

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**

**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Harvest Crossing Metropolitan District No. 3  
Adams County, Colorado

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Harvest Crossing Metropolitan District No. 3, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harvest Crossing Metropolitan District No. 3, as of December 31, 2021, and the respective changes in financial position and, the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Harvest Crossing Metropolitan District No. 3, 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 Harvest Crossing Metropolitan District No. 3'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 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 Harvest Crossing Metropolitan District No. 3'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 Harvest Crossing Metropolitan District No. 3'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 omitted 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harvest Crossing Metropolitan District No. 3's basic financial statements. The budgetary comparison schedules are presented to supplement the basic financial statements and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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 budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Morain Bakarich, CPAs*

Morain Bakarich, CPAs  
November 15, 2022

## **BASIC FINANCIAL STATEMENTS**

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments - Restricted	\$ 11,861,398
Property taxes receivable	117
Total Assets	11,861,515
 <b>Deferred Outflows of Resources</b>	
Bond discount costs, net	246,473
Total Deferred Outflows of Resources	246,473
 <b>Liabilities</b>	
Current Liabilities	
Accounts payable	41,163
Accrued interest	55,382
Total Current Liabilities	96,545
 Long Term Liabilities:	
Due in more than one year	12,358,000
Total Long Term Liabilities	12,358,000
Total Liabilities	12,454,545
 <b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	117
Total Deferred Inflows of Resources	117
 <b>Net Position</b>	
Restricted for:	
Emergency reserve	500
Debt Service	4
Capital project	11,836,809
Unrestricted	(12,183,987)
<b>Total Net Position</b>	<b>\$ (346,674)</b>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Function/Program</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Primary Government:					
Governmental activities:					
General government	\$ 16,578	\$ -	\$ -	\$ -	\$ (16,578)
Interest and related costs on long-term debt	330,462	-	-	-	(330,462)
<b>Total Governmental Activities</b>	<b>\$ 347,040</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (347,040)</b>
<b>General Revenues:</b>					
Interest Income					366
<b>Total general revenues</b>					<b>366</b>
<b>Change in Net Position</b>					(346,674)
<b>Net Position, Beginning of Year</b>					-
<b>Net position, End of Year</b>					<b>\$ (346,674)</b>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments - Restricted	\$ -	\$ 24,589	\$ 11,836,809	\$ 11,861,398
Property taxes receivable	18	99	-	117
Total current assets	<u>18</u>	<u>24,688</u>	<u>11,836,809</u>	<u>11,861,515</u>
Total Assets	<u><u>18</u></u>	<u><u>24,688</u></u>	<u><u>11,836,809</u></u>	<u><u>11,861,515</u></u>
<b>Liabilities</b>				
Accounts payable	<u>16,578</u>	<u>24,585</u>	<u>-</u>	<u>41,163</u>
Total liabilities	<u>16,578</u>	<u>24,585</u>	<u>-</u>	<u>41,163</u>
<b>Deferred Inflows of Resources</b>				
Property tax revenue	<u>18</u>	<u>99</u>	<u>-</u>	<u>117</u>
Total Deferred Inflows of Resources	<u>18</u>	<u>99</u>	<u>-</u>	<u>117</u>
<b>Fund Balances</b>				
Restricted for:				
Debt Service	-	4	-	4
Capital projects	-	-	11,836,809	11,836,809
Emergency reserve	500	-	-	500
Unassigned				
General government	<u>(17,078)</u>	<u>-</u>	<u>-</u>	<u>(17,078)</u>
Total fund balances	<u>(16,578)</u>	<u>4</u>	<u>11,836,809</u>	<u>11,820,235</u>
Total Liabilities, Fund Balance, and Deferred Inflows	<u><u>\$ 18</u></u>	<u><u>\$ 24,688</u></u>	<u><u>\$ 11,836,809</u></u>	<u><u>\$ 11,861,515</u></u>

Amounts reported for governmental funds in the Statement of Net Position are different because:

Total governmental fund balances:	\$ 11,820,235
Governmental funds report the effect of bond discounts on bonds payable when first issued, whereas these amounts are capitalized and amortized in the Statement of Activities	
Bond discount costs	247,160
Accumulated Amortization	<u>(687)</u>
	246,473
Long-term liabilities, including limited obligation notes and developer advances, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.	
Bonds payable	(12,358,000)
Accrued interest payable	<u>(55,382)</u>
	(12,413,382)
Total Net Position of Governmental Activities	<u><u>\$ (346,674)</u></u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Interest Income	\$ -	\$ -	\$ 366	\$ 366
Total revenues	-	-	366	366
<b>Expenditures:</b>				
Accounting	3,892	-	-	3,892
Insurance	200	-	-	200
District management	9,847	-	-	9,847
Miscellaneous	2,639	-	-	2,639
Bond issuance costs	-	274,393	-	274,393
Total expenditures	16,578	274,393	-	290,971
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(16,578)	(274,393)	366	(290,605)
<b>Other Financing Sources (Uses):</b>				
Issuance of limited obligation	-	12,358,000	-	12,358,000
Discount on debt issued	-	(247,160)	-	(247,160)
Transfers in (out) - other funds	-	(11,836,443)	11,836,443	-
Total other financing sources (uses)	-	274,397	11,836,443	12,110,840
<b>Net Change in Fund Balance</b>	(16,578)	4	11,836,809	11,820,235
<b>Fund Balance, Beginning of Year</b>	-	-	-	-
<b>Fund Balance, End of Year</b>	<u>\$ (16,578)</u>	<u>\$ 4</u>	<u>\$ 11,836,809</u>	<u>\$ 11,820,235</u>
Net Change in Fund Balance - Governmental Funds				\$ 11,820,235
Amounts reported for governmental activities in the statement of activities are different because:				
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.				
Bond discount				247,160
Amortization of bond discount				(687)
Issuance of long-term debt				(12,358,000)
Accrued interest				(55,382)
Change in Net Position of Governmental Activities				<u>\$ (346,674)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**BUDGETARY BASIS**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Developer advances	\$ 50,000	\$ -	\$ (50,000)
<b>Total revenues</b>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
<b>Expenditures</b>			
Accounting	8,000	3,892	4,108
Auditing	1,000	-	1,000
Insurance	3,500	200	3,300
District management	15,000	9,847	5,153
Legal	15,000	-	15,000
Miscellaneous	3,000	2,639	361
Contingency	3,000	-	3,000
<b>Total expenditures</b>	<u>48,500</u>	<u>16,578</u>	<u>31,922</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,500</u>	<u>(16,578)</u>	<u>(18,078)</u>
<b>Other Financing Sources (Uses):</b>			
Emergency Reserve	(1,500)	-	(1,500)
<b>Net Other Financing Sources (Uses)</b>	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
<b>Change in Fund Balance</b>	-	(16,578)	(16,578)
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ (16,578)</u>	<u>\$ (16,578)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Harvest Crossing Metropolitan District No. 3 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Arapahoe County, Colorado, on February 13, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was originally organized under the name Villages at Murphy Creek Metropolitan District No. 1, which was inactive beginning December 15, 2010 through March 31, 2021. On August 8, 2021, the District petitioned the court to change the District's name in order to more accurately represent the District's development plan. The District was established to furnish certain public facilities and services, including, but not limited to, streets, limited water, limited sanitation, parks and recreation, traffic and safety control, transportation, mosquito control, safety protection, security, limited fire protection and television relay and translation improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees, and all operations and administrative functions are contracted.

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

Separate financial statements are provided for the governmental funds. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District has three governmental funds (below) and does not maintain proprietary or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The general fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1: 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.

Governmental fund financial statements are accounted for 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 major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *Capital Projects Fund* accounts for and report financial resources that are restricted, committed or assigned to expenditure for debt service.

**Budgets**

In accordance with the Colorado Budget Law, the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to October 15<sup>th</sup> the budget is submitted to the Board of Directors of the District.
2. A public hearing on the budget is held prior to its adoption.
3. On the date of the hearing, the Board reviews the proposed budget and formally adopts it by resolution.
4. At the time of adopting the budget the Board also adopts the mill levies.
5. Prior to the beginning of the calendar year, the Board passes an appropriating ordinance giving the District legal authority to spend.
6. The District adopts budgets for the general and debt service funds on a basis consistent with generally accepted accounting principles. The District's Board of Directors can modify the budget and appropriations resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets (continued)**

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors.

**Use of Estimates**

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**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<sup>st</sup> of each year. The levy is normally set by December 15<sup>th</sup> by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. Bond discount costs, net of, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

Bond discount costs, net of accumulated amortization, of \$246,473 are included in the Statement of Net Position. Bond discount costs are being amortized over the life of the 2021A(3) bond issue (30 years), which approximates the effective interest method. Amortization is included as a component of interest expense in the Statement of Activities. In 2021, \$687 of amortization relating to the bond discount costs was included in interest expense in the Statement of Activities.

In addition to liabilities, the statement of net position reports 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 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. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources. In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted, and unrestricted.

**Fund Balance – Governmental Funds**

Fund balance for governmental funds should be 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: nonspendable, 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:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – 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.

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

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**Reconciliation of Government-wide and Fund Financial Statements**

The governmental funds balance sheet includes a reconciliation between fund balances of the governmental funds and the net position of governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the net change in fund balances of the governmental funds and the changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2: CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments – Restricted	\$ 11,861,398
Total Cash and Investments	<u>\$ 11,861,398</u>

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

Investments	\$ 11,861,398
Total Cash and Investments	<u>\$ 11,861,398</u>

At December 31, 2021, the District’s investments consist of bond proceeds held in money market trust accounts. The money market accounts are not rated investments.

**Cash 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.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers’ acceptances of certain banks

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools\*

District policy is to hold investments until maturity.

**NOTE 3: LONG-TERM DEBT OBLIGATIONS**

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/21
2021A(3) Limited Tax GO Bonds	\$ -	\$ 12,358,000	\$ -	\$ 12,358,000
2021A(3) Accrued and Unpaid interest	-	55,382	-	55,382
<b>Total</b>	<b>\$ -</b>	<b>\$ 12,413,383</b>	<b>\$ -</b>	<b>\$ 12,413,383</b>

The District issued limited tax general obligation bonds, Series 2021A(3) totaling \$12,358,000 with an interest rate of 5.500% in December of 2021. The 2021A(3) Bonds are secured by and payable from the Pledged Revenue consisting of funds derived by the District from the following sources, net of any costs of collections: (a) Required Mill Levy; (b) Specific Ownership Tax; and (c) any other legally available moneys which the District determines, in its absolute discretion as Pledged Revenue.

These bonds were issued as “cash-flow” bonds, meaning that there are no scheduled principal payments prior to the final maturity date. Rather principle of the 2021A(3) Bond is payable from, and solely to the extent of, Pledged Revenue, if any, remaining after the annual payment of interest due on the 2021A(3) Bonds. Interest is payable on December 1st each year, to the extent sufficient Pledged Revenues are available, commencing on December 1, 2022. To the extent interest is not paid when due, such interest will compound at the rate of 5.500% on each interest payment date.

The 2021A(3) Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2026, and on any date thereafter, upon payment of par plus accrued interest thereon and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<b>Date of Redemption</b>	<b>Redemption Premium</b>
December 1, 2026 to November 30, 2027	3.000%
December 1, 2027 to November 30, 2028	2.000
December 1, 2028 to November 30, 2029	1.000
December 1, 2029 and thereafter	0.000

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3: LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

The following is a summary of the annual long-term debt principal and interest requirements for the 2021A(3) bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 664,586	\$ 664,586
2023	-	679,690	679,690
2024	-	679,690	679,690
2025	-	679,690	679,690
2026	-	679,690	679,690
2027-2031	-	3,398,450	3,398,450
2032-2036	-	3,398,450	3,398,450
2037-2041	-	3,398,450	3,398,450
2042-2046	-	3,398,450	3,398,450
2047-2051	12,358,000	3,398,450	15,756,450
	<u>\$ 12,358,000</u>	<u>\$ 20,375,596</u>	<u>\$ 32,733,596</u>

**Authorized Debt**

At an election held on November 1, 2005, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$70,000,000 for providing public improvements. As of December 31, 2021, \$57,642,000 of the Service Debt Authorization remains. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing additional public improvements within the District's service area, if needed.

**NOTE 4: RELATED PARTIES**

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

**NOTE 5: AGREEMENTS**

**Facilities Acquisition Agreement**

On November 17, 2008, effective as of August 5, 2008, the District and Harvest & Jewell LLC ("Developer") entered into a Facilities Funding and Acquisition Agreement ("FFFA") whereby the Developer agreed to advance funds to the District for the construction related expenses and/or for the District's acquisition of the improvements upon completion. On November 8, 2021 the Developer requested that the District terminate the FFAA and enter into a new Facilities Acquisition Agreement ("New FFA"). In consideration of the termination, the Developer agreed to release the District of any obligation of to reimburse any prior advances, plus all accrued interest thereon.

On November 8, 2021, the District, Jewell Developers, Inc. ("Jewell Developers") and Harvest & Jewell, LLC ("HJ") entered into a Facilities Acquisition Agreement ("New FFA") whereby Jewell Developers is developing property within a project located in the City of Aurora, commonly known as Harvest Crossing ("Property").

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 5: AGREEMENTS (CONTINUED)**

Facilities Acquisition Agreement (Continued)

Jewell Developers is under contract to acquire the Property from HJ; however, the District desires to reimburse HJ on behalf of Jewell Developers for the acquisition of the Property, and Jewell Developers is willing to proceed. The District will reimburse HJ from the proceeds of the 2021A(3) for all of the construction related expenses plus simple interest accrued at a rate of eight percent (8%) per annum until paid. As of December 31, 2021, the District had no developer advances payable under the agreement.

Operation Funding Agreement

On March 31, 2021, the District and Jewell Developers, Inc. (“Developer”) entered into an Operation Funding Agreement (“Agreement”) whereby the Developer agreed to advance funds necessary to fund the District’s operations maintenance, administrative expenses on a periodic basis as needed for the fiscal years 2021 through 2022 up to the Shortfall Amount of \$100,000. Such advances from the date of deposit into the District’s account will accrue simple interest at the rate of 5.5% per annum. The obligation of the District to reimburse the Developer expires on December 31, 2062. Any amount of principal and interest owed on or before December 31, 2062, shall be deemed to be forever discharged and satisfied in full. At December 31, 2021, the District had no developer advances payable under the agreement.

ARTA Establishment Agreement

On July 21, 2008, the District was admitted as a new member to the Aurora Regional Transportation Authority (“ARTA”) Establishment Agreement, an authority formed pursuant to Section 29-1-203. ARTA mandates each District to impose an ARI Mill Levy and then convey the funds to the ARI authority to pay for operational and maintenance expenses. At December 31, 2021, the District did not collect any applicable ARTA property taxes.

**NOTE 6: 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 is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 7: TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's 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. At December 31, 2021, the District determined its required emergency reserve to be approximately \$500.

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 8: DEFICIT NET POSITION**

The District has deficit net position of \$346,673 as of December 31, 2021. The District has incurred general obligation debt since inception for the construction of public improvements within the District. All of these assets have been deeded or transferred to other local and state governmental entities. These entities have assumed the responsibility for continued maintenance of these improvements and therefore, these assets no longer belong to the District but still exist for the benefit and use of the taxpayers of the District. GASB 34 requires netting the debt acquired to purchase assets against those assets the District still holds title to, which creates the net deficit as of December 31, 2021.

**NOTE 9: COVID-19**

In early 2020, the spread of the coronavirus (COVID-19) severely impacted local and global economies. Businesses were forced to cease or limit operations for substantial or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in economic disruption. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Although the effects of COVID-19 could have an impact on the District's revenues, expenditures, fund balance and net position, the District's management believe that any reduction in revenue will only be temporary, and that the District has sufficient reserves to mitigate any temporary reduction in revenue. Due to the uncertainty surrounding the COVID-19 pandemic, the economic and financial impact to the District, if any, cannot be reasonably estimated.

**NOTE 10: SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 15, 2022, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
BUDGETARY BASIS**

	<u>Budgeted</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>Expenditures</b>				
Bond issuance costs	\$ -	\$ 500,000	\$ 274,393	\$ 225,607
<b>Total expenditures</b>	<u>-</u>	<u>500,000</u>	<u>274,393</u>	<u>225,607</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>(500,000)</u>	<u>(274,393)</u>	<u>225,607</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of limited tax obligation bonds	-	14,000,000	12,358,000	(1,642,000)
Discount on debt issued	-	-	(247,160)	(247,160)
Transfers (out) - Capital projects	-	(13,500,000)	(11,836,443)	1,663,557
<b>Net Other Financing Sources (Uses)</b>	<u>-</u>	<u>500,000</u>	<u>274,397</u>	<u>(225,603)</u>
<b>Change in Fund Balance</b>	-	-	4	4
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**HARVEST CROSSING METROPOLITAN DISTRICT NO. 3  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021  
BUDGETARY BASIS**

	Budgeted		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 366	\$ 366
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>366</u>	<u>366</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>366</u>	<u>366</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in - debt service	-	13,500,000	11,836,443	1,663,557
<b>Net Other Financing Sources (Uses)</b>	<u>-</u>	<u>13,500,000</u>	<u>11,836,443</u>	<u>1,663,557</u>
<b>Change in Fund Balance</b>	-	13,500,000	11,836,809	(1,663,191)
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ 13,500,000</u>	<u>\$ 11,836,809</u>	<u>\$ (1,663,191)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.