

**GREAT WESTERN PARK METROPOLITAN
DISTRICT NO. 3**

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Great Western Park Metropolitan District No. 3
Broomfield County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Great Western Park Metropolitan District No. 3 (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Great Western Park Metropolitan District No. 3 as of December 31, 2020, 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.

Other Matters

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 opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental 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 supplemental 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.

Sincerely,



Wipfli LLP
Lakewood, Colorado

September 19, 2021

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

December 31, 2020

| | <u>General</u> | Debt <u>Service</u> | <u>Total</u> | <u>Adjustments</u> | Statement of <u>Net Position</u> |
|---|------------------|------------------------|------------------|----------------------|--|
| ASSETS | | | | | |
| Cash and investments | \$ 187 | \$ - | \$ 187 | \$ - | \$ 187 |
| Cash and investments - restricted | 827 | 623 | 1,450 | - | 1,450 |
| Receivable - County Treasurer | 36 | 241 | 277 | - | 277 |
| Property taxes receivable | 8,897 | 59,509 | 68,406 | - | 68,406 |
| Prepaid expenses | 2,964 | - | 2,964 | - | 2,964 |
| Capital assets not being depreciated | - | - | - | 2,835,357 | 2,835,357 |
| Total Assets | <u>\$ 12,911</u> | <u>\$ 60,373</u> | <u>\$ 73,284</u> | <u>2,835,357</u> | <u>2,908,641</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 2,840 | \$ - | \$ 2,840 | - | 2,840 |
| Accrued interest on long-term debt | - | - | - | 3,793,689 | 3,793,689 |
| Long-term liabilities: | | | | | |
| Due in more than one year | - | - | - | 4,819,848 | 4,819,848 |
| Total Liabilities | <u>2,840</u> | <u>-</u> | <u>2,840</u> | <u>8,613,537</u> | <u>8,616,377</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes | <u>8,897</u> | <u>59,509</u> | <u>68,406</u> | - | <u>68,406</u> |
| Total Deferred Inflows of Resources | <u>8,897</u> | <u>59,509</u> | <u>68,406</u> | - | <u>68,406</u> |
| FUND BALANCES/NET POSITION | | | | | |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Prepays | 2,964 | - | 2,964 | (2,964) | - |
| Restricted: | | | | | |
| Emergencies | 827 | - | 827 | (827) | - |
| Debt service | - | 864 | 864 | (864) | - |
| Unassigned | <u>(2,617)</u> | <u>-</u> | <u>(2,617)</u> | <u>2,617</u> | <u>-</u> |
| Total Fund Balances | <u>1,174</u> | <u>864</u> | <u>2,038</u> | <u>(2,038)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 12,911</u> | <u>\$ 60,373</u> | <u>\$ 73,284</u> | | |
| Net Position: | | | | | |
| Restricted for: | | | | | |
| Emergencies | | | | 827 | 827 |
| Debt service | | | | (3,792,825) | (3,792,825) |
| Unrestricted | | | | <u>(1,984,144)</u> | <u>(1,984,144)</u> |
| Total Net Position | | | | <u>\$(5,776,142)</u> | <u>\$(5,776,142)</u> |

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2020

| | <u>General</u> | <u>Debt Service</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|----------------|-------------------------|--------------|--------------------|--|
| EXPENDITURES | | | | | |
| General expenses: | | | | | |
| Accounting | \$ 9,163 | \$ - | \$ 9,163 | \$ - | \$ 9,163 |
| Audit | 4,500 | - | 4,500 | - | 4,500 |
| Insurance | 3,170 | - | 3,170 | - | 3,170 |
| Legal | 10,424 | - | 10,424 | - | 10,424 |
| Management fees | 6,697 | - | 6,697 | - | 6,697 |
| Miscellaneous expenses | 698 | - | 698 | - | 698 |
| Treasurers fees | 129 | 864 | 993 | - | 993 |
| Debt service: | | | | | |
| Interest expense | - | 119,800 | 119,800 | 451,239 | 571,039 |
| Total Expenditures | 34,781 | 120,664 | 155,445 | 451,239 | 606,684 |
| GENERAL REVENUES | | | | | |
| Property taxes | 8,613 | 57,609 | 66,222 | - | 66,222 |
| Specific ownership taxes | 480 | 3,208 | 3,688 | - | 3,688 |
| Interest income | 554 | - | 554 | - | 554 |
| Total General Revenues | 9,647 | 60,817 | 70,464 | - | 70,464 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | |
| | (25,134) | (59,847) | (84,981) | (451,239) | (536,220) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Developer advances | 26,308 | - | 26,308 | (26,308) | - |
| Total Other Financing Sources (Uses) | 26,308 | - | 26,308 | (26,308) | - |
| NET CHANGES IN FUND BALANCES | | | | | |
| | 1,174 | (59,847) | (58,673) | 58,673 | |
| CHANGE IN NET POSITION | | | | | |
| | | | | (536,220) | (536,220) |
| FUND BALANCES/NET POSITION: | | | | | |
| BEGINNING OF YEAR | - | 60,711 | 60,711 | (5,300,633) | (5,239,922) |
| END OF YEAR | \$ 1,174 | \$ 864 | \$ 2,038 | \$ (5,778,180) | \$ (5,776,142) |

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|-----------------|---|
| REVENUES | | | | |
| Property taxes | \$ 8,613 | \$ 8,613 | \$ 8,613 | \$ - |
| Specific ownership taxes | 129 | 129 | 480 | 351 |
| Interest income | <u>200</u> | <u>600</u> | <u>554</u> | <u>(46)</u> |
| Total Revenues | <u>8,942</u> | <u>9,342</u> | <u>9,647</u> | <u>305</u> |
| EXPENDITURES | | | | |
| Accounting | 5,500 | 11,000 | 9,163 | 1,837 |
| Audit | 4,500 | 4,500 | 4,500 | - |
| Election expense | 1,500 | - | - | - |
| Insurance | 3,850 | 3,850 | 3,170 | 680 |
| Legal | 3,000 | 12,000 | 10,424 | 1,576 |
| Management fees | 3,250 | 9,000 | 6,697 | 2,303 |
| Miscellaneous expenses | 1,201 | 1,823 | 698 | 1,125 |
| Treasurers fees | 129 | 129 | 129 | - |
| Emergency reserve | <u>698</u> | <u>698</u> | <u>-</u> | <u>698</u> |
| Total Expenditures | <u>23,628</u> | <u>43,000</u> | <u>34,781</u> | <u>8,219</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (14,686) | (33,658) | (25,134) | 8,524 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer advances | <u>14,341</u> | <u>35,658</u> | <u>26,308</u> | <u>(9,350)</u> |
| Total Other Financing Sources (Uses) | <u>14,341</u> | <u>35,658</u> | <u>26,308</u> | <u>(9,350)</u> |
| NET CHANGE IN FUND BALANCE | (345) | 2,000 | 1,174 | (826) |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | <u>6,693</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| END OF YEAR | <u>\$ 6,348</u> | <u>\$ 2,000</u> | <u>\$ 1,174</u> | <u>\$ (826)</u> |

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Great Western Park Metropolitan District No. 3 (“the District”), located in the City and County of Broomfield, Colorado, (“the City and County”) conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on January 4, 2002, under the name of Great Western Park Metropolitan District as a quasi-municipal organization established under the State of Colorado Special District Act. The name of the District was changed to Great Western Park Metropolitan District No. 3 on January 7, 2009. On December 17, 2008, Great Western Park Metropolitan District No. 1 (“District No. 1”) and Great Western Park Metropolitan District No. 2 (“District No. 2”) were formed. The District was established to provide financing for the construction of streets, water, sanitation, traffic and safety protection, and park and recreation improvements. Previously, the three districts worked together to provide the necessary public improvements and services required to serve the development. As of 2016, the District, District No. 1 and District No. 2 determined to operate independently of one another. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Basis of Presentation

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

The District can report the following major governmental funds:

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

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

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

Budgetary Accounting

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

On November 17, 2020, the District amended its total appropriations in the General Fund from \$23,627 to \$43,000 primarily due to the increase in administrative expenditures over the amount budgeted for and in the Debt Service Fund from \$60,864 to \$122,000 primarily due to the increase in the amount available to pay debt service over the amount budgeted for.

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

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Long-Term Obligations

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Deposits and Investments

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

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

Estimates

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2020

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2020.

Property Taxes

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

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

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$2,964 represents prepaid expenditures.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$827 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$864 is restricted for the payment of the debt service costs (see Note 4).

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Position

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

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

The District has a deficit in unrestricted net position as of December 31, 2020. This deficit amount is the result of the District being responsible for the payment of debt issued for public improvements that were conveyed to other governmental entities and which costs were removed from the District’s financial records.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

| | |
|-----------------------------------|-----------------|
| Statement of Net Position: | |
| Cash and investments | \$ 187 |
| Cash and investments - Restricted | <u>1,450</u> |
| Total | <u>\$ 1,637</u> |

Cash and investments as of December 31, 2020 consist of the following:

| | |
|--------------------------------------|-----------------|
| Deposits with financial institutions | \$ 704 |
| Investments - COLOTRUST | <u>933</u> |
| | <u>\$ 1,637</u> |

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits however; the District follows State statutes for Deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

As of December 31, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) (the “Trust”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. Colostrust operates similarly to a money market fund with each share maintaining a value of \$1.00. Colostrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$933 invested in COLOTRUST.

Credit Risk

The District has adopted an investment policy by which it follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

| | Balance 1/1/2020 | Additions | Deletions | Balance 12/31/2020 |
|--|---------------------|-----------|-----------|-----------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Construction in progress | \$ 2,835,357 | \$ - | \$ - | \$ 2,835,357 |
| Government type assets, net | \$ 2,835,357 | \$ - | \$ - | \$ 2,835,357 |

Upon completion and acceptance, all fixed assets except for the landscaping and the monument wall will be conveyed by the District to other local governments. The District will not be responsible for maintenance. The construction in progress relates to sanitation, water, streets, safety protection and park and recreation improvements developed in 2010. The District does not have an estimate at this time for the costs of any additional public improvements, if any.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2020:

| | Balance | | | Balance | Current |
|---------------------------------------|------------|-----------|-----------|------------|---------|
| | 12/31/2019 | Additions | Deletions | 12/31/2020 | Portion |
| <u>General Obligation Bonds</u> | | | | | |
| Limited Tax Bonds - Series 2010 | 4,666,625 | - | - | 4,666,625 | - |
| Accrued interest - Series 2010 Bonds | 3,304,362 | 559,130 | (119,800) | 3,743,692 | - |
| Total | 7,970,987 | 559,130 | (119,800) | 8,410,317 | - |
| <u>Other</u> | | | | | |
| Developer advances - operations | 65,717 | 29,387 | - | 95,104 | - |
| Accrued interest - operations | 18,729 | 7,247 | - | 25,976 | - |
| Developer advances - capital projects | 58,119 | - | - | 58,119 | - |
| Accrued interest - capital projects | 19,359 | 4,662 | - | 24,021 | - |
| Total | 161,924 | 41,296 | - | 203,220 | - |
| | 8,132,911 | 600,426 | (119,800) | 8,613,537 | - |

A description of the long-term obligations as of December 31, 2020, is as follows:

Limited Tax Bonds, Series 2010. On November 1, 2010, the District issued its \$4,666,625 Limited Tax Bonds, Series 2010, (“the Bonds”) maturing on December 15, 2040, for the purpose of reimbursing certain costs of designing, constructing, acquiring and installing certain infrastructure improvements within the District’s boundaries. The bonds bear interest at the rate of 7%, payable annually on December 15th, commencing on December 15, 2011. The bonds are subject to a mandatory sinking fund redemption in part by lot on each December 15, commencing on December 15, 2011. Should funds be available in the mandatory redemption account the Bonds are subject to an early redemption at the option of the District commencing December 1, 2020 with no call premium.

The Bonds are secured by Pledged Revenues including revenues derived from the required mill levy of 50 mills, specific ownership taxes, the facilities fees and other legally available moneys which the District determines to credit to payment of the Bonds.

Due to the uncertainty of the timing of the principal and interest on the Bonds, a schedule of the estimated timing of these payments is not available. There was one interest payment in 2020 in the amount of \$119,800.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2020

In accordance with the Bond documents, due to the limited nature of the pledged revenues, the District will not be in default of its obligations by reason of failure to pay interest or principal when due. Any unpaid interest will compound on the due date commencing December 15, 2011.

Non-Revolving Line of Credit Note, Series 2010. On November 1, 2010, the District issued its Subordinate Non-revolving Line of Credit Note, Series 2010 (the “Note”) to Great Western Park, LLC (the “Developer”) in an amount not to exceed \$11,248,375, for the purpose of reimbursing costs of designing, constructing, acquiring, installing and funding the purchase price for the acquisition of certain infrastructure improvements under the Amended and Restated Facilities Funding and Acquisition Agreement with the Developer (see Note 7). The Note will bear interest at the rate of 7.5% per annum, payable annually on December 15, commencing on December 15, 2011. As of December 31, 2020, there was no balance outstanding.

The Note is secured by certain pledged revenues including a required mill levy not to exceed 50.000 mills; related specific ownership taxes, facilities fees, and other legally available moneys which the District determines to credit to the Note fund. The repayment of this Note is subordinate to the repayment of the Bonds.

Note 5: Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization from its Service Plan limit of approximately \$79,933,375. Per the District’s Service Plan, the District cannot issue debt in excess of \$84,600,000. Further, the District’s Service Plan limits the aggregate principal amount of debt that can be issued by the District, District No. 1 and District No. 2 to \$97,200,000, of which \$54,733,375 remains. In November 2012, the District voted an increase in debt authorization to \$848,000,000, leaving the District with an overall debt authorization amount of \$1,099,133,375. The District has not budgeted to issue any new debt during 2021.

Note 6: Related Party

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Note 7: Commitments and Agreements

Second Amended and Restated Facilities Funding and Acquisition Agreement dated June 25, 2013, and effective December 12, 2001. On November 27, 2007, the District entered into a Facilities Funding and Acquisition Agreement with the Developer (“Original FFAA”). The Original FFAA was amended and restated on June 25, 2013 per the Second Amended and Restated Facilities Funding and Acquisition Agreement (“Acquisition Agreement”). The Developer has agreed to advance funds to the District to design, construct and complete the infrastructure improvements within the District outlined in the Service Plan in an amount not to exceed \$15,915,000 as needed for fiscal years 2001 – 2040. In lieu of advancing funds to the District, the Developer may complete such improvements subject to future acceptance and acquisition by the District. Any advances made under the Acquisition Agreement will earn interest at 8% per annum. At December 31, 2020, the District had \$82,140 of developer advances payable under the Acquisition Agreement, which includes \$24,021 of accrued interest.

2013 Operation Funding Agreement. On November 19, 2013 (effective January 1, 2013), the District entered into the 2013 Operation Funding Agreement (“2013 OFA”) with the Developer, whereby the Developer agreed to advance up to \$9,000 to the District for operations and maintenance expenses incurred in fiscal year 2013. Such advances will accrue simple interest from the date of deposit into the District’s account at the rate of 9% per annum. The District agreed to reimburse the Developer amounts advanced under the 2013 OFA, subject to annual budget and appropriation. The obligation of the District to reimburse the Developer under the 2013 OFA expires on December 31, 2033. On November 18, 2014 (effective January 1, 2013), this agreement was amended to increase the total shortfall amount to \$25,000 and to extend the funding obligation through fiscal year 2015. On November 17, 2015 (effective January 1, 2013), this agreement was further amended to increase the total shortfall amount to \$30,000 and to extend the funding obligation through fiscal year 2016.

On November 15, 2016 (effective January 1, 2013), this agreement was further amended to increase the shortfall amount to \$45,171, and to extend the funding obligation through fiscal year 2017. On December 6, 2017 (effective January 1, 2013), this agreement was further amended to increase the shortfall amount to \$60,000, and to extend the funding obligation through fiscal year 2018. On October 23, 2018, (Effective January 1, 2013), this agreement was further amended to increase the shortfall amount to \$70,000, and to extend the funding obligation through fiscal year 2019. On November 26, 2019, (Effective January 1, 2013), this agreement was further amended to increase the shortfall amount to \$100,000, and to extend the funding obligation through fiscal year 2020. On November 17, 2020, (Effective January 1, 2013), this agreement was further amended to increase the shortfall amount to \$120,000, and to extend the funding obligation through fiscal year 2021. At December 31, 2020, the District had \$121,080 of developer advances payable under the agreement, which includes \$25,976 of accrued interest.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

Imposition of Facilities Development Fees. On March 22, 2004, the District adopted a resolution to impose Facilities Development Fees (“Fees”) on the property located within the District’s boundaries. The Fees will be \$1.00 per square foot paid upon the issuance of a building permit for construction upon any portion of a lot or commercial space within the property. The revenues received from the imposition of the Fees are pledged for payment of the Bonds or any other indebtedness of the District. As of December 31, 2020, no Fees have been paid to the District.

Agreement of Acknowledgement of Satisfaction of Obligations of District No. 1 related to Great Western Park, LLC Operation Funding Agreement and Acknowledgement of Ongoing Obligations of District Nos. 2 and 3 – On November 26, 2019, effective December 31, 2019, the District, District No. 1, District No. 2 and the Developer entered into an Agreement of Acknowledgement of Satisfaction of Obligations of District No. 1 related to Great Western Park, LLC Operation Funding Agreement and Acknowledgement of Ongoing Obligations of District Nos. 2 and 3 whereby the District acknowledged that the Developer has previously expended funds pursuant to an operation funding agreement between District No. 1 and the Developer (the “District No. 1 Operation Funding Agreement”). There was no financial impact to the District in regards to this Agreement.

Note 8: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

On November 4, 2008 a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "Pool"), which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2020

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

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

SUPPLEMENTAL INFORMATION

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2020

| | Original <u>Budget</u> | Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|-----------------------------------|---------------------------|------------------------|----------------|---|
| REVENUES | | | | |
| Property taxes | \$ 57,609 | \$ 57,609 | \$ 57,609 | \$ - |
| Specific ownership taxes | 2,750 | 2,750 | 3,208 | 458 |
| Interest income | <u>600</u> | <u>930</u> | <u>-</u> | <u>(930)</u> |
| Total Revenues | <u>60,959</u> | <u>61,289</u> | <u>60,817</u> | <u>(472)</u> |
| EXPENDITURES | | | | |
| Treasurers fees | 864 | 864 | 864 | - |
| Interest expense | <u>60,000</u> | <u>121,136</u> | <u>119,800</u> | <u>1,336</u> |
| Total Expenditures | <u>60,864</u> | <u>122,000</u> | <u>120,664</u> | <u>1,336</u> |
| NET CHANGE IN FUND BALANCE | 95 | (60,711) | (59,847) | 864 |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | <u>2,219</u> | <u>60,711</u> | <u>60,711</u> | <u>-</u> |
| END OF YEAR | <u>\$ 2,314</u> | <u>\$ -</u> | <u>\$ 864</u> | <u>\$ 864</u> |

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

| | Original and Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|--|--------------------|---|
| REVENUES | | | |
| Interest income | \$ - | \$ - | \$ - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | |
| Accounting | 3,200 | - | 3,200 |
| Legal | 3,000 | - | 3,000 |
| Management fees | <u>1,800</u> | <u>-</u> | <u>1,800</u> |
| Total Expenditures | <u>8,000</u> | <u>-</u> | <u>8,000</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (8,000) | - | 8,000 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer advances | <u>8,000</u> | <u>-</u> | <u>(8,000)</u> |
| Total Other Financing Sources (Uses) | <u>8,000</u> | <u>-</u> | <u>(8,000)</u> |
| NET CHANGE IN FUND BALANCE | - | - | - |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>-</u> |
| END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2020

| <u>Year Ended December 31,</u> | Prior Year Assessed Valuation for Current Year Property Tax Levy | <u>Mills Levied</u> | | <u>Total Property Tax</u> | | Percent Collected to Levied |
|--|---|---------------------|---------------------|---------------------------|------------------|--|
| | | <u>General Fund</u> | <u>Debt Service</u> | <u>Levied</u> | <u>Collected</u> | |
| 2010 | \$ 1,051,060 | 57.475 | 0.000 | \$ 60,410 | \$ 60,410 | 100.00% |
| 2011 | \$ 1,062,690 | 7.475 | 50.000 | \$ 61,078 | \$ 61,079 | 100.00% |
| 2012 | \$ 1,124,270 | 7.475 | 50.000 | \$ 64,617 | \$ 62,024 | 95.99% |
| 2013 | \$ 1,132,600 | 7.475 | 50.000 | \$ 65,096 | \$ 65,096 | 100.00% |
| 2014 | \$ 1,263,820 | 7.475 | 50.000 | \$ 72,638 | \$ 72,638 | 100.00% |
| 2015 | \$ 1,179,440 | 7.475 | 50.000 | \$ 67,788 | \$ 67,788 | 100.00% |
| 2016 | \$ 1,122,980 | 7.475 | 50.000 | \$ 64,543 | \$ 64,543 | 100.00% |
| 2017 | \$ 1,091,100 | 7.475 | 50.000 | \$ 62,711 | \$ 62,711 | 100.00% |
| 2018 | \$ 1,140,730 | 7.475 | 50.000 | \$ 65,564 | \$ 65,563 | 100.00% |
| 2019 | \$ 1,165,151 | 7.475 | 50.000 | \$ 66,968 | \$ 66,968 | 100.00% |
| 2020 | \$ 1,152,185 | 7.475 | 50.000 | \$ 66,222 | \$ 66,222 | 100.00% |
| Estimated for year ending December 31, 2021 | \$ 1,190,180 | 7.475 | 50.000 | \$ 68,406 | | |

NOTE

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