

The Glen Metropolitan District No. 3

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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COLORADO CPA COMPANY

Independent Auditor's Report

Board of Directors
The Glen Metropolitan District No. 3
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of The Glen 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Glen 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, 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 judgement 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.

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Glen Metropolitan District No. 3's basic financial statements. The supplemental information as listed in the table of contents 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. Such 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, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado

May 23, 2022

The Glen Metropolitan District No. 3
Governmental Fund Balance Sheet/Statement of Net Position
December 31, 2021

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Net Position |
|---|------------------|----------------------|--------------------------|---------------------|---------------------|-----------------------|
| Assets | | | | | | |
| Cash and investments | \$ 3,938 | \$ - | \$ - | \$ 3,938 | \$ - | \$ 3,938 |
| Cash and investments - restricted | 1,000 | - | 9,217,347 | 9,218,347 | - | 9,218,347 |
| Prepaid expenses | 6,082 | - | - | 6,082 | - | 6,082 |
| Property taxes receivable | 18,951 | 84,390 | - | 103,341 | - | 103,341 |
| Capital assets, net of accumulated depreciation | - | - | - | - | 1,989,584 | 1,989,584 |
| Total assets | <u>29,971</u> | <u>84,390</u> | <u>9,217,347</u> | <u>9,331,708</u> | <u>1,989,584</u> | <u>11,321,292</u> |
| Liabilities | | | | | | |
| Accounts payable and accrued expenses | 23,433 | - | 24,810 | 48,243 | - | 48,243 |
| Due to District No. 1 | - | - | - | - | 167,498 | 167,498 |
| Long-term liabilities: | | | | | | |
| Accrued interest on bonds | - | - | - | - | 42,361 | 42,361 |
| Due within more than one year | - | - | - | - | 12,615,000 | 12,615,000 |
| Total liabilities | <u>23,433</u> | <u>-</u> | <u>24,810</u> | <u>48,243</u> | <u>12,824,859</u> | <u>12,873,102</u> |
| Deferred inflows of resources | | | | | | |
| Deferred property taxes | 18,951 | 84,390 | - | 103,341 | - | 103,341 |
| Total deferred inflows of resources | <u>18,951</u> | <u>84,390</u> | <u>-</u> | <u>103,341</u> | <u>-</u> | <u>103,341</u> |
| Fund balance/net position | | | | | | |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid expenses | 6,082 | - | - | 6,082 | (6,082) | - |
| Restricted: | | | | | | |
| Emergencies | 1,000 | - | - | 1,000 | (1,000) | - |
| Debt service | - | - | - | - | - | - |
| Capital Projects | - | - | 9,192,537 | 9,192,537 | (9,192,537) | - |
| Unassigned | (19,495) | - | - | (19,495) | 19,495 | - |
| Total fund balances | <u>(12,413)</u> | <u>-</u> | <u>9,192,537</u> | <u>9,180,124</u> | <u>(9,180,124)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 29,971</u> | <u>\$ 84,390</u> | <u>\$ 9,217,347</u> | <u>\$ 9,331,708</u> | | |
| Net position | | | | | | |
| Net investment in capital assets | | | | | - | (10,625,416) |
| Restricted for: | | | | | | |
| Emergencies | | | | | 1,000 | 1,000 |
| Debt Service | | | | | - | - |
| Capital Projects | | | | | 9,192,537 | 9,192,537 |
| Unrestricted | | | | | (223,272) | (223,272) |
| Total net position | | | | | <u>\$ 8,970,265</u> | <u>\$ (1,655,151)</u> |

Note: the accompanying notes are an integral part of these financial statements.

The Glen Metropolitan District No. 3
Statement of Governmental Fund Revenues, Expenditures
and Changes in Fund Balance/Statement of Activities
For the Year Ended December 31, 2021

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Net Position |
|--|--------------------|----------------------|--------------------------|---------------------|------------------------|-----------------------|
| Expenditures | | | | | | |
| Accounting and audit | \$ 2,217 | \$ - | \$ - | \$ 2,217 | \$ - | \$ 2,217 |
| Dues | 969 | - | - | 969 | - | 969 |
| Insurance | 8,317 | - | - | 8,317 | - | 8,317 |
| Maintenance | 35,846 | - | - | 35,846 | - | 35,846 |
| Management | 25,678 | - | - | 25,678 | - | 25,678 |
| Office supplies | 60 | - | - | 60 | - | 60 |
| Professional Fees | 134,200 | - | - | 134,200 | - | 134,200 |
| Bond interest expense | - | - | - | - | 42,361 | 42,361 |
| Depreciation expense | - | - | - | - | 3,082 | 3,082 |
| Capital assets acquired | - | - | 2,921,096 | 2,921,096 | (2,921,096) | - |
| Total expenditures/expenses | <u>207,287</u> | <u>-</u> | <u>2,921,096</u> | <u>3,128,383</u> | <u>(2,875,653)</u> | <u>252,730</u> |
| General revenues | | | | | | |
| Interest income | - | - | 8 | 8 | - | 8 |
| Total revenues | <u>-</u> | <u>-</u> | <u>8</u> | <u>8</u> | <u>-</u> | <u>8</u> |
| Excess (deficiency) of revenues over expenditures | (207,287) | - | (2,921,088) | (3,128,375) | 2,875,653 | (252,722) |
| Other financing source (uses) | | | | | | |
| Proceeds from bond issue | - | - | 12,615,000 | 12,615,000 | (12,615,000) | - |
| Bond issuance costs | - | - | (501,375) | (501,375) | - | (501,375) |
| Transfers from District No. 1 | 85,000 | - | - | 85,000 | - | 85,000 |
| Transfers from District No. 2 | 85,000 | - | - | 85,000 | - | 85,000 |
| Transfer of capital assets | - | - | - | - | (1,098,373) | (1,098,373) |
| Transfer to/from other funds | - | - | - | - | - | - |
| Net other financing sources (uses) | <u>170,000</u> | <u>-</u> | <u>12,113,625</u> | <u>12,283,625</u> | <u>(13,713,373)</u> | <u>(1,429,748)</u> |
| Net changes in fund balances | (37,287) | - | 9,192,537 | 9,155,250 | (9,155,250) | - |
| Change in net position | | | | | (1,682,470) | (1,682,470) |
| Fund balances / net position | | | | | | |
| Beginning of year | 24,874 | - | - | 24,874 | 2,445 | 27,319 |
| End of year | <u>\$ (12,413)</u> | <u>\$ -</u> | <u>\$ 9,192,537</u> | <u>\$ 9,180,124</u> | <u>\$ (10,835,275)</u> | <u>\$ (1,655,151)</u> |

Note: the accompanying notes are an integral part of these financial statements.

The Glen Metropolitan District No. 3
General Fund – Statement of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual
For the Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|--|--------------------|---------------------|--------------------|--|
| Expenditures | | | | |
| Accounting and audit | \$ 8,400 | \$ 2,240 | \$ 2,217 | \$ 23 |
| Dues | 350 | 970 | 969 | 1 |
| Insurance | 50 | 8,350 | 8,317 | 33 |
| Maintenance | 25,000 | 35,870 | 35,846 | 24 |
| Management | - | 25,700 | 25,678 | 22 |
| Office Supplies | - | 70 | 60 | 10 |
| Professional Fees | 64,500 | 134,300 | 134,200 | 100 |
| Contingency and emergency reserve | 4,090 | 5,100 | - | 5,100 |
| Total expenditures/expenses | <u>102,390</u> | <u>212,600</u> | <u>207,287</u> | <u>5,313</u> |
| General revenues | | | | |
| Interest income | - | 10 | - | (10) |
| Total revenues | <u>-</u> | <u>10</u> | <u>-</u> | <u>(10)</u> |
| Excess (deficiency) of revenues over expenditures and net changes in fund balance | | | | |
| | (102,390) | (212,590) | (207,287) | 5,303 |
| Other financing source (uses) | | | | |
| Transfers from District No. 1 | 51,500 | 85,000 | 85,000 | - |
| Transfers from District No. 2 | 51,500 | 85,000 | 85,000 | - |
| Net other financing sources (uses) | <u>103,000</u> | <u>170,000</u> | <u>170,000</u> | <u>-</u> |
| Net changes in fund balances | 610 | (42,590) | (37,287) | 5,303 |
| Fund balances | | | | |
| Beginning of year | (94,139) | (65,126) | 24,874 | 90,000 |
| End of year | <u>\$ (93,529)</u> | <u>\$ (107,716)</u> | <u>\$ (12,413)</u> | <u>\$ 95,303</u> |

Note: the accompanying notes are an integral part of these financial statements.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Definition of Reporting Entity

Definition of Reporting Entity

The Glen Metropolitan District No. 3 (the “District”), a quasi-municipal corporation, was organized on May 20, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in El Paso County, Colorado. The District was established for the purpose of acquiring, constructing and providing essential public infrastructure to support the needs of a new residential community known as “The Glen at Widefield”. The District is governed by an elected Board of Directors.

The District has been organized as one of three Districts – The Glen Metropolitan District No. 1 (“District No. 1”), The Glen Metropolitan District No. 2 (“District No. 2”), and The Glen Metropolitan District No. 3 (collectively, the “Districts”). Each District is authorized to issue general obligation indebtedness or incur other forms of general obligation multiple fiscal year instruments in an amount not to exceed \$15 million. In connection with this general obligation debt, the Districts are limited to a 50-mill cap adjusted for changes in the state mandated assessment procedures (Gallagher amendment) with an additional 10 mill cap for operations.

As required by accounting principles generally accepted in the United States of America (“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 Governmental Accounting Standards Boards (“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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

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

For the most part, the effect of inter-fund activity has been eliminated from these financial statements.

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.

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. Property taxes are recognized as revenues in the year for which they are levied and 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 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 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 the accumulation of 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 and construction of capital facilities and other assets.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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.

The District modified the appropriation of the General Fund from \$102,390 to \$212,600.

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.

Cash

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

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

Deferred Outflows/Inflows of Resources

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

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

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

Capital Assets

Capital assets 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, and are stated at cost, except for those assets contributed, which are stated at estimated fair market value at the date of contribution or at the Developer's cost. 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 fixed 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. Depreciation has been provided over the useful life of 30 years using the straight-line method.

Property Taxes

Property taxes are levied by the District 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 who assess the property tax obligation of 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 at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in 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 revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year 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.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balances

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements, the following classifications describe the relative strength of the spending constraints. Because circumstances differ among governments, not every government or every governmental fund will present all of these components.

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

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first. Emergency Reserves will be provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$1,000 has been restricted as of December 31, 2021.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

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 fund balance/net position are available, the District will use the most restrictive fund balance/net position first.

Note 3 – Cash and Investments

Cash and investments as of December 31, 2021, are classified in the accompanying financial statement as follows:

Statement of net position:

| | |
|-------------------------------------|----------------------------|
| Cash and investments - unrestricted | \$ 3,938 |
| Cash and investments - restricted | <u>9,218,347</u> |
| Total | <u><u>\$ 9,222,285</u></u> |

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

| | |
|--------------------------------------|----------------------------|
| Deposits with financial institutions | \$ 4,947 |
| Investments held in trust | <u>9,217,338</u> |
| Total | <u><u>\$ 9,222,285</u></u> |

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Cash and Investments (continued)

Cash Deposits

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.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, none of the District’s bank balance was exposed to custodial credit risk.

Investments

Certain investments are measured at fair value within the fair value hierarchy established by GAAP. 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 are not required to be categorized within the fair value hierarchy. This investment’s value for COLOTRUST is calculated using the net asset value method (“NAV”) per share.

Interest Rate Risk and Credit Risk

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

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

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Cash and Investments (continued)

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

- * Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- * Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

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

| Investment | Maturity | Amount |
|--|-----------------------------------|---------------------|
| Colorado Liquid Asset Trust ("COLOTRUST") | Weighted Average Under 60 Days | \$ 9,217,338 |
| Total investments | | <u>\$ 9,217,338</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (“COLOTRUST”), 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 COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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.

A designated custodial bank serves as custodian for COLOTRUST’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the COLOTRUST investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor’s. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Related Party Transactions

Four of the five members of the District’s Board of Directors are directors, owners, officers or employees of the District developer (Glen Development Co.) and/or Widefield Investment Group, LLC, or New Generation Homes Inc., affiliated companies.

Note 5 – Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. 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 and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 6 – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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 Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Tax, Spending and Debt Limitations (continued)

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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.

Note 7 – Capital Assets

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

| <u>Governmental Type Activities:</u> | <u>Balance 1/1/2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 12/31/2021</u> |
|--|-----------------------------|---------------------|-----------------------|-------------------------------|
| Capital assets not being depreciated: | | | | |
| Streets | - | 1,032,619 | - | 1,032,619 |
| Landscape/sidewalk | 77,498 | 310,184 | (77,498) | 310,184 |
| Water system | - | 544,226 | (443,483) | 100,743 |
| Sanitary sewer | - | 670,729 | (577,392) | 93,337 |
| Storm sewer | - | 363,337 | - | 363,337 |
| Total capital assets not being depreciated | 77,498 | 2,921,095 | (1,098,373) | 1,900,220 |
| Capital assets being depreciated: | | | | |
| Playground park | 31,938 | - | - | 31,938 |
| Trail System | 60,508 | - | - | 60,508 |
| Total capital assets being depreciated | 92,446 | - | - | 92,446 |
| Less: accumulated depreciation | - | (3,082) | - | (3,082) |
| Net capital assets being depreciated | 92,446 | (3,082) | - | 89,364 |
| Governmental type assets, net | <u>\$ 169,944</u> | <u>\$ 2,918,013</u> | <u>\$ (1,098,373)</u> | <u>\$ 1,989,584</u> |

The District will convey certain capital assets to other governments, owners’ association, or appropriate jurisdictions. Therefore, no provision for depreciation is recognized related to these assets. The assets deleted during 2021 were conveyed to other entities.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Infrastructure Acquisition Agreements and Funding Reimbursement Agreement

Prior Infrastructure Acquisition Agreement

On July 11, 2017 The Glen Metropolitan Districts Nos. 1-3 entered into an Infrastructure Acquisition and Reimbursement Agreement with Glen Development Co. (the “Developer”) to coordinate the financing, construction and operation and maintenance of Public Infrastructure in connection with the development within the boundaries of the Districts and to issue bonds or other financial obligations in order to fund Public Infrastructure. The Districts have previously entered into other agreements dated December 13, 2016 and amended on March 12, 2016. Glen Development Co. has completed certain infrastructure under these prior agreements and the costs have been certified and accepted by the Districts. In conjunction with these developments, District No. 1 issued \$2.1 million of limited tax obligation bonds in 2011, and \$3,135,000 and \$1,642,000 of subordinate taxable general obligation bonds series 2016 to reimburse Glen Development Co. for certified costs constructed under the prior agreements.

This agreement terminates the prior agreement and all payments for existing unreimbursed costs and additional public infrastructure are governed by this agreement. The Districts and New Generation Homes acknowledge that the Districts have previously accepted existing unreimbursed costs in accordance with the prior agreement and that such costs are reimbursable to Glen Development Co. from the proceeds of the first series of bonds issued by any District subsequent to the date of this agreement. This infrastructure acquisition agreement was terminated in November 2021.

Amended and Restated Funding Reimbursement Agreement

In conjunction with the Infrastructure Acquisition and Reimbursement, the Districts have entered into a restated funding and reimbursement agreement as of July 11, 2017, which replaces any prior agreements and establishes the amount outstanding as of July 11, 2017 at \$259,206, which accrues interest at the prime rate specific in the Wall Street Journal plus 2%, adjusted annually. This restated funding agreement does not constitute a debt of the Districts within the meaning of any constitutional or statutory provision, nor does it constitute a multiple fiscal year financial obligation, and will be subject to annual appropriation. This obligation is reported on the financial statements of District No. 1.

2021 Infrastructure Acquisition and Reimbursement Agreement

In November 2021, the District entered into a new Infrastructure Acquisition and Reimbursement Agreement (the “2021 IARA Agreement”) with the Developer to coordinate the acquisition, financing, construction and installation of Public Infrastructure in connection with the development within the boundaries of the District. Certified District Eligible Costs (as defined within the agreement) will accrue interest at 6% from the date the costs are accepted by the District. This 2021 IARA Agreement does not constitute a debt of the District within the meaning of any constitutional or statutory provision, nor does it constitute a multiple fiscal year financial obligation, and will be subject to annual appropriation. The District’s obligations under the 2021 IARA Agreement will terminate at the earlier of the date of repayment in full or November 2031. Any amounts outstanding in November 2031 will be discharged and deemed a contribution to the District by the Developer, with no further obligation for the District to pay such amounts. There was no balance outstanding under this agreement at December 31, 2021.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Long-Term Debt

Following is a summary of the District’s outstanding long-term debt:

| | Balances 1/1/2021 | Additions | Deletions | Balances 12/31/2021 | Current Portion |
|---|----------------------|----------------------|-------------|------------------------|--------------------|
| Series 2021(3) General obligation limited tax bonds | \$ - | \$ 12,615,000 | \$ - | \$ 12,615,000 | \$ - |
| Total | \$ - | \$ 12,615,000 | \$ - | \$ 12,615,000 | \$ - |

General obligation bonds issued for governmental activities are liquidated by the debt service fund.

General Obligation Limited Tax Bonds, Series 2021(3)

In December 2021, the District issued General Obligation Limited Tax Bonds, Series 2021(3) (“Series 2021(3) Bonds”) in the amount of \$12,615,000. The bonds are payable solely from and secured by an irrevocable pledge and lien on the pledged revenue consisting primarily of revenues to be derived from the limited tax levy as well as the District’s allocable share of specific ownership taxes. The Series 2021(3) Bonds maturing on December 1, 2034, in the amount of \$1,140,000 bear interest at a rate of 3.75%; those maturing on December 1, 2051, in the amount of \$11,475,000 bear interest at a rate of 4.25%. The Series 2021(3) Bonds are subject to a mandatory redemption sinking fund beginning in 2026. The Series 2021(3) Bonds are payable on June 1 and December 1, commencing on June 1, 2022, and maturing December 1, 2051, to the extent of Pledged Revenue available. The Series 2021(3) Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or integral maturities, on December 1, 2026 and on any date thereafter, upon payment of par, accrued interest, and a redemption premium ranging from 0.00% to 3.00% of the principal redeemed.

The following is a summary of debt service payments to maturity for the Series 2021(3) Bonds:

| Year | Principal | Interest | Total |
|--------------|----------------------|----------------------|----------------------|
| 2022 | \$ - | \$ 508,336 | \$ 508,336 |
| 2023 | - | 530,438 | 530,438 |
| 2024 | - | 530,438 | 530,438 |
| 2025 | - | 530,438 | 530,438 |
| 2026 | 50,000 | 530,438 | 580,438 |
| 2027-2031 | 490,000 | 2,614,126 | 3,104,126 |
| 2032-2036 | 1,145,000 | 2,475,089 | 3,620,089 |
| 2037-2041 | 1,995,000 | 2,170,688 | 4,165,688 |
| 2042-2046 | 3,205,000 | 1,649,426 | 4,854,426 |
| 2047-2051 | 5,730,000 | 845,106 | 6,575,106 |
| Total | \$ 12,615,000 | \$ 12,384,523 | \$ 24,999,523 |

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Long-Term Debt (continued)

Debt authorization

As part of the First Amendment to the Consolidated Service Plan for The Glen Metropolitan District Nos. 1-3 (June 2020), the District's electors authorized the incurrence of general obligation debt for each of the districts not to exceed \$15 Million. At December 31, 2021, the District has \$2,385,000 of authorized debt authority remaining. The District has not budgeted to issue new debt in 2022.

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

Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

| | |
|--------------------------------------|-----------------------------|
| Accrued and unpaid interest on bonds | \$ 42,361 |
| Bonds payable | 12,615,000 |
| Capital assets | (1,989,584) |
| Due to District No. 1 | <u>167,498</u> |
| Total | <u><u>\$ 10,835,275</u></u> |

Long-term liabilities such as bonds payable, developer advances payable and accrued interest on bonds and developer advances are not due and payable in the current period and, therefore, are not in the funds. Bonds payable, developer advances payable and the related accrued interest amounts are reflected on the Statement of Net Position. Capital improvements used in governmental activities are not financial resources; therefore, they are not reported in the funds.

The Glen Metropolitan District No. 3
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Reconciliation of Government-Wide and Fund Financial Statements (continued)

Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balances and the government-wide statement of activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

| | |
|-------------------------------------|------------------------|
| Interest | \$ (42,361) |
| Bond principal | (12,615,000) |
| Acquisition of capital improvements | 2,921,096 |
| Depreciation expense | (3,082) |
| Transfer of capital assets | <u>(1,098,373)</u> |
| Total | <u>\$ (10,837,720)</u> |

Governmental funds report bond proceeds as other financing sources and repayments as expenditures. However, the bonds are reflected as a liability in the government-wide financial statements, and proceeds/repayments are reported as changes to the liability. Additionally, governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the government-wide Statement of Activities. Governmental funds report capital outlays as expenditures; however, in the government-wide Statement of Activities, the costs of those assets are held as assets pending transfer to other entities or depreciated over their useful lives.

Supplemental Information

The Glen Metropolitan District No. 3
 Debt Service Fund – Schedule of Revenues, Expenditures
 and Changes in Fund Balance – Budget and Actual
 For the Year Ended December 31, 2021

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|--------------------------------------|---------------|---|
| Expenditures | | | |
| Miscellaneous | \$ - | \$ - | \$ - |
| Total expenditures/expenses | - | - | - |
| General revenues | | | |
| Interest income | - | - | - |
| Total revenues | - | - | - |
| Excess (deficiency) of revenues over expenditures and net changes in fund balance | - | - | - |
| Other financing source (uses) | | | |
| Transfer to/from other funds | - | - | - |
| Net other financing sources (uses) | - | - | - |
| Net changes in fund balances | - | - | - |
| Fund balances | | | |
| Beginning of year | - | - | - |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Note: The accompanying notes are an integral part of these financial statements.

The Glen Metropolitan District No. 3
Capital Projects Fund – Schedule of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual
For the Year Ended December 31, 2021

| | Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|--|--------------------|--------------|--------------|--|
| Expenditures | | | | |
| Capital assets acquired | \$ - | \$ 8,017,909 | \$ 2,921,096 | \$ 5,096,813 |
| Total expenditures/expenses | - | 8,017,909 | 2,921,096 | 5,096,813 |
| General revenues | | | | |
| Interest income | - | - | 8 | 8 |
| Total revenues | - | - | 8 | 8 |
| Excess (deficiency) of revenues over expenditures and net changes in fund balance | | | | |
| | - | (8,017,909) | (2,921,088) | 5,096,821 |
| Other financing source (uses) | | | | |
| Proceeds from bond issue | - | 12,615,000 | 12,615,000 | - |
| Bond issuance costs | - | (508,575) | (501,375) | 7,200 |
| Net other financing sources (uses) | - | 12,106,425 | 12,113,625 | 7,200 |
| Net changes in fund balances | - | 4,088,516 | 9,192,537 | 5,104,021 |
| Fund balances | | | | |
| Beginning of year | - | - | - | - |
| End of year | \$ - | \$ 4,088,516 | \$ 9,192,537 | \$ 5,104,021 |

Note: The accompanying notes are an integral part of these financial statements.