

**ILIFF COMMONS METROPOLITAN
DISTRICT NO. 3
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

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YEAR ENDED DECEMBER 31, 2022**

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Board of Directors
Iloff 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 Iliff Commons Metropolitan District No. 3 (the “District”), 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 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 Iliff Commons Metropolitan District No. 3 as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

Other Matters

Required Supplemental Information

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

Supplemental Information

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

Other Information

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

June 26, 2023

BASIC FINANCIAL STATEMENTS

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 11,306
Cash and Investments - Restricted	54,783
Receivable from County Treasurer	687
Prepaid Expenses	2,571
Property Taxes Receivable	148,532
Capital Assets, Not Being Depreciated:	
Construction in Progress	1,370,566
Total Assets	1,588,445
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	50,078
Total Deferred Outflows of Resources	50,078
LIABILITIES	
Accounts Payable	4,458
Due to Other Government	12,199
Accrued Interest Payable - Loan	4,829
Long-Term Liabilities:	
Due Within One Year	55,000
Due in More Than One Year	1,865,000
Total Liabilities	1,941,486
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	148,532
Total Deferred Inflows of Resources	148,532
NET POSITION	
Restricted for:	
Emergency Reserves	1,000
Debt Service	37,300
Unrestricted	(489,795)
Total Net Position	\$ (451,495)

See accompanying Notes to Basic Financial Statements.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 37,052	\$ -	\$ -	\$ -	\$ (37,052)
Interest and Related Costs on Long-Term Debt	67,896	-	-	-	(67,896)
Total Governmental Activities	\$ 104,948	\$ -	\$ -	\$ -	(104,948)
GENERAL REVENUES					
Property Taxes					147,351
Specific Ownership Taxes					9,305
Interest Income					2,238
Other Revenue					6,113
Total General Revenues					165,007
CHANGE IN NET POSITION					60,059
Net Position - Beginning of Year					(511,554)
NET POSITION - END OF YEAR					\$ (451,495)

See accompanying Notes to Basic Financial Statements.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 11,306	\$ -	\$ 11,306
Cash and Investments - Restricted	1,000	53,783	54,783
Receivable from County Treasurer	142	545	687
Prepaid Expenses	2,571	-	2,571
Property Taxes Receivable	29,743	118,789	148,532
Total Assets	\$ 44,762	\$ 173,117	\$ 217,879
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 4,458	\$ -	\$ 4,458
Due to Other Government	-	12,199	12,199
Total Liabilities	4,458	12,199	16,657
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	29,743	118,789	148,532
Total Deferred Inflows of Resources	29,743	118,789	148,532
FUND BALANCES			
Nonspendable:			
Prepaid Amounts	2,571	-	2,571
Restricted for:			
Emergency Reserves	1,000	-	1,000
Debt Service	-	42,129	42,129
Assigned to:			
Subsequent Year's Expenditures	8,372	-	8,372
Unassigned:			
General Government	(1,382)	-	(1,382)
Total Fund Balances	10,561	42,129	52,690
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 44,762	\$ 173,117	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets, Not Being Depreciated	1,370,566
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Cost of Refunding	50,078
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Loan Interest Payable	(4,829)
Loan Payable	(1,900,000)
Developer Advance Payable	(20,000)
Net Position of Governmental Activities	\$ (451,495)

See accompanying Notes to Basic Financial Statements.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 29,904	\$ 114,437	\$ 144,341
Property Taxes - ARI	-	3,010	3,010
Specific Ownership Taxes	1,928	7,377	9,305
Interest Income	333	1,905	2,238
Other Revenue	-	6,113	6,113
Total Revenues	32,165	132,842	165,007
EXPENDITURES			
Current:			
Accounting and Audit	17,642	-	17,642
Miscellaneous/Contingency	23	-	23
County Treasurer's Fees	449	1,718	2,167
County Treasurer's Fees - ARI	-	45	45
Directors' Fees	300	-	300
Election Expense	2,622	-	2,622
Insurance	100	-	100
Legal	15,916	-	15,916
Debt Service:			
Loan Interest	-	62,944	62,944
Loan Principal	-	50,000	50,000
Regional Mill Levy	-	2,965	2,965
Total Expenditures	37,052	117,672	154,724
NET CHANGE IN FUND BALANCES	(4,887)	15,170	10,283
Fund Balances - Beginning of Year	15,448	26,959	42,407
FUND BALANCES - END OF YEAR	\$ 10,561	\$ 42,129	\$ 52,690

See accompanying Notes to Basic Financial Statements.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ 10,283

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

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Loan Principal Payment	50,000
Amortization on Cost of Refunding	(3,821)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued Interest Payable - Loan - Change in Liability	3,597
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Change in Net Position of Governmental Activities	\$ 60,059
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**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 29,912	\$ 29,904	\$ (8)
Specific Ownership Taxes	2,095	1,928	(167)
Interest Income	200	333	133
Total Revenues	<u>32,207</u>	<u>32,165</u>	<u>(42)</u>
EXPENDITURES			
Current:			
Accounting and Audit	12,000	17,642	(5,642)
Miscellaneous/Contingency	7,132	23	7,109
County Treasurer's Fees	449	449	-
Directors' Fees	-	300	(300)
Election Expense	5,000	2,622	2,378
Insurance	3,100	100	3,000
Legal	12,000	15,916	(3,916)
Total Expenditures	<u>39,681</u>	<u>37,052</u>	<u>2,629</u>
NET CHANGE IN FUND BALANCE	(7,474)	(4,887)	2,587
Fund Balance - Beginning of Year	<u>7,474</u>	<u>15,448</u>	<u>7,974</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 10,561</u>	<u>\$ 10,561</u>

See accompanying Notes to Basic Financial Statements.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Iliff Commons Metropolitan District No. 3 (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, manage 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 has 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 follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Budgets

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

Pooled Cash and Investments

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

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 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 sales of the tax liens on delinquent properties are normally 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.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Amortization

In the government-wide financial statements, the cost of loan refunding is being amortized using the interest method over the life of the refunding loan. The amortization amount is a component of interest expense, and the unamortized deferred cost is reflected as a deferred outflow of resources.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

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

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

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

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 11,306
Cash and Investments - Restricted	<u>54,783</u>
Total Cash and Investments	<u><u>\$ 66,089</u></u>

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

Deposits with Financial Institutions	\$ 10,172
Investments	<u>55,917</u>
Total Cash and Investments	<u><u>\$ 66,089</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022, the District's cash deposits had a bank and a carrying balance of \$10,172.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2022, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 55,917

Fair Value Measurement and Application

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, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), and COLOTRUST which is recorded at net asset value.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (CONTINUED)

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's 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 Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

<u>Governmental Fund Types</u>	<u>Balance December 31, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2022</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 1,370,566	\$ -	\$ -	\$ 1,370,566
 Total Capital Assets Not Being Depreciated	 1,370,566	 -	 -	 1,370,566
Capital Assets, Net	<u>\$ 1,370,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,370,566</u>

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Direct Placements:					
Loan - Series 2021	\$ 1,950,000	\$ -	\$ 50,000	\$ 1,900,000	\$ 55,000
Subtotal of Direct Placements	1,950,000	-	50,000	1,900,000	55,000
Other Debt:					
Developer Advances (Operations)	20,000	-	-	20,000	-
Subtotal of Other Debt	20,000	-	-	20,000	-
Total Long-Term Obligations	<u>\$ 1,970,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 1,920,000</u>	<u>\$ 55,000</u>

The details of the District's long-term obligations are as follows:

\$1,950,000 Tax-Exempt Loan, Series 2021

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. 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's 2021 Loan principal and interest will mature as follows:

<u>Year Ending 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
2028-2032	345,000	224,482	569,482
2033-2037	395,000	168,818	563,818
2038-2042	455,000	111,866	566,866
2043-2046	410,000	47,250	457,250
Total	<u>\$ 1,900,000</u>	<u>\$ 824,934</u>	<u>\$ 2,724,934</u>

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

As of December 31, 2022, the District had remaining voted debt authorization of approximately \$2,145,000. The District has not budgeted to issue any new debt in the upcoming year. Per the District's Service Plan, the District cannot issue debt in excess of \$4,110,000.

Developer Advances

In earlier years, the District received certain advances from the Developer of the District for Operations costs that were subject to an Administrative, Operations and Maintenance Advance and Reimbursement Agreement (Agreement). As of December 31, 2022, \$20,000 remained unpaid. Any future payment of said amount is subject to annual appropriation.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022, as follows:

Restricted Net Position:	
Emergency Reserves	\$ 1,000
Debt Service	<u>37,300</u>
Total Restricted Net Position	<u><u>\$ 38,300</u></u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of debt issued for public improvements which were conveyed to other governments in prior years.

NOTE 7 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.

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 AGREEMENTS (CONTINUED)

Aurora Regional Improvement Authority Establishment Agreements

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 (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 from 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 whereby the District became a member of the Aurora Regional Improvement Authority No. 5 (Authority No. 5) which was previously established as a separate legal entity to provide the services necessary to acquire, construct, finance, maintain, manage, promote and implement Regional Improvements.

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 pursuant to which the Developer agreed to advance reasonable funds as requested from time to time by the District to pay for 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, 2022 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 servicing 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, 2022. All Public Improvements for the Development within the District were completed and the agreement is considered completed.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 RISK MANAGEMENT (CONTINUED)

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

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.

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

SUPPLEMENTARY INFORMATION

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 114,468	\$ 114,437	\$ (31)
Property Taxes - ARI	3,011	3,010	(1)
Specific Ownership Taxes	11,446	7,377	(4,069)
Specific Ownership Taxes - ARI	301	-	(301)
Interest Income	2,000	1,905	(95)
Other Revenue	-	6,113	6,113
Total Revenues	<u>131,226</u>	<u>132,842</u>	<u>1,616</u>
EXPENDITURES			
County Treasurer's Fees	1,717	1,718	(1)
County Treasurer's Fees - ARI	45	45	-
Loan Interest	62,524	62,944	(420)
Loan Principal	55,000	50,000	5,000
Regional Mill Levy	3,267	2,965	302
Trustee / Paying Agent Fees	7,500	-	7,500
Total Expenditures	<u>130,053</u>	<u>117,672</u>	<u>12,381</u>
NET CHANGE IN FUND BALANCE	1,173	15,170	13,997
Fund Balance - Beginning of Year	<u>93,794</u>	<u>26,959</u>	<u>(66,835)</u>
FUND BALANCE - END OF YEAR	<u>\$ 94,967</u>	<u>\$ 42,129</u>	<u>\$ (52,838)</u>

OTHER INFORMATION - UNAUDITED

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2022**

\$1,950,000 Tax-Exempt Loan

Series 2021

Dated November 10, 2021

Principal due December 1

Interest Rate: 3.05% Fixed

Payable June 1 and December 1

<u>Year Ending 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>

**ILIFF COMMONS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2022**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for			Property Taxes		Percentage Collected to Levied
		General	Debt Service	Contractual	Levied	Collected	
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	11.406	55.531	1.110	175,162	175,162	100.00
2022	2,693,352	11.106	42.500	1.118	147,391	147,351	99.97
Estimated for Year Ending December 31, 2023	\$ 2,602,619	11.428	44.500	1.142	\$ 148,532		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.