

**Muegge Farms Metropolitan  
District No. 3**

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**Annual Financial Report**

**December 31, 2023**





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## Report of Independent Certified Public Accountants

To the Board of Directors  
Muegge Farms Metropolitan District No. 3

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Muegge Farms Metropolitan District No. 3 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 the major funds of Muegge Farms Metropolitan District No. 3, as of December 31, 2023, and 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 our report. We are required to be independent of Muegge Farms Metropolitan District No. 3 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 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.

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 Muegge Farms Metropolitan District No. 3'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 opinion. 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Muegge Farms Metropolitan District No. 3'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 Muegge Farms Metropolitan District No. 3'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 Supplementary 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 opinion on the basic financial statements is not affected by this missing information.

### **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muegge Farms Metropolitan District No. 3's financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Haynie & Company*

Littleton, Colorado  
July 24, 2024

## **Basic Financial Statements**

**Muegge Farms Metropolitan District No. 3**  
**Statement of Net Position**  
**December 31, 2023**

<b>Assets</b>	<u><b>Governmental Activities</b></u>
Cash and cash equivalents - unrestricted	\$ 2,156
Cash and cash equivalents - restricted	3,535,387
Receivable - county treasurer	11
Property taxes receivable	2,278
Due from the Town of Bennett	2,582,771
Due to other funds	15,595
Prepaid expenses	7,260
Capital assets, net of depreciation	<u>4,977,363</u>
Total Assets	<u>11,122,821</u>
 <b>Liabilities</b>	
Accounts payable	707,578
Due from other funds	15,595
Accrued interest payable	1,278,411
Long-term liabilities	
Due in more than one year	<u>10,560,500</u>
Total Liabilities	<u>12,562,084</u>
 <b>Deferred Inflows of Resources</b>	
Deferred property taxes	<u>2,278</u>
Total deferred inflows of resources	<u>2,278</u>
 <b>Net Position</b>	
Net investment in capital assets	(6,861,548)
Restricted for:	
Emergencies	1,436
Debt service	1,728
Capital projects	5,426,299
Unrestricted	<u>(9,456)</u>
Total Net Position	<u>(1,441,541)</u>
Total Liabilities and Net Position	<u>\$ 11,122,821</u>

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

**Muegge Farms Metropolitan District No. 3**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 131,452	\$ -	\$ -	\$ -	(131,452)
Interest and related costs on long term debt	<u>615,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(615,860)</u>
	<u>\$ 747,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (747,312)</u>
General revenues:					
Property taxes					\$ 1,855
Specific ownership taxes					127
Interest income					<u>414,715</u>
Total general revenues and transfers					<u>416,697</u>
Change in net position					(330,615)
Net position - beginning of year					<u>(1,110,926)</u>
Net position - end of year					<u>\$ (1,441,541)</u>

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



**Muegge Farms Metropolitan District No. 3**  
**Governmental Funds Balance Sheet**  
**and Reconciliation of Fund Balances to Net Position**  
**December 31, 2023**

<b>Assets</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Cash and investments	\$ 2,156	\$ -	\$ -	\$ 2,156
Cash and investments - unrestricted	-	1,719	3,533,668	3,535,387
Receivable-county treasurer	2	9	-	11
Property taxes receivable	411	1,867	-	2,278
Due from the Town of Bennett	-	-	2,582,771	2,582,771
Due from other funds	-	-	15,595	15,595
Prepaid expense	7,260	-	-	7,260
Total assets	9,829	3,595	6,132,034	6,145,458
<b>Liabilities</b>				
Accounts payable	1,843	-	705,735	707,578
Due to other funds	15,595	-	-	15,595
Total liabilities	17,438	-	705,735	723,173
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	411	1,867	-	2,278
Total deferred inflows of resources	411	1,867	-	2,278
<b>Fund Balances</b>				
Restricted for:				
Emergencies (TABOR)	1,436	-	-	1,436
Debt service	-	1,728	-	1,728
Capital Projects	-	-	5,426,299	5,426,299
Non-spendable	7,260	-	-	7,260
Assigned	-	-	-	-
Unassigned	(16,716)	-	-	(16,716)
Total fund balances	(8,020)	1,728	5,426,299	5,420,007
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	\$ 9,829	\$ 3,595	\$ 6,132,034	\$ 6,145,458
Total governmental fund balance per above				\$ 5,420,007
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:				
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds.				
Capital assets, not being depreciated				4,977,363
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:				
Developer advances payable				(129,500)
Bonds payable				(10,431,000)
Accrued interest payable - developer advances				(15,942)
Accrued interest payable - bonds				(1,262,469)
Net position of governmental activities				\$ (1,441,541)

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

**Muegge Farms Metropolitan District No. 3**  
**Governmental Fund Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2023**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues:</b>				
Property taxes	\$ 334	\$ 1,521	\$ -	\$ 1,855
Specific ownership taxes	23	104	-	127
Interest income	-	12	414,703	414,715
Total Revenues	<u>357</u>	<u>1,637</u>	<u>414,703</u>	<u>416,697</u>
<b>Expenditures:</b>				
General government				
Accounting, admin management and audit	26,098	-	9,279	35,377
Treasurer's fees	5	23	-	28
Insurance	4,258	-	-	4,258
Legal and professional fees	16,053	-	14,940	30,993
Bank fees	-	-	20,874	20,874
Elections	440	-	-	440
Paying Agent Fees	-	-	-	-
Miscellaneous	1,010	-	-	1,010
Engineering	-	-	38,472	38,472
Debt service	-	-	-	-
Interest - bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	4,383,161	4,383,161
Total Expenditures	<u>47,864</u>	<u>23</u>	<u>4,466,726</u>	<u>4,514,613</u>
Excess (deficiency) of revenues over expenditures	(47,507)	1,614	(4,052,023)	(4,097,916)
<b>Other financing sources (uses):</b>				
Developer advances	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
Total other financing sources (uses)	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
Net change in fund balance	(8,507)	1,614	(4,052,023)	(4,058,916)
<b>Fund balances:</b>				
Beginning of the year	<u>487</u>	<u>114</u>	<u>9,478,322</u>	<u>9,478,923</u>
End of the year	<u>\$ (8,020)</u>	<u>\$ 1,728</u>	<u>\$ 5,426,299</u>	<u>\$ 5,420,007</u>

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

**Muegge Farms Metropolitan District No. 3**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2023**

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

Net change in fund balance—total governmental funds	\$ (4,058,916)
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure; however, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets from other entities is reported as a revenue, and the assumption of debt is reported as an expense.

Capital outlay - capitalized portion	4,383,161
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Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advances	(39,000)
Change in accrued interest on long-term debt	<u>(615,860)</u>

Change in net position of governmental activities	<u>\$ (330,615)</u>
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The accompanying notes are an integral part of these financial statements.

**Muegge Farms Metropolitan District No. 3**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—General Fund**  
**For the Year Ended December 31, 2023**

	<b>Original / Final</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>Revenue:</b>			
Property taxes - operations	\$ 304	\$ 334	\$ 30
Property taxes - town IGA	30	-	(30)
Specific ownership taxes	20	23	3
Total revenue	<u>354</u>	<u>357</u>	<u>3</u>
<b>Expenditures:</b>			
Accounting, admin management and audit	37,500	26,098	11,402
Treasurer's fees	5	5	-
Insurance	4,850	4,258	592
Legal and professional fees	15,000	16,053	(1,053)
Elections	3,000	440	2,560
Miscellaneous	1,330	1,010	320
Contingency	25,000	-	25,000
Total Expenditures	<u>86,685</u>	<u>47,864</u>	<u>38,821</u>
<b>Revenue Over (Under) Expenditures</b>	(86,331)	(47,507)	38,824
<b>Other Sources and (Uses)</b>			
Developer advances	91,000	39,000	(52,000)
Interfund transfers	(4,000)	-	4,000
Total Sources and (Uses)	<u>87,000</u>	<u>39,000</u>	<u>(48,000)</u>
<b>Net Change in Fund Balance</b>	669	(8,507)	(9,176)
<b>Fund Balance—Beginning of year</b>	<u>10,242</u>	<u>487</u>	<u>(9,755)</u>
<b>Fund Balance—End of Year</b>	<u>\$ 10,911</u>	<u>\$ (8,020)</u>	<u>\$ (18,931)</u>

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

# **Muegge Farms Metropolitan District No. 3**

## **Notes to Financial Statements**

### **December 31, 2023**

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#### **1. Definition of Reporting Entity**

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Muegge Farms Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 16, 2018, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the Town of Bennett, Adams County, Colorado. The District operates under an Amended and Restated Service Plan Approved by the Board of Trustees of the Town of Bennett, Colorado on March 24, 2020. The District's service area is located in the Town of Bennett, Adams County, Colorado.

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

The District 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 operations and administrative functions are contracted.

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#### **2. Summary of Significant Accounting Policies**

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

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities are normally supported by property taxes collected by the District. Both statements distinguish between governmental activities, which normally are supported by taxes and business-type activities, which rely to a significant extent on fees and charges for support.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Expenditures for capital outlay are shown as increases in assets and redemption of bonds are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 paid.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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

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The District reports the following major governmental funds:

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

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

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes received from other governmental activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**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 presented on the modified accrual basis of accounting.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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

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**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 generally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue 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, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a 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.



**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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

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**Capital Assets**

Capital assets, which include infrastructure assets (e.g. road, water, sewer improvements and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, by the straight-line method.

**Bond Issue Costs**

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally segregated or are not subject to future appropriation. Assignments of fund balances indicate the Board of Director's intention for future utilization of such funds and are subject to change by management.

The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

**Fund Balance Classifications**

The total fund balance of the governmental funds was \$2,837,236 as of December 31, 2023. Of this balance, \$1,436 was restricted for emergencies, as required by TABOR, \$2,843,528 was restricted for the payment of future capital and related costs, \$1,728 was restricted for debt service and \$7,260 was nonspendable. The remaining balance of (\$16,716) is unassigned.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**3. Cash and Investments**

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

Statement of Net Position	
Cash and Investments - Unrestricted	\$ 2,156
Cash and Investments - Restricted	<u>3,535,387</u>
Total Cash and Investments	<u>\$ 3,537,543</u>

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 2,145
Investments	<u>3,535,398</u>
Total Cash and Investments	<u>\$ 3,537,543</u>

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 equal to 102% of the aggregate uninsured deposits.

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

Funds on hand in the Debt Service Fund are assigned for future debt service.

The District had cash deposits of \$2,145 as of December 31, 2023, all of which was FDIC insured.

**Investments**

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

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**3. Cash and Investments (continued)**

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

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

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

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

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 3,535,398
Total		<u>\$ 3,535,398</u>

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**3. Cash and Investments (continued)**

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**COLOTRUST**

The Colorado Local Government Liquid Asset Trust (the Trust), is 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 shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE. All 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. COLOTRUST EDGE may also invest in securities with longer term maturities. 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 PLUS+ are rates AAAM by Standard and Poors while COLOTRUST EDGE is rated AAaf. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value.

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**4. Capital Assets**

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An analysis of the changes in net capital assets for the year ended December 31, 2023 follows:

	<b>Balance</b>		<b>Balance</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b><u>2022</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>2023</u></b>
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 594,202	\$4,383,161	\$ -	\$ 4,977,363
Total Capital Assets, Not Being Depreciated	<u>\$ 594,202</u>	<u>\$4,383,161</u>	<u>\$ -</u>	<u>\$ 4,977,363</u>

There was no depreciation expense for the year ended December 31, 2023.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**5. Long-Term Liabilities**

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The following is an analysis of changes in the District’s long-term debt for the year ended December 31, 2023:

	<b>Balance December 31, <u>2022</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Balance December 31, <u>2023</u></b>
Series 2021A(3), \$10,431,000				
General Obligation Bonds	\$ 10,431,000	\$ -	\$ -	\$ 10,431,000
Accrued interest on				
Series 2021A(3) Bonds	655,350	607,120	-	1,262,470
	11,086,350	607,120	-	11,693,470
Developer Advances –				
Third Party Advances	90,500	39,000	-	129,500
Accrued Interest –				
Developer Advances	7,201	8,741	-	15,942
	\$ 97,701	\$ 47,741	\$ -	\$ 145,442

**Limited Tax General Obligation Bonds, Series 2021A(3)**

On November 10, 2021, the District issued its \$10,431,000 Limited Tax General Obligation Bonds, Series 2021A(3) with an interest rate of 5.5% and a maturity of December 1, 2051. The Bonds are payable from pledged revenues, including property taxes derived from a mill levy of 55.277 mills, as adjusted after January 1, 2018 for changes in assessment rates, and the specific ownership derived from such levy. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in multiples of \$1,000. All or any principal amount of the Bonds may be subject to mandatory sinking fund redemption by lot on December 1 of the applicable years and in the principal amounts specified in the Sale Certificate, at a redemption price equal to the principal amount thereof (with no redemption premium or yield maintenance fee), plus accrued interest to the redemption date.

To the extent all accrued interest and principal is not repaid by the December 1, 2051, maturity date, the District is required to levy taxes towards repayment of the bonds until December 1, 2061, when only remaining balances would be discharged.

As the bonds are to be repaid annually based on available funds, there is no specific amortization schedule and therefore a schedule of future debt service is not presented.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**5. Long-Term Liabilities (continued)**

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**Debt Authorization**

The District has voted debt authorization for public improvements in the amount of \$3,600,000,000. In 2021, the District issued its \$10,431,000 Limited Tax General Obligation Bonds, Series 2021A(3) (2021 Bonds). Thus, as of December 31, 2021, the District had \$3,589,569,000 of remaining, but unissued, voted debt authorization, for public improvements.

Notwithstanding the voted debt authorization, under the Service Plan, the maximum aggregate indebtedness for all Muegge Farms Metropolitan District Nos. 1 through 8, combined, is not to exceed \$360,000,000, which consists of \$180,000,000 for Public Improvements and \$180,000,000 for Regional Improvements. Thus, following the issuance of the District's 2021 Bonds, and the issuance of Muegge Farms Metropolitan District No. 1's \$9,525,000 Limited Tax General Obligation Bonds, Series 2021(3) (the District No. 1 2021 Bonds), the remaining aggregate debt authorization under the Service Plan for all eight Muegge Farms Metropolitan Districts is \$340,044,000, which consists of \$160,044,000 for Public Improvements and \$180,000,000 for Regional Improvements.

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**6. Agreements**

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**Amended and Restated Service Plan for Muegge Farms Metropolitan District Nos. 1-4**

The District operates pursuant to an Amended and Restated Service Plan for Muegge Farms Metropolitan District Nos. 1-4, as approved by the Town Board of Trustees for the Town of Bennett, Colorado on March 24, 2020 (the "Service Plan"). The Service Plan contemplates the phasing of development for the service area for all Muegge Farms Metropolitan District Nos. 1 through 8, and the infrastructure needs of each phase. It is contemplated that the Districts will cooperate with each other on certain infrastructure that benefits the taxpayers and inhabitants of the Service Area, and that each District will additionally have its own particular infrastructure needs.

**Intergovernmental Agreement with the Town**

On March 24, 2020, the District, Muegge Farms Metropolitan District No. 1 (District No. 1), Muegge Farms Metropolitan District No. 2 ("District No. 2"), and Muegge Farms Metropolitan District No. 4 ("District No. 4"), and the Town, entered into an Amended and Restated Intergovernmental Agreement (the Town IGA), which amends and restates an original, similar agreement dated January 1, 2019.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**6. Agreements (continued)**

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The Town IGA incorporates the Service Plan and applicable special district provisions of Article XX of Chapter 16 of the Town Code (the “Town Special District Code”) into the Town IGA. Pursuant to the Town IGA, the District, District No. 1, District No. 2, and District No. 4 agreed to comply with all provisions of the Service Plan and the Town Special District Code.

**Debt Allocation Intergovernmental Agreement**

On May 26, 2021, as amended on April 27, 2022, the District, District No. 1, District No. 2 and District No. 4 (the “Active Districts”) entered into an Amended and Restated Debt Allocation Intergovernmental Agreement for Muegge Farms Metropolitan Districts (the “Debt Allocation IGA”), under which the Active Districts acknowledge and agree that pursuant to the Service Plan, the Districts are limited in their aggregate authority to issue Debt in the maximum amount of the Total Debt Limit. The Parties agree that, based upon current development projections, the Total Debt Limit shall be allocated as between the Districts, so that each District has the authority to issue Debt under the Service Plans for Public Improvements or Regional Improvements, as applicable, up to the following respective maximum amounts:

<b>District</b>	<b>Public Improvement Debt Allocation</b>	<b>Regional Improvement Debt Allocation</b>	<b>Total Debt Allocation</b>
District No. 1	\$ 15,000,000	\$ 15,000,000	\$ 30,000,000
District No. 3	\$ 15,000,000	\$ 15,000,000	\$ 30,000,000
District No. 2 and the other Districts	\$ 150,000,000	\$ 150,000,000	\$ 300,000,000

In June 2022 the District acknowledged the First Amendment to the Debt Allocation IGA, under which Muegge Farms Metropolitan District No. 4 agreed to the debt allocations set forth in the Debt Allocation IGA.

**Facilities Funding and Acquisition Agreement**

On October 5, 2021, the District and MGV Investments, LLC (“MGV”) entered into a Facilities Funding and Acquisition Agreement, under which the parties agreed that in the event of capital shortfalls for the construction or installation of public improvements, MG V will advance funds to the District for capital expenses in fiscal years 2021-2026, in an amount not to exceed \$11,000,000. In exchange, the District agreed to reimburse MG V for any such capital advances, subject to cost verification from an independent engineer, plus simple interest at the rate of 3% per annum.

**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**6. Agreements (continued)**

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**Operation Funding Agreements**

On March 4, 2021, the District and MGV 36 South Land Investments, LLC (“MGV 36 South”) entered into an Operation Funding Agreement (the “MGV 36 South OFA”), which was subsequently terminated on October 5, 2021, and any amount owed by the District under the MGV 36 South OFA would be payable under the MGV OFA (discussed below). On August 16, 2021, the District approved an Operation Funding Agreement with MGV 36 South for operations funding in multiple fiscal years (the “MGV 36 Multi-Year OFA”); and subsequently rescinded the approval on October 5, 2021; no amounts were advanced under the MGV 36 Multi-Year OFA.

On October 5, 2021, the District and MGV Investments, LLC (“MGV”) entered into an Operation Funding Agreement (the “MGV OFA”), under which the parties agreed that, in the event of operations, maintenance and administrative shortfalls, MGV will advance funds to the District for operations, maintenance and administrative expenses in fiscal year 2021, in an amount not to exceed \$40,000. In exchange, the District agreed to repay MGV for any such advances, plus simple interest at the rate of 8% per annum.

On October 5, 2021, the District and MGV Investments, LLC (“MGV”) also entered into a Multiple-Year Operation Funding Agreement (the “MGV Multi-Year OFA”), under which the parties agreed that, in the event of operations, maintenance and administrative shortfall, MGV will advance funds to the District for operations, maintenance and administrative expenses in fiscal years 2021 - 2025, in an aggregate amount not to exceed \$247,000. In exchange, the District agreed to repay MGV for any such as advances, plus simple interest at the rate of 8% per annum.

**Development Agreement (Major Roadway Improvements)**

On August 31, 2022, the District, the Town of Bennett, Colorado (the “Town”), MGV Investments, LLC (“MGV”), and Muegge Farms, LLC (“MF”) entered into that certain Development Agreement (“Major Roadway Improvements”) (the “Development Agreement”), under which the District agreed to construct certain public roadways related to major roadways, including street and drainage improvements and utility installation related to those street and drainage improvements, and to finance same with a portion of the proceeds from the Bonds. The District agreed to encumber the estimated costs of the public improvements required under the Development Agreement, as well as a warranty security. The District also agreed to coordinate required easements for the public improvements with the property owner, MF.



**Muegge Farms Metropolitan District No. 3**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**6. Agreements (continued)**

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**Memorandum of Understanding – Sanitary Sewer Design**

On December 5, 2022, the District and the Town entered into a Memorandum of Understanding – Sanitary Sewer Design (the “Sanitary Design MOU”), under which the District and Town agreed to share in the costs of designing certain sanitary sewer improvements (the “Project”), including a sewer line and upgrades to a Town lift station (the “Design Costs”). The District and Town agreed to equally share the Design Costs, with the District initially paying the Design Costs. The Town’s share of the Design Costs will be paid following approval of the Project construction, with revenue generated from the Town’s sewer development fees within the Project’s area.

**Step-In Rights Agreement and Waiver and Release of Reimbursement Rights**

On April 27, 2022, the District and Richmond American Homes of Colorado, Inc. (“Richmond”) entered into a Step-In Rights Agreement, as amended by the First Amendment to Step-In Rights Agreement, dated March 14, 2023 and effective as of December 23, 2022, and the Second Amendment dated September 28, 2023, under which the District agreed to construct a certain secondary access road that was necessary for Richmond to construct residential lots within the District and to encumber the funds necessary to pay for the construction of the secondary access road. The District agreed to provide Richmond with notices of the road’s construction status, and if the work was not progressing as needed, Richmond may step in and complete the road.

On April 27, 2022, the District, Richmond and MGV Investments, LLC (“MGV”) entered into a Waiver and Release of Reimbursement Rights (the Reimbursement Waiver), under which Richmond agreed to construct the public improvements necessary to serve the residential lots Richmond is constructing within the District and to provide the District’s cost verification engineer with sufficient information to verify the costs of construction (the “Verified Costs”). The District agreed to acknowledge the Verified Costs following the Town’s acceptance of the improvements. Richmond also agreed that MGV would be entitled to reimbursement of the Verified Costs and waived any right of reimbursement from the District for the Verified Costs, unless Richmond exercises its step-in right under the Step-In Rights Agreement, in which case Richmond may seek reimbursement from the District for the verified costs expended in connection with completing the secondary access road.

# **Muegge Farms Metropolitan District No. 3**

## **Notes to Financial Statements (continued)**

### **December 31, 2023**

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#### **7. Risk Management**

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

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#### **8. Tax, Spending and Debt Limitations**

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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.

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). At December 31, 2023, the District had an emergency reserve of \$1,436. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

## **Supplementary Information**

**Muegge Farms Metropolitan District No. 3**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Debt Service Fund**  
**For the Year Ended December 31, 2023**

	<b>Original / Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property tax	\$ 1,521	\$ 1,521	\$ -
Specific ownership taxes	91	104	13
Net investment income	<u>5,000</u>	<u>12</u>	<u>(4,988)</u>
Total Revenue	<u>6,612</u>	<u>1,637</u>	<u>(4,975)</u>
<b>Expenditures:</b>			
Treasurer's fees	23	23	-
Bond interest	1,589	-	1,589
Paying agents / Trustee fees	4,000	-	4,000
Contingency	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Expenditures	<u>10,612</u>	<u>23</u>	<u>10,589</u>
<b>Revenue Over (Under) Expenditures</b>	(4,000)	1,614	5,614
<b>Other Sources and (Uses)</b>			
Interfund transfers	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total Sources and (Uses)	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
<b>Net Change in Fund Balance</b>	-	1,614	1,614
<b>Fund Balance—Beginning of year</b>	<u>-</u>	<u>114</u>	<u>114</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ 1,728</u>	<u>\$ 1,728</u>

**Muegge Farms Metropolitan District No. 3**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—Capital Projects Fund**  
**For the Year Ended December 31, 2023**

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Interest income	\$ 166,000	\$ 414,703	\$ 248,703
Due from Town of Bennett	-	2,582,771	2,582,771
Total Revenue	<u>166,000</u>	<u>2,997,474</u>	<u>2,831,474</u>
<b>Expenditures:</b>			
Accounting, admin management and audit	10,000	9,279	721
Legal and professional fees	20,000	14,940	5,060
Capital outlay	9,626,971	7,004,404	2,622,567
Contingency	5,000,000	-	5,000,000
Other expenses	<u>6,640</u>	<u>20,874</u>	<u>(14,234)</u>
Total Expenditures	<u>14,663,611</u>	<u>7,049,497</u>	<u>7,614,114</u>
<b>Revenue Over (Under) Expenditures</b>	(14,497,611)	(4,052,023)	10,445,588
<b>Other Sources and (Uses)</b>			
Developer advances	<u>5,000,000</u>	-	<u>(5,000,000)</u>
Total Sources and (Uses)	<u>5,000,000</u>	-	<u>(5,000,000)</u>
<b>Net Change in Fund Balance</b>	(9,497,611)	(4,052,023)	5,445,588
<b>Fund Balance—Beginning of year</b>	<u>9,497,611</u>	<u>9,478,322</u>	<u>(19,289)</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ 5,426,299</u>	<u>\$ 5,426,299</u>

**Muegge Farms Metropolitan District No. 3**  
**Schedule of Assessed Valuation, Mill Levy, and**  
**Property Taxes Collected**  
**For the Year Ended December 31, 2023**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Contractual Obligations</u>	<u>Levied</u>	<u>Collected</u>	
2021	\$ 5,320	0.000	0.000	0.000	\$ -	\$ -	0.00%
2022	\$ 26,450	11.127	55.633	1.113	\$ 1,795	\$ 1,795	100.00%
2023	\$ 26,390	11.525	57.624	1.153	\$ 1,856	\$ 1,855	99.95%
Estimated for the year ending 12/31/2024	\$ 27,750	13.455	67.269	1.346	\$ 2,277		

**Note:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as

**Continuing Disclosure  
Annual Financial Information-  
Unaudited**

**Muegge Farms Metropolitan District No. 3**  
**History of Assessed Valuations and Mill Levies for the District**  
**For the Year Ended December 31, 2023**

Levy/ Collection Year	Assessed Valuation		Mill Levies		
	Valuation	Percent Change	General Fund	Contractual Obligations	Debt Service
2018/2019	\$ 5,720	0%	0.000	0.000	0.000
2019/2020	5,320	-7%	0.000	0.000	0.000
2020/2021	5,320	0%	0.000	0.000	0.000
2021/2022	26,450	397%	11.127	1.113	55.633
2022/2023	26,390	0%	11.525	1.153	57.624
2023/2024	27,750	5%	13.455	1.346	67.269



**Muegge Farms Metropolitan District No. 3**  
**Assessed Valuation of Classes of Property in the District and**  
**Owner of Taxable Property within the District**  
**For the Year Ended December 31, 2023**

<u>Property Class</u>	<u>2022 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Residential	\$ 23,650	90%
Agricultural	2,740	10%
TOTAL	\$ 26,390	100%

<u>Taxpayer Name</u>	<u>2022 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Brunner Debra K	\$ 26,440	100%
Muegge Farms LLC	10	0%
TOTAL	\$ 26,450	100%