

**THE CANYONS METROPOLITAN
DISTRICT NO. 3
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Canyons Metropolitan District No. 3
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the The Canyons 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 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 opinion on the basic financial statements is 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 the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The Other Information and the Continuing Disclosure Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Duggio & Associates, P.C.

September 30, 2022

BASIC FINANCIAL STATEMENTS

**THE CANYONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 999
Cash and Investments - Restricted	29,289,199
Property Taxes Receivable	66
Prepays	2,530
Accounts Receivable	195,793
Due from Canyons Metropolitan District No. 1	4,712
Capital Assets Not Being Depreciated:	
Construction in Progress	<u>1,084,949</u>
Total Assets	<u>30,578,248</u>
LIABILITIES	
Accounts Payable	89,856
Accrued Interest Payable	71,660
Noncurrent Liabilities:	
Due in More Than One Year	<u>31,351,037</u>
Total Liabilities	<u>31,512,553</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>66</u>
Total Deferred Inflows of Resources	<u>66</u>
NET POSITION	
Restricted for:	
Emergency Reserves	1
Capital Projects	118,683
Unrestricted	<u>(1,053,055)</u>
Total Net Position	<u><u>\$ (934,371)</u></u>

See accompanying Notes to Basic Financial Statements.

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

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General Government	\$ 56,418	\$ -	\$ -	\$ (56,418)	
Interest and Related Costs on Long-Term Debt	1,175,685	-	-	510,071 (665,614)	
Total Governmental Activities	\$ 1,232,103	\$ -	\$ -	\$ 510,071 (722,032)	
GENERAL REVENUES					
Property Taxes				17	
Specific Ownership Taxes				1	
Net Investment Income				624	
Total General Revenues				642	
CHANGES IN NET POSITION					
Net Position - Beginning of Year				(721,390) (212,981)	
NET POSITION - END OF YEAR					
				\$ (934,371)	

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 999	\$ -	\$ -	\$ 999
Cash and Investments - Restricted	1	505,395	28,783,803	29,289,199
Property Tax Receivable	11	55	-	66
Due from District No. 1	-	4,712	-	4,712
Accounts Receivable	-	-	195,793	195,793
Prepaid Insurance	2,530	-	-	2,530
	<u>\$ 3,541</u>	<u>\$ 510,162</u>	<u>\$ 28,979,596</u>	<u>\$ 29,493,299</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 8,746	\$ 4,000	\$ 77,110	\$ 89,856
Total Liabilities	8,746	4,000	77,110	89,856
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	11	55	-	66
Total Deferred Inflows or Resources	11	55	-	66
FUND BALANCES				
Nonspendable for:				
Prepaid Expense	2,530	-	-	2,530
Restricted for:				
Emergency Reserves	1	-	-	1
Debt Service	-	506,107	-	506,107
Capital Projects	-	-	28,902,486	28,902,486
Unassigned	(7,747)	-	-	(7,747)
Total Fund Balances	<u>(5,216)</u>	<u>506,107</u>	<u>28,902,486</u>	<u>29,403,377</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,541</u>	<u>\$ 510,162</u>	<u>\$ 28,979,596</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Construction in Progress				1,084,949
Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds Payable				(31,270,000)
Developer Advance Payable				(77,693)
Accrued Bond Interest				(71,660)
Accrued Interest on Developer Advance				(3,344)
Net Position of Governmental Activities				<u>\$ (934,371)</u>

See accompanying Notes to Basic Financial Statements.

THE CANYONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 3	\$ 14	\$ -	\$ 17
Specific Ownership Taxes	-	1	-	1
Facilities Fees	-	328,000	-	328,000
Net Investment Income	-	21	603	624
Transfers from District No. 1 - PIF	-	182,071	-	182,071
Total Revenues	<u>3</u>	<u>510,107</u>	<u>603</u>	<u>510,713</u>
EXPENDITURES				
General:				
Accounting	14,997	-	1,526	16,523
Dues and Licenses	300	-	-	300
Insurance	3,393	-	-	3,393
Legal	22,564	-	10,009	32,573
Miscellaneous	2,484	-	-	2,484
Debt Service:				
Bond Interest - Series 2020	-	12,741	-	12,741
Bond Principal - Series 2020	-	183,000	-	183,000
Bond Issuance Costs	-	-	1,028,422	1,028,422
Paying Agent Fees	-	4,000	-	4,000
Capital:				
Capital Outlay	-	-	1,084,949	1,084,949
Engineering	-	-	1,145	1,145
Total Expenditures	<u>43,738</u>	<u>199,741</u>	<u>2,126,051</u>	<u>2,369,530</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(43,735)	310,366	(2,125,448)	(1,858,817)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	31,270,000	31,270,000
Developer Advance	58,127	-	1,104,515	1,162,642
Promissory Note from Developer	-	195,741	-	195,741
Repay Promissory Note	-	(195,741)	-	(195,741)
Repay Promissory Note - Interest	-	(52)	-	(52)
Repay Developer Advance	-	-	(1,084,949)	(1,084,949)
Repay Developer Advance - Interest	-	-	(55,466)	(55,466)
Transfers In	-	195,793	-	195,793
Transfers Out	-	-	(195,793)	(195,793)
Total Other Financing Sources	<u>58,127</u>	<u>195,741</u>	<u>31,038,307</u>	<u>31,292,175</u>
NET CHANGE IN FUND BALANCES	14,392	506,107	28,912,859	29,433,358
Fund Balances - Beginning of Year	(19,608)	-	(10,373)	(29,981)
FUND BALANCES - END OF YEAR	<u>\$ (5,216)</u>	<u>\$ 506,107</u>	<u>\$ 28,902,486</u>	<u>\$ 29,403,377</u>

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 29,433,358

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay 1,084,949

Long-term debt (e.g., bonds) 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. 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.

Bond Issuance	(31,270,000)
Bond Principal	183,000
Developer Advance	(1,162,642)
Promissory Note	(195,741)
Repayment of Promissory Note	195,741
Repayment of Developer Advance	1,084,949
Repayment of Developer Advance - Interest	55,466

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Bond Interest - Change in Liability	(71,660)
Accrued Interest - Developer Advances - Change in Liability	(58,810)

Changes in Net Position of Governmental Activities	\$ (721,390)
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**THE CANYONS METROPOLITAN DISTRICT NO. 3
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 3	\$ 3	\$ -
Total Revenues	<u>3</u>	<u>3</u>	<u>-</u>
EXPENDITURES			
Accounting	15,000	14,997	3
Dues and Licenses	1,000	300	700
Insurance	5,000	3,393	1,607
Legal	15,000	22,564	(7,564)
Miscellaneous	14,000	2,484	11,516
Total Expenditures	<u>50,000</u>	<u>43,738</u>	<u>6,262</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,997)	(43,735)	6,262
OTHER FINANCING SOURCES (USES)			
Developer Advance	49,997	58,127	8,130
Total Other Financing Sources	<u>49,997</u>	<u>58,127</u>	<u>8,130</u>
NET CHANGE IN FUND BALANCE	-	14,392	14,392
Fund Balance - Beginning of Year	<u>-</u>	<u>(19,608)</u>	<u>(19,608)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (5,216)</u>	<u>\$ (5,216)</u>

See accompanying Notes to Basic Financial Statements.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of Douglas County, Colorado on December 19, 2001, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan approved by the City of Castle Pines (City) in Douglas County, Colorado on October 22, 2009, as amended by a First Amendment thereto approved by the City on December 8, 2015 and by a Second Amendment thereto approved by the City on December 10, 2019 collectively, the "Service Plan". The District operates in connection with Districts Nos. 1, 2, 4 and 8 – 11 and serves as a financing District.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, relocation, redevelopment, and completion of public improvements, covenant enforcement services, and planning services, including water, sanitation, streets, security services, parks and recreation, public transportation, traffic and safety, limited fire protection, limited television relay and translation, and mosquito control.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 taxes and intergovernmental revenues.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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.

Separate financial statements are provided for the governmental funds. 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 related cash flows. Redemption of bonds are recorded as a reduction in liabilities.

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 government 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 and specific ownership 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 is 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 debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2021.

Pooled Cash and Investments

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 single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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 taxpayer's election in February and June. Delinquent taxpayers are notified in August and generally sales 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.

Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridged, sidewalks, and similar items), are reported 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. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

All assets of the District are anticipated to be conveyed to other governmental entities. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment of capital assets, a component of the District's net position.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

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.

Equity

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 as they are needed.

Fund Balance

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.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

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.

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2021. The deficit was eliminated with developer advances received in 2022.

NOTE 3 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	\$ 999
Cash and Investments - Restricted	29,289,199
Total Cash and Investments	\$ 29,290,198

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

Deposits with Financial Institutions:	\$ 1,000
Investments	29,289,198
Total Cash and Investments	\$ 29,290,198

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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.

At December 31, 2021, the District's cash deposits had a bank balance and a carrying balance of \$1,000.

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
- . 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

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 25
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	29,289,173
		<u>\$ 29,289,198</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

COLOTRUST (Continued)

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

The District holds all its investments in the COLOTRUST PLUS+ portfolio.

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021
Governmental Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 1,084,949	\$ -	\$ 1,084,949
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 1,084,949</u>	<u>\$ -</u>	<u>\$ 1,084,949</u>

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG TERM OBLIGATIONS

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

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Governmental Activities:					
Limited Tax GO Bonds					
Series 2020 - Principal	\$ 183,000	\$ -	\$ 183,000	\$ -	\$ -
Limited Tax GO and Special Revenue					
Revenue Bonds, Series 2021 - Principal	-	31,270,000	-	31,270,000	-
Total Bonds Payable	183,000	31,270,000	183,000	31,270,000	-
Promissory Note - Developer	-	195,741	195,741	-	-
Developer Advance - Operations - Principal	-	58,127	-	58,127	-
Developer Advance - Operations - Interest	-	2,391	-	2,391	-
Developer Advance - Capital - Principal	-	1,104,515	1,084,949	19,566	-
Developer Advance - Capital - Interest	-	56,419	55,466	953	-
Total Developer Advance Payable	-	1,417,193	1,336,156	81,037	-
Total	\$ 183,000	\$ 32,687,193	\$ 1,519,156	\$ 31,351,037	\$ -

The detail of the District's long-term obligations is as follows:

Limited Tax General Obligation Bonds, Series 2020A(3) (the 2020 Bonds)

Bond Proceeds

The District authorized the issuance from time to time of the 2020 Bonds in the aggregate principal amount of up to \$15,750,000 in accordance with an Indenture of Trust (the 2020 Indenture) between the District and UMB Bank, n.a. as trustee dated September 1, 2020. On September 29, 2020, the District issued \$183,000 of principal to pay the costs of issuing the 2020 Bonds. The remaining aggregate principal amount of the 2020 Bonds is expected to be issued on a drawdown basis in the future. The 2020 Bonds are being issued to finance the acquisition, construction, relocation, installation, or completion of facilities under the Reimbursement Agreement.

Bonds Details

The 2020 Bonds will be dated as of their respective dated dates, will bear interest at 6.000% per annum, and are payable annually on December 1, beginning on December 1, 2020, from and to the extent of available Pledged Revenue. The 2020 Bonds mature on December 1, 2060. The 2020 Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2020 Bonds compounds annually on each December 1.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Bonds, Series 2020A(3) (the 2020 Bonds) (Continued)
Bonds Details (Continued)

To the extent principal of the 2020 Bonds is not paid when due, such principal shall remain outstanding until the earlier of its payment or the discharge date of December 1, 2070, and shall continue to bear interest at the rate then borne by the 2020 Bonds. To the extent interest on any 2020 Bonds is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the 2020 Bonds. In the event any amounts due on the 2020 Bonds remain unpaid after the application of all Pledged Revenue available therefore on December 1, 2070, such amounts shall be deemed discharged and shall no longer be due and outstanding.

Bonds Optional Redemption

The 2020 Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2025, to August 31, 2026	3.00%
September 1, 2026, to August 31, 2027	2.00
September 1, 2027, to August 31, 2028	1.00
September 1, 2028, and thereafter	0.00

Bonds Pledged Revenue

The 2020 Bonds are secured by Pledged Revenue which means: (a) all Property Tax Revenues; (b) all Specific Ownership Tax Revenues; (c) the Capital Fees; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the 2020 Bond Fund.

“Property Tax Revenues” means all moneys derived from imposition by the District of the Required Mill Levy. Property Tax Revenues are net of collection costs and any tax refunds or abatements authorized by or on behalf of the County and do not include specific ownership tax revenues.

“Specific Ownership Tax Revenues” means the specific ownership taxes remitted to the District as a result of its imposition of the Required Mill Levy.

“Capital Fees” means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District, including the Facilities Fees. Capital Fees does not include any fee imposed solely for the purpose of funding operations and maintenance expenses.

The District has no intention to issue additional bonds under the 2020 Indenture and for the purpose of facilitating the execution and delivery of the 2021(3) Indenture, and the issuance of the Series 2021⁽³⁾ Bonds, on December 1, 2021, the 2020 Indenture was terminated.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021₍₃₎ (the 2021 Bonds)

Bond Proceeds

The District issued the 2021 Bonds on December 16, 2021, in the par amount of \$31,270,000. Proceeds from the sale of the Bonds were used for the purposes of (i) refunding the 2021 Note; (ii) financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure; and (iii) paying costs of issuance of the 2021 Bonds.

Details of the 2021 Bonds

The 2021 Bonds bear interest at the rate of 5.50% per annum and are payable annually on each December 1, beginning on December 1, 2022, but only from and to the extent of available Pledge Revenue. The 2021 Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of Pledged Revenue.

The 2021 Bonds are structured as “cash flow” bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2021 Bonds compounds annually on each December 1. In the event that any amount of principal or interest on the 2021 Bonds remains unpaid after application of all Pledged Revenue available therefor on December 1, 2061, such amounts will be deemed discharged and no longer due and outstanding.

Optional Redemption

The 2021 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028, to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

Pledged Revenue

The 2021 Bonds are secured by and payable from moneys derived by the District from the following sources: (a) all Property Tax Revenues; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; (c) all Excluded Property PILOT (Payment in Lieu of Taxes) Revenues; (d) Pledged Net PIF (Public Improvement Fees); (e) all Capital Fees; (f) any District No. 3 Discretionary PIF Revenues which the District determines, in its absolute discretion, to deposit with the Trustee for application as Pledged Revenue; and (g) any other legally available moneys which the District determines, in its absolute discretion, to credit to the 2021 Bond Fund.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds) (Continued)

Pledged Revenue (Continued)

Property Tax Revenues means the ad valorem property taxes derived from the District's imposition of the Required Mill Levy, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County, and do not include specific ownership tax revenues.

Required Mill Levy

The District is required to levy on all taxable property of the District the Required Mill Levy which is an ad valorem mill levy imposed each year in an amount equal to 45 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cur or abatement on or after January 1, 2020) or such lesser mill levy that will generate Property Tax Revenues which, when combined with moneys then on deposit in the 2021 Bond Fund, will pay the Bonds in full in the year such levy is collected.

Excluded Property PILOT Revenues

Certain real property has been excluded from the District's boundaries (the "Excluded Property"). Pursuant to a Declaration of Covenants Concerning Payments in Lieu of Taxes, the owner of such excluded real property will make an Annual Fee payment to the District. Annual Fee means an annual payment in lieu of taxes in an amount equal to \$100,000, which amount will be increased by 1% on January 1 of each calendar year after the calendar year of the date on which the District issues the 2021 Bonds; however, the Annual Fee will not be due or payable until the Annual Fee Commencement Date (generally meaning the date the City issues the first temporary certificate of occupancy or final certificate of occupancy for any building or structure on the Excluded Property), will be paid in arrears, and will be prorated for the calendar year in which the Annual Fee Commencement Date occurs.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds) (Continued)

Pledged Net PIF Revenues

The Indenture defines Pledged Net PIF Revenues as the Gross PIF Revenues, net of any PIF collection costs. Gross PIF Revenues are, collectively, the portions of revenue derived from imposition of the following:

- (a) the Credit PIF (currently equal to 50% of the City's Sales/Use Tax rate (currently 2.75%)), but solely to the extent derived from the following (and subject to the limitations of the Annexation and Development Agreement):
 - (i) Credit PIF Construction Activities occurring within, or otherwise relating to, property within the District and the Excluded Property and collected prior to the PIF Termination Date; and
 - (ii) Credit PIF Retail Sales occurring from or within the Excluded Property and collected prior to the Credit PIF Termination Date.

- (b) the Add-On PIF, currently at 3%, but solely to the extent derived from Add-On Retail Sales occurring from or within the Excluded Property and collected prior to the Add-On PIF Termination Date.

The PIF Covenant imposes a Credit PIF on Credit PIF Construction Activities and a Credit PIF on Credit PIF Retail Sales in lieu of a portion of the City's Sales Tax. The Add-On PIF is not in lieu of any portion of the City's sales tax and is therefore in addition to sales taxes.

The Pledged Net PIF Revenue is expected to be collected by Canyons Metropolitan District No. 1 and remitted to the Trustee pursuant to the PIF Collection Agreements and the PIF Assignment Agreement (whereby District No. 1 has assigned all right, title, and interest in the Pledged Net PIF Revenue to the District).

Capital Fees

Capital Fees means all fees, rates, tolls, penalties, and charges of a capital nature, if any, (excluding periodic, recurring service charges) now or hereafter imposed by the District, including and without limitation, the Facilities Fees. Capital Fees do not include any fee imposed solely for the purpose of funding operation and maintenance expenses.

The District imposes a Facilities Fee in the amount of \$4,000 for each single-family residential unit within the District and \$2,000 for each multi-family residential unit within the District. The Facilities Fees for multi-family residential units are due and payable upon the issuance of a building permit for such multi-family residential units. The Facilities Fees for residential lots are due and payable upon the earlier to occur of i) the initial transfer of a residential lot to a third-party builder, or ii) the issuance of a building permit for a residential unit on a residential lot. The Facilities Fee Resolution does not contemplate any Facilities Fees relating to commercial space.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds) (Continued)

District No. 3 Discretionary PIF Revenues

The Indenture defines District No. 3 Discretionary PIF Revenues as the portions of revenue derived from imposition of the following in accordance with the PIF Covenant: (a) the Credit PIF, but solely to the extent derived from Credit PIF Retail Sales occurring from or within the District; (b) the Add-On PIF, but solely to the extent derived from: (i) Add-On PIF Retail Sales occurring from or within the District, and (ii) Add-On PIF Construction Activities occurring within, or otherwise relating to property within the District or the Excluded Property.

Bonds Debt Service

The annual debt service requirements of the 2021 Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Authorized Debt

At December 31, 2021, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 4, 2014	Authorization Used - Series 2020 Bonds	Authorization Used - Series 2021 Bonds	Authorized But Unissued
Streets	\$ 226,000,000	\$ -	\$ 15,223,060	\$ 210,776,940
Water	226,000,000	-	4,660,120	221,339,880
Sewer/Sanitation	226,000,000	183,000	11,184,288	214,632,712
Parks and Recreation	226,000,000	-	-	226,000,000
Public Transportation	226,000,000	-	-	226,000,000
Television Relay	226,000,000	-	-	226,000,000
Mosquito Control	226,000,000	-	-	226,000,000
Security Services	226,000,000	-	-	226,000,000
Fire Protection	226,000,000	-	-	226,000,000
Safety Protection	226,000,000	-	-	226,000,000
Refundings	226,000,000	-	202,532	225,797,468
Intergovernmental Agreements	226,000,000	-	-	226,000,000
Private Agreements	226,000,000	-	-	226,000,000
Operations and Maintenance Debt	226,000,000	-	-	226,000,000
Special Assessment Indebtedness	226,000,000	-	-	226,000,000
Total	<u>\$ 3,390,000,000</u>	<u>\$ 183,000</u>	<u>\$ 31,270,000</u>	<u>\$ 3,358,547,000</u>

Pursuant to the Amended and Restated Service Plan, the aggregate debt limit is \$226,000,000 for all of District Nos. 2 – 11 combined, exclusive of refundings.

Pursuant to the Service Plan, the maximum mill levy for general obligation debt and operations and maintenance is 59.000 mills. The debt service portion of the limit is to be adjusted for increases or decreases in the residential assessment ratio so that the actual tax revenues derived from the mill levy, as adjusted, are neither diminished nor enhanced as a result.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Developer Advance

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

Operations Funding and Reimbursement Agreement

The District and North Canyons Development Company (NCDC) entered into a Funding and Reimbursement Agreement (the Operations Funding Agreement) on September 21, 2020, whereby NCDC agreed to loan moneys to the District for the purpose of covering revenue shortfalls with respect to operation and maintenance expenses of the District.

Under the Operations Funding Agreement, NCDC agrees to loan the District up to \$50,000 per year (the Annual O&M Loan Cap), for four years, not to exceed \$200,000 (subject to increase as described below, the "Maximum Loan Amount"). The funds are to be loaned to the District in a series of installments and are to be available to the District through December 31, 2023 (the O&M Loan Obligation Termination Date). Thereafter, the O&M Loan Obligation Termination Date will automatically extend for additional one-year terms unless NCDC provides written notice to the District of termination at least 30 days prior to December 31 of each year. Upon each automatic one-year extension of the O&M Loan Obligation Termination Date, NCDC agrees to loan to the District one or more sums of money up to the Annual O&M Loan Cap, and the Maximum Loan Amount shall be increased by the additional amount of such Annual O&M Loan Cap for each extension year, if any.

Each loan advance made under the Operations Funding Agreement accrues simple interest at the rate of 6.5% per annum from the date of such advance until the date the applicable O&M Reimbursement Obligation is issued (or the date such advance is repaid, if earlier).

The obligations under the Operating Funding Agreement shall not extend beyond thirty years from the effective date of the agreement (September 21, 2050).

Obligations under the Operations Funding Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal-year financial obligation and shall be at all times subject to annual appropriation by the District, in its absolute discretion.

As of December 31, 2021, \$58,127 of principal and \$2,391 of interest are outstanding under this Agreement.

2021 Promissory Note

The District issued the 2021 Promissory Note (2021 Note) to NCDC on October 21, 2021 in the amount of \$195,740. The interest rate on the 2021 Note is 0.18% and the maturity date is December 31, 2022. The 2021 Note was refunded on December 16, 2021 with the issuance of the 2021 Bonds.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Developer Advance (Continued)

Capital Funding and Reimbursement Agreement

NCDC entered into a Funding and Reimbursement Agreement (Capital) on December 10, 2021, (the Capital Funding Agreement) whereby NCDC agreed to loan moneys to the District for the purpose of funding certain capital costs of the District.

Under the Capital Funding Agreement, NCDC agrees to loan the District up to \$50,000 per year (the Annual Capital Loan Cap), for four years, up to the aggregate of \$200,000 (subject to increase as described below, the "Maximum Capital Loan Amount"). Interest accrues at a rate of 6.0% simple interest, annually. The funds are to be loaned to the District in a series of installments and are to be available to the District through December 31, 2024 (the Capital Loan Obligation Termination Date). Thereafter, the Capital Loan Obligation Termination Date will automatically extend for additional one-year terms unless NCDC provides written notice to the District of termination at least 30 days prior to December 31 of each year.

Upon each automatic one-year extension of the Capital Loan Obligation Termination Date, NCDC agrees to loan to the District one or more sums of money up to the Annual Capital Loan Cap, and the Maximum Capital Loan Amount shall be increased by the additional amount of such Annual Capital Loan Cap for each extension year, if any.

The obligations under the Capital Funding Agreement shall not extend beyond thirty years from the effective date of the agreement (December 10, 2051).

Obligations under the Capital Funding Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal- year financial obligation and shall be at all times subject to annual appropriation by the District, in its absolute discretion.

As of December 31, 2021, \$19,566 of principal and \$953 of interest are outstanding under this Agreement.

Public Infrastructure Acquisition and Reimbursement Agreement

NCDC entered into a Public Infrastructure Acquisition and Reimbursement Agreement (the PIARA), dated as of September 21, 2020, and amended on November 22, 2021, pursuant to which the District and NCDC agreed, among other things, that the District will reimburse NCDC for District Eligible Costs incurred by NCDC for Public Infrastructure. The PIARA also contains provisions for NCDC to initiate a request for the District's acceptance of District Eligible Costs. Upon adoption of a District Eligible Cost Acceptance Resolution, the District agrees to pay NCDC: (i) the Payment Advances plus accrued interest at 6.0% per annum from the date of the deposit into the District's account, and (ii) the Certified Eligible Costs, plus accrued interest.

On November 22, 2021, the District and NCDC entered into a Termination of Public Infrastructure Acquisition and Reimbursement Agreement. The Parties agreed that the PIARA would be terminated and of no further force and effect as of the date of payment of all amounts due to NCDC under the PIARA from the proceeds of the 2021 Bonds, which occurred on December 16, 2021.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Infrastructure Acquisition and Project Fund Disbursement Agreement

North Canyons Development Company (NCDC) entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement, dated as of November 22, 2021, pursuant to which the District and NCDC agreed, among other things, that the District will reimburse NCDC for District Eligible Costs incurred by NCDC for Public Infrastructure.

Pursuant to the terms of this Agreement, the Developer may be reimbursed for the following categories of District Eligible Costs:

- (i) Public Infrastructure which is to be conveyed to another governmental entity with final, preliminary or conditional acceptance by the applicable governmental entity.
- (ii) Public Infrastructure which is to be conveyed to another governmental entity without final, preliminary or conditional acceptance by the applicable governmental entity.
- (iii) Public Infrastructure which is to be owned, operated and maintained by the District.
- (iv) Funds advanced to or on behalf of the District for District Eligible Costs.

The Infrastructure Acquisition and Project Fund Disbursement Agreement also contains provisions for NCDC to initiate a request for the District's acceptance of District Eligible Costs. The District will obtain an Engineer's Cost Certification and Accountant's Cost Certification and then the District will accept the District Eligible Costs by adopting a resolution. Within three business days of receiving a District Eligible Cost Acceptance Resolution, the District shall make a requisition in the amount of the Certified District Eligible Costs from the Project Fund held by the Trustee, which requisition shall direct that the Trustee make payment of the applicable amount directly to NCDC.

As of December 31, 2021, no amounts were outstanding under this Agreement.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2021 as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 1
Capital Projects	118,683
Total	\$ 118,684

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 NET POSITION (CONTINUED)

The District had a deficit unrestricted net position as of December 31, 2021. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements to be constructed.

NOTE 7 RELATED PARTIES

The Original landowner of the property which constitutes the District is NCDC (the Original Landowner). During 2016, the Original landowner sold property to Shea Canyons (the Master Builder) who will serve as Developer of the project for the first phase of development. The majority of the members of the Board of Directors are employees, owners or otherwise associated with NCDC and may have conflicts of interest in dealing with the District.

NOTE 8 DISTRICT AGREEMENTS

Intergovernmental Agreement with the City

As contemplated by the Service Plan, the Canyons Districts (being District Nos. 1 – 11) and the City entered into an Intergovernmental Agreement for The Canyons Metropolitan District Nos. 1 – 11, dated as of December 6, 2010, as amended pursuant to a First Amendment thereto dated December 11, 2015 (as so amended, the City IGA), which, among other things, recites the limitations on the Canyons Districts' provision of services and exercise of powers as set forth in the Service Plan.

In addition to the limitations contained in the Service Plan, the City IGA specifies that completed Public Improvements are to be dedicated to the City, Parker Water and Sanitation District (Parker Water), or other appropriate governmental entity. The Canyons Districts are authorized to undertake and coordinate any operational requirements for Public Improvements that will not ultimately be conveyed to the City, Parker Water, or other governmental entity and may also operate and maintain Public Improvements that are pending final acceptance by the City. Upon acceptance by the City, Parker Water, or other appropriate governmental entity, none of the Canyons Districts are authorized to operate or maintain such Public Improvements unless authorized under separate intergovernmental agreement with the City, Parker Water, or such other governmental entity, respectively. The Canyons Districts are specifically authorized to own, operate, and maintain park and recreation improvements and landscaped or open space parcels. The City IGA also specifies that none of the Canyons Districts are authorized to engage in the provision of any television relay and translation facilities or services and, subject to certain exceptions for improvements comprising a portion of the water system improvements, shall not be authorized to provide fire protection facilities or services.

NOTE 9 INTERFUND TRANSFERS

The District transferred \$195,793 from the Capital Projects Fund to the Debt Service Fund for the purpose of repaying the promissory note from the Developer.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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, workers' compensation, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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 limits must be refunded unless the voters approve retention of such revenue.

On May 4, 2010 and November 4, 2014, the District voters passed an election question to increase property taxes \$100,000,000 per election annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**THE CANYONS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 14	\$ 14	\$ 14	\$ -
Specific Ownership Taxes	1	1	1	-
Facilities Fees	-	464,000	328,000	(136,000)
Net Investment Income	-	-	21	21
Transfers from District No. 1 - PIF	-	243,100	182,071	(61,029)
Total Revenues	<u>15</u>	<u>707,115</u>	<u>510,107</u>	<u>(197,008)</u>
EXPENDITURES				
Bond Interest - Series 2020	15	12,741	12,741	-
Bond Principal - Series 2020	-	183,000	183,000	-
Paying Agent Fees	-	-	4,000	(4,000)
Miscellaneous	-	18,518	-	18,518
Total Expenditures	<u>15</u>	<u>214,259</u>	<u>199,741</u>	<u>14,518</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	492,856	310,366	(182,490)
OTHER FINANCING SOURCES (USES)				
Promissory Note from Developer	-	195,741	195,741	-
Repay Promissory Note	-	(195,741)	(195,741)	-
Repay Promissory Note - Interest	-	-	(52)	52
Transfers from Other Funds	-	214,259	195,793	(18,466)
Total Other Financing Sources (Uses)	<u>-</u>	<u>214,259</u>	<u>195,741</u>	<u>(18,414)</u>
NET CHANGE IN FUND BALANCE	-	707,115	506,107	(200,904)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 707,115</u>	<u>\$ 506,107</u>	<u>\$ (200,904)</u>

**THE CANYONS METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ -	\$ 603	\$ 603
Total Revenues	<u>-</u>	<u>603</u>	<u>603</u>
EXPENDITURES			
Accounting	-	1,526	(1,526)
Bond Issuance Costs	15,000	1,028,422	(1,013,422)
Engineering	-	1,145	(1,145)
Legal Services	-	10,009	(10,009)
Capital Outlay	<u>2,985,000</u>	<u>1,084,949</u>	<u>1,900,051</u>
Total Expenditures	<u>3,000,000</u>	<u>2,126,051</u>	<u>873,949</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,000,000)	(2,125,448)	874,552
OTHER FINANCING SOURCES (USES)			
Bond Issuance	3,000,000	31,270,000	28,270,000
Developer Advance	3,000,000	1,104,515	(1,895,485)
Repay Developer Advance	(3,000,000)	(1,084,949)	1,915,051
Repay Developer Advance Interest	-	(55,466)	(55,466)
Transfers to Other Funds	-	(195,793)	(195,793)
Total Other Financing Sources	<u>3,000,000</u>	<u>31,038,307</u>	<u>28,038,307</u>
NET CHANGE IN FUND BALANCE	-	28,912,859	28,912,859
Fund Balance - Beginning of Year	<u>-</u>	<u>(10,373)</u>	<u>(10,373)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 28,902,486</u>	<u>\$ 28,902,486</u>

OTHER INFORMATION

**THE CANYONS METROPOLITAN DISTRICT NO. 3
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
YEAR ENDED DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2020	\$ 310	0.000	0.000	\$ -	\$ -	0.00 %
2021	310	9.000	45.000	17	17	99.99
Estimated for the Year Ending December 31, 2022	\$ 1,230	9.000	45.000	\$ 66		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.

**CONTINUING DISCLOSURE OF ANNUAL INFORMATION AS
REQUIRED BY THE LIMITED TAX GENERAL OBLIGATION AND
SPECIAL REVENUE BONDS, SERIES 2021⁽³⁾**

**THE CANYONS METROPOLITAN DISTRICT NO. 3
 ASSESSED AND ACTUAL VALUATION OF CLASSES OF PROPERTY OF THE DISTRICT
 AND SCHEDULE OF LARGEST TAXPAYERS WITHIN THE DISTRICT
 YEAR ENDED DECEMBER 31, 2021**

2021 Assessed and "Actual" Valuation of Classes of Property of the District

<i>Class</i>	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Agricultural	\$ 1,230	100.00%	\$ 4,200	100.00%
	<u>\$ 1,230</u>	<u>100.00%</u>	<u>\$ 4,200</u>	<u>100.00%</u>

2021 Largest Taxpayers Within the District

	2021 Assessed Valuation	Percent of Total Assessed Valuation
North Canyons Development Company LLC	\$ 1,050	85.37%
Canyons Multifamily Owner LLC	180	14.63%
Total	<u>\$ 1,230</u>	<u>100.00%</u>