

**HM METROPOLITAN DISTRICT NO. 3
Adams County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**HM METROPOLITAN DISTRICT NO. 3
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YEAR ENDED DECEMBER 31, 2023**

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Board of Directors
HM Metropolitan District No. 3
Adams County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of HM 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 HM 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 Supplementary 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.



Wipfli LLP
Denver, Colorado

August 26, 2024

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	\$ 68
Cash and Investments - Restricted	13,029,176
Receivable from County Treasurer	8
Property Tax Receivable	59
Total Assets	13,029,311
LIABILITIES	
Accounts Payable	6,339
Due to District No. 1	127,775
Noncurrent Liabilities:	
Due in More Than One Year	13,013
Total Liabilities	147,127
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	59
Total Deferred Inflows of Resources	59
NET POSITION	
Restricted for:	
Capital Projects	12,923,463
Net Position - Unrestricted	(41,338)
Total Net Position	\$ 12,882,125

See accompanying Notes to Basic Financial Statements.

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

	Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	\$ 30,966	\$ -	\$ -	\$ (30,966)
Public Works	<u>3,740,587</u>	<u>-</u>	<u>-</u>	<u>(3,740,587)</u>
Total Governmental Activities	<u>\$ 3,771,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,771,553)</u>
GENERAL REVENUES				
Property Taxes				66
Specific Ownership Taxes				4
Interest Income				440,959
Total General Revenues				<u>441,029</u>
CHANGE IN NET POSITION				(3,330,524)
Net Position - Beginning of Year				<u>16,212,649</u>
NET POSITION - END OF YEAR				<u>\$ 12,882,125</u>

See accompanying Notes to Basic Financial Statements.

**HM METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 68	\$ -	\$ 68
Cash and Investments - Restricted	-	13,029,176	13,029,176
Receivable from County Treasurer	8	-	8
Due from Other Funds	-	22,523	22,523
Property Tax Receivable	59	-	59
	<u>\$ 135</u>	<u>\$ 13,051,699</u>	<u>\$ 13,051,834</u>
Total Assets			
	<u>\$ 135</u>	<u>\$ 13,051,699</u>	<u>\$ 13,051,834</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,878	\$ 461	\$ 6,339
Due to Other Funds	22,523	-	22,523
Due to District No. 1	-	127,775	127,775
Total Liabilities	<u>28,401</u>	<u>128,236</u>	<u>156,637</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	59	-	59
Total Deferred Inflows of Resources	<u>59</u>	<u>-</u>	<u>59</u>
FUND BALANCES			
Restricted for:			
Capital Projects	-	12,923,463	12,923,463
Unassigned	(28,325)	-	(28,325)
Total Fund Balances	<u>(28,325)</u>	<u>12,923,463</u>	<u>12,895,138</u>
	<u>\$ 135</u>	<u>\$ 13,051,699</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances			
	<u>\$ 135</u>	<u>\$ 13,051,699</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Developer Advances Payable			(12,452)
Developer Advance Interest Payable			(561)
			<u>(13,013)</u>
Net Position of Governmental Activities			<u>\$ 12,882,125</u>

See accompanying Notes to Basic Financial Statements.

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

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property Taxes	\$ 66	\$ -	\$ 66
Specific Ownership Taxes	4	-	4
Interest Income	-	440,959	440,959
Total Revenues	<u>70</u>	<u>440,959</u>	<u>441,029</u>
EXPENDITURES			
General:			
Accounting	12,202	814	13,016
Auditing	5,700	-	5,700
County Treasurer's Fees	1	-	1
District Management	3,403	-	3,403
Dues And Membership	309	-	309
Insurance	2,810	-	2,810
Legal	6,541	-	6,541
Capital:			
Transfers to District No. 1	-	3,739,212	3,739,212
Total Expenditures	<u>30,966</u>	<u>3,740,026</u>	<u>3,770,992</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(30,896)	(3,299,067)	(3,329,963)
OTHER FINANCING SOURCES (USES)			
Developer Advance	12,452	-	12,452
Total Other Financing Sources	<u>12,452</u>	<u>-</u>	<u>12,452</u>
NET CHANGE IN FUND BALANCES	(18,444)	(3,299,067)	(3,317,511)
Fund Balances - Beginning of Year	<u>(9,881)</u>	<u>16,222,530</u>	<u>16,212,649</u>
FUND BALANCES - END OF YEAR	<u>\$ (28,325)</u>	<u>\$ 12,923,463</u>	<u>\$ 12,895,138</u>

See accompanying Notes to Basic Financial Statements.

**HM 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 - Total Governmental Funds \$ (3,317,511)

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

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance (12,452)

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.

Accrued Interest Payable Developer Advance - Change in Liability (561)

Changes in Net Position of Governmental Activities \$ (3,330,524)

**HM 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	\$ 58	\$ 66	\$ 8
Specific Ownership Taxes	4	4	-
Total Revenues	<u>62</u>	<u>70</u>	<u>8</u>
EXPENDITURES			
Accounting	15,000	12,202	2,798
Auditing	5,700	5,700	-
Contingency	2,299	-	2,299
County Treasurer's Fees	1	1	-
District Management	15,000	3,403	11,597
Dues And Membership	1,000	309	691
Election	3,000	-	3,000
Insurance	3,000	2,810	190
Legal	15,000	6,541	8,459
Total Expenditures	<u>60,000</u>	<u>30,966</u>	<u>29,034</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,938)	(30,896)	29,042
OTHER FINANCING SOURCES (USES)			
Developer Advance	60,000	12,452	(47,548)
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>12,452</u>	<u>(47,548)</u>
NET CHANGE IN FUND BALANCE	62	(18,444)	(18,506)
Fund Balance - Beginning of Year	<u>-</u>	<u>(9,881)</u>	<u>(9,881)</u>
FUND BALANCE - END OF YEAR	<u>\$ 62</u>	<u>\$ (28,325)</u>	<u>\$ (28,387)</u>

See accompanying Notes to Basic Financial Statements.

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

NOTE 1 DEFINITION OF REPORTING ENTITY

HM Metropolitan District No. 3 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County, Colorado on November 19, 2019 and such order was recorded on November 22, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Aurora. The District is located in Aurora.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including street, safety protection, park and recreation, transportation, retaining walls, trails, open space, landscaping, drainage improvements, and irrigation system improvements.

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 property taxes and intergovernmental revenues.

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

**HM 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 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 is 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 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, specific ownership taxes and operations fees. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has 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 Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**HM 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 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 and investments.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column 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 at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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 the net investment in capital assets.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

Deficits

The General Fund reported a deficit in the fund financial statement as of December 31, 2023. The deficit will be eliminated with the receipt of Developer advances in 2024.

**HM 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	\$ 68
Cash and Investments - Restricted	13,029,176
Total Cash and Investments	<u>\$ 13,029,244</u>

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

Deposits with Financial Institutions	\$ 560
Investments	13,028,684
Total Cash and Investments	<u>\$ 13,029,244</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 and carrying balance of \$560.

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.

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 13,028,684

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 currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations 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, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE 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 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.

**HM 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, 2023:

	Balance - December 31, 2022	Additions	Retirements	Balance - December 31, 2023	Due Within One Year
Governmental Activities:					
Developer Advances:					
Operations	\$ -	\$ 12,452	\$ -	\$ 12,452	\$ -
Accrued Interest on Developer Advances:					
Operations	-	561	-	561	-
Total	<u>\$ -</u>	<u>\$ 13,013</u>	<u>\$ -</u>	<u>\$ 13,013</u>	<u>\$ -</u>

Debt Authorization

On November 5, 2019, the District's voters authorized total indebtedness of \$6,500,000,000. The District had authorized but unissued debt at December 31, 2023, for the following detailed purposes:

	Authorized November 5, 2019 Election	Authorization Used	Remaining at December 31, 2023
Street Improvements	\$ 500,000,000	\$ -	\$ 500,000,000
Parks and Recreation	500,000,000	-	500,000,000
Water	500,000,000	-	500,000,000
Sanitation/Storm Sewer	500,000,000	-	500,000,000
Transportation	500,000,000	-	500,000,000
Mosquito Control	500,000,000	-	500,000,000
Traffic and Safety Protection	500,000,000	-	500,000,000
Fire Protection	500,000,000	-	500,000,000
TV Relay and Translation	500,000,000	-	500,000,000
Security	500,000,000	-	500,000,000
Refunding of Debt	1,500,000,000	-	1,500,000,000
Total	<u>\$ 6,500,000,000</u>	<u>\$ -</u>	<u>\$ 6,500,000,000</u>

As of December 31, 2023, the District had \$500,000,000 remaining authority under the Service Plan.

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

NOTE 5 AGREEMENTS

Infrastructure Financing and Coordination Agreement Regarding Phase I Improvements

On March 29, 2022, the District entered into an agreement with HM Metropolitan District Nos. 1 and 2, DIBC 56th Ave E-470, LLC, Microsoft Corporation, and L.C. Fulenwider, Inc. Under this agreement, HM Metropolitan District No. 1 will undertake the design, construction, and installation of all Phase I Improvements.

Per this agreement, the District's funding obligation for Phase I Improvements is \$24,218,087.

During 2023, the District transferred \$3,739,212 to the HM Metropolitan District No. 1 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, 2023 as follows:

Restricted Net Position:	
Capital Projects	\$ 12,923,463
Total Restricted Net Position	<u>\$ 12,923,463</u>

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Microsoft Corporation. Certain members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

Developer Advances

The District entered into an Operating Reimbursement Agreement (OFA) with Microsoft Corporation (Developer) in 2024, effective January 1, 2023. Pursuant to the OFA, the Developer will provide advances to the District to pay for operations, maintenance, and administrative expenses pursuant to the terms of the OFA. The advances will bear an interest rate of 8%. As of December 31, 2023, the amount outstanding totaled \$13,013, comprised of principal \$12,452 and accrued interest of \$561.

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

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be 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 (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, workers' compensation, 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 9 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 limit must be refunded unless the voters approve retention of such revenue.

On November 5, 2019, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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

**HM METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ -	\$ 440,959	\$ 440,959
Total Revenues	<u>-</u>	<u>440,959</u>	<u>440,959</u>
EXPENDITURES			
Accounting	15,000	814	14,186
Legal	15,000	-	15,000
Capital Outlay	1,450,346	-	1,450,346
Transfers to District No. 1	12,242,631	3,739,212	8,503,419
Total Expenditures	<u>13,722,977</u>	<u>3,740,026</u>	<u>9,982,951</u>
NET CHANGE IN FUND BALANCE	(13,722,977)	(3,299,067)	10,423,910
Fund Balance - Beginning of Year	<u>13,722,977</u>	<u>16,222,530</u>	<u>2,499,553</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 12,923,463</u>	<u>\$ 12,923,463</u>

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

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
		General	Levied	Collected	
2020	\$ 10	0.000	\$ -	\$ -	N/A
2021	10	0.000	-	-	N/A
2022	10	0.000	-	-	N/A
2023	11,570	5.000	58	66	113.79
Estimated for the Year Ending December 31, 2024	\$ 11,770	5.000	\$ 59		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.