

**Promontory Metropolitan District No. 3  
Adams County, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2020**

Promontory Metropolitan District No. 3

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December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Promontory Metropolitan District No. 3  
Adams County, Colorado

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Promontory Metropolitan District No. 3, as of December 31, 2020, and the respective changes in financial position thereof, 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.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Fisoul Focus Partners, LLC*

Greenwood Village, Colorado  
October 26, 2021

## **BASIC FINANCIAL STATEMENTS**

**Promontory Metropolitan District No. 3**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and investments - restricted	\$ 72,363
Receivable - County Treasurer	4,362
Property taxes receivable	<u>2,377,498</u>
<b>Total Assets</b>	<u><u>2,454,223</u></u>
<b>Liabilities</b>	
Due to other governments	76,725
Accrued interest payable	12,459
Noncurrent liabilities:	
Due in more than one year	<u>1,040,000</u>
<b>Total Liabilities</b>	<u><u>1,129,184</u></u>
<b>Deferred Inflow of Resources</b>	
Property tax revenue	<u>2,377,498</u>
<b>Total Deferred Inflow of Resources</b>	<u><u>2,377,498</u></u>
<b>Net Position (Deficit)</b>	
Unrestricted	<u>(1,052,459)</u>
<b>Total Net Position (Deficit)</b>	<u><u>\$ (1,052,459)</u></u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Promontory Metropolitan District No. 3**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Functions/Programs:</b>				
<b>Primary government</b>				
General government	\$ (1,008,007)	\$ -	\$ -	\$ (1,008,007)
Conveyance of assets to other entities	(626,249)	-	-	(626,249)
Interest on long-term debt and related costs	(260,118)	-	-	(260,118)
Total primary government	\$ (1,894,374)	\$ -	\$ -	(1,894,374)
	<b>General Revenues:</b>			
				784,261
				57,555
				99
				841,915
				(1,052,459)
				-
				\$ (1,052,459)

*The accompanying Notes to Financial Statements are an integral part of these statements.*

Promontory Metropolitan District No. 3

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and investments - restricted	\$ 13,802	\$ 58,561	\$ -	\$ 72,363
Receivable - County Treasurer	4,362	-	-	4,362
Property taxes receivable	2,377,498	-	-	2,377,498
<b>Total Assets</b>	<u>2,395,662</u>	<u>58,561</u>	<u>-</u>	<u>2,454,223</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>				
<b>Liabilities</b>				
Due to other governments	18,164	58,561	-	76,725
<b>Total Liabilities</b>	<u>18,164</u>	<u>58,561</u>	<u>-</u>	<u>76,725</u>
<b>Deferred Inflows of Resources</b>				
Property tax revenue	2,377,498	-	-	2,377,498
<b>Total Deferred Inflows of Resources</b>	<u>2,377,498</u>	<u>-</u>	<u>-</u>	<u>2,377,498</u>
<b>Fund Balances</b>				
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 2,395,662</u>	<u>\$ 58,561</u>	<u>\$ -</u>	

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

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,040,000)
Accrued interest - bonds	(12,459)
Net position (deficit) of governmental activities	<u>\$ (1,052,459)</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Promontory Metropolitan District No. 3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 784,261	\$ -	\$ -	\$ 784,261
Specific ownership taxes	57,555	-	-	57,555
Interest income	-	99	-	99
<b>Total revenues</b>	<u>841,816</u>	<u>99</u>	<u>-</u>	<u>841,915</u>
<b>Expenditures</b>				
General government				
Transfer to Promontory Metropolitan District No. 1	215,567	792,440	-	1,008,007
Debt service				
Trustee fees	-	14	-	14
Cost of issuance	-	247,645	-	247,645
Capital outlay	-	-	626,249	626,249
<b>Total expenditures</b>	<u>215,567</u>	<u>1,040,099</u>	<u>626,249</u>	<u>1,881,915</u>
<b>Excess of revenue over (under) expenditures</b>	<u>626,249</u>	<u>(1,040,000)</u>	<u>(626,249)</u>	<u>(1,040,000)</u>
<b>Other financing sources (uses)</b>				
Developer advance	-	-	626,249	626,249
Bond proceeds	-	1,040,000	-	1,040,000
Developer repayment - principal	-	-	(626,249)	(626,249)
Transfers in/(out)	(626,249)	-	626,249	-
<b>Total other financing sources (uses)</b>	<u>(626,249)</u>	<u>1,040,000</u>	<u>626,249</u>	<u>1,040,000</u>
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Promontory 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, 2020**

Net change in fund balances - total governmental funds	\$	-
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 deprecial assets over the estimated useful life of the asset. Therefore, the following are amounts of capital outlay in the current period:</p>		
Capital outlay		626,249
<p>Long-term debt (e.g. bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Developer advances - capital		(626,249)
Bond proceeds		(1,040,000)
Repayment developer advance - capital		626,249
<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 governmental funds.</p>		
Accrued bond interest payable - change in liability		(12,459)
Conveyance of assets to other entities		(626,249)
		(626,249)
Change in net position of governmental activities	\$	(1,052,459)

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Promontory Metropolitan District No. 3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended December 31, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 784,262	\$ 784,262	\$ 784,261	\$ (1)
Specific ownership taxes	47,055	70,583	57,555	(13,028)
<b>Total revenues</b>	<u>831,317</u>	<u>854,845</u>	<u>841,816</u>	<u>(13,029)</u>
<b>EXPENDITURES</b>				
General government				
Treasurer fees	11,764	11,764	-	11,764
Transfer to Promontory Metropolitan District No. 1	819,553	208,989	215,567	(6,578)
Contingency	-	7,843	-	7,843
<b>Total expenditures</b>	<u>831,317</u>	<u>228,596</u>	<u>215,567</u>	<u>13,029</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>626,249</u>	<u>626,249</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in/(out)		(626,249)	(626,249)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(626,249)</u>	<u>(626,249)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Promontory Metropolitan District No. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

**Note 1 – Reporting Entity**

Promontory Metropolitan District No. 3 (the District) was organized on November 14, 2019, as a quasi-municipal organization established under the State of Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) concurrently with Promontory Metropolitan District No. 1 and Promontory Metropolitan District Nos. 2, 4, and 5 (the Districts). The District's service area is located in Adams County, Colorado. The District operates under a Service Plan approved by the County on August 27, 2019. The Districts were established to provide financing for the design, acquisition, installation and construction of streets, parks and recreation facilities, water systems, sanitation/storm sewer systems, transportation, mosquito control, safety protection, fire protection, television and relay translation, and security. Pursuant to the District Coordinating Services Agreement (Note 8), District No. 1 is the Coordinating District and District Nos. 2-5 are the Financing Districts.

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.

**Note 2 – Summary of Significant Accounting Policies**

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the

## Promontory Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

sum of liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

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 for 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 governmental funds.

## Promontory Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

The capital projects fund is used to account for financial resources to be used for the acquisition and construction of capital facilities and other assets.

#### **Budgets**

In accordance with the Local Government Budget Law of Colorado, 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 by fund without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting.

The District amended its annual budget for the year ended December 31, 2020.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements for which the District retains title are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

#### **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.

## Promontory Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

#### Property Taxes

Property taxes are levied 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 or 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 and 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 property tax revenues are recorded as revenue in the year they are available or collected.

#### Capital Facility Fee

On September 2, 2020, the District adopted a resolution imposing a Capital Facility Fee (Fee) upon property within the District. Pursuant to the resolution, the Fee is payable on the initial date the lot is sold at a rate of \$4,000 per residential unit. Per the Indenture of Trust for the 2020A<sub>(3)</sub> Bonds (Note 5), the Fee is pledged to the repayment of debt.

The District did not collect any Fees during 2020.

#### Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, deferred property tax revenue is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### Equity

##### Net Position

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

## Promontory Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

#### Fund Balance

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

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

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

**Promontory Metropolitan District No. 3**  
**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020**

**Note 3 – Cash and Investments**

Cash and investments are reflected on the December 31, 2020 Statement of net position as follows:

Cash and investments - restricted	\$ 72,363
Total cash and investments	\$ 72,363

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 13,802
Investments	58,561
Total cash and investments	\$ 72,363

**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. As of December 31, 2020, the federal insurance limit was \$250,000. 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.

At December 31, 2020, the District's cash deposits had a bank balance of \$13,802 and a carrying balance of \$13,802.

**Investments**

The District has not adopted a formal investment policy, but follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District.

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper

**Promontory Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2020**

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 days	\$ 58,561
Total Investments		<u>\$ 58,561</u>

**Colostrust**

The District invested in the Colorado Local Government Liquid Asset Trust (Colostrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, Colostrust Prime and Colostrust Plus+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. Colostrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. The 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. Colostrust is rated AAAM by Standard and Poor's. Colostrust records its investments as fair value and the District records its investment in Colostrust at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**Note 4 – Capital Assets**

An analysis of the changes in capital assets for the year ended December 31, 2020 is as follows:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 626,249	\$ 626,249	\$ -
Total capital assets, not being depreciated	<u>\$ -</u>	<u>\$ 626,249</u>	<u>\$ 626,249</u>	<u>\$ -</u>

**Promontory Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2020**

**Note 5 – Long-Term Obligations**

The District’s outstanding long-term obligations at December 31, 2020, are as follows:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020	Due Within One Year
<b>Bonds Payable:</b>					
2020A <sub>(3)</sub> Limited Tax General Obligation Bonds	\$ -	\$ 1,040,000	\$ -	\$ 1,040,000	\$ -
<b>Other:</b>					
Developer advance - capital	-	626,249	626,249	-	-
<b>Total Long-Term Obligations</b>	<u>\$ -</u>	<u>\$ 1,666,249</u>	<u>\$ 626,249</u>	<u>\$ 1,040,000</u>	<u>\$ -</u>

The detail of the District’s long-term obligations is as follows:

**\$1,040,000 Limited Tax General Obligation Bonds, Series 2020A<sub>(3)</sub>**

**Bond Details**

On October 22, 2020, the District issued Limited Tax General Obligation Bonds, Series 2020A<sub>(3)</sub> (2020A<sub>(3)</sub> Bonds) in the amount of \$1,040,000. The 2020A<sub>(3)</sub> Bonds were issued for the purpose of: (a) paying the Project Costs, and (b) paying other costs in connection with the issuance of the Bonds.

Interest on the 2020A<sub>(3)</sub> Bonds is payable annually on December 1 each year, commencing on December 1, 2020 at the rate of 6.25% per annum. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such interest shall compound annually on each interest payment date, at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. As of December 31, 2020, the accrued and unpaid interest on the bonds is \$12,459.

**Optional Redemption**

The 2020A<sub>(3)</sub> Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

**Promontory Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2020**

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2025 to November 30, 2026	3.00%
December 1, 2026 to November 30, 2027	2.00%
December 1, 2027 to November 30, 2028	1.00%
December 1, 2028 and thereafter	0.00%

**Security**

The 2020A<sub>(3)</sub> Bonds are secured by and payable from the moneys derived by the District from the following sources, net of any costs of collection: (i) all Property Tax Revenues (moneys derived from the imposition by the District of the Required Mill Levy, but not including Oil and Gas Tax Revenue); (ii) all Specific Ownership Tax Revenues; (iii) all Capital Fees, including Facility Fees; and (iv) any other legally available moneys which the District determines in its absolute discretion, to credit to the Bond Fund.

**Required Mill Levy**

Pursuant to the Indenture of Trust, the District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in an amount necessary to generate Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds, but not in excess of 50.000 mills provided however, that if, after January 1, 2019, there were or are changes in the method of calculating assessed valuation the maximum mill levy of 50 mills will be increased or decreased to reflect such changes. To the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. The District levied 50 mills for debt service in 2020 for collection in 2021.

**Project Funds**

Proceeds of \$790,855 from the sale of the 2020A<sub>(3)</sub> Bonds were deposited to a Project Fund. The Project Funds are held by the Trustee and funds are only released to the District after a "Requisition" is submitted for reimbursement of approved project costs in accordance with the Indenture of Trust. Upon the receipt by the Trustee of a resolution of the District determining that all Project Costs have been paid from the Project Funds, any balance remaining in the Project Funds shall be credited to the Bond Fund. The Project Funds shall terminate at such time as no further moneys remain therein.

The annual debt service requirements on the 2020A<sub>(3)</sub> Bonds are not currently determinable since they are payable only from available Pledged Revenue.

**Debt Authorization**

On November 5, 2019, the District's electorate authorized total indebtedness of \$1,104,000,000 for the purpose of providing certain improvements and facilities and entering into one or more

## Promontory Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

intergovernmental agreements with one or more public entities for the purpose of financing the costs of public improvements, facilities, systems, programs or projects which the District may lawfully provide for the purpose of providing for the operation and maintenance of the District and its facilities and properties, which agreement may constitute a multiple fiscal year obligation of the District to the extent authorized by law.

The District's Service Plan limits the District's issuance of \$69,000,000 of debt. After the issuance of the 2020A<sup>(3)</sup> Bonds, the District's remaining debt authorization under its Service Plan is \$67,960,000. In the future, the District may issue a portion or all of the remaining authorized but unissued debt.

#### **Note 6 – Net Position**

The District has an unrestricted deficit of \$1,052,459 as of December 31, 2020. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements which have been or will be conveyed to other governmental entities.

#### **Note 7 – Related Parties**

All of the Board of Directors of the District are employees, owners or otherwise associated with ELG Investors, LLC (Developer) and/or its affiliates and may have conflicts of interest with respect to certain transactions which come before the Board.

#### **Note 8 – Agreements**

##### **District Coordinating Services Agreement**

On December 3, 2019, the District entered into the District Coordinating Services Agreement with Promontory Metropolitan District Nos. 1, 2, 4 and 5. District No. 1 is the Coordinating District and District Nos. 2-5 are the Financing Districts. The agreement sets forth the services District No. 1 will perform on behalf of the Districts related to administrative services and ownership, operation and maintenance of public improvements. It is the intent that each Financing District will impose an ad valorem mill levy against the taxable property within its boundaries, to pay for the services provided by District No. 1. The agreement is subject to annual appropriation and does not constitute a multiple fiscal year obligation. The District levied 50 mills in 2019 for collection in 2020, and 10 mills in 2020 for collection in 2021 in accordance with this agreement.

##### **Funding and Reimbursement Agreement**

On September 2, 2020, the District entered into the Funding and Reimbursement Agreement (FARA) with Equinox Development, LLC (Equinox). Equinox agrees to loan to the District \$50,000 per annum for two years, up to \$100,000, the maximum loan amount. These funds shall be available to the District through December 31, 2022. Equinox may agree to renew its obligation by providing written notice to the District, which will extend the loan obligation termination date, which date shall not be earlier than December 31 of the succeeding year.

## Promontory Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2020

Each loan advance under the FARA shall accrue simple interest at the rate of 6.5% per annum, from the date any such advance is made to the earlier of the date the Reimbursement Obligation is issued to evidence such advance or the date of repayment of such amount. Upon issuance of any Reimbursement Obligation, unless otherwise consented to by Equinox, any interest then accrued on any previously advanced amount shall be added to the amount of the loan advance and reflected as principal of the Reimbursement Obligation, and shall accrue interest as provided in such Reimbursement Obligation.

Reimbursement Obligations issued by the District shall be payable solely from the sources identified in the Reimbursement Obligation, including, but not limited to ad valorem property tax revenues of the District, and shall be secured by the District's pledge to apply such revenues as required. Reimbursement Obligations shall not extend beyond thirty years from the date of the FARA, the maximum reimbursement obligation repayment term.

The District did not receive any funds under the FARA, nor did the District issue any Reimbursement Obligations during 2020.

#### **Public Improvements Acquisition and Reimbursement Agreement**

On September 2, 2020, the District entered into the Public Improvements Acquisition and Reimbursement Agreement (IARA) with Equinox Development, LLC (Equinox) to establish the terms and conditions for: (i) the acquisition of certain Public Improvements financed and constructed or caused to be constructed by Equinox that is to be owned by the District; and (ii) the reimbursement of Certified District Eligible Costs (Costs) incurred by Equinox. Pursuant to the agreement, the District agrees to reimburse Equinox for advances plus interest at the rate of 6% per annum. The District's obligation to make reimbursement payments is subject to annual appropriations and shall not be deemed to be a multiple fiscal year obligation for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. During 2020, and pursuant to the IARA, the District accepted Costs and reimbursed Equinox for such Costs in the amount of \$626,249.

#### **Note 9 – Interfund Transfers**

The transfer of \$626,249 from the General Fund to the Capital Projects Fund was transferred for the purpose of repaying Equinox for the Costs of Public Improvements (Note 8).

#### **Note 10 – 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.

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

**Promontory Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2020**

excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 5, 2019, a majority of the District's electors authorized the District to collect, spend, or retain all currently levied taxes and other revenue of the District for 2019 and any year thereafter, without regard to any limitations under TABOR.

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. Pursuant to the District Coordinating Services Agreement (Note 8), District No. 1 has established the Emergency Reserve for the District.

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 interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

**Note 11 – Noncompliance with Colorado Revised Statutes**

Colorado Revised Statutes require that local governments submit audited financial statements for calendar year-end by July 31, or September 30 if granted an extension, of the following year. The District was not in compliance with this statutory requirement for the year ended December 31, 2020.

**SUPPLEMENTAL INFORMATION**

**Promontory Metropolitan District No. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**DEBT SERVICE FUND**

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Interest and other income	\$ -	\$ 250	\$ 99	\$ (151)
<b>Total revenues</b>	<u>-</u>	<u>250</u>	<u>99</u>	<u>(151)</u>
<b>EXPENDITURES</b>				
Trustee fees	-	-	14	(14)
Cost of issuance	-	249,145	247,645	1,500
Transfer to Promontory Metropolitan District No. 1	-	790,855	792,440	(1,585)
Contingency	-	250	-	250
<b>Total expenditures</b>	<u>-</u>	<u>1,040,250</u>	<u>1,040,099</u>	<u>151</u>
<b>Excess of revenues over (under)</b>				
<b>expenditures</b>	<u>-</u>	<u>(1,040,000)</u>	<u>(1,040,000)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Bond proceeds	-	1,040,000	1,040,000	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,040,000</u>	<u>1,040,000</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Promontory Metropolitan District No. 3**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**CAPITAL PROJECTS FUND**

**For the Year Ended December 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
<b>Total revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Capital outlay	-	626,249	626,249	-
<b>Total expenditures</b>	-	626,249	626,249	-
<b>Excess of revenues over (under) expenditures</b>	-	(626,249)	(626,249)	-
<b>Other financing sources (uses)</b>				
Developer advance	-	626,249	626,249	-
Developer repayment - principal	-	(626,249)	(626,249)	-
Transfers in/(out)	-	626,249	626,249	-
<b>Total other financing sources (uses)</b>	-	626,249	626,249	-
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning</b>	-	-	-	-
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>