

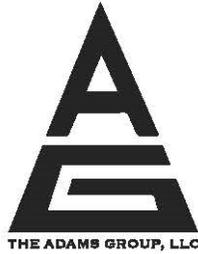
INDEPENDENCE METROPOLITAN DISTRICT NO. 3

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Independence Metropolitan District No. 3
Elbert County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Independence Metropolitan District No. 3, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Independence Metropolitan District No. 3'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 Independence Metropolitan District No. 3 as of December 31, 2021, and the respective changes in financial position and the budgetary comparison schedule 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independence 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 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 Independence 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.

Auditors' 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 auditors' 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 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 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 Independence 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 Independence 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 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 Independence Metropolitan District No. 3's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are 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. The 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.

The Adams Group, LLC

July 1, 2022
Denver, CO

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 827,156
Cash and investments - restricted	8,631,686
Property taxes receivable	3
Accounts receivable	249,805
Prepaid items	2,523
Capital assets, not being depreciated	7,981,048
Total assets	<u>17,692,221</u>
Liabilities	
Accounts payable	11,564
Accrued interest - Senior	134,349
Noncurrent liabilities:	
Due in more than one year	39,712,065
Total liabilities	<u>39,857,978</u>
Deferred Inflows Of Resources	
Unavailable revenue - property taxes	<u>3</u>
Total deferred inflows of resources	<u>3</u>
Net Position	
Restricted for:	
Emergencies	25,239
Debt service	2,403,892
Capital projects	4,865,286
Unrestricted	<u>(29,460,177)</u>
Total net position	<u>\$ (22,165,760)</u>

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 737,129	\$ -	\$ -	\$ -	\$ (737,129)
Interest and fiscal charges	2,094,373	-	-	-	(2,094,373)
Total Governmental Activities	\$ 2,831,502	\$ -	\$ -	\$ -	(2,831,502)
			General Revenues:		
			Property taxes	2	
			Impact fees	783,821	
			Intergovernmental	1,279,685	
			Investment earnings	955	
			Total General Revenues	2,064,463	
			Change in Net Position	(767,039)	
			Net Position - Beginning	(21,398,721)	
			Net Position - Ending	\$ (22,165,760)	

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 827,156	\$ -	\$ -	\$ 827,156
Cash and investments - restricted	-	4,897,580	3,734,106	8,631,686
Property taxes receivable	1	-	2	3
Accounts receivable	249,805	-	-	249,805
Due from other funds	23,237	962	-	24,199
Prepaid items	2,523	-	-	2,523
Total assets	<u>\$ 1,102,722</u>	<u>\$ 4,898,542</u>	<u>\$ 3,734,108</u>	<u>\$ 9,735,372</u>
Liabilities				
Accounts payable	\$ 1,545	\$ 10,019	\$ -	\$ 11,564
Due to other funds	962	23,237	-	24,199
Total liabilities	<u>2,507</u>	<u>33,256</u>	<u>-</u>	<u>35,763</u>
Deferred Inflows Of Resources				
Unavailable revenue - property taxes	1	-	2	3
Unavailable revenue - other	249,805	-	-	249,805
Total deferred inflows of resources	<u>249,806</u>	<u>-</u>	<u>2</u>	<u>249,808</u>
Fund Balance				
Nonspendable:				
Prepaid items	2,523	-	-	2,523
Restricted:				
Debt service	-	-	3,734,106	3,734,106
Capital projects	-	4,865,286	-	4,865,286
Emergencies	25,239	-	-	25,239
Unassigned	822,647	-	-	822,647
Total fund balances	<u>850,409</u>	<u>4,865,286</u>	<u>3,734,106</u>	<u>9,449,801</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,102,722</u>	<u>\$ 4,898,542</u>	<u>\$ 3,734,108</u>	<u>\$ 9,735,372</u>

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

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

Fund balance of Governmental funds	\$ 9,449,801
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,981,048
Certain receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	249,805
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Series 2019A/Series 2019B Bonds	(30,025,000)
Series 2021B Bonds	(8,405,000)
Developer advances	(86,200)
Accrued interest	<u>(1,330,214)</u>
Net Position of Governmental Activities	<u>\$ (22,165,760)</u>

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Property taxes	\$ -	\$ -	\$ 2	\$ 2
Impact fees	840,339	-	-	840,339
Intergovernmental	-	-	1,279,685	1,279,685
Investment income	-	411	544	955
Total revenues	<u>840,339</u>	<u>411</u>	<u>1,280,231</u>	<u>2,120,981</u>
Expenditures				
Current:				
Agent Fees	-	-	6,000	6,000
Audit	7,675	-	-	7,675
Bank charges	-	53	172	225
Cost of issuance	-	368,034	-	368,034
Dues and subscriptions	270	-	-	270
Insurance	2,773	-	-	2,773
Legal	-	103,838	-	103,838
Management & accounting	19,673	-	-	19,673
Intergovernmental	-	228,641	-	228,641
Capital outlay:				
Capital outlay	-	156,955	-	156,955
Developer reimbursement	-	4,271,944	-	4,271,944
Land	-	161,975	-	161,975
ROW Acquisition	-	11,837	-	11,837
Debt service:				
Interest	-	-	1,612,188	1,612,188
Total expenditures	<u>30,391</u>	<u>5,303,277</u>	<u>1,618,360</u>	<u>6,952,028</u>
Other Financing Sources (Uses)				
Series 2021B Bonds	-	8,405,000	-	8,405,000
Developer advances	39,500	-	-	39,500
Total other financing sources (uses)	<u>39,500</u>	<u>8,405,000</u>	<u>-</u>	<u>8,444,500</u>
Net change in fund balances	849,448	3,102,134	(338,129)	3,613,453
Fund balances, beginning of year	<u>961</u>	<u>1,763,152</u>	<u>4,072,235</u>	<u>5,836,348</u>
Fund balances, end of year	<u>\$ 850,409</u>	<u>\$ 4,865,286</u>	<u>\$ 3,734,106</u>	<u>\$ 9,449,801</u>

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

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

Net change in fund balances - Total governmental funds	\$ 3,613,453
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	4,602,711
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(56,518)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. This amount is the effect of these differences in the treatment of long term debt and related items:</p>	
Series 2021B Bonds	(8,405,000)
Developer advances	(39,500)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental funds.</p>	
Change in accrued interest payable	<u>(482,185)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (767,039)</u></u>

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 1	\$ -	\$ -	\$ -
Impact fees	-	-	840,339	840,339
Total revenues	<u>1</u>	<u>-</u>	<u>840,339</u>	<u>840,339</u>
Expenditures				
Current:				
Audit	8,000	8,000	7,675	325
Dues and subscriptions	300	300	270	30
Information technology	150	150	0	150
Insurance	2,750	2,750	2,773	(23)
Legal	7,500	18,000	-	18,000
Treasurer's fees	1	1	-	1
Management and accounting	10,000	18,000	19,673	(1,673)
Emergency reserve	1,500	1,500	-	1,500
Total expenditures	<u>30,201</u>	<u>48,701</u>	<u>30,391</u>	<u>18,310</u>
Excess of revenues over (under) expenditures	(30,200)	(48,701)	809,948	858,649
Other Financing Sources (Uses)				
Developer advances	<u>30,000</u>	<u>48,000</u>	<u>39,500</u>	<u>(8,500)</u>
Net change in fund balance	<u>\$ (200)</u>	<u>\$ (701)</u>	849,448	<u>\$ 850,149</u>
Fund balances, beginning of year			<u>961</u>	
Fund balances, end of year			<u>\$ 850,409</u>	

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - DEFINITION OF REPORTING ENTITY

Independence Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was established on November 7, 2017 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located within Elbert County, Colorado.

The District was established principally to finance the acquisition, construction, and installation of improvements, for the use and benefit of property owners, residents, taxpayers, and system users within and without the boundaries of the District.

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

The District's 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 of the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) include all of the activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the primary government. The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District is reported as net position. The District is responsible for the repayment of bonds issued to construct the aforementioned improvements. Consequently, a net deficit balance is reflected on the District's statement of net position as of December 31, 2021.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expense 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider has been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances 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 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, capital fees and interest. 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. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In the fund financial statements, the District reports the following major governmental funds:

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

Capital Projects Fund accounts for the resources accumulated and available for capital expenditure within the development.

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

Budgets

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

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

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. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounts Receivable

Accounts receivable are recorded net of an estimated allowance for doubtful accounts. Management believes all accounts receivable are collectible and, therefore, an allowance for doubtful accounts has not been recorded as of December 31, 2021.

Capital Assets

Capital assets consist entirely of construction projects in process. Therefore, no depreciation is calculated on these assets. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

Property Tax

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 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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales 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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year for which they are levied, in most instances in the year in which collection occurs.

Impact Fees

In exchange for certain infrastructure improvements, Elbert County has entered into an agreement with the District to remit certain Elbert County Growth Impact Fees, use tax, and sales tax generated by the County in connection with the development of all the districts in the development.

The abatement will be used first to reimburse the developer for costs of constructing improvements on County Road 158, County Road 5, and Delbert Road. Any remaining funds will be released to the Overlay Metropolitan District.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balances-Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact. As of December 31, 2021, the District had \$2,523 in nonspendable fund balance.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. As of December 31, 2021, the District had \$8,624,631 in restricted fund balance.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. As of December 31, 2021, the District had no committed fund balance.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority. As of December 31, 2021, the District had no assigned fund balance.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unassigned fund balance – amounts that are available for any purpose. As of December 31, 2021, the general fund had a deficit unassigned fund balance of \$822,647.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and then assigned funds.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 827,156
Cash and investments - restricted	8,631,686
Total cash and investments	<u>\$ 9,458,842</u>

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

Deposits with financial institutions	\$ 827,156
Investments	8,631,686
Total cash and investments	<u>\$ 9,458,842</u>

Deposits with Financial Institutions

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2021, the District's cash deposits had a bank balance of \$831,691 and a carrying balance of \$827,156.

Investments

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

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

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

Through its bond trustee, UMB, the District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. As of December 31, 2021, all of the District's investments were held in the COLOTRUST PLUS+ and PRIME funds.

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 is rated AAAM by Standards & Poor's.

As of December 31, 2021, COLOTRUST PLUS+ fund had weighted average maturities of 44 days to reset and 71 days to maturity. As of December 31, 2021, COLOTRUST PRIME fund had weighted average maturities of 31 days to reset and 57 days to maturity. Both funds are measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Annual audited financial statements of COLOTRUST can be obtained at: <https://www.colotrust.com/document-center/>.

NOTE 4 - CAPITAL ASSETS

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

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 87,419	\$ 318,930	\$ -	\$ 406,349
Construction in progress	3,290,918	4,283,781	-	7,574,699
Total Capital Assets	<u>\$ 3,378,337</u>	<u>\$ 4,602,711</u>	<u>\$ -</u>	<u>\$ 7,981,048</u>

Improvements are intended to be for the use and benefit of all the taxpayers, residents, and owners of real property within the District boundaries. Upon completion, the District may dedicate a portion or all of the improvements to Elbert County or other appropriate governmental or quasi-governmental entities.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2021:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21	Due Within One Year
Governmental activities:					
General obligation bonds:					
Series 2019A	\$ 25,795,000	\$ -	\$ -	\$ 25,795,000	\$ -
Series 2019B	4,230,000	-	-	4,230,000	-
Series 2019B - Accrued Interest	712,670	444,840	-	1,157,510	-
Series 2021B	-	8,405,000	-	8,405,000	-
Series 2021B - Accrued Interest	-	31,519	-	31,519	-
Developer Advances	46,700	39,500	-	86,200	-
Developer Advances - Accrued Interest	2,850	3,986	-	6,836	-
	<u>\$ 30,787,220</u>	<u>\$ 8,924,845</u>	<u>\$ -</u>	<u>\$ 39,712,065</u>	<u>\$ -</u>

Senior General Obligation Limited Tax Bonds, Series 2019A

On March 7, 2019, the District issued \$25,795,000 of Tax-Exempt Senior General Obligation Bonds Series 2019A (the 2019A Bonds). The 2019A Bonds were issued with an interest rate of 6.25% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on June 1, 2019. Any unpaid interest compounds semi-annually thereafter. The 2019 Bonds mature on December 1, 2049.

Principal is payable each December 1 from the available pledged revenues, if any. The failure to pay principal of or interest on the 2019A Bonds when due shall not constitute an event of default.

The 2019A Bonds are secured and payable from the Senior Pledged Revenues, consisting generally of (i) all Senior Property Tax Revenues, (ii) all Senior Specific Ownership Tax Revenues, (iii) all Senior PILOT Revenues, and (iv) all Capital Fees. The District along with Independence Metropolitan District No. 1 and Independence Metropolitan District No. 2 have each covenanted to levy the Senior Required Mill Levy, consisting of ad valorem property taxes. The mill levy is capped at 55 mills. The failure to pay the principal of or interest on the 2019A Bonds when due does not constitute an event of default. Proceeds of the 2019A Bonds were used to: (i) finance public improvements related to the development, (ii) fund capitalized interest on the 2019A Bonds, (iii) fund the Senior Reserve Fund, and (iv) pay the costs of issuance of the 2019A and 2019B Bonds. The 2019A Bonds are also secured by capitalized interest in the amount of \$295,033, the Senior Reserve Fund in the amount of \$2,414,432, and the Senior Surplus Fund, up to \$1,024,641. None of these accounts are available to the holders of the Tax-Exempt Subordinated General Obligation Bonds Series 2019B.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2019A Bonds cannot be prepaid prior to June 1, 2024. From June 1, 2024 to May 31, 2025 bonds can be prepaid at a redemption premium of 3%. From June 1, 2025 to May 31, 2026 bonds can be prepaid at a redemption premium of 2%. From June 1, 2026 to May 31, 2027 bonds can be prepaid at a redemption premium of 1%. After May 31, 2027 bonds can be redeemed without premium.

The 2019A Bonds are subject to mandatory sinking fund redemption. The District's long-term obligations on the bonds follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ -	\$ 1,612,188	\$ 1,612,188
2023	-	1,612,188	1,612,188
2024	-	1,612,188	1,612,188
2025	-	1,612,188	1,612,188
2026	-	1,612,188	1,612,188
2027-2031	1,620,000	7,824,064	9,444,064
2032-2036	3,290,000	6,975,314	10,265,314
2037-2041	5,025,000	5,635,001	10,660,001
2042-2046	7,470,000	3,625,939	11,095,939
2047-2049	8,390,000	693,438	9,083,438
Total	<u>\$ 25,795,000</u>	<u>\$ 32,814,696</u>	<u>\$ 58,609,696</u>

Subordinated General Obligation Limited Tax Bonds, Series 2019B

On March 7, 2019, the District issued \$4,230,000 of Tax-Exempt Subordinated General Obligation Bonds Series 2019B (the 2019B Bonds). The 2019B Bonds were issued with an interest rate of 9.00% per annum. Interest is payable annually on December 15, commencing on December 15, 2019. Any unpaid interest compounds annually thereafter. The 2019B Bonds mature on December 15, 2049.

The 2019B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the bonds other than at maturity. Principal is payable each December 15 from the available pledged revenues, if any, pursuant to a mandatory redemption.

Payment of principal and interest on the 2019B Bonds is subordinate to the annual payment of debt service on the 2019A Bonds and to the funding of the Senior Surplus Fund in the Maximum Surplus Amount of \$2,597,500. The failure to pay principal of or interest on the 2019B Bonds when due shall not constitute an event of default. Any amount of unpaid principal of or interest on the 2019B Bonds shall be deemed discharged on December 15, 2059.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2019B Bonds are secured and payable from the Subordinate Pledged Revenues, consisting generally of (i) all Subordinate Property Tax Revenues, (ii) all Subordinate Specific Ownership Tax Revenues, (iii) all Subordinate PILOT Revenues, and (iv) all Subordinate Capital Fees. Proceeds of the 2019B Bonds were used to: (i) finance additional public improvements related to the development, and (ii) pay certain other costs of issuance of the 2019B Bonds.

Subordinated General Obligation Limited Tax Bonds, Series 2019B (Continued)

The 2019B Bonds cannot be prepaid prior to June 1, 2024. From June 1, 2024 to May 31, 2025 bonds can be prepaid at a redemption premium of 3%. From June 1, 2025 to May 31, 2026 bonds can be prepaid at a redemption premium of 2%. From June 1, 2026 to May 31, 2027 bonds can be prepaid at a redemption premium of 1%. After May 31, 2027 bonds can be redeemed without premium.

The 2019B Bonds are subject to mandatory sinking fund redemption. The District's estimated long-term obligations on the bonds follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	395,481	395,481
2025	-	711,488	711,488
2026-2030	-	3,096,980	3,096,980
2031-2035	-	3,176,369	3,176,369
2036-2040	-	3,346,421	3,346,421
2041-2045	1,088,000	2,414,954	3,502,954
2046-2049	3,142,000	875,610	4,017,610
Total	<u>\$ 4,230,000</u>	<u>\$ 14,017,303</u>	<u>\$ 18,247,303</u>

Subordinated General Obligation Limited Tax Bonds, Series 2021B

On November 1, 2021, the District issued \$8,405,000 of Tax-Exempt Subordinated General Obligation Bonds Series 2021B (the 2021B Bonds). The 2021B Bonds were issued with an interest rate of 9.00% per annum. Interest is payable annually on December 15, commencing on December 15, 2021. Any unpaid interest compounds annually thereafter. The 2021B Bonds mature on December 15, 2049.

The 2021B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the bonds other than at maturity. Principal is payable each December 15 from the available pledged revenues, if any, pursuant to a mandatory redemption.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Subordinated General Obligation Limited Tax Bonds, Series 2021B (Continued)

Payment of principal and interest on the 2021B Bonds is subordinate to the annual payment of debt service on the 2019A and 2019B Bonds and to the funding of the Senior Surplus Fund in the Maximum Surplus Amount of \$2,597,500.

The failure to pay principal of or interest on the 2021B Bonds when due shall not constitute an event of default.

The 2021B Bonds are secured and payable from the Subordinate Pledged Revenues, consisting generally of (i) all Subordinate Property Tax Revenues, (ii) all Subordinate Specific Ownership Tax Revenues, (iii) all Subordinate PILOT Revenues, (iv) all Subordinate Capital Fees, and (v) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. Proceeds of the 2021B Bonds were used to finance additional public improvements related to the development.

The 2021B Bonds cannot be prepaid prior to June 1, 2024. From June 15, 2024 to June 14, 2025 bonds can be prepaid at a redemption premium of 3%. From June 15, 2025 to June 14, 2026 bonds can be prepaid at a redemption premium of 2%. From June 15, 2026 to June 14, 2027 bonds can be prepaid at a redemption premium of 1%. After June 15, 2027 bonds can be redeemed without premium.

The 2021B Bonds are subject to mandatory sinking fund redemption. The District's estimated long-term obligations on the bonds follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ -	\$ 756,450	\$ 756,450
2023	-	756,450	756,450
2024	-	756,450	756,450
2025	-	756,450	756,450
2026	-	756,450	756,450
2027-2031	-	3,782,250	3,782,250
2032-2036	-	3,782,250	3,782,250
2037-2041	-	3,782,250	3,782,250
2042-2046	-	3,782,250	3,782,250
2047-2049	8,405,000	1,512,900	9,917,900
Total	<u>\$ 8,405,000</u>	<u>\$ 20,424,150</u>	<u>\$ 28,829,150</u>

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Senior Pledge Agreement

Pursuant to the Senior Pledge Agreement, the District, along with Independence Metropolitan District No. 1 and Independence Metropolitan District No. 2, will service the 2019A, 2019B, and 2021B Bonds with revenues derived from the required Senior and Subordinate Mill Levies. The amount of debt to be serviced by each District is currently uncertain as it will be determined based on the future assessed property taxes within each District.

Developer Advances

The District entered into an Advance and Reimbursement Agreement to repay advances made by the Developer for advances made to the District. The District agreed to repay the Developer for such advances plus accrued interest at the rate of the higher of 7% or prime plus 2%.

Authorized Debt

On November 7, 2017, a majority of qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$72,760,000 to fund the development.

As of December 31, 2021, the District had authorized and issued indebtedness from the election in the following amounts:

	<u>Authorized</u>	<u>Remaining</u>
Voter debt authorization limit	\$ 72,760,000	\$ 34,290,500

NOTE 6 - NET POSITION

The District's net position consists of two components – restricted and unrestricted.

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2021, as follows:

	<u>Governmental Activities</u>
Restricted net position:	
Emergencies	\$ 25,239
Debt service	2,403,892
Capital projects	4,865,286
	\$ 7,294,417

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 - NET POSITION (CONTINUED)

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvement which are, in part, being constructed by other governmental entities.

NOTE 7 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - CONTINGENCY

There is no assurance that the property in the service area of the District will be developed as currently contemplated or at all. A number of factors may affect the development, including the overall economy of the region, Elbert County, and the southeast Denver metropolitan area in particular. The collection of property and other taxes is dependent on the development occurring in the District, and the timing of debt service payments is, in part, dependent on the collection of property and other taxes.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except those governmental activities designated as Enterprises.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 7, 2017, the District's voters passed an election question authorized the retention of all revenues received from any source during the 2017 budget year and each budget year thereafter that are in excess of the revenue and fiscal year spending limits that would otherwise apply under Article X, Section 20 of the Colorado Constitution or any other law.

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

NOTE 10 - RELATED PARTIES

The District is one of six districts in the development and board members serve on all districts. The developer of the infrastructure which constitutes the District is Craft Bandera Acquisition Company, LLC and Craft Companies, LLC. The members of the Board of Directors are employed, owners of, or consultants of the developer.

During the year ended December 31, 2021, the District purchased infrastructure from the Developer totaling \$4,271,944. As of December 31, 2021, the District owed the Developer \$86,200 and accrued interest of \$6,836.

During the year ended December 31, 2021, the District transferred \$8,894 to Independence Metropolitan District No. 1 and \$219,747 to Independence Water & Sanitation District which is included in intergovernmental expenditures in the accompanying statement of revenues, expenditures, and changes in fund balances.

SUPPLEMENTARY INFORMATION

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ 5,000	\$ 300	\$ 411	\$ 111
Total revenues	<u>5,000</u>	<u>300</u>	<u>411</u>	<u>111</u>
Expenditures				
Capital outlay	-	156,955	156,955	-
Cost of issuance	-	126,884	-	126,884
Bank charges	4,000	-	53	(53)
Land	-	161,975	161,975	-
Legal	-	65,815	103,838	(38,023)
Developer reimbursement	110,000	6,132,275	4,271,944	1,860,331
ROW Acquisition	-	4,018	11,837	(7,819)
2021B Bond Cost of Issuance	-	126,884	368,034	(241,150)
Intergovernmental	482,558	230,000	228,641	1,359
Total expenditures	<u>596,558</u>	<u>7,004,806</u>	<u>5,303,277</u>	<u>1,701,529</u>
Excess of revenues over (under) expenditures	<u>(591,558)</u>	<u>(7,004,506)</u>	<u>(5,302,866)</u>	<u>1,701,640</u>
Other Financing Sources (Uses)				
Series 2021B Bonds	-	8,152,850	8,405,000	252,150
Net change in fund balance	<u>\$ (591,558)</u>	<u>\$ 1,148,344</u>	3,102,134	<u>\$ 1,953,790</u>
Fund balances, beginning of year			<u>1,763,152</u>	
Fund balances, end of year			<u>\$ 4,865,286</u>	

See Independent Auditors' Report

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 2	\$ 2	\$ 2	\$ -
Specific ownership tax	1	1	-	(1)
Intergovernmental	614,615	1,147,000	1,279,685	132,685
Investment income	25,000	1,000	544	(456)
Total revenues	<u>639,618</u>	<u>1,148,003</u>	<u>1,280,231</u>	<u>132,228</u>
Expenditures				
Treasurer fees	1	1	-	1
Agent fees	6,000	6,000	6,000	-
Bank charges	3,000	3,000	172	2,828
Debt service				
Interest	1,612,188	1,612,188	1,612,188	-
Total expenditures	<u>1,621,189</u>	<u>1,621,189</u>	<u>1,618,360</u>	<u>2,829</u>
Excess of revenues over (under) expenditures	<u>(981,571)</u>	<u>(473,186)</u>	<u>(338,129)</u>	<u>135,057</u>
Net change in fund balance	<u>\$ (981,571)</u>	<u>\$ (473,186)</u>	<u>(338,129)</u>	<u>\$ 135,057</u>
Fund balances, beginning of year			<u>4,072,235</u>	
Fund balances, end of year			<u>\$ 3,734,106</u>	

See Independent Auditors' Report