

**HARVEST CROSSING
METROPOLITAN DISTRICT NO. 3**

ARAPAHOE COUNTY, COLORADO

**ANNUAL FINANCIAL REPORT
AND SUPPLEMENTAL INFORMATION**

**FOR THE
YEAR ENDED DECEMBER 31, 2022**

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

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HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

ROSTER OF DISTRICT OFFICIALS DECEMBER 31, 2022

BOARD OF DIRECTORS

Daniel Frank.....	President
Mark Cooper	Treasurer
Richard A. Frank.....	Asst. Secretary
Vacant	Director
Vacant	Director

DISTRICT MANAGER

David Solin
Special District Management Services, Inc.

SCOTT C. WRIGHT
CERTIFIED PUBLIC ACCOUNTANT

9591 Mint Lane
Salida, CO 81201
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harvest Crossing Metropolitan District No. 3
Arapahoe County, Colorado

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and each major fund of Harvest Crossing Metropolitan District No. 3 as of and for the year ended December 31, 2022, 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 my 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 Harvest Crossing Metropolitan District No. 3 as of December 31, 2022, and the changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harvest Crossing Metropolitan District No. 3 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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 of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harvest Crossing Metropolitan District No. 3'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

My objective is 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Harvest Crossing Metropolitan District No. 3'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harvest Crossing Metropolitan District No. 3's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

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

operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harvest Crossing Metropolitan District No. 3's basic financial statements. The supplementary budget comparison schedule identified in the table of contents is presented to supplement the basic financial statements and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scott Wright

Salida, Colorado
January 19, 2024

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

STATEMENT OF NET POSITION DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 103
Receivables	32,078
Prepaid Expenses	2,526
Restricted Assets - Cash and Cash Equivalents	11,160,283
Capital Assets Not Being Depreciated	867,806
Total Assets	12,062,796
LIABILITIES	
Accounts Payable	21,560
Due to Other Local Governments	10
Accrued Interest Payable	724,957
Noncurrent Liabilities:	
Due Within One Year	-
Due In More Than One Year	12,477,575
Total Liabilities	13,224,102
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue - Property Taxes	247
NET POSITION	
Restricted For:	
Emergencies	9,477
Unrestricted (Deficit)	(1,171,030)
Total Net Position (Deficit)	\$ (1,161,553)

The accompanying notes are an integral part of the financial statements.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 78,865	\$ -	\$ -	\$ -	\$ (78,865)
Interest and Related Costs on Long-term Debt	685,982	-	-	-	(685,982)
Total Governmental Activities	\$ 764,847	\$ -	\$ -	\$ -	(764,847)
General Revenues:					
	Property Taxes				119
	Specific Ownership Taxes				7
	Unrestricted Investment Earnings				196,315
	Total General Revenues				196,441
	Increase (Decrease) in Net Position				(568,406)
	Net Position (Deficit) - Beginning of Year (Restated, See Note 9)				(593,147)
	Net Position (Deficit) - End of Year				\$ (1,161,553)

The accompanying notes are an integral part of the financial statements.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 103	\$ -	\$ 103
Due from Developer	8,739	-	-	8,739
Due From Other Local Governments	15,626	6,566	900	23,092
Property Taxes Receivable	37	210	-	247
Prepaid Expenses	2,526	-	-	2,526
Restricted Assets - Cash and Cash Equivalents	-	-	11,160,283	11,160,283
Total Assets	<u>\$ 26,928</u>	<u>\$ 6,879</u>	<u>\$ 11,161,183</u>	<u>\$ 11,194,990</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 15,343	\$ -	\$ 6,217	\$ 21,560
Due to Other Local Governments	10	-	-	10
Accrued Interest Payable	-	668,316	-	668,316
Total Liabilities	<u>15,353</u>	<u>668,316</u>	<u>6,217</u>	<u>689,886</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue - Property Taxes	<u>37</u>	<u>210</u>	<u>-</u>	<u>247</u>
Total Deferred Inflows of Resources	<u>37</u>	<u>210</u>	<u>-</u>	<u>247</u>
FUND BALANCES (DEFICITS)				
Restricted For:				
TABOR Emergency Reserve	9,477	-	-	9,477
Public Improvements	-	-	11,154,966	11,154,966
Unassigned (Deficit)	<u>2,061</u>	<u>(661,647)</u>	<u>-</u>	<u>(659,586)</u>
Total Fund Balances	<u>11,538</u>	<u>(661,647)</u>	<u>11,154,966</u>	<u>10,504,857</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,928</u>	<u>\$ 6,879</u>	<u>\$ 11,161,183</u>	<u>\$ 11,194,990</u>

The accompanying notes are an integral part of the financial statements.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2022

	<u>Total</u>
Total Fund Balances - Governmental Fund	<u>\$ 10,504,857</u>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported as an asset in the governmental funds.	
- Construction in Progress	<u>867,806</u>
Some liabilities, including bonds, notes and leases payable, and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
- Series 2021A(3) Bonds Payable	(12,358,000)
- Developer Advances	<u>(119,575)</u>
	<u>(12,477,575)</u>
Accrued interest payable that is not due and payable in the current period is not reported as a liability in the governmental funds.	
- Series 2021A(3) Bonds Payable	<u>(56,641)</u>
Net Position of Governmental Activities	<u><u>\$ (1,161,553)</u></u>

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Taxes:				
General Property Taxes	\$ 20	\$ 99	\$ -	\$ 119
Specific Ownership Tax	1	6	-	7
Investment Earnings	-	-	196,315	196,315
Developer Advances	106,958	6,000	6,617	119,575
Total Revenues	<u>106,979</u>	<u>6,105</u>	<u>202,932</u>	<u>316,016</u>
Expenditures				
Current:				
General and Administrative	78,863	2	-	78,865
Capital Improvements	-	-	867,806	867,806
Debt Service:				
Interest	-	667,750	-	667,750
Bond Issuance Costs	-	-	8,126	8,126
Fiscal Charges	-	-	8,847	8,847
Total Expenditures	<u>78,863</u>	<u>667,752</u>	<u>884,779</u>	<u>1,631,394</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,116</u>	<u>(661,647)</u>	<u>(681,847)</u>	<u>(1,315,378)</u>
Other Financial Sources (Uses)				
Operating Transfers In	-	-	4	4
Operating Transfers Out	-	(4)	-	(4)
Total Other Financial Sources (Uses)	<u>-</u>	<u>(4)</u>	<u>4</u>	<u>-</u>
Net Change in Fund Balances	28,116	(661,651)	(681,843)	(1,315,378)
Fund Balances (Deficit), Beginning of Year	<u>(16,578)</u>	<u>4</u>	<u>11,836,809</u>	<u>11,820,235</u>
Fund Balances (Deficit), End of Year	<u>\$ 11,538</u>	<u>\$ (661,647)</u>	<u>\$ 11,154,966</u>	<u>\$ 10,504,857</u>

The accompanying notes are an integral part of the financial statements.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Total</u>
Net change in fund balances - Total Governmental Funds	<u>\$ (1,315,378)</u>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, for governmental activities, those capital outlays other than noncapitalizable items are shown in the Statement of Activities and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
- Construction in Progress	<u>867,806</u>
Developer advances provide current financial resources to governmental funds. However, developer advances are reported as long-term liabilities in the Statement of Net Position.	<u>(119,575)</u>
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.	
- Change in Accrued Interest Payable	<u>(1,259)</u>
Change in Net Position of Governmental Funds	<u><u>\$ (568,406)</u></u>

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Taxes:				
General Property Taxes	\$ 18	\$ 18	\$ 18	\$ -
ARI Mill Levy	2	2	2	-
Specific Ownership Tax	-	1	1	-
Developer Advances	50,000	106,958	106,958	-
Total Revenues	50,020	106,979	106,979	-
Expenditures				
Current:				
Audit	1,000	-	-	-
Election Costs	-	1,000	710	290
Insurance / SDA Dues	3,500	3,500	3,072	428
Accounting	8,000	20,000	17,696	2,304
Legal	15,000	50,000	44,502	5,498
District Management	15,000	5,000	4,541	459
Miscellaneous	3,000	9,000	8,342	658
ARI Mill Levy	2	-	-	-
Contingency	3,000	-	-	-
Total Expenditures	48,502	88,500	78,863	9,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,518	18,479	28,116	9,637
Other Financial Sources (Uses)				
Emergency Reserve	(1,500)	(1,500)	-	1,500
Net Change in Fund Balances	18	16,979	28,116	11,137
Fund Balances (Deficit), Beginning of Year	1,500	(16,578)	(16,578)	-
Fund Balances, End of year	\$ 1,518	\$ 401	\$ 11,538	\$ 11,137

The accompanying notes are an integral part of the financial statements.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

The financial statements of Harvest Crossing Metropolitan District No. 3 (District) have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. The following notes are an integral part of the District's financial statements.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As required by GAAP, these financial statements present the activities of Harvest Crossing Metropolitan District No. 3, i.e., the primary government. The District does not have any component units for which the District is considered financially accountable, nor is the District a component unit of any other primary governmental entity.

Primary Government. The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court of Arapahoe County, Colorado, on February 13, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was originally organized under the name Villages at Murphy Creek Metropolitan District No. 1, which was inactive beginning December 15, 2010 through March 31, 2021. On January 20, 2022, an Order Granting Petition for Name Change was recorded in Arapahoe County changing the District's name in order to represent the District's development plan more accurately. The District was established to furnish certain public facilities and services, including, but not limited to, streets, limited water, limited sanitation, parks and recreation, traffic and safety control, transportation, mosquito control, safety protection, security, limited fire protection and television relay and translation improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors. The District has no employees, and all operations and administrative functions are contracted. The more significant accounting policies of the District are described as follows:

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business segment are offset by program revenues and helps identify the extent to which each is self-financing or draws from the general revenues of the District. Direct expenses are those that are clearly identifiable with a specific function or business segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, 2) grants and contributions that are restricted to meeting the operational or capital

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

requirements of a particular function or business segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Fund financial statements report detailed information about the District with the focus on major funds rather than on reporting funds by type. Separate financial statements are provided for governmental funds. The District has no proprietary or fiduciary funds. Individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting. The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the 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. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days). The major sources of revenue which are susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when the liability is incurred, as under full accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Financial Statement Presentation – Fund Accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. The District uses funds to report results of operations and financial position, and demonstrate compliance with legal, contractual, and regulatory requirements.

The District reports the following major governmental funds:

- *General Fund* - This is the District's primary operating fund. It is used to account for all activities of the District not required to be accounted for in another fund.
- *Debt Service Fund* - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.
- *Capital Project Fund* – This fund is used to account for the acquisition and/or construction of major capital facilities and infrastructure.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

D. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period that will not be recognized as an outflow of the resources (expenditure) until the future period. At the end of the current fiscal year, the District did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 tax revenues.

The governmental funds also reported deferred inflows of resources representing deferred property tax revenues.

Deferred outflows of resources are presented below the total assets on the government-wide and governmental fund statements. Deferred inflows of resources are presented below the total liabilities on the government-wide and governmental fund statements.

E. Cash, Cash Equivalents, 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 and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the Town. Colorado State Statutes authorize the District to invest its excess funds in direct U.S. Government treasury and agency securities, bonds and other obligations of states and political subdivisions, corporate bonds, and local government investment pools. Investments are stated at fair value.

F. Long-term Obligations

In the government-wide Statement of Net Position long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

G. Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid/deferred charges) or are legally or contractually required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose but is neither restricted nor committed; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that do not meet any other of the above criteria and are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 6).

H. Budgetary Information

In accordance with the Colorado Budget Law, the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to October 15th the budget is submitted to the Board of Directors of the District.
2. A public hearing on the budget is held prior to its adoption.
3. On the date of the hearing, the Board reviews the proposed budget and formally adopts it by resolution.
4. At the time of adopting the budget the Board also adopts the mill levies.
5. Prior to the beginning of the calendar year, the Board passes an appropriating resolution giving the District legal authority to spend.
6. The District adopts budgets for the general, debt service, and capital project funds on a basis consistent with generally accepted accounting principles. The District's Board of

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Directors can modify the budget and appropriations resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors. There was one supplemental amendment during the year ended December 31, 2022.

I. 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 15th by certification to the County Commissioners to put the tax lien on the individual properties as of January 1st 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, sale 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.

Note 2. Deposits and Investments

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 103
Restricted Assets- Cash and Cash Equivalents	<u>11,160,283</u>
Total	<u>\$ 11,160,386</u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits With Financial Institutions	\$ 103
Deposits With Corporate Trust Institutions	<u>11,160,283</u>
Total	<u>\$ 11,160,386</u>

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The District's deposits with depository financial institutions are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Act (PDPA). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. PDPA requires that cash be deposited in eligible public depositories and that deposits 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 with the District being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA.

In addition to deposits with depository financial institutions, other District deposits held at December 31, 2022, consisted of bond proceeds held with UMB Bank (UMB), a corporate bond trustee. A corporate bond trustee is a financial institution that is granted trust powers, such as a commercial bank or trust company. This entity, in turn, has a duty to the bond issuer to enforce the terms of a bond indenture. A trustee sees that bond interest payments and principal repayments are made as scheduled and protects the interests of the bondholders if the issuer defaults. UMB is a nationally recognized and ranked provider of corporate trust and escrow services.

Local Government Investment Pools

Local government investment pools are trusts established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the trusts. A designated custodial bank serves as custodian pursuant to a custodian agreement. The custodian acts as safekeeping agent for the trusts' investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the trusts. The District participates in UMB's Corporate Trust FDIC Sweep program whereby the District has instructed UMB to nightly sweep its assets on deposit into the Colorado Local Government Liquid Asset Trust's COLOTRUST PLUS+ fund omnibus account. The PLUS+ fund may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities as well as in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. The PLUS+ fund is a stable \$1.00 net asset value (NAV) fund that offers daily liquidity.

Investments

Credit Risk. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. These investments include local government investment pools and certain obligations of the United States government. State law limits investments in commercial paper, corporate bonds, and money market mutual

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. 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.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer.

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2022, the District had no investments measured at fair value. At December 31, 2022, there were no unrealized losses reflective of changes in the fair market value of investments.

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ _____	\$ 867,806	\$ _____	\$ 867,806
Total Capital Assets, Not Being Depreciated	_____	867,806	_____	867,806
Governmental Activities Capital Assets, Net	\$ _____	\$ 867,806	\$ _____	\$ 867,806

No depreciation expense was charged in the Statement of Activities for the year ended December 31, 2022.

Note 4. Long-term Debt

General Obligation Bonds. On December 9, 2021, the District issued its Series 2021A(3) Limited Tax General Obligation Bonds (2021A(3) Bonds), totaling \$12,358,000 with an interest rate of 5.50%. The 2021A(3) Bonds were issued to finance or reimburse a portion of the costs of designing, acquiring, constructing, and installing certain public infrastructure

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

improvements within the District and paying the costs of issuing the bonds. The 2021A(3) Bonds are secured by and payable from Pledged Revenue as defined by the Indenture of Trust to mean: (a) the Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. General obligation bonds currently outstanding at December 31, 2022, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General Government – Public Improvements	5.50%	<u>\$12,358,000</u>

Annual debt service requirements to maturity for general obligation bonds outstanding at December 31, 2022, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 679,690
2024	-	679,690
2025	-	679,690
2026	-	679,690
2027	-	679,690
2028-2032	-	3,398,450
2033-2037	-	3,398,450
2038-2042	-	3,398,450
2043-2047	-	3,398,450
2048-2051	<u>12,358,000</u>	<u>1,518,760</u>
Total	<u>\$ 12,358,000</u>	<u>\$18,511,010</u>

Unpaid Debt Service. The Series 2021A(3) Bonds were issued as “cash-flow” bonds, meaning that the general obligation bonds contain no scheduled principal payments prior to the final maturity date. Principal payments on the 2021A(3) Bonds are payable from, and solely to the extent of, Pledged Revenue, if any, remaining after the annual interest payment due on the 2021A(3) Bonds. Interest is payable on December 1 each year to the extent of Pledged Revenue is available therefor, commencing December 1, 2022. To the extent interest is not paid when due, such interest is compounding at the rate of 5.50.% on each interest payment date.

Insufficiencies as of December 31, 2022 on the Series 2021A(3) Bonds are as follows:

<u>Application</u>	<u>Series 2021A(3)</u> <u>Bonds</u>
December 1, 2022 Unpaid Interest	<u>\$ 664,586</u>
Total Unpaid Debt Service	<u>\$ 664,586</u>

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Optional Redemption. The 2021A(3) Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2026, and on any date thereafter, upon payment of par plus accrued interest thereon and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

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

Notwithstanding any other provision provided in the indenture of Trust or the Pledge Agreement, the District shall not be required to impose the required mill levy for payment of the bonds after December, 2060 (for collection in 2061). In the event that any amount of principal of or interest on the 2021A(3) Bonds remains unpaid after the application of all Pledged Revenue available therefor on December 1, 2061, the 2021A(3) Bonds shall be deemed discharged.

Authorized Debt. At an election held on November 7, 2006, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$70,000,000 for providing public improvements. As of December 31, 2021, \$57,642,000 of the Service Debt Authorization remains. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing additional public improvements within the District's service area, if needed.

Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Bonds Payable:</i>					
Series 2021A(3) GO Bonds	\$ 12,358,000	\$ -	\$ -	\$ 12,358,000	\$ -
<i>Developer Advances</i>					
Operations Funding Agreement	-	119,575	-	119,575	-
Total Long-term Liabilities	<u>\$ 12,358,000</u>	<u>\$ 119,575</u>	<u>\$ -</u>	<u>\$ 12,477,575</u>	<u>\$ -</u>

Note 5. 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 maintains commercial insurance for significant insurable risks. 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.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Note 6. Commitments, Contingencies and Agreements

Facilities Acquisition Agreement. On November 17, 2008, with an effective date of August 5, 2008, the District and Harvest & Jewell LLC (HJ) entered into a Facilities Funding and Acquisition Agreement (FFAA) whereby HJ agreed to advance funds to the District for construction related expenses and/or for the District's acquisition of the improvements upon completion. On November 8, 2021, HJ requested that the District terminate the FFAA and enter into a new Facilities Acquisition Agreement (New FFA). In consideration of the termination, HJ agreed to release the District of any obligation of to reimburse any prior advances, plus all accrued interest thereon.

On November 8, 2021, the District, Jewell Developers, Inc. (Jewell Developers) and Harvest & Jewell, LLC (HJ) entered into a Facilities Acquisition Agreement (New FFA) whereby Jewell Developers is developing property within a project located in the City of Aurora, commonly known as Harvest Crossing (Property). Jewell Developers is under contract to acquire the Property from HJ; however, the District desires to reimburse HJ on behalf of Jewell Developers for the acquisition of the Property, and Jewell Developers is willing to proceed. The District will reimburse HJ from the proceeds of the 2021A(3) Bonds for all of the construction related expenses plus simple interest accrued at a rate of eight percent (8%) per annum until paid. As of December 31, 2022, the District had no developer advances payable under the agreement.

Operation Funding Agreement and First Amendment. On March 31, 2021, the District and Jewell Developers, Inc. (Jewell Developers) entered into an Operation Funding Agreement (OFA) whereby Jewell Developers agreed to advance funds necessary to fund the District's operations, maintenance, and administrative expenses on a periodic basis as needed for the fiscal years 2021 through 2022 up to a shortfall amount of \$100,000. Such advances from the date of deposit into the District's account will accrue simple interest at the rate of 5.5% per annum. The obligation of the District to reimburse Jewell Developers expires on December 31, 2062. Any amount of principal and interest owed on or before December 31, 2062, shall be deemed to be forever discharged and satisfied in full.

The OFA was subsequently amended on December 5, 2022, to extend the period to include the 2023 fiscal year and increase the shortfall amount to \$150,000. The expiration date was also extended to December 31, 2063. At December 31, 2022, the District had a balance of \$119,575 in developer advances payable under the amendment OFA.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

ARTA Establishment Agreement. On July 21, 2008, the District was admitted as a new member to the Aurora Regional Transportation Authority (ARTA) Establishment Agreement, an authority formed pursuant to Section 29-1-203. ARTA mandates each District to impose an ARI Mill Levy and then convey the funds to the ARI Authority to pay for operational and maintenance expenses. At December 31, 2022, the District did not collect any applicable ARTA property taxes.

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 has established an emergency reserve for the year ended December 31, 2022, in the amount of \$9,477.

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 interpretation of how to calculate Fiscal Year Spending limits may require judicial interpretation.

Note 7. Related Parties

One or more of the Board of Directors are employees, owners or is otherwise associated with Jewell Developers 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.

Note 8. Deficit Net Position

The District has a deficit net position of \$1,161,553 as of December 31, 2022. The District has incurred general obligation debt since inception for the construction of public improvements within the District. In addition, pledged revenues have not been sufficient to pay accrued interest on the District's debt.

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Note 9. Restated Beginning Fund Balances and Beginning Net Position

Correction of an Error in Previously Issued Financial Statements

Generally accepted accounting principles state that bond issuance costs on general long-term debt generally should be expensed in the period incurred.

During the year ended December 31, 2021, the District issued Series 2021A(3) Limited Tax General Obligation Bonds. Underwriting costs in the amount of \$247,160 were incorrectly reported as a bond discount and amortization of the discount was taken in the amount of \$687. Therefore, debt service expenditures were understated by \$246,473. The effect of correcting that error is shown in the table below.

	12/31/2021 As Previously Reported	Error Correction	12/31/2021 As Restated
Government-Wide Net Position			
Government Activities	<u>\$ (346,674)</u>	<u>\$(246,473)</u>	<u>\$ (593,147)</u>

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Taxes:				
General Property Taxes	\$ 99	\$ 99	\$ 99	\$ -
Specific Ownership Taxes	-	6	6	-
Developer Advances	-	899,891	6,000	(893,891)
Total Revenues	<u>99</u>	<u>899,996</u>	<u>6,105</u>	<u>(893,891)</u>
Expenditures				
Current:				
County Treasurer Fees	1	2	2	-
Debt Service:				
Interest: 2021A Bonds	-	664,586	664,586	-
Interest: Developer Advances	-	3,164	3,164	-
Contingency	-	232,248	-	232,248
Total Expenditures	<u>1</u>	<u>900,000</u>	<u>667,752</u>	<u>232,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	98	(4)	(661,647)	(661,643)
Other Financial Sources (Uses)				
Operating Transfers Out - Capital Project Fun	-	-	(4)	(4)
Net Change in Fund Balances	98	(4)	(661,651)	(661,647)
Fund Balances, Beginning of Year	-	4	4	-
Fund Balances (Deficit), End of year	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ (661,647)</u>	<u>\$ (661,647)</u>

HARVEST CROSSING METROPOLITAN DISTRICT NO. 3

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Investment Earnings	\$ -	\$ 196,315	\$ 196,315	\$ -
Developer Advances	-	6,617	6,617	-
Total Revenues	-	202,932	202,932	-
Expenditures				
Capital Improvements	13,500,000	880,000	867,806	12,194
Debt Service:				
Bond Issuance Costs	-	10,000	8,126	1,874
Fiscal Charges	-	10,000	8,847	1,153
Total Expenditures	13,500,000	900,000	884,779	15,221
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,500,000)	(697,068)	(681,847)	15,221
Other Financial Sources (Uses)				
Operating Transfers In - Debt Service Fund	-	-	4	4
Net Change in Fund Balances	(13,500,000)	(697,068)	(681,843)	15,225
Fund Balances, Beginning of Year	13,500,000	11,836,809	11,836,809	-
Fund Balances, End of year	\$ -	\$ 11,139,741	\$ 11,154,966	\$ 15,225