

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Colliers Hill Metropolitan District No. 3
Weld County, Colorado

Opinion

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

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

September 30, 2022
Wheat Ridge, Colorado

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ 745	\$ 5,408,758	\$ 10,527,752	\$ 15,937,255	\$ -	\$ 15,937,255
Receivable - county treasurer	47	-	-	47	-	47
Receivable - operating advance	25,000	-	-	25,000	(25,000)	-
Receivable - other	-	-	450,473	450,473	-	450,473
Property taxes receivable	10,079	-	-	10,079	-	10,079
Prepaid expenses	2,401	-	-	2,401	-	2,401
Capital assets not being depreciated	-	-	-	-	10,238,550	10,238,550
Total Assets	<u>\$ 38,272</u>	<u>\$ 5,408,758</u>	<u>\$ 10,978,225</u>	<u>\$ 16,425,255</u>	<u>10,213,550</u>	<u>26,638,805</u>
LIABILITIES						
Accounts payable	\$ 13,931	\$ 4,000	\$ 680,701	\$ 698,632	-	698,632
Accrued interest on bonds	-	-	-	-	239,156	239,156
Long-term liabilities:						
Due in more than one year	-	-	-	-	28,789,830	28,789,830
Total Liabilities	<u>13,931</u>	<u>4,000</u>	<u>680,701</u>	<u>698,632</u>	<u>29,028,986</u>	<u>29,727,618</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	10,079	-	-	10,079	-	10,079
Total Deferred Inflows of Resources	<u>10,079</u>	<u>-</u>	<u>-</u>	<u>10,079</u>	<u>-</u>	<u>10,079</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,401	-	-	2,401	(2,401)	-
Restricted:						
Emergencies	1,840	-	-	1,840	(1,840)	-
Debt service	-	5,404,758	-	5,404,758	(5,404,758)	-
Capital projects	-	-	10,297,524	10,297,524	(10,297,524)	-
Unassigned	10,021	-	-	10,021	(10,021)	-
Total Fund Balances	<u>14,262</u>	<u>5,404,758</u>	<u>10,297,524</u>	<u>15,716,544</u>	<u>(15,716,544)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 38,272</u>	<u>\$ 5,408,758</u>	<u>\$ 10,978,225</u>	<u>\$ 16,425,255</u>		
Net Position:						
Restricted for:						
Emergencies					1,840	1,840
Debt service					5,165,602	5,165,602
Capital projects					10,297,524	10,297,524
Unrestricted					<u>(18,563,858)</u>	<u>(18,563,858)</u>
Total Net Position					<u>\$ (3,098,892)</u>	<u>\$ (3,098,892)</u>

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 19,806	\$ -	\$ -	\$ 19,806	\$ -	\$ 19,806
Insurance	2,711	-	-	2,711	-	2,711
Legal	24,185	-	-	24,185	-	24,185
Directors fees	800	-	-	800	-	800
Payroll taxes	61	-	-	61	-	61
Miscellaneous expenses	142	-	-	142	-	142
Treasurer's fees	205	-	-	205	-	205
Cost of bond issuance	-	-	187,390	187,390	-	187,390
Interest expense	-	1,439,500	-	1,439,500	121,028	1,560,528
Paying agent fees	-	4,000	-	4,000	-	4,000
Capital outlay	-	-	5,649,183	5,649,183	(5,649,183)	-
Total Expenditures	<u>47,910</u>	<u>1,443,500</u>	<u>5,836,573</u>	<u>7,327,983</u>	<u>(5,528,155)</u>	<u>1,799,828</u>
GENERAL REVENUES						
Property taxes	13,673	-	-	13,673	-	13,673
Specific ownership taxes	564	-	-	564	-	564
Interest income	-	2,471	6,033	8,504	-	8,504
Total General Revenues	<u>14,237</u>	<u>2,471</u>	<u>6,033</u>	<u>22,741</u>	<u>-</u>	<u>22,741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,673)	(1,441,029)	(5,830,540)	(7,305,242)	5,528,155	(1,777,087)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	2,213,000	2,213,000	(2,213,000)	-
Operating advances	47,935	-	-	47,935	(47,935)	-
Total Other Financing Sources (Uses)	<u>47,935</u>	<u>-</u>	<u>2,213,000</u>	<u>2,260,935</u>	<u>(2,260,935)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	14,262	(1,441,029)	(3,617,540)	(5,044,307)	5,044,307	
CHANGE IN NET POSITION					(1,777,087)	(1,777,087)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	-	6,845,787	13,915,064	20,760,851	(22,082,656)	(1,321,805)
END OF YEAR	<u>\$ 14,262</u>	<u>\$ 5,404,758</u>	<u>\$ 10,297,524</u>	<u>\$ 15,716,544</u>	<u>\$ (18,815,436)</u>	<u>\$ (3,098,892)</u>

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

COLLIERS HILL 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

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 11,256	\$ 13,673	\$ 2,417
Specific ownership taxes	675	564	(111)
Operating advances	<u>54,408</u>	<u>47,935</u>	<u>(6,473)</u>
Total Revenues	<u>66,339</u>	<u>62,172</u>	<u>(4,167)</u>
EXPENDITURES			
Accounting and audit	20,000	19,806	194
Insurance	4,000	2,711	1,289
Legal	25,000	24,185	815
Directors fees	4,800	800	4,000
Payroll taxes	368	61	307
Miscellaneous expenses	2,500	142	2,358
Treasurer's fees	194	205	(11)
Contingency	7,787	-	7,787
Emergency reserve	<u>1,690</u>	<u>-</u>	<u>1,690</u>
Total Expenditures	<u>66,339</u>	<u>47,910</u>	<u>18,429</u>
NET CHANGE IN FUND BALANCE	-	14,262	14,262
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 14,262</u>	<u>\$ 14,262</u>

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Colliers Hill Metropolitan District No. 3, (the “District”), located in Weld 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 organized on June 24, 2008, under the name of Bridgewater Metropolitan District No. 3 as a quasi-municipal organization established under the State of Colorado Special District Act. The name of the District was changed to DayBreak Metropolitan District No. 3 on June 7, 2013, and subsequently to Colliers Hill Metropolitan District No. 3 on June 2, 2014. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues for 2021, were bond issuance proceeds, in future years they are expected to be property taxes and any necessary investor advances. 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, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Basis of Presentation

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

In October 2021, the District amended its total appropriations in the Capital Fund from \$20,603,875 to \$23,303,875 primarily due to the issuance of the Series 2021B⁽³⁾ Bonds (see Note 4).

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no qualifying items 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 type of the items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2021.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,840 of the General Fund balance has been restricted in compliance with this requirement.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

The restricted fund balance in the Debt Service Fund in the amount of \$5,404,758 is restricted for the payment of the debt service costs associated with the General Obligation Limited Tax Bonds Series 2020 Bonds and Series 2021B(3) Bonds (see Note 4).

The restricted fund balance in the Capital Project Fund in the amount of \$10,297,524 is restricted for the payment of the costs associated with capital improvements.

Committed Fund Balance

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

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

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

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

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.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments - Restricted	\$ <u>15,937,255</u>
Total	\$ <u>15,937,255</u>

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

Deposits with financial institutions	\$ 745
Investments - COLOTRUST	<u>15,936,510</u>
	\$ <u>15,937,255</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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Investments

Investment Valuation

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

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government 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.

As of December 31, 2021, 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. COLOTRUST 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. On December 31, 2021, the District had \$15,936,510 invested in COLOTRUST Plus+.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

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

Governmental Type Activities:	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Construction in progress	\$ 4,589,367	\$ 5,649,183	\$ -	\$ 10,238,550
Total capital assets	\$ 4,589,367	\$ 5,649,183	\$ -	\$ 10,238,550

Upon completion and acceptance, all fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

General Obligation Limited Tax Bonds, Series 2020 - On November 5, 2020, the District issued \$26,550,000 of General Obligation Limited Tax Bonds, Series 2020, (the “Series 2020 bonds”). The Series 2020 bonds will be used for the purposes of: (a) paying the project costs for infrastructure located within the District and (b) paying the costs of issuance of the Series 2020 bonds. The Bonds are term bonds, of which, \$8,300,000 bearing interest at 5.250% mature December 1, 2040, and \$18,250,000 bearing interest at 5.500% mature December 1, 2048, payable semiannually on each June 1 and December 1, commencing on December 1, 2020.

The Series 2020 bonds are subject to a sinking fund redemption prior to maturity, as a whole or in integral multiples of \$1,000, at the option of the District, on December 1, 2025, and any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Redemption Date	Redemption Premium
December 1, 2025 to November 30, 2026	3.00%
December 1, 2026 to November 30, 2027	2.00%
December 1, 2027 to November 30, 2028	1.00%
December 1, 2028, and thereafter	0.00%

The Bonds maturing on December 1, 2040, are also subject to mandatory sinking fund redemption prior to the maturity date of such Bonds, in part, by lot, commencing December 1, 2027. The Bonds maturing on December 1, 2048, are also subject to mandatory sinking fund redemption prior to the maturity date of such Bonds, in part, by lot, commencing December 1, 2041.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

Series 2020 Bonds are secured by and payable from the pledged revenue, consisting of the moneys derived from a required mill levy of not to exceed 55.664 mills (adjusted for changes occurring after the issuance of such bonds in the ratio of assessed values to market values), facility fees (see Note 6) and any other legally available moneys of the District credited to the Bond Fund. The required and limited mill levy rates require adjustment for changes in the ratio of assessed values to market values occurring after the issuance date of the Bonds.

The Series 2020 Bonds are also secured by amounts on deposit in the Surplus Fund, which were partially funded upon issuance of the Series 2020 Bonds from the proceeds in the amount of \$2,630,000 and to be funded from excess Pledged Revenue, if any, accumulated therein up to the maximum amount of \$5,310,000.

Subordinate Limited Tax General Obligation Bonds Series 2021B₍₃₎ -

On May 6, 2021, the District issued \$2,213,000 in Subordinate Limited Tax General Obligation Bonds, Series 2021B₍₃₎, (“Series 2021B₍₃₎ Bonds) for the purpose of repaying the Property Owner for costs incurred on the construction of the infrastructure within the boundaries of the District. The Series 2021B₍₃₎ Bonds bear interest at 8.500%, payable annually on December 15, commencing on December 15, 2021, to the extent that Subordinate Pledged Revenue is available. The Series 2021B₍₃₎ Bonds mature on December 15, 2043. The Series 2021B₍₃₎ Bonds are secured by Pledged Revenues including the Subordinate Required Mill Levy (as defined in the Indenture of Trust for the Series 2021B₍₃₎ Bonds or the “Series 2021B₍₃₎ Indenture”), specific ownership taxes which is collected as a result of the Subordinate Required Mill Levy and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue.

The Series 2021B₍₃₎ Bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. As of December 31, 2021, the accrued interest was \$119,198.

The Series 2021B₍₃₎ Bonds are subject to a sinking fund redemption prior to maturity, as a whole or in integral multiples of \$1,000, at the option of the District, on December 1, 2025, and any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Redemption Date</u>	<u>Redemption Premium</u>
December 1, 2025 to November 30, 2026	3.00%
December 1, 2026 to November 30, 2027	2.00%
December 1, 2027 to November 30, 2028	1.00%
December 1, 2028, and thereafter	0.00%

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

Any principal and accrued interest remaining unpaid on the Series 2021B(3) Bonds after December 16, 2048, will be deemed to be discharged, satisfied and no longer due and payable.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020 bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 1,439,500	\$ 1,439,500
2023	-	1,439,500	1,439,500
2024	-	1,439,500	1,439,500
2025	-	1,439,500	1,439,500
2026	-	1,439,500	1,439,500
2027 - 2031	1,120,000	7,111,400	8,231,400
2032 - 2036	2,990,000	6,634,700	9,624,700
2037 - 2041	5,515,000	5,602,813	11,117,813
2042 - 2046	9,260,000	3,731,475	12,991,475
2047 - 2048	7,665,000	713,075	8,378,075
	<u>\$ 26,550,000</u>	<u>\$ 30,990,963</u>	<u>\$ 57,540,963</u>

Because of the uncertainty of the timing of payments for the Series 2021B(3) Bonds, summaries of the long-term debt principal and interest requirements is not presented.

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

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Current</u> <u>Portion</u>
<i>General Obligation Bonds</i>					
General Obligation Bonds - Series 2020 Bonds	\$ 26,550,000	\$ -	\$ -	\$ 26,550,000	\$ -
Subordinate General Obligation Bonds - Series 2021B(3) Bonds	-	2,213,000	-	2,213,000	-
Total	<u>26,550,000</u>	<u>2,213,000</u>	<u>-</u>	<u>28,763,000</u>	<u>-</u>
<i>Other</i>					
Administrative Adv & Reimbursement Agreement	-	25,000	-	25,000	-
Administrative Adv & Reimbursement Agreement - Interest	-	1,830	-	1,830	-
Total	<u>-</u>	<u>26,830</u>	<u>-</u>	<u>26,830</u>	<u>-</u>
	<u>\$ 26,550,000</u>	<u>\$ 2,239,830</u>	<u>\$ -</u>	<u>\$ 28,789,830</u>	<u>\$ -</u>

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Debt Authorization

On May 8, 2008, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$330,000,000 for providing public improvements. As of December 31, 2021, the District had remaining voted debt authorization of approximately \$301,237,000. Per the District's Service Plan, the District with Colliers Hill Metropolitan District No. 2, ("District No. 2"), cannot issue aggregate debt in excess of \$60,000,000. The District has not budgeted to issue any new debt during 2022.

Note 5: Related Party

In 2021, one member of the Board of Directors was an employee of RainTree Investment Corporation ("RainTree"), which has significant ownership and/or investment interests in the property within the Districts. That member resigned from Raintree but remains on the Board as a consultant to Raintree. One other director is a consultant, directly or indirectly, to Raintree. Management believes that all potential conflicts, if any, have been disclosed to the Secretary of State and the Board of Directors. Two members of the Board of Directors are employees of JR Engineering LLC, of which is contracted as project manager for the construction of the capital infrastructure. In 2021, the District recognized expenses of \$129,566 for services rendered by JR Engineering LLC, of which \$29,033 is included in payables at the year end.

Note 6: Agreements

District Facility Fees – On November 7, 2016, and as amended and/or restated in 2017, the District imposes a facility fee due and payable upon issuance of a building permit to a buyer by the County. The fee, at the District's discretion, may increase on an annual basis in an amount up to 10% annually not to exceed \$5,000 overall, unless, subsequently consented to by the Town of Erie, Colorado, (the "Town"). Initially, the fee was \$2,250 per single family unit, \$1,700 per single family attached unit and \$1,500 per apartment unit. During 2021, District infrastructure was in progress and no permits were issued.

Administrative Advance and Reimbursement Agreement - On November 15, 2013, the District and District No. 2, entered into an Administrative Advance and Reimbursement Agreement with the DayBreak Recovery Acquisition, LLC, (the "Investor"). The District anticipates that it will not have sufficient funds to make the payment of its operations and maintenance expenses; therefore, pursuant to this agreement the Investor advances funds to meet any shortfalls. The advances earn interest from the date the moneys are deposited into the District's account at the rate 8.0% per annum. As of December 31, 2021, the principal was \$25,000, and the accrued interest was \$1,830.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Intergovernmental Agreement – On April 14, 2017, effective January 1, 2016, the District entered into an Intergovernmental Agreement, (“IGA”), with District No. 2 regarding cost sharing. The District and District No. 2 acknowledge that District No. 2 incurred costs on behalf of the District which will benefit the District. The District agreed to reimburse District No. 2 for 50% of the costs under the Reimbursement Obligation. In 2020, the District accepted \$4,564,325 in capital assets with additional interest accrued on the reimbursement obligation totaling \$318,878 for a total reimbursement owed to District No. 2 of \$4,883,203. All amounts have been reimbursed as of December 31, 2021.

Note 7: 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.

On May 6, 2008, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: 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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

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

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

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 10,000	\$ 2,471	\$ (7,529)
Total Revenues	<u>10,000</u>	<u>2,471</u>	<u>(7,529)</u>
EXPENDITURES			
Interest expense	1,601,875	1,439,500	162,375
Paying agent fees	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total Expenditures	<u>1,605,875</u>	<u>1,443,500</u>	<u>162,375</u>
NET CHANGE IN FUND BALANCE	(1,595,875)	(1,441,029)	154,846
FUND BALANCE:			
BEGINNING OF YEAR	<u>7,533,384</u>	<u>6,845,787</u>	<u>(687,597)</u>
END OF YEAR	<u>\$ 5,937,509</u>	<u>\$ 5,404,758</u>	<u>\$ (532,751)</u>

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final Budget	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ 10,000	\$ 10,000	\$ 6,033	\$ (3,967)
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>6,033</u>	<u>(3,967)</u>
EXPENDITURES				
Cost of bond issuance	-	-	187,390	(187,390)
Transfer to District 2	4,000,000	4,000,000	-	4,000,000
Capital expenditures	12,883,875	15,583,875	5,649,183	9,934,692
Capital expenditures-restricted project fund	<u>3,720,000</u>	<u>3,720,000</u>	<u>-</u>	<u>3,720,000</u>
Total Expenditures	<u>20,603,875</u>	<u>23,303,875</u>	<u>5,836,573</u>	<u>17,467,302</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,593,875)	(23,293,875)	(5,830,540)	17,463,335
OTHER FINANCING SOURCES (USES)				
Bond proceeds	<u>-</u>	<u>2,700,000</u>	<u>2,213,000</u>	<u>(487,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,700,000</u>	<u>2,213,000</u>	<u>(487,000)</u>
NET CHANGE IN FUND BALANCE	(20,593,875)	(20,593,875)	(3,617,540)	16,976,335
FUND BALANCE:				
BEGINNING OF YEAR	<u>20,593,875</u>	<u>20,593,875</u>	<u>13,915,064</u>	<u>(6,678,811)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,297,524</u>	<u>\$ 10,297,524</u>

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

COLLIERS HILL METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2021

<u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2013	\$ 742,510	50.000	0.000	\$ 37,126	\$ 28,223	76.02%
2014	\$ 586,709	50.000	0.000	\$ 29,335	\$ 29,335	100.00%
2015	\$ 671,980	50.000	0.000	\$ 33,599	\$ 35,165	104.66%
2016	\$ 510,880	50.000	0.000	\$ 25,544	\$ 25,544	100.00%
2017	\$ 341,310	50.000	0.000	\$ 17,066	\$ 17,066	100.00%
2018	\$ 256,950	55.275	0.000	\$ 14,203	\$ 14,203	100.00%
2019	\$ 359,670	55.275	0.000	\$ 19,881	\$ 14,596	73.42%
2020	\$ 224,350	55.664	0.000	\$ 12,488	\$ 12,488	100.00%
2021	\$ 202,210	55.664	0.000	\$ 11,256	\$ 13,673	121.47%
Estimated for December 31, 2022	\$ 181,060	55.664	0.000	\$ 10,079		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.