667	-	192,667
	<u>-</u>	<u>192,475</u>	<u>1,231</u>	<u>193,706</u>	<u>-</u>	<u>193,706</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(35,988)	(5,540,411)	1,216	(5,575,183)	5,259,590	(315,593)
OTHER FINANCING SOURCES (USES)						
Developer advances	37,673	10,540	-	48,213	(48,213)	-
Transfers (to)/from funds	-	(5,140)	5,140	-	-	-
	<u>37,673</u>	<u>5,400</u>	<u>5,140</u>	<u>48,213</u>	<u>(48,213)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	1,685	(5,535,011)	6,356	(5,526,970)	5,526,970	
CHANGE IN NET POSITION						
					(315,593)	(315,593)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>1,656</u>	<u>6,186,384</u>	<u>-</u>	<u>6,188,040</u>	<u>(6,476,248)</u>	<u>(288,208)</u>
END OF YEAR	<u>\$ 3,341</u>	<u>\$ 651,373</u>	<u>\$ 6,356</u>	<u>\$ 661,070</u>	<u>\$ (1,264,871)</u>	<u>\$ (603,801)</u>

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

Pivot Denver Metropolitan District

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Specific ownership taxes	-	-	-	-
Other income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Accounting and administration	6,500	19,000	19,000	-
Miscellaneous	-	25	17	8
Insurance	2,500	1,750	1,699	51
Legal	2,000	15,500	15,272	228
Contingency	5,000	-	-	-
	<u>16,000</u>	<u>36,275</u>	<u>35,988</u>	<u>287</u>
Total Expenditures	<u>16,000</u>	<u>36,275</u>	<u>35,988</u>	<u>287</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,000)	(36,275)	(35,988)	287
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>16,000</u>	<u>36,275</u>	<u>37,673</u>	<u>1,398</u>
Total Other Financing Sources (Uses)	<u>16,000</u>	<u>36,275</u>	<u>37,673</u>	<u>1,398</u>
NET CHANGE IN FUND BALANCE	-	-	1,685	1,685
FUND BALANCE:				
BEGINNING OF YEAR	<u>1,656</u>	<u>1,656</u>	<u>1,656</u>	<u>-</u>
END OF YEAR	<u>\$ 1,656</u>	<u>\$ 1,656</u>	<u>\$ 3,341</u>	<u>\$ 1,685</u>

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

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was originally organized as Pecos Logistics Park Metropolitan District on December 10, 2019, as a quasi-municipal organization established under the State of Colorado Special District Act. An amended and restated service plan approved by Adams County October 25, 2022 amends, restates, and replaces in its entirety the original service plan for Pecos Logistics Park Metropolitan District, changed the name to Pivot Denver Metropolitan District and reestablished the District boundaries. The District was reestablished to coordinate and manage the financing, acquisition, construction, completion, operation and maintenance of all public infrastructure and services within and without the Pivot Denver Development (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 Pivot Denver Project. The District's primary revenues are currently interest income and developer advances. After District development, revenues are expected to be 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.

PIVOT DENVER 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 in 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.

PIVOT DENVER 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.

The District amended its total appropriations; in the General Fund from \$16,000 to \$36,275 due to an excess of operating expenditures, the Capital Projects Fund from \$4,522,261 to \$5,736,561 due to higher than expected capital additions, and in the Debt Service Fund from \$10 to \$20 for fees.

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.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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.

Interfund Transfers

The remaining cash balance in the cost of issuance account related to the 2022 Bonds (Note 4) after all issuance costs were expensed were transferred from the Capital Projects Fund to the Debt Service Fund during the year.

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 does not have items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one 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.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Long-Term Obligations

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

Fund 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:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,003 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$651,373 is restricted for the payment of capital improvements for the District.

The restricted fund balance in the Debt Service Fund in the amount of \$6,356 is restricted for the payment of debt service costs (see Note 4).

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.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements 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.

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.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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	\$	-
Cash and investments - Restricted		<u>658,679</u>
Total	\$	<u>658,679</u>

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

Deposits with financial institutions	\$	955
Investments – Colotrust		<u>657,724</u>
	\$	<u>658,679</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act (“PDPA”), requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Investments

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. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee).

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.

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 with each share 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 \$657,724 invested in the fund.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets

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

	Balance 1/1/23	Additions	Disposals	Balance 12/31/23
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 5,714,282	\$ -	\$ 5,714,282
Total capital assets not being depreciated	\$ -	\$ 5,714,282	\$ -	\$ 5,714,282

Note 4: Long Term Debt

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

On November 8, 2022, the District issued Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2022 in the original aggregate principal amount of \$6,359,655 (the "Series 2022 Bonds") for the purpose of defraying the costs of all or a portion of the Project. The Series 2022 Bonds bear interest at the rate of 7% per annum. Interest is calculated on the basis of a 360-day year of twelve 30-day months.

The Series 2022 Bonds will compound during the accretion period (date of issuance to December 1, 2024) on each June 1 and December 1 to a final total accreted principal of \$7,330,000. The Series 2022 Bonds will start paying interest semi-annually commencing June 1, 2025. Principal and interest payments commence December 1, 2028 and the bonds mature on November 1, 2052. The Series 2022 Bonds are subject to a mandatory sinking fund redemption. The 2022 Bonds are subject to redemption prior to maturity at the option of the District on any date, on and after December 1, 2032, in whole or in part, upon payment of the principal to be redeemed, plus interest accrued to the redemption date, without any redemption premium.

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 30 mills until the year 2031 and thereafter, 45 mills subject to adjustment for calculation of assessed values, 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.

PIVOT DENVER 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
2022 Bonds	\$ 6,359,655	\$ -	\$ -	\$ 6,359,655
Compound interest	28,000	454,973		482,973
	\$ 6,387,655	\$ 454,973	\$ -	\$ 6,842,628

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	\$ -	\$ -	\$ -	\$ -
2025	-	-	513,100	-
2026	-	-	513,100	513,100
2027	-	-	513,100	513,100
2028	4,338	662	513,100	518,100
2029 - 2033	117,129	17,872	2,557,800	2,692,801
2034 - 2038	676,744	103,257	2,421,299	3,201,300
2039 - 2043	1,205,992	184,008	2,070,949	3,460,949
2044 - 2048	1,995,526	304,474	1,464,049	3,764,049
2049 - 2052	2,359,926	360,072	492,482	3,212,480
	\$ 6,359,655	\$ 970,345	\$ 11,058,979	\$ 18,388,979

Debt Authorization

As of December 31, 2023, the District had remaining voted debt authorization of approximately \$4,170,000. Per the District's Service Plan, the District cannot issue debt in excess of \$11,500,000.

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.

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Reimbursement Agreements

On January 7, 2020, Pecos Logistics Park Metropolitan District entered into a Reimbursement Agreement with Westfield Development Company, Inc, a related party. This agreement was then transferred to Pivot Denver Metropolitan District through the amended and restated Service Plan renaming the District. Westfield Development Company, Inc. assigned their obligation under the agreement to Pecos Logistics Park, LLLP, who subsequently assigned the agreement to Denver Mart Industrial Partners JV LLLP (“the Developer”) on October 27, 2022. The Developer may pay expenses on behalf of the District, and the District will reimburse the Developer for these expenses plus accrued interest of 7% 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 \$85,501 for advances made to the general and capital projects fund plus accrued interest of \$5,273. Interest expense recorded for the year was \$4,624.

Management and Operations Agreement

The District paid Westfield Property Services, LLC (“WPS”), a related party, \$10,000 in accounting and administration fees during 2023 under the Second Management and Operations Agreement with WPS effective January 1, 2023. Under this agreement, WPS is to provide certain operations and management services to the District, such as management, maintenance, and administration of the activities of the District. The District is responsible to reimburse WPS for expenses incurred for services plus a fee of \$833 per month.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

PIVOT DENVER METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

On November 6, 2019, 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 have the following elements:

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

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

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 2) governmental funds report developer advances, loan and/or bond proceeds as revenue, which are reported on the full accrual method on the Statement of Net Position.

SUPPLEMENTAL INFORMATION

Pivot Denver 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ -	\$ 190,000	\$ 192,475	\$ 2,475
Total Revenues	<u>-</u>	<u>190,000</u>	<u>192,475</u>	<u>2,475</u>
EXPENDITURES				
Developer advance repayments	-	7,800	7,556	244
Legal	5,000	-	-	-
Bank fees	-	11,500	11,048	452
Capital expenditures	<u>4,517,261</u>	<u>5,717,261</u>	<u>5,714,282</u>	<u>2,979</u>
Total Expenditures	<u>4,522,261</u>	<u>5,736,561</u>	<u>5,732,886</u>	<u>3,675</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,522,261)	(5,546,561)	(5,540,411)	6,150
OTHER FINANCING SOURCES (USES)				
Developer advances	-	10,000	10,540	540
Transfers (to)/from funds	<u>-</u>	<u>(5,140)</u>	<u>(5,140)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,860</u>	<u>5,400</u>	<u>540</u>
NET CHANGE IN FUND BALANCE	(4,522,261)	(5,541,701)	(5,535,011)	6,690
FUND BALANCE:				
BEGINNING OF YEAR	<u>4,522,261</u>	<u>6,186,384</u>	<u>6,186,384</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 644,683</u>	<u>\$ 651,373</u>	<u>\$ 6,690</u>

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

Pivot Denver 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	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 976	\$ 976	\$ 976	\$ -
Specific ownership taxes	60	60	63	3
Interest income	<u>-</u>	<u>-</u>	<u>192</u>	<u>192</u>
Total Revenues	<u>1,036</u>	<u>1,036</u>	<u>1,231</u>	<u>195</u>
EXPENDITURES				
Treasurer fees	10	10	7	3
Miscellaneous	<u>-</u>	<u>10</u>	<u>8</u>	<u>2</u>
Total Expenditures	<u>10</u>	<u>20</u>	<u>15</u>	<u>5</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,026	1,016	1,216	200
OTHER FINANCING SOURCES (USES)				
Transfer (to)/from funds	<u>-</u>	<u>5,140</u>	<u>5,140</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,140</u>	<u>5,140</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,026	6,156	6,356	200
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 1,026</u>	<u>\$ 6,156</u>	<u>\$ 6,356</u>	<u>\$ 200</u>