

**NORTH VISTA HIGHLANDS METROPOLITAN
DISTRICT NO.3**

PUEBLO, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2020



Crady, Puca & Associates

Certified Public Accountants & Consultants

**NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
PUEBLO, COLORADO**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Vista Highlands Metropolitan District No. 3
Pueblo, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 North Vista Highlands Metropolitan District No. 3 as of December 31, 2020 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison schedule on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual budgetary comparison schedules are the responsibility of management and were derived from and relate 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 individual fund budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crady, Puca & Associates

Aurora, Colorado
September 24, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Statement of Net Position
December 31, 2020

	Total Governmental Activities
Assets:	
Property tax receivable	\$ 4,709
Cash and investments - restricted	7,143,640
Total assets	7,148,349
Liabilities:	
Intergovernmental payable	391,639
Accrued interest	50,225
Long-term liabilities:	
Due within one year	-
Due in more than one year	11,760,000
Total liabilities	12,201,864
Deferred inflows of resources:	
Unavailable revenue - property tax	4,709
Total deferred inflows of resources	4,709
Net position:	
Net investment in capital assets	-
Restricted for emergencies	-
Unrestricted	(5,058,224)
Total net position	\$ (5,058,224)

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Statement of Activities
For the Year Ended December 31, 2020

	Total Governmental Activities
Expenditures:	
Governmental activities:	
Intergovernmental expense for capital and operations	\$ 4,075,781
Paying agent fees	6,000
Bank fees	4,065
Interest expense	554,149
Issuance costs	474,184
Total expenditures	<u>5,114,179</u>
General Revenues:	
Interest income	<u>55,955</u>
Total general revenues	<u>55,955</u>
Change in net position	5,058,224
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 5,058,224</u></u>

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Balance Sheet
Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Property tax receivable	\$ 1,177	\$ 3,532	\$ 4,709
Cash and investments - restricted	-	7,143,640	7,143,640
Total assets	<u>\$ 1,177</u>	<u>\$ 7,147,172</u>	<u>\$ 7,148,349</u>
Liabilities:			
Intergovernmental payable	\$ -	\$ 391,639	\$ 391,639
Total liabilities	<u>-</u>	<u>391,639</u>	<u>391,639</u>
Deferred inflows of resources			
Unavailable revenue - property tax	1,177	3,532	4,709
Total deferred inflows of resources	<u>1,177</u>	<u>3,532</u>	<u>4,709</u>
Fund balance:			
Restricted for debt service	-	6,752,001	6,752,001
Unassigned	-	-	-
Total fund balance	<u>-</u>	<u>6,752,001</u>	<u>6,752,001</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,177</u>	<u>\$ 7,147,172</u>	<u>\$ 7,148,349</u>

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

Total fund balance - governmental funds	\$ 6,752,001
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(11,810,225)</u>
Net position of governmental activities	<u>\$ (5,058,224)</u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Interest income	\$ -	\$ 55,955	\$ 55,955
Total revenues	<u>-</u>	<u>55,955</u>	<u>55,955</u>
Expenditures:			
Current:			
General government:			
Intergovernmental expense for capital and operations	-	4,075,781	4,075,781
Paying agent fees	-	6,000	6,000
Bank fees	-	4,065	4,065
Debt Service:			
Cost of issuance	-	474,184	474,184
Interest	-	503,924	503,924
Total expenditures	<u>-</u>	<u>5,063,954</u>	<u>5,063,954</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>(5,007,999)</u>	<u>(5,007,999)</u>
Other financing sources (uses):			
Bonds issued	-	11,760,000	11,760,000
Total other financing sources (uses)	<u>-</u>	<u>11,760,000</u>	<u>11,760,000</u>
Net change in fund balance	<u>-</u>	<u>6,752,001</u>	<u>6,752,001</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 6,752,001</u>	<u>\$ 6,752,001</u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

	Total Governmental Funds
Net change in fund balance of the governmental funds	\$ 6,752,001
Amounts reported for governmental activities in the statement of activities are different because:	
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of 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.	(11,760,000)
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.	<u>(50,225)</u>
Change in net position of governmental activities	<u><u>\$ (5,058,224)</u></u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:			
Property tax	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
General government:			
Intergovernmental expense	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the North Vista Highlands Metropolitan District No. 3 (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District was formed in November 2018, under State of Colorado Statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes). The District was organized concurrently with North Vista Highlands Metropolitan District No. 1, 2, 4 and 5 (District Nos. 1, 2, 4 and 5), collectively referred to as the Districts. The Districts' service area is located in the City of Pueblo, Colorado. The Districts were formed to provide public improvements to be dedicated to the City of Pueblo, Colorado or other governmental entities or retained by the Districts for the use and benefit of the residents and visitors of the Districts.

The District along with District Nos. 2, 4 and 5 were established as the financing districts and District No. 1 was established as the servicing district. As the financing districts, the District along with District Nos. 2, 4 and 5, will be responsible for financing their respective share of the improvements and associated operations and maintenance. District No. 1 was established to organize, finance, construct, own, manage, and operate the public improvements of the North Vista Highlands Development (Development).

The District complies with GASB, Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has no component units as defined by the GASB.

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

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property and specific ownership taxes.

1. **Summary of Significant Accounting Policies (continued)**

Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues. The District does not have proprietary or fiduciary funds.

The fund financial statements provide information about the government's funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 *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 available if they are collected within 60 days of the end of the current fiscal. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following major governmental funds:

General Fund – is the District's primary operating fund. It accounts for all financial resources of the District not accounted for in another fund.

Debt Service Fund – accounts for all financial resources that are restricted, committed or assigned to expenditures for debt service.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

1. Summary of Significant Accounting Policies (continued)

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

Deposits and Investments

Investments held in the local government investment pool are reported at net asset value as allowed under US GAAP.

The District may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and flexibility. As applicable, investment earnings are allocated periodically.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. As of December 31, 2020, the District did not hold any investments required to be reported under fair value.

Property Taxes

Property taxes are levied annually and attach as an enforceable lien on property as of January 1. At the option of the taxpayer, property taxes may be paid in full or in two equal installments. The first of such installment is to be paid as of February 28 and the second installment is to be paid no later than June 15. If elected to be paid in full, the amount is to be paid no later than April 30. If payments are not made timely, delinquent interest accrues. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are available or collected.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents 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. In the current year, the District did not have any items in this reporting category.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

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

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which include items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's Board of Directors, the District's highest level of decision-making authority.

Assigned fund balance. This classification reflects the amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

The budget and the appropriating resolution are adopted prior to December 31.

2. Stewardship, Compliance, and Accountability (continued)

Budgets and Budgetary Accounting (continued)

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined 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 also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants and sales of assets). No amounts were reserved at December 31, 2020, as there were no amounts required under TABOR.

On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current 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, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

Deposits and Investments

At December 31, 2020, the District's deposits and investments consisted of amounts held by Colotrust Plus+ in the amount of \$7,143,640.

3. Detailed Notes on the Funds

Cash Deposits

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

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

Investments

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

At December 31, 2020, the District invested in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers two investment options: COLOTRUST PRIME and COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments.

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period.

COLOTRUST PLUS+ is rated Aam by Standards & Poor's.

Custodial Credit Risk: At December 31, 2020, all of the District's deposits were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Interest Rate Risk: Colorado Revised Statutes (CRS) limit investment maturities to five years or less unless formally approved by the Board. In accordance with CRS, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments.

3. Detailed Notes on the Funds (continued)

Investments (continued)

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District follows the general provisions of CRS which limits the District's exposure to credit risk. CRS specify investment instruments meeting defined rating and risk criteria in which local governmental entities may invest. The allowed investments may include but are not limited to the following:

- Certain money market funds
- Local government investment pool

Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
Series 2020 Bonds	\$ -	\$ 11,760,000	\$ -	\$ 11,760,000	\$ -
Governmental activities long-term debt	\$ -	\$ 11,760,000	\$ -	\$ 11,760,000	\$ -

2020 Limited Tax General Obligation Bonds

On January 31, 2020, the District issued \$11,760,000 of Limited Tax General Obligation Bonds ("Series 2020 Bonds"). The Series 2020 Bonds were issued for the purpose of paying project costs, funding the surplus fund in the amount of \$966,000, funding the capitalized interest fund in the amount of \$1,809,774, and paying the costs of issuance. The Series 2020 Note matures December 1, 2049 and bears an annual interest rate of 5.125% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of pledged revenue available, semiannually on each June 1 and December 1, commencing on June 1, 2020.

The Series 2020 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2026 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on March 1, 2025 and any date thereafter, upon payment of principal and accrued interest with a redemption premium that ranges between 0% and 3%.

The Series 2020 Bonds are secured by pledged revenues which include property tax revenue, specific ownership tax revenue, capital fees (if any), and other legally available moneys which the District determines, in its sole discretion, to credit the bond fund. The required mill levy shall not be more than 60 mills, adjusted for changes in the method of calculating assessed valuations. In connection with the Series 2020 Bonds, the District is required to fund a Surplus Fund in the amount of \$966,000 which was funded upon issuance. In addition, the District is required to build a Surplus Fund with a maximum balance of \$2,352,000. As of December 31, 2020, the Surplus Fund has a balance of \$971,190.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2020

3. Detailed Notes on the Funds (continued)

Long-Term Obligations (continued)

2020 Limited Tax General Obligation Bonds (continued)

Events of default as defined in the Series 2020 Bond Indenture are 1) the District fails or refuses to impose the required mill levy or to apply pledge revenue as outlined in the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the indentures or bond resolution, and fails to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Series 2020 Bonds. The failure to pay the principal and interest on the Series 2020 Bonds when due shall not, of itself, constitute an event of default.

In the event of default, the trustee shall have the following remedies 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the Series 2020 Bonds is not an available remedy for an event of default.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020 Bonds.

Year Ending December 31,	Principal	Interest	Total
2021	\$ -	\$ 602,700	\$ 602,700
2022	-	602,700	602,700
2023	-	602,700	602,700
2024	-	602,700	602,700
2025	-	602,700	602,700
2026-2030	870,000	2,943,800	3,813,800
2031-2035	1,505,000	2,648,088	4,153,088
2036-2040	2,175,000	2,197,344	4,372,344
2041-2045	3,030,000	1,557,487	4,587,487
2045-2049	4,180,000	621,919	4,801,919
Total	\$ 11,760,000	\$ 12,982,138	\$ 24,742,138

Authorized Debt

As of December 31, 2020, the District had total authorized debt of \$1.32 billion including \$240,000,000 for refunding debt, of which \$11,760,000 has been issued, leaving an authorized but unissued balance of \$1,308,240,000. Under the Service Plan, the Districts have total authorized debt of \$120,000,000, of which \$11,891,745 has been issued by the Districts, leaving an authorized but unissued balance of \$108,108,255.

4. Agreements

Joint Resolution Regarding Intent to Implement a Common Plan of Finance

On October 9, 2020, the District and District No. 1 approved a Joint Resolution Regarding Intent to Implement a Common Plan of Finance (Finance Plan). Under the Finance Plan, the District hereby declared its intent to transfer all available proceeds to District No. 1 for the payment of capital costs. As a result of this agreement, the District has recorded an intergovernmental payable at December 31, 2020 of \$391,639 to reflect capital improvements costs incurred by District No. 1 not yet funded by the District.

5. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. During the year ended December 31, 2020, the Pool has made no distributions nor required additional contributions from the District.

6. Related Party

The President of the Board of Directors is also the Developer. Another member is the President's son, and the remaining members of the Board of Directors are associated with the President/Developer. Therefore, all members may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

As part of the Series 2020 Bonds issuance, the District paid the Developer \$48,446 for services in connection with the issuance. No amounts were due to the Developer at December 31, 2020.

7. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. Explanation of the reconciling items is as follows:

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. The details of this difference are as follows:

Series 2020 Bonds	\$	(11,760,000)
Accrued interest on bonds		(50,225)
Net adjustment	\$	<u>(11,810,225)</u>

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. The details of this difference is as follows:

Series 2020 Bonds issued	\$	<u>(11,760,000)</u>
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Another element of the reconciliation states that “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 governmental funds.” The details of this difference is as follows:

Interest on long-term debt	\$	<u>(50,225)</u>
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SUPPLEMENTARY INFORMATION

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:			
Interest income	\$ -	\$ 55,955	\$ 55,955
Total revenues	<u>-</u>	<u>55,955</u>	<u>55,955</u>
Expenditures:			
Current:			
Intergovernmental expense for capital and operations	8,500,000	4,075,781	4,424,219
Paying agent fees	-	6,000	(6,000)
Bank fees	-	4,065	(4,065)
Debt service:			
Cost of issuance	498,144	474,184	23,960
Interest	577,869	503,924	73,945
Total expenditures	<u>9,576,013</u>	<u>5,063,954</u>	<u>4,512,059</u>
Excess of revenues over (under) expenditures	<u>(9,576,013)</u>	<u>(5,007,999)</u>	<u>4,568,014</u>
Other financing sources (uses):			
Bonds issued	11,980,000	11,760,000	(220,000)
Total other financing sources (uses)	<u>11,980,000</u>	<u>11,760,000</u>	<u>220,000</u>
Net change in fund balance	<u>2,403,987</u>	<u>6,752,001</u>	<u>4,348,014</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,403,987</u>	<u>\$ 6,752,001</u>	<u>\$ 4,348,014</u>

The accompanying notes are an integral part of this financial statement.