

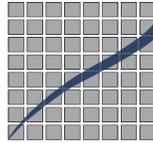
**HORIZON METROPOLITAN DISTRICT NO. 3**  
**ARAPAHOE COUNTY, COLORADO**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

## TABLE OF CONTENTS

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<b>Independent auditor's report</b>	i
<hr/>	
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide financial statements</b>	
Statement of net position	1
Statement of activities	2
<hr/>	
<b>Fund financial statements</b>	
Balance sheets - governmental funds	3
Statements of revenues, expenditures, and changes in fund balances - governmental funds	4
General fund - statement of revenues, expenditures, and changes in fund balance (budget and actual)	5
Notes to financial statements	6
<hr/>	
<b>SUPPLEMENTARY INFORMATION</b>	
Debt service fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual)	14
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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Horizon Metropolitan District No. 3**

Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Horizon Metropolitan District No. 3 ("District") as of and for the year ended December 31, 2023, 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 District as of December 31, 2023, the respective changes in financial position, and the 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the 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 within one year after the date that the financial statements are available to be issued.

### **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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### *Required Supplementary Information*

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

### *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 supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly

to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado

July 10, 2024

# HORIZON METROPOLITAN DISTRICT NO. 3

## STATEMENT OF NET POSITION

DECEMBER 31, 2023

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 246
Receivable from County Treasurer	120
Property taxes receivable	395
Due from District No. 1	38
Total assets	799
<b><u>LIABILITIES</u></b>	
Due to City of Aurora	43
Due to District No. 1	259
Due to District No. 2	102
Total liabilities	404
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property taxes	395
Total deferred inflows of resources	395
<b><u>NET POSITION</u></b>	
Restricted for:	
Emergency reserve	100
Unrestricted	(100)
Total net position	\$ -

The accompanying notes and independent auditor's report  
should be read with these financial statements.

# HORIZON METROPOLITAN DISTRICT NO. 3

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2023

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>FUNCTIONS / PROGRAMS</u></b>					
Primary government					
Government activities:					
General government	\$ 7,815	\$ -	\$ -	\$ -	\$ (7,815)
Interest and related costs on long-term debt	-	-	-	-	-
Total government activities	\$ 7,815	\$ -	\$ -	\$ -	(7,815)
<b><u>GENERAL REVENUES</u></b>					
Property taxes					101
Property taxes - ARI					3
Property taxes - TIF					4,538
Property taxes - TIF - ARI					127
Specific ownership taxes					2,952
Specific ownership taxes - ARI					83
Investment income					11
Total general revenues					7,815
Change in net position					-
Net position, beginning of year					-
Net position, end of year					\$ -

The accompanying notes and independent auditor's report  
should be read with these financial statements.

# HORIZON METROPOLITAN DISTRICT NO. 3

## BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 246	\$ -	\$ 246
Receivable from County Treasurer	34	86	120
Property taxes receivable	141	254	395
Due from District No. 1	20	18	38
Due from other fund	2	-	2
Total assets	<u>\$ 443</u>	<u>\$ 358</u>	<u>\$ 801</u>
<b><u>LIABILITIES</u></b>			
Due to City of Aurora	\$ 43	\$ -	\$ 43
Due to District No. 1	259	-	259
Due to District No. 2	-	102	102
Due to other fund	-	2	2
Total liabilities	<u>302</u>	<u>104</u>	<u>406</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property taxes	141	254	395
Total deferred inflows of resources	<u>141</u>	<u>254</u>	<u>395</u>
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Emergency reserve	100	-	100
Unassigned:			
Unrestricted	(100)	-	(100)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 443</u>	<u>\$ 358</u>	
Net position of governmental activities			<u>\$ -</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

**HORIZON METROPOLITAN DISTRICT NO. 3**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**- GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Property taxes	\$ 28	\$ 73	\$ 101
Property taxes - ARI	3	-	3
Property taxes - TIF	1,273	3,265	4,538
Property taxes - TIF - ARI	127	-	127
Specific ownership taxes	828	2,124	2,952
Specific ownership taxes - ARI	83	-	83
Investment income	11	-	11
<b>Total revenues</b>	<b>2,353</b>	<b>5,462</b>	<b>7,815</b>
<b><u>EXPENDITURES</u></b>			
Current:			
County Treasurer fees	1	1	2
Transfers to District No. 1	2,139	-	2,139
Transfers to District No. 2	-	5,461	5,461
Transfers to City of Aurora	213	-	213
<b>Total expenditures</b>	<b>2,353</b>	<b>5,462</b>	<b>7,815</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Amounts reported for governmental activities in the statement of activities are the same as above.

The accompanying notes and independent auditor's report  
should be read with these financial statements.

# HORIZON METROPOLITAN DISTRICT NO. 3

## GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL) YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Property taxes	\$ 28	\$ 28	\$ -
Property taxes - ARI	3	3	-
Property taxes - TIF	12,421	1,273	(11,148)
Property taxes - TIF - ARI	1,240	127	(1,113)
Specific ownership taxes	758	828	70
Specific ownership taxes - ARI	76	83	7
Investment income	-	11	11
Other revenue	5,000	-	(5,000)
Total revenues	19,526	2,353	(17,173)
<b>EXPENDITURES</b>			
County Treasurer fees	-	1	(1)
Transfers to District No. 1	13,206	2,139	11,067
Transfers to City of Aurora	1,320	213	1,107
Contingency	5,000	-	5,000
Total expenditures	19,526	2,353	17,173
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

The accompanying notes and independent auditor's report should be read with these financial statements.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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### 1. DEFINITION OF REPORTING ENTITY

Horizon Metropolitan District No. 3 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed on December 29, 2005, and is governed pursuant to provisions of the Colorado Special District Act. The District was organized for the acquisition and installation of streets and traffic signals, water, sewer, storm drainage, and park and recreation facilities. The District's service area is located entirely within the City of Aurora ("City"), in Arapahoe County, Colorado. The District was organized in conjunction with other related districts, Horizon Metropolitan District No. 1 ("District No. 1"), Horizon Metropolitan District No. 2 ("District No. 2"), and Horizon Metropolitan District Nos. 4, 5, 6, 7, 8, 9, and 10 (together with the District, District No. 1, and District No. 2, the "Districts").

The District follows Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, and 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 operational and administrative functions are contracted.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Government-wide and fund financial statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

#### Measurement focus, basis of accounting, and financial statement position

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

See independent auditor's report.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

The District's unrestricted general fund balance as of December 31, 2023, totaled a deficit of \$100.

### Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. Total fund expenditures are appropriated. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

### Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

### Property taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable amounts, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

### Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Net position and fund balances

#### *Net position*

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

See independent auditor's report.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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### *Fund balances*

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

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

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

The *committed fund balance* is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, 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.

### Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Subsequent events

The District has evaluated events subsequent to the year ended December 31, 2023 through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

## **3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 246
	<u>\$ 246</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2023, are as follows:

Investments	\$ 246
	<u>\$ 246</u>

See independent auditor's report.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

### Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The 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 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.

As of December 31, 2023, the District had no cash deposits with financial institutions.

### Investments

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

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

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

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2023, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ <u>246</u>

### COLOTRUST

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

See independent auditor's report.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable net asset value ("NAV") local government investment pool, offers weekly liquidity and is managed to approximate a \$10 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

#### 4. AUTHORIZED DEBT

As of December 31, 2023, the District's debt authorized, authorization used, and amounts authorized but unissued are as follows:

	<u>Electoral Authorization</u>	<u>2010 Amended Service Plan Authorization</u>
Amount authorized	\$9.75 billion	\$750 million
Authorization used:		
Horizon Metropolitan District No. 1 Series 2021A(3) Bonds	<u>\$25.25 million</u>	<u>\$25.25 million</u>
Authorized but unissued indebtedness	<u>\$9.28 billion</u>	<u>\$724.75 million</u>

On May 5, 2020, the District's voters authorized the issuance of indebtedness at an interest rate not to exceed 18%. The service plan set the maximum debt mill levy at 50 mills less the number of mills to pay the unlimited mill levy debt, if any, for the portion of any aggregate District debt that exceeds 50% of the District's assessed valuation, subject to adjustment. There is no mill levy cap if the portion of any aggregate District's debt is equal to or less than 50% of the District's assessed valuation.

#### 5. NET POSITION

The District has net position consisting of restricted and unrestricted.

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2023 as follows:

Restricted net position:		
Emergency reserve (Note 9)	\$	<u>100</u>
	\$	<u>100</u>

The District has a deficit in unrestricted net position as of December 31, 2023. This deficit is the result of the District being responsible for the repayment of bonds issued for public improvements, of which a significant portion of these improvements was conveyed to other governmental entities and which costs were removed from the District's financial records.

See independent auditor's report.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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### 6. AGREEMENTS

#### First Amended and Restated Intergovernmental Agreement between the District and the City of Aurora

Effective January 18, 2006, and as amended and restated on August 23, 2010 the District entered into an intergovernmental agreement with the City of Aurora in which the District agreed to dedicate public improvements to the City or other appropriate jurisdiction or owners association and to maintain all public improvements which are not accepted for operation and maintenance by the City or other public entity.

#### Facilities, Funding, Construction, and Operation Agreement

Effective November 30, 2017, and as amended August 6, 2020, the District, District No. 1, and District No. 2 entered into the Facilities Funding, Construction, and Operation Agreement ("FFCO"). The FFCO establishes the District No. 1's responsibility, as the operating district, for constructing, designing, financing, and operating the public improvements that benefit the District, District No. 1, and District No. 2, and establishes the District's and District No. 2's obligations, as the taxing districts, to pay for the services and benefits of the public improvements received from District No. 1. The FFCO further provides that District No. 1 will own, operate, maintain, finance, and construct certain public improvements, and the District, District No. 1, and District No. 2 will contribute to the costs of construction, operation, management, and maintenance of the public improvements. District No. 1 will also provide for the operation, maintenance, and administrative services of the District, District No. 1 and District No. 2.

The intergovernmental revenues are transferred from the District and District No. 2 to District No. 1. District No. 1 will coordinate the payment of administrative expenditures for these districts as well as the District No. 1's own administrative expenditures.

#### The Urban Renewal Plan

All of the property within the boundaries of the Districts is subject to the Horizon Uptown Urban Renewal Plan ("Urban Renewal Plan"). The Urban Renewal Plan specifies, for the purposes of the Urban Renewal Law, that the Horizon Uptown Urban Renewal Area encompasses all of Horizon Uptown (a larger mixed-use development that includes the Districts) ("Urban Renewal Area"). Until the expiration of the tax increment financing ("TIF") authorization on March 8, 2010, granted pursuant to the Urban Renewal Plan, all property taxes resulting from imposition of ad valorem property taxes on the assessed valuation of all taxable property in the Urban Renewal Area (which includes all of property within the boundaries of the Districts) in excess of the base assessed valuation (incremental assessed valuation) are payable to the Aurora Urban Renewal Authority ("AURA") pursuant to the Urban Renewal Plan and the Urban Renewal Law.

#### Cooperation agreement

Effective June 15, 2021, the District, District Nos. 1-2, and Horizon Metropolitan Districts Nos. 4 – 6 entered into a Cooperation Agreement with the Aurora Urban Renewal Authority ("AURA"). Per the Cooperation Agreement, in consideration of the Districts providing public improvements and services to the property in the service plan and Urban Renewal Plan, AURA agreed that the portion of revenues it receives as a result of tax increment revenues attributable to the Districts' current and future levy of ad valorem taxes within the Urban Renewal Plan will be paid to the Districts within 15 days of receipt.

See independent auditor's report.

# HORIZON METROPOLITAN DISTRICT NO. 3

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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### Capital pledge agreement

To provide for the payment of the Series 2021A(3) Bonds, the District entered into a capital pledge agreement with District No. 2 and the trustee of the bonds dated August 11, 2021. Under this agreement, District No. 2 is to receive all of the District's senior capital revenue and agrees to remit the senior capital revenue to the trustee of the bonds as soon as practicable upon receipt in accordance with the terms of the Series 2021A(3) Bonds indenture of trust. District No. 2 should apply such revenue, together with all other pledged revenue in its possession, to the payment of the principal, premium if any, and interest on the bonds due in accordance with the terms of the Series 2021A(3) Bonds indenture. The capital pledge agreement defines senior capital revenue as the sum of the following: (a) the ad valorem property taxes derived from imposition of the District's senior required mill levy, net of any fees and collection costs of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the county, which revenues include: (i) the senior pass-through tax revenue received by or on behalf of the District from AURA pursuant to the cooperation agreement, and (ii) the property tax revenue allocable to the District's base assessed valuation received directly from the County Treasurer; and (b) the specific ownership tax revenue allocable to the District's senior required mill levy.

### **7. RELATED PARTIES**

The developer of the property within the District is LendLease Horizon Holdings, LLC. The members of the board of directors are officers, employees, or associated with the developer and may have conflicts of interest in dealing with the District.

### **8. RISK MANAGEMENT**

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

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

The District pays annual premiums to the Pool for liability, property, 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.

### **9. TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. On May 5, 2020, the District's voters approved a ballot issue allowing the District to retain all revenues.

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.

District management believes the District 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 likely require judicial interpretation.

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See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

# HORIZON METROPOLITAN DISTRICT NO. 3

## DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL) YEAR ENDED DECEMBER 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>			
Property taxes	\$ 73	\$ 73	\$ -
Property taxes - TIF	31,860	3,265	(28,595)
Specific ownership taxes	1,945	2,124	179
Other revenue	5,000	-	(5,000)
Total revenues	<u>38,878</u>	<u>5,462</u>	<u>(33,416)</u>
<b><u>EXPENDITURES</u></b>			
County Treasurer fees	1	1	-
Transfers to District No. 2	33,877	5,461	28,416
Contingency	5,000	-	5,000
Total expenditures	<u>38,878</u>	<u>5,462</u>	<u>33,416</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ -</u>	

The accompanying notes and independent auditor's report  
should be read with these financial statements.