

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

2022 ANNUAL REPORT TO THE CITY OF AURORA, COLORADO

Pursuant to §32-1-207(3)(c) and the Service Plan for Iliff Commons Metropolitan District No. 3 (the “**District**”), the District is required to provide an annual report to the City of Aurora with regard to the following matters:

For the year ending December 31, 2022, the District makes the following report:

§32-1-207(3) Statutory Requirements

1. Boundary changes made.

The District did not make any changes to the District’s boundaries in 2022.

2. Intergovernmental Agreements entered into or terminated with other governmental entities.

The District did not enter into or terminate any Intergovernmental Agreements with other governmental entities in 2022.

3. Access information to obtain a copy of rules and regulations adopted by the board.

As of December 31, 2022, the District had not adopted any rules or regulations.

4. A summary of litigation involving Public Improvements owned by the District.

To our actual knowledge, based on review of the court records in Arapahoe County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District’s Public Improvements as of December 31, 2022.

5. The status of the construction of Public Improvements by the District.

The District did not construct any Public Improvements in 2022. The Developer previously completed and constructed all of the Public Improvements needed for the project. The Public Improvement construction costs were verified and reimbursed by the District.

6. A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.

The District did not construct any facilities or improvements in 2022. The Developer dedicated all Public Improvements to the City prior to 2022.

7. The final assessed valuation of the District as of December 31st of the reporting year.

The District received a certification of valuation for 2022 from the Arapahoe County Assessor in the amount of \$2,602,619.

8. A copy of the current year's budget.

*A copy of the 2023 Budget is attached hereto as **Exhibit A**.*

9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

*The 2021 Audit is attached hereto as **Exhibit B**.*

10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.

There were no uncured events of default that continued beyond a ninety (90) day period, under any Debt instrument.

11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.

The District did not experience any inability to pay its obligations as they came due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

EXHIBIT A
2023 Budget

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2023

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
SUMMARY
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,**

1/19/2023

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 245,891	\$ 42,407	\$ 50,481
REVENUES			
Property Taxes	172,292	144,379	145,560
Property Taxes - ARI	2,870	3,011	2,972
Specific Ownership Taxes	12,072	9,400	8,734
Interest Income	332	500	500
Other Income	-	6,113	-
Loan Proceeds	1,950,000	-	-
Total revenues	<u>2,137,566</u>	<u>163,403</u>	<u>157,766</u>
TRANSFERS IN	<u>52,620</u>	-	-
Total funds available	<u>2,436,077</u>	<u>205,810</u>	<u>208,247</u>
EXPENDITURES			
General Fund	17,573	32,157	40,000
Debt Service Fund	2,323,477	123,172	128,000
Total expenditures	<u>2,341,050</u>	<u>155,329</u>	<u>168,000</u>
TRANSFERS OUT	<u>52,620</u>	-	-
Total expenditures and transfers out requiring appropriation	<u>2,393,670</u>	<u>155,329</u>	<u>168,000</u>
ENDING FUND BALANCES	<u>\$ 42,407</u>	<u>\$ 50,481</u>	<u>\$ 40,247</u>
EMERGENCY RESERVE	<u>\$ 976</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
TOTAL RESERVE	<u>\$ 976</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>

No assurance provided. See summary of significant assumptions.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

1/19/2023

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
ASSESSED VALUATION			
Residential - Single Family	\$ 2,524,878	\$ 2,631,535	\$ 2,557,922
Vacant Land	727	727	727
State Assessed	59,920	61,090	43,970
Certified Assessed Value	\$ 2,585,525	\$ 2,693,352	\$ 2,602,619
 MILL LEVY			
General	11.106	11.106	11.428
Debt Service	55.531	42.500	44.500
ARI	1.110	1.118	1.142
Total mill levy	67.747	54.724	57.070
 PROPERTY TAXES			
General	\$ 28,715	\$ 29,912	\$ 29,743
Debt Service	143,577	114,467	115,817
ARI	2,870	3,011	2,972
Levied property taxes	175,162	147,390	148,532
Adjustments to actual/rounding	-	-	-
Budgeted property taxes	\$ 175,162	\$ 147,390	\$ 148,532
 BUDGETED PROPERTY TAXES			
General	\$ 28,715	\$ 29,912	\$ 29,743
Debt Service	143,577	114,467	115,817
ARI	2,870	3,011	2,972
	\$ 175,162	\$ 147,390	\$ 148,532

No assurance provided. See summary of significant assumptions.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,**

1/19/2023

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 2,290	\$ 15,448	\$ 15,303
REVENUES			
Property Taxes	28,715	29,912	29,743
Specific Ownership Taxes	1,979	2,000	1,785
Interest Income	37	100	100
Total revenues	<u>30,731</u>	<u>32,012</u>	<u>31,628</u>
Total funds available	<u>33,021</u>	<u>47,460</u>	<u>46,931</u>
EXPENDITURES			
General and Administrative			
Accounting and Audit	8,378	14,000	15,000
Insurance	2,919	2,408	3,000
Election	-	3,000	5,000
Legal	5,845	12,000	12,000
County Treasurer's Fees	431	449	446
Directors' Fees	-	300	600
Contingency	-	-	3,954
Total expenditures	<u>17,573</u>	<u>32,157</u>	<u>40,000</u>
Total expenditures and transfers out requiring appropriation	<u>17,573</u>	<u>32,157</u>	<u>40,000</u>
ENDING FUND BALANCES	<u>\$ 15,448</u>	<u>\$ 15,303</u>	<u>\$ 6,931</u>
EMERGENCY RESERVE	<u>\$ 976</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
TOTAL RESERVE	<u>\$ 976</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>

No assurance provided. See summary of significant assumptions.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

1/19/2023

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 191,000	\$ 26,959	\$ 35,178
REVENUES			
Property Taxes	143,577	114,467	115,817
Property Taxes - ARI	2,870	3,011	2,972
Specific Ownership Taxes	10,093	7,400	6,949
Interest Income	276	400	400
Other Income	-	6,113	-
Loan Proceeds	1,950,000	-	-
Total revenues	2,106,816	131,391	126,138
TRANSFERS IN			
Capital Projects Fund	52,620	-	-
Total funds available	2,350,436	158,350	161,316
EXPENDITURES			
Debt Service			
ARI Payment	3,028	2,966	2,927
County Treasurer's Fees	2,156	1,717	1,737
County Treasurer's Fees - ARI	43	45	45
Loan Interest	46,200	62,944	57,950
Loan Principal	-	50,000	55,000
Paying Agent Fees	5,500	5,500	5,500
Contingency	-	-	4,841
Loan Issuance Costs	177,766	-	-
Payment to Refunding Agent	2,088,784	-	-
Total expenditures	2,323,477	123,172	128,000
Total expenditures and transfers out requiring appropriation	2,323,477	123,172	128,000
ENDING FUND BALANCES	\$ 26,959	\$ 35,178	\$ 33,316

No assurance provided. See summary of significant assumptions.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
 CAPITAL PROJECTS FUND
 2023 BUDGET
 WITH 2021 ACTUAL AND 2022 ESTIMATED
 For the Years Ended and Ending December 31,**

1/19/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCE	\$ 52,601	\$ -	\$ -
REVENUES			
Interest Income	19	-	-
Total revenues	<u>19</u>	<u>-</u>	<u>-</u>
Total funds available	<u>52,620</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
TRANSFERS OUT			
Debt Service Fund	<u>52,620</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>52,620</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**ILIFF COMMONS METRO DISTRICT NO. 3
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

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 for the City of Aurora (City), on August 1, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The creation of the District was approved by the eligible electors of the District voting at an election held on May 2, 2006. The District was established to provide public improvements within and without the boundaries of the District to serve the future taxpayers and inhabitants of the District. The District was organized concurrently with Iliff Commons Metropolitan District No. 4 (District No. 4). Initially the District was proposed to serve as the operating district, management the construction and day-to-day operational needs of each district, while District No. 4 was proposed to serve as the financing district, responsible for providing the necessary tax base to pay for capital costs and the service costs of operation and maintenance needs. District No. 4 was never utilized and was dissolved in 2015.

The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of streets, traffic and safety control, water, sanitary sewer, parks and recreation, public transportation, limited television relay and translation, mosquito control, limited fire protection, and security improvements and facilities. The District is conveyed the completed public improvements to the City or other appropriate jurisdiction or owners association for ongoing operation and maintenance. With the exception of park and recreation improvements, the District is not authorized to operate and maintain public improvements unless set forth in a separate agreement with the City.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Property Taxes

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

The calculation of the taxes levies is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**ILIFF COMMONS METRO DISTRICT NO. 3
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Property Taxes (continued)

Senate Bill 21-293 among other things, designates multi-family residential real property (defined generally, as property that is a multi-structure of four or more units) as a new subclass of residential real property. For tax collection year 2023, the assessment rate for single family residential property decreases to 6.95% from 7.15%. The rate for multifamily residential property, the newly created subclass, decreases to 6.80% from 7.15%. Agricultural and renewable energy production property decreases to 26.4% from 29.0%. Producing oil and gas remains at 87.5%. All other nonresidential property stays at 29%.

The change in assessment ratio allows the District to adjust its mill levy. Accordingly, the District adjusted its mill levy to 11.428 for operations, 44.500 for debt service and 1.142 for Aurora Regional Improvements (ARI).

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

Expenditures

General and Administrative Expenditures

General and administrative expenditures have been provided based on estimates of the District's Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as legal, accounting, insurance, meeting expense and other administrative expenses.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property taxes.

Debt Service

Principal and interest payments in 2023 are provided based upon the debt amortization schedule from the Series 2021 Tax-Exempt Loan.

**ILIFF COMMONS METRO DISTRICT NO. 3
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On November 10, 2021, the District entered into a Loan Agreement with NBH Bank (Lender) for a \$1,950,000 Tax-Exempt Loan (2021 Loan) for the purpose of refunding the Series 2016A and Series 2016B Bonds at a lower interest rate. The 2021 Loan bears interest of 3.05% fixed-rate to December 1, 2041 and 4.50% thereafter. Interest payments are due on June 1 and December 1 each year beginning June 1, 2022 while principal payments are due on December 1 each year beginning December 1, 2022 through the maturity date of December 1, 2041. The 2021 Loan is secured by the Required Mill Levy, the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy, any PILOT revenue, and any other legally available moneys which the District determines in its sole discretion to apply as Pledged Revenue. The District may, at its option, prepay the 2021 Loan in whole on any date, on and after November 10, 2031, upon payment to the Lender of the principal amount together with accrued interest at the rate then borne by the Loan to the date the Lender receives such prepayment, with no additional prepayment fee. The District may prepay the Loan prior to November 10, 2031 upon two days' prior written direction from the District, on any interest payment date, in whole or in part (in minimum increments of \$250,000) at a redemption price equal to 100% of the principal amount of the redeemed Loan, plus accrued interest thereon to the redemption date, plus make-whole fee as further described in the loan agreement. The District is subject to various covenants with regards to the 2021 Loan.

The District has no operating or capital leases.

Reserve Funds

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of fiscal year spending for 2023 as defined under the Tabor Amendment. Such emergency reserve is an integral part of Ending Fund Balance.

This information is an integral part of the accompanying budget.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

\$1,950,000

Tax-Exempt Loan

Series 2021, Dated November 10, 2021

Interest Rate of 3.05% to 12/1/2041 - 4.50% thereafter

Payable June 1 and December 1,

Principal Due December 1

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 55,000	\$ 57,950	\$ 112,950
2024	55,000	56,273	111,273
2025	60,000	54,595	114,595
2026	60,000	52,765	112,765
2027	65,000	50,935	115,935
2028	65,000	48,953	113,953
2029	65,000	46,970	111,970
2030	70,000	44,988	114,988
2031	70,000	42,853	112,853
2032	75,000	40,718	115,718
2033	75,000	38,430	113,430
2034	75,000	36,143	111,143
2035	80,000	33,855	113,855
2036	80,000	31,415	111,415
2037	85,000	28,975	113,975
2038	85,000	26,383	111,383
2039	90,000	23,790	113,790
2040	95,000	21,045	116,045
2041	95,000	18,148	113,148
2042	90,000	22,500	112,500
2043	95,000	18,450	113,450
2044	100,000	14,175	114,175
2045	105,000	9,675	114,675
2046	110,000	4,950	114,950
	<u>\$ 1,900,000</u>	<u>\$ 824,934</u>	<u>\$ 2,724,934</u>

No assurance provided. See summary of significant assumptions.

EXHIBIT B
2021 Audit

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	18
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	19
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20

Board of Directors
Iliiff Commons Metropolitan District No. 3
Arapahoe County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Iliiff Commons Metropolitan District No. 3 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Iliiff Commons Metropolitan District No. 3 as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

Other Matters

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 12, 2022

Iliiff Commons Metropolitan District #3

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 16,234	\$ -	\$ -	\$ 16,234	\$ -	\$ 16,234
Cash and investments - restricted	976	35,370	-	36,346	-	36,346
Receivable - County Treasurer	161	823	-	984	-	984
Property taxes receivable	29,912	117,479	-	147,391	-	147,391
Capital assets not being depreciated	-	-	-	-	1,370,566	1,370,566
Total Assets	<u>\$ 47,283</u>	<u>\$ 153,672</u>	<u>\$ -</u>	<u>\$ 200,955</u>	<u>1,370,566</u>	<u>1,571,521</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	53,899	53,899
Total Deferred Outflows of Resources	-	-	-	-	53,899	53,899
Total Assets and Deferred Outflows of Resources	<u>\$ 47,283</u>	<u>\$ 153,672</u>	<u>\$ -</u>	<u>\$ 200,955</u>		
LIABILITIES						
Accounts payable	\$ 1,923	\$ -	\$ -	\$ 1,923	-	1,923
Regional Mill Levy Payable	-	9,234	-	9,234	-	9,234
Accrued interest on bonds	-	-	-	-	8,426	8,426
Long-term liabilities:						
Due within one year	-	-	-	-	50,000	50,000
Due in more than one year	-	-	-	-	1,920,000	1,920,000
Total Liabilities	<u>1,923</u>	<u>9,234</u>	<u>-</u>	<u>11,157</u>	<u>1,978,426</u>	<u>1,989,583</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	29,912	117,479	-	147,391	-	147,391
Total Deferred Inflows of Resources	<u>29,912</u>	<u>117,479</u>	<u>-</u>	<u>147,391</u>	<u>-</u>	<u>147,391</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	976	-	-	976	(976)	-
Debt service	-	26,959	-	26,959	(26,959)	-
Unassigned	14,472	-	-	14,472	(14,472)	-
Total Fund Balances	<u>15,448</u>	<u>26,959</u>	<u>-</u>	<u>42,407</u>	<u>(42,407)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 47,283</u>	<u>\$ 153,672</u>	<u>\$ -</u>	<u>\$ 200,955</u>		
Net Position:						
Restricted for:						
Emergencies					976	976
Debt service					18,533	18,533
Unrestricted					(531,063)	(531,063)
Total Net Position					<u>\$ (511,554)</u>	<u>\$ (511,554)</u>

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

Hliff Commons Metropolitan District #3

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

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting & Audit	\$ 8,378	\$ -	\$ -	\$ 8,378	\$ -	\$ 8,378
Insurance	2,919	-	-	2,919	-	2,919
Legal	5,845	-	-	5,845	-	5,845
ARI Mill Levy	-	3,028	-	3,028	-	3,028
Treasurer's fees	431	2,199	-	2,630	-	2,630
Bond interest expense	-	46,200	-	46,200	71,281	117,481
Loan interest	-	-	-	-	8,426	8,426
Loan issuance costs	-	177,766	-	177,766	-	177,766
Trustee fees	-	5,500	-	5,500	-	5,500
Total Expenditures	<u>17,573</u>	<u>234,693</u>	<u>-</u>	<u>252,266</u>	<u>79,707</u>	<u>331,973</u>
GENERAL REVENUES						
Property taxes	28,715	146,447	-	175,162	-	175,162
Specific ownership taxes	1,979	10,093	-	12,072	-	12,072
Interest income	37	276	19	332	-	332
Total General Revenues	<u>30,731</u>	<u>156,816</u>	<u>19</u>	<u>187,566</u>	<u>-</u>	<u>187,566</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,158</u>	<u>(77,877)</u>	<u>19</u>	<u>(64,700)</u>	<u>(79,707)</u>	<u>(144,407)</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	1,950,000	-	1,950,000	(1,950,000)	-
Payment to refunding agent	-	(2,088,784)	-	(2,088,784)	2,088,784	-
Transfers in/(out)	-	52,620	(52,620)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(86,164)</u>	<u>(52,620)</u>	<u>(138,784)</u>	<u>138,784</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	13,158	(164,041)	(52,601)	(203,484)	203,484	
CHANGE IN NET POSITION					(144,407)	(144,407)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>2,290</u>	<u>191,000</u>	<u>52,601</u>	<u>245,891</u>	<u>(613,038)</u>	<u>(367,147)</u>
END OF YEAR	<u>\$ 15,448</u>	<u>\$ 26,959</u>	<u>\$ -</u>	<u>\$ 42,407</u>	<u>\$ (553,961)</u>	<u>\$ (511,554)</u>

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

Iliff Commons Metropolitan District #3

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

For the Year Ended December 31, 2021

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 28,715	\$ 28,715	\$ -
Specific ownership taxes	2,873	1,979	(894)
Interest income	200	37	(163)
Total Revenues	31,788	30,731	(1,057)
EXPENDITURES			
Accounting & Audit	12,000	8,378	3,622
Insurance	3,100	2,919	181
Legal	15,000	5,845	9,155
Treasurer's fees	431	431	-
Emergency reserve	916	-	916
Total Expenditures	31,447	17,573	13,874
NET CHANGE IN FUND BALANCE	341	13,158	12,817
FUND BALANCE:			
BEGINNING OF YEAR	194	2,290	2,096
END OF YEAR	\$ 535	\$ 15,448	\$ 14,913

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

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Iliff Commons Metropolitan District No. 3 (“the District”), located in Arapahoe County, Colorado, 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 under the “Service Plan for Iliff Commons Metropolitan District Nos. 3 & 4” dated August 1, 2005 and approved by the City Council of the City of Aurora (“City”) pursuant to Resolution No. R2005-60 adopted on August 22, 2005, as a quasi-municipal organization established under the State of Colorado Special District Act. The creation of the District was approved by the eligible electors of the District voting at an election held on May 2, 2006. The District was established to provide public improvements within and without the boundaries of the District to serve the future taxpayers and inhabitants of the District. The District was organized concurrently with Iliff Commons Metropolitan District No. 4 (“District No. 4”). Initially the District was proposed to serve as the operating district, managing the construction and day-to-day operational needs of each district, while District No. 4 was proposed to serve as the financing district, responsible for providing the necessary tax base to pay for capital costs and the service costs of operation and maintenance needs. District No. 4 was never utilized and was dissolved in 2015.

The District has the power to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of street, traffic and safety control, water, sanitary sewer, parks and recreation, public transportation, limited television relay and translation, mosquito control, limited fire protection, and security improvements and facilities. The District is to convey the completed public improvements to the City or other appropriate jurisdiction or owners association for ongoing operation and maintenance. With the exception of park and recreation improvements, the District is not authorized to operate and maintain public improvements unless set forth in a separate agreement with the City.

The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

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 pronouncements which provide 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.

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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

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.

The District reports 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. During 2021, the District amended its total appropriations in the Debt Service fund from \$120,211 to \$2,408,497 as a result of the issuance of the 2021 Loan and the repayment of the Series 2016A Bonds and the Series 2016B Bonds.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

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

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, 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.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. 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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

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 acquisition value at the date of donation.

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. There was no depreciation expense in 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.

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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

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.

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 \$976 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 \$26,959 is restricted for the payment of the debt service costs associated with the 2021 Loan (see Note 4).

Committed Fund Balance

Committed fund balance is 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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

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 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.

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.

Note 2: Cash and Investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 16,234
Cash and investments - Restricted	<u>36,346</u>
Total	<u>\$ 52,580</u>

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

Deposits with financial institutions	\$ 6,002
Investments - COLOTRUST	<u>46,578</u>
Total	<u>\$ 52,580</u>

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

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 follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

The District categorizes its fair value measurements 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 (NAV) per share.

Credit Risk

The District’s investment policy requires that the District follow state statutes for 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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) 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 COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST 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. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST 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, 2021, the District had \$46,578 invested in COLOTRUST.

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in Progress	<u>\$1,370,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,370,566</u>
Total capital assets not being depreciated	<u>1,370,566</u>	<u>-</u>	<u>-</u>	<u>1,370,566</u>
Government type assets, net	<u>\$1,370,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,370,566</u>

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

\$1,950,000 2021 Tax-exempt Loan

On November 10, 2021, the District entered into an Loan Agreement with NBH Bank (“Lender”) for a \$1,950,000 Tax-exempt Loan (“2021 Loan”) for the purposes of refunding the Series 2016A and Series 2016B Bonds at a lower interest rate. The 2021 Loan bears interest of 3.78%. Interest payments are due on June 1 and December 1 each year beginning June 1, 2022 while principal payments are due on December 1 each year beginning December 1, 2022 through the maturity date of December 1, 2041. The 2021 Loan is secured by the Required Mill Levy, the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy, any PILOT revenue, and any other legally available moneys which the District determines in its sole discretion to apply as Pledged Revenue. The District may, at its option, prepay the 2021 Loan in whole on any date, on and after November 10, 2031, upon payment to the Lender of the principal amount together with accrued interest at the rate then borne by the Loan to the date the Lender receives such prepayment, with no additional prepayment fee. The District may prepay the Loan prior to November 10, 2031 upon two days’ prior written direction from the District, on any Interest Payment Date, in whole or in part (in minimum increments of \$250,000) at a redemption price equal to 100% of the principal amount of the redeemed Loan, plus accrued interest thereon to the redemption date, plus a make-whole fee as further described in the Loan Agreement. The District is subject to various covenants with regards to the 2021 Loan.

The 2021 Loan was issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2016A & 2016B Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$53,899. This amount is recorded as a deferred outflow and is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to obtain a more favorable interest rate and resulted in a present value savings of approximately \$506,000.

\$1,555,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016A and \$305,000 Subordinate General Obligation Limited Tax Bonds, Series 2016B

On December 20, 2016, the District issued \$1,555,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016A (“Series 2016A Bonds”), and \$305,000 of Subordinate General Obligation Limited Tax Bonds, Series 2016B (“Series 2016B Bonds”), dated December 20, 2016, for the purpose of funding and reimbursing a portion of the costs of certain public infrastructure, paying the costs of issuance of the Bonds, and, with respect to the Series 2016A Bonds only, funding the Senior Reserve Fund and funding a portion of interest to accrue on the Series 2016A Bonds. The Series 2016A Bonds bore interest at the rate of 6%, payable semiannually on each June 1 and December 1, commencing on June 1, 2017, and maturing on December 1, 2046.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

The Series 2016B Bonds bore interest at the rate of 8%, payable annually on December 15, commencing on December 15, 2017, to the extent that Pledged Revenue is available, and mature on December 15, 2046. The Series 2016A Bonds were subject to a mandatory sinking fund redemption commencing on December 1, 2019 and 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, commencing on December 1, 2021, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2016B 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, commencing on December 15, 2021, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2016A Bonds are secured by the Senior Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2016A Bonds are also secured by the Senior Reserve Fund and the Senior Surplus Fund. The Series 2016B Bonds are secured by the Subordinate Required Mill Levy, the Subordinate Capital Fee Revenue, if any, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, any amount remaining in the Senior Surplus Fund after termination of the fund and any other legally available moneys as determined by the District.

The following is a summary of the annual long-term debt principal and interest requirements for the 2021 Loan.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,000	\$ 62,944	\$ 112,944
2023	55,000	57,950	112,950
2024	55,000	56,273	111,273
2025	60,000	54,595	114,595
2026	60,000	52,765	112,765
2027-2031	335,000	234,698	569,698
2032-2036	385,000	180,560	565,560
2037-2041	450,000	118,340	568,340
2042-2046	500,000	69,750	569,750
	<u>\$ 1,950,000</u>	<u>\$887,875</u>	<u>\$ 2,837,875</u>

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2021

The following is an analysis of changes in long-term debt for the year ending December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
General Obligation Bonds					
Series 2016A Bonds	\$ 1,540,000	\$ -	\$ 1,540,000	\$ -	\$ -
Series 2016B Bonds	305,000	-	305,000	-	-
Other					
2021 Loan	-	1,950,000	-	1,950,000	50,000
Operations Reimbursement	20,000	-	-	20,000	-
Total	<u>\$ 1,865,000</u>	<u>\$ 1,950,000</u>	<u>\$ 1,845,000</u>	<u>\$ 1,970,000</u>	<u>\$ 50,000</u>

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$2,145,000. The District has not budgeted to issue any new debt during 2022. Per the District's Service Plan, the District can not issue debt in excess of \$41,100,000.

Note 5: Other Agreements

Intergovernmental Agreement with City of Aurora

On August 20, 2007, the District and District No. 4 entered into the Intergovernmental Agreement with the City of Aurora to set forth the understandings and agreements of the Parties with respect to the operations and maintenance of public improvements, and the limitations of the District as set forth in the Service Plan.

Aurora Regional Improvement Authority No. 6 Establishment Agreement

On August 20, 2007, the City, the District and certain other special districts entered into the Aurora Regional Improvement Authority No. 4 Establishment Agreement to establish a separate legal entity known as the Aurora Regional Improvement Authority No. 4 to provide the services necessary to acquire, construct finance, maintain, manage, promote and implement Regional Improvements. On March 8, 2018, the District withdrew for the Authority No. 4.

On November 15, 2018, the City, the District and certain other special districts entered into the Aurora Regional Improvement Authority No. 5 Second Amendment to the Establishment Agreement thereby the District became a member of the ARI Authority No. 5 which was previously established as a separate legal to provide the services necessary to acquire, construct finance, maintain, manage, promote and implement Regional Improvements.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Administrative, Operations and Maintenance Advance and Reimbursement Agreement

On October 14, 2015, BC Great Plains Park, LLC (the “Developer”) and the District entered into an Administrative, Operations and Maintenance Advance and Reimbursement Agreement (“Operation Reimbursement”) pursuant to which the Developer agreed to advance reasonable funds as requested from time to time by the District to pay the District’s operating, maintenance, and general administrative expenses up to a maximum of \$25,000. The amount outstanding under this agreement at December 31, 2021 was \$20,000.

Funding, Acquisition and Reimbursement Agreement

On October 14, 2015, the Developer and the District entered into a Funding, Acquisition and Reimbursement Agreement pursuant to which the Developer agreed to construct certain Public Improvements serving the Development and advance funds to the District to pay costs relating thereto, and the District agreed to purchase Public Improvements from the Developer and to reimburse the Developer for the amounts advanced. There is no amount outstanding under this agreement at December 31, 2021. All public improvements for the development within the District were completed and the agreement is considered completed.

Note 6: 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.

In 2005, 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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2021

Note 7: 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 (“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 8: 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 and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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; and
- 3) governmental funds report developer advances and/or bond proceeds as revenue.

SUPPLEMENTAL INFORMATION

Iloff Commons Metropolitan District #3

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

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 146,447	\$ 146,370	\$ 146,447	\$ 77
Specific ownership taxes	14,645	9,200	10,093	893
Interest income	<u>2,000</u>	<u>100</u>	<u>276</u>	<u>176</u>
Total Revenues	<u>163,092</u>	<u>155,670</u>	<u>156,816</u>	<u>1,146</u>
EXPENDITURES				
Bond interest expense	92,400	51,010	46,200	4,810
Bond principal	15,000	53,000	-	53,000
Trustee fees	7,500	5,500	5,500	-
Loan issuance costs	-	205,000	177,766	27,234
ARI Regional Mill Levy	3,114	3,027	3,028	(1)
Treasurer's fees	<u>2,197</u>	<u>2,196</u>	<u>2,199</u>	<u>(3)</u>
Total Expenditures	<u>120,211</u>	<u>319,733</u>	<u>234,693</u>	<u>85,040</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>42,881</u>	<u>(164,063)</u>	<u>(77,877)</u>	<u>86,186</u>
OTHER FINANCING SOURCES				
Loan proceeds	-	2,103,000	1,950,000	(153,000)
Payment to refunding agent	-	(2,088,764)	(2,088,784)	(20)
Transfers in/(out)	<u>-</u>	<u>52,621</u>	<u>52,620</u>	<u>(1)</u>
Total Other Financing Sources	<u>-</u>	<u>66,857</u>	<u>(86,164)</u>	<u>(153,021)</u>
NET CHANGE IN FUND BALANCE	42,881	(97,206)	(164,041)	(66,835)
FUND BALANCE:				
BEGINNING OF YEAR	<u>194,250</u>	<u>191,000</u>	<u>191,000</u>	<u>-</u>
END OF YEAR	<u>\$ 237,131</u>	<u>\$ 93,794</u>	<u>\$ 26,959</u>	<u>\$ (66,835)</u>

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

Iliiff Commons Metropolitan District #3

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ 500	\$ 19	\$ (481)
Total Revenues	500	19	(481)
EXPENDITURES			
Capital improvements	53,257	-	53,257
Total Expenditures	53,257	-	53,257
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(52,757)	19	52,776
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	-	(52,620)	(52,620)
Total Other Financing Sources (Uses)	-	(52,620)	(52,620)
NET CHANGE IN FUND BALANCE	(52,757)	(52,601)	156
FUND BALANCE:			
BEGINNING OF YEAR	52,757	52,601	(156)
END OF YEAR	\$ -	\$ -	\$ -

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

Iloff Commons Metropolitan District #3

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2021

(Unaudited)

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>Fund</u>	<u>Debt Service</u>	<u>Contractual</u>	<u>Levied</u>	<u>Collected</u>	
2016	\$ 203,375	50.000	0.000	0.000	\$ 10,169	\$ 10,169	100.00%
2017	\$ 157,237	10.000	50.000	1.000	\$ 9,591	\$ 9,583	99.91%
2018	\$ 873,657	10.997	55.277	1.099	\$ 58,861	\$ 58,861	100.00%
2019	\$ 1,746,616	10.997	55.277	1.105	\$ 117,685	\$ 117,670	99.99%
2020	\$ 2,537,325	11.073	55.663	1.112	\$ 172,152	\$ 172,153	100.00%
2021	\$ 2,585,525	11.106	55.531	1.110	\$ 175,162	\$ 175,162	100.00%
Estimated for year ending December 31, 2022	\$ 2,693,352	11.106	42.500	1.118	\$ 147,391		

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.