

**LORSON RANCH METROPOLITAN
DISTRICT NO. 3
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

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Board of Directors
Lorson Ranch Metropolitan District No. 3
El Paso County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lorson Ranch Metropolitan District No. 3 (the “District”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lorson Ranch Metropolitan District No. 3 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in our report. The other 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, accordingly, we do not express an opinion or provide any assurance on them.

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.

Wipfli LLP

Wipfli LLP
Denver, Colorado

September 27, 2024

BASIC FINANCIAL STATEMENTS

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments - Restricted	\$ 872,038
Account Receivable - County Treasurer	17,659
Property Taxes Receivable	<u>3,076,895</u>
Total Assets	<u>3,966,592</u>
LIABILITIES	
Due to District No. 1	2,943
Accrued Interest Payable	175,083
Noncurrent Liabilities:	
Due in More Than One Year	<u>26,273,669</u>
Total Liabilities	<u>26,451,695</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>3,076,895</u>
Total Deferred Inflows of Resources	<u>3,076,895</u>
NET POSITION	
Restricted for:	
Debt Service	767,379
Unrestricted	<u>(26,329,377)</u>
Total Net Position	<u><u>\$ (25,561,998)</u></u>

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 32,950	\$ -	\$ -	\$ (32,950)	
Intergovernmental Expenses	398,930	-	-	(398,930)	
Interest and Related Costs on Long-Term Debt	<u>1,473,584</u>	-	-	<u>(1,473,584)</u>	
Total Governmental Activities	<u>\$ 1,905,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,905,464)</u>	

GENERAL REVENUES

Property Taxes	2,195,890
Specific Ownership Taxes	229,911
Net Investment Income	42,744
Total General Revenues	<u>2,468,545</u>

CHANGE IN NET POSITION

Net Position - Beginning of Year	<u>(26,125,079)</u>
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NET POSITION - END OF YEAR

	<u>\$ (25,561,998)</u>
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See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ -	\$ 872,038	\$ -	\$ 872,038
Account Receivable - County Treasurer	2,943	14,716	-	17,659
Property Taxes Receivable	512,816	2,564,079	-	3,076,895
Total Assets	\$ 515,759	\$ 3,450,833	\$ -	\$ 3,966,592
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to District No. 1	\$ 2,943	\$ -	\$ -	\$ 2,943
Total Liabilities	2,943	-	-	2,943
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	512,816	2,564,079	-	3,076,895
Total Deferred Inflows of Resources	512,816	2,564,079	-	3,076,895
FUND BALANCES				
Restricted for:				
Debt Service	-	886,754	-	886,754
Total Fund Balances	-	886,754	-	886,754
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 515,759	\$ 3,450,833	\$ -	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.

Bonds Payable	(23,875,000)
Accrued Interest on Bonds Payable	(175,083)
Developer Advance Payable	(994)
Accrued Interest on Developer Advance	(2,397,675)

Net Position of Governmental Activities

\$ (25,561,998)

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 365,976	\$ 1,829,914	\$ -	\$ 2,195,890
Specific Ownership Tax	38,318	191,593	-	229,911
Net Investment Income	128	42,616	-	42,744
Total Revenues	<u>404,422</u>	<u>2,064,123</u>	<u>-</u>	<u>2,468,545</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	5,492	27,458	-	32,950
Intergovernmental Expenditures - District No. 1	398,930	-	-	398,930
Bond Interest - Series 2022	-	1,376,792	-	1,376,792
Bond Issue Costs	-	-	5,463	5,463
Total Expenditures	<u>404,422</u>	<u>1,404,250</u>	<u>5,463</u>	<u>1,814,135</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	659,873	(5,463)	654,410
OTHER FINANCING SOURCES (USES)				
Transfers from Lorson Ranch MD No. 1 - General	-	14,691	5,463	20,154
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,691</u>	<u>5,463</u>	<u>20,154</u>
NET CHANGE IN FUND BALANCES	-	674,564	-	674,564
Fund Balances - Beginning of Year	<u>-</u>	<u>212,190</u>	<u>-</u>	<u>212,190</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 886,754</u>	<u>\$ -</u>	<u>\$ 886,754</u>

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 674,564
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Accrued Interest on Developer Advance - Change in Liability	(67)
Accrued Interest on Bonds Payable - Change in Liability	<u>(111,416)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 563,081</u></u>

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 365,974	\$ 365,976	\$ 2
Specific Ownership Tax	38,061	38,318	257
Net Investment Income	-	128	128
Contingency	1,000	-	(1,000)
Total Revenues	<u>405,035</u>	<u>404,422</u>	<u>(613)</u>
EXPENDITURES			
Current:			
County Treasurer's Fee	5,490	5,492	(2)
Contingency	1,000	-	1,000
Intergovernmental Expenditures - District No. 1	398,545	398,930	(385)
Total Expenditures	<u>405,035</u>	<u>404,422</u>	<u>613</u>
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Lorson Ranch Metropolitan District No. 3 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed on December 2, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in El Paso County, Colorado. The District was established to provide financing for the acquisition, construction, and installation of streets, traffic and safety controls, parks and recreational facilities, water, storm drainage, sanitation, fire protection, and mosquito control.

The District was formed under the Consolidated Service Plan in conjunction with Lorson Ranch Metropolitan Districts Nos. 1, 2, and 4–7. District No. 1 will serve as the Service District with the responsibility of managing the construction and operation of facilities and improvements needed for the public improvements. District Nos. 2–7 will serve as the Financing Districts with the responsibility of providing the funding and tax base needed to support the capital improvements and operations to serve the community known as Lorson Ranch.

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 (including District Nos. 1, 2, and 4-7), 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 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.

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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 major sources of revenue susceptible to accrual are property taxes, intergovernmental revenue, and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term 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 effect of interfund activity has been eliminated from the government-wide financial statements.

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 and other financing uses 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.

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 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 and investments.

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.

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.

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 872,038
Total Cash and Investments	<u>\$ 872,038</u>

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

Deposits with Financial Institutions	\$ 13,683
Investments	<u>858,355</u>
Total Cash and Investments	<u>\$ 872,038</u>

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, 2023, the District's cash deposits had a bank balance and carrying balance of \$13,683.

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.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

As of December 31, 2023, the District had the following investments:

Investment	Maturity	Amount
Morgan Stanley Government Money Market Funds	Weighted-Average Under 60 Days	\$ 858,355

Morgan Stanley Government Money Market Funds

The debt service money that is included in the trust accounts at Zions Bank is invested in the Morgan Stanley Government Money Market Funds. This portfolio is a money market fund that is managed by Morgan Stanley and each share is equal in value to \$1.00. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's.

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2022:

	Balance at December 31, 2022	Additions	Payments	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
Series 2022 Limited Tax GO Bonds	\$ 23,875,000	\$ -	\$ -	\$ 23,875,000	\$ -
Bonds Payable Subtotal	23,875,000	-	-	23,875,000	-
Loans and Notes from Direct Borrowings and Direct Placements:					
Developer Advances:					
Developer Advance - Capital	994	-	-	994	-
Accrued Interest on Developer Advances - Capital	2,397,608	67	-	2,397,675	-
Developer Advances Subtotal	2,398,602	67	-	2,398,669	-
Total Long-Term Obligations	\$ 26,273,602	\$ 67	\$ -	\$ 26,273,669	\$ -

Limited Tax General Obligation Draw Down Bonds, Series 2022

The Supplemental Indenture authorized the District to issue Limited Tax General Obligation Bonds, Series 2022 (Series 2022 Bonds) in the par amount of \$28,471,000. The Series 2022 Bonds will be issued on a “drawdown” basis, so that advances of the purchase price of the Series 2022 Bonds will be made by the Bond Purchaser to the Trustee in multiple installments in accordance with the terms and provisions of the Supplemental Indenture. The initial drawdown amount on the closing date of December 15, 2022, was \$23,875,000. The remaining drawdown amount of \$4,596,000 will be drawn during 2024. The Series 2022 Bonds were issued for the purposes of refunding the Series 2020 Bonds, repayment of accrued interest on developer advances and financing certain Public Improvements related to the Development.

Proceeds of the Series 2022 Bonds

The proceeds from the sale of the Series 2022 Bonds were used for the purposes of (i) refunding the Series 2020 Bonds; and (ii) to satisfy District No. 3’s current and anticipated future obligations to the Service District under the Master IGA to pay its allocable share of Capital Costs of public improvements that benefit the District and will and which have been funded by the Developer pursuant to the Developer Funding Agreements and prior developer capital funding agreements.

Series 2022 Bonds Details

The Series 2022 Bonds bear interest at the rate of 6.00% and are payable semiannually on June 1 and December 1, beginning on June 1, 2023, from, and to the extent of Pledged Revenue available. The Series 2022 Bonds mature on December 1, 2052, and are subject to mandatory sinking fund redemption, beginning on December 1, 2030, and on each December 1 thereafter prior to the maturity date of such bonds.

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Draw Down Bonds, Series 2022 (Continued)

Series 2022 Bonds Details (Continued)

The Series 2022 Bonds were issued on a “drawdown” basis, so that advances of the purchase price of the Bonds were made by the Bond Purchaser to the Paying Agent in multiple installments in accordance with the terms and provisions of the District Authorizing Resolution.

Series 2022 Bonds Optional Redemption

The Series 2022 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in multiples of \$1,000, on December 1, 2032, and on any date thereafter, at a redemption price equal to the principal amount of the Series 2022 Bonds or portion thereof so redeemed plus accrued interest to the date of the redemption, without redemption premium.

Series 2022 Bonds Pledged Revenue

The Series 2022 Bonds are secured by and payable solely from and to the extent of Pledged Revenue, net of the cost of collection, which is defined generally in the District Authorizing Resolution as:

- a) Pledged Property Tax Revenues;
- b) Pledged Specific Ownership Taxes; and
- c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Paying Agent for application as Pledged Revenue.

Events of Default

Events of default occur if the District fails or refuses to impose the Mill Levy or to apply the Pledged Revenue as required by the Bonds Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Bonds Indenture.

The failure to pay the principal of or the interest on the Bonds when due or to cause the Bond Reserve Fund to be replenished shall not, in and of itself, constitute an Event of Default under the Bonds Indenture if the reason of such failure is an insufficiency of Pledged Revenues.

The District has no open lines of credit.

Developer Advances

The District has entered into Funding and Reimbursement Agreements with Eagle Development Company (Developer) as follows:

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Funding and Reimbursement Agreement for Capital Costs

On February 3, 2020, the District entered into an agreement with the Developer. The Developer has agreed to advance up to \$300,000,000 through February 3, 2021, to fund the costs of capital projects. The agreement is subject to renewal on an annual basis as deemed appropriate by the Developer. Such advances include an interest rate of 2.00% plus the current Federal Reserve Board Prime rate and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This agreement matured on February 3, 2021 and was extended through December 31, 2024. As of December 31, 2023, outstanding principal for Capital advances totaled \$994 and accrued interest due totaled \$2,397,675.

Authorized Debt

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$640,000,000 at an interest rate to be determined by the District's Board of Directors. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Series 2020 Bonds	Series 2022 Bonds (Draw 1)	Authorized But Unissued
Streets	\$ 80,000,000	\$ 8,783,215	\$ 379,674	\$ 70,837,111
Water Supply	80,000,000	4,417,789	190,969	75,391,242
Sanitary Sewer	80,000,000	8,315,414	359,452	71,325,134
Parks and Recreation	80,000,000	1,888,798	81,648	78,029,554
Traffic and Safety	80,000,000	784	34	79,999,182
Mosquito Control	80,000,000	-	-	80,000,000
Debt Operations	80,000,000	-	-	80,000,000
Debt Refunding	80,000,000	-	22,863,223	57,136,777
Total	<u>\$ 640,000,000</u>	<u>\$ 23,406,000</u>	<u>\$ 23,875,000</u>	<u>\$ 592,719,000</u>

NOTE 5 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, 2023, as follows:

Restricted Net Position:	
Debt Service	\$ 767,379
Total Restricted Net Position	<u>\$ 767,379</u>

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 NET POSITION (CONTINUED)

The District has a deficit in unrestricted net position. This deficit amount was a result of the District being responsible for the financing and repayment of debt obligations and advances for the construction of public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 6 RELATED PARTIES

The members of the Board of Directors of the District are employees of, or otherwise associated with Eagle Development Company, and may have conflicts of interest in dealing with the District. See Note 4 concerning advances made by the Developer. Any potential conflicts have been filed in accordance with Colorado Law.

NOTE 7 INTERGOVERNMENTAL AGREEMENT

District Facilities Construction and Service Agreement

On January 27, 2005, the District entered into a District Facilities Construction and Service Agreement (Master IGA) with Lorson Ranch Metropolitan District No. 1 (Service District) and Nos. 2 and 4-7 (Financing Districts). Under the terms of the agreement, the Financing Districts will, over a period of years, levy sufficient taxes to pay to the District the costs of construction, acquisition, and equipping of certain public facilities and services and the related operations and maintenance costs.

In return, the Service District has agreed to acquire, construct, and equip the facilities, provide for their operations and maintenance, and provide service to the property within District Nos. 1-7 or convey facilities to other entities that will provide the service.

NOTE 8 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, property, public officials' liability, and workers' compensation 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.

LORSON RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to the Service District. Therefore, the Emergency Reserves related to the District's revenues are reported in the Service District.

On November 2, 2004, the District voters passed an election question allowing the District to increase property taxes up to \$1,000,000 annually, without limitation of rate, and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Sections 29-2-301, C. R. S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend, or retain all revenue without regard to any limitations under TABOR.

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

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,829,905	\$ 1,829,914	\$ 9
Specific Ownership Tax	190,310	191,593	1,283
Net Investment Income	2,000	42,616	40,616
Contingency	5,000	-	(5,000)
Total Revenues	<u>2,027,215</u>	<u>2,064,123</u>	<u>36,908</u>
EXPENDITURES			
Current:			
County Treasurer's Fee	27,449	27,458	(9)
Contingency	5,000	-	5,000
Bond Custody Fee	1,010	-	1,010
Debt Service:			
Bond Interest	1,616,340	1,376,792	239,548
Regional Bond Interest	335,805	-	335,805
Total Expenditures	<u>1,985,604</u>	<u>1,404,250</u>	<u>581,354</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>41,611</u>	<u>659,873</u>	<u>618,262</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Lorson Ranch MD No. 1 - General	-	14,691	14,691
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,691</u>	<u>14,691</u>
NET CHANGES IN FUND BALANCE	41,611	674,564	632,953
Fund Balance - Beginning of Year	<u>204,388</u>	<u>212,190</u>	<u>7,802</u>
FUND BALANCE - END OF YEAR	<u>\$ 245,999</u>	<u>\$ 886,754</u>	<u>\$ 640,755</u>

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Current:			
Bond Issue Costs	-	5,463	(5,463)
Total Expenditures	-	5,463	(5,463)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,463)	(5,463)
OTHER FINANCING SOURCES (USES)			
Bond Issuance	4,596,000	-	(4,596,000)
Repay Developer Advance	(4,596,000)	-	4,596,000
Transfers from Lorson Ranch MD No. 1 - General	-	5,463	5,463
Total Other Financing Sources (Uses)	-	5,463	5,463
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

OTHER INFORMATION - UNAUDITED

**LORSON RANCH METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Levy Year/ Collection Year	Prior Year Assessed Valuation for Current Year Property Tax Levy	Percentage Change	Mills Levied			Property Taxes		Percentage Collected to Levied
			General	Debt Service	Special Service	Levied	Collected	
2018/2019	\$ 13,933,210	78.50%	8.750	54.269	0.000	\$ 878,056	\$ 878,056	100.00%
2019/2020	20,835,400	49.54%	11.132	55.663	0.000	1,391,701	1,391,702	100.00%
2020/2021	22,933,020	10.07%	11.132	55.663	0.000	1,531,811	1,531,685	99.99%
2021/2022	30,392,470	32.53%	11.132	55.663	0.000	2,030,065	2,030,060	100.00%
2022/2023	31,954,470	5.14%	11.453	57.266	0.000	2,195,879	2,195,890	100.00%
<u>Estimated</u>								
2023/2024	\$ 38,224,200	19.62%	13.416	67.080	0.000	\$ 3,076,895		

NOTE: Property taxes collected in any one year include collection of delinquent property Taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.