

Gunnison Rising Metropolitan District No. 3

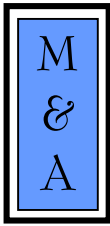
Financial Statements

December 31, 2023

**Gunnison Rising Metropolitan District No. 3
Financial Statements
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Gunnison Rising Metro District No. 3**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Gunnison Rising Metro District No. 3 (the "District"), as of and for the year ended December 31, 2023, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023 and the respective changes in financial position thereof and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison Rising Metro District No. 3

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS 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 U.S. GAAS, we:

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

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

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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is on the basic financial statements is not affected by this missing information.

**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison Rising Metro District No. 3**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparisons, found in Section E, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The items found in Section E are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
July 16, 2024**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Gunnison Rising Metropolitan District No. 3
Statement of Net Position
December 31, 2023

Assets:	
Cash and investments	6
Due from County Treasurer	11
Property taxes receivable	656
Construction in progress	6,201,556
Total Assets	6,202,229
 Liabilities:	
Due to other governments	17
Accrued interest	1,249,461
Long-term liabilities:	
Portion due or payable after one year:	
Service obligation owed to District No. 1	151,689
Developer Advances	6,328,310
Total Liabilities	7,729,477
 Deferred Inflow of Resources:	
Property tax revenue	656
Total Deferred Inflow of Resources	656
 Net Position:	
Net investment in capital assets	-
Unrestricted	(1,527,904)
Total Net Position	(1,527,904)

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

Gunnison Rising Metropolitan District No. 3
Statement of Activities
For the Year Ended December 31, 2023

	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:				
Governmental activities:				
General government	186,221	-	-	(186,221)
Interest	966,587	-	-	(966,587)
Total primary government	1,152,808	-	-	(1,152,808)
General revenues:				
Taxes:				
Property tax				265
Specific ownership tax				16
Interest income				3
Total general revenues				284
Change in Net Position				(1,152,524)
Net Position - Beginning				(375,380)
Net Position - Ending				(1,527,904)

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

Gunnison Rising Metropolitan District No. 3
Balance Sheet
Governmental Funds
December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	6	-	-	6
Due from County Treasurer	11	-	-	11
Property taxes receivable	656	-	-	656
Total Assets	<u>673</u>	<u>-</u>	<u>-</u>	<u>673</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:				
Liabilities:				
Due to other governments	17	-	-	17
Total Liabilities	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>
Deferred Inflow of Resources:				
Unavailable property tax revenue	656	-	-	656
Total Deferred Inflow of Resources	<u>656</u>	<u>-</u>	<u>-</u>	<u>656</u>
Fund Balances:				
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>673</u>	<u>-</u>	<u>-</u>	<u>673</u>

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

Gunnison Rising Metropolitan District No. 3
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023

Governmental Funds Total Fund Balance -

Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:

Capital assets	6,201,556	
Accumulated depreciation	-	
	-	6,201,556

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Developer advances	(6,328,310)	
Accrued developer advance interest payable	(1,249,461)	
	(7,577,771)	(7,577,771)

Amounts due to other Districts for service obligations are not due and payable in the current period and, therefore, are not reported in the funds.

(151,689)

Net Position of Governmental Activities (1,527,904)

Gunnison Rising Metropolitan District No. 3
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and specific ownership taxes	281	-	-	281
Interest	3	-	-	3
Total Revenues	<u>284</u>	<u>-</u>	<u>-</u>	<u>284</u>
Expenditures:				
General government				
Treasurer's fees	8	-	-	8
Miscellaneous	-	107,650	-	107,650
Debt service				
Bond issuance costs	-	19,104	-	19,104
Capital outlay	-	2,421,039	-	2,421,039
Total Expenditures	<u>8</u>	<u>2,547,793</u>	<u>-</u>	<u>2,547,801</u>
Excess (Deficiency) of Revenues over Expenditures	<u>276</u>	<u>(2,547,793)</u>	<u>-</u>	<u>(2,547,517)</u>
Other Financial Sources (Uses):				
Developer advances	-	2,547,793	-	2,547,793
Transfers in (out)	(276)	-	-	(276)
Total Other Financing Sources (Uses)	<u>(276)</u>	<u>2,547,793</u>	<u>-</u>	<u>2,547,517</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

Net change in fund balances - total governmental funds -

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital additions	2,421,039	
Depreciation expense	-	
	-	2,421,039

The repayment of the principal of long-term liabilities consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.

Proceeds from developer advances	(2,547,793)	
	(2,547,793)	(2,547,793)

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. Details of these items are as follows:

Change in accrued developer interest	(966,587)	
Change in accrued service obligation payable	(59,183)	
	(1,025,770)	(1,025,770)

Change in Net Position of Governmental Activities (1,152,524)

Gunnison Rising Metropolitan District No. 3
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended 2022)

	<u>2023</u>		Final Budget Variance Positive (Negative)	<u>2022</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Interest	500	3	(497)	-
Property taxes	265	265	-	-
Specific ownership taxes	16	16	-	-
Total Revenues	<u>781</u>	<u>284</u>	<u>(497)</u>	<u>-</u>
Expenditures:				
General government:				
Treasurer's fees	8	8	-	-
Miscellaneous	-	-	-	100
Contingency	500	-	500	-
Total Expenditures	<u>508</u>	<u>8</u>	<u>500</u>	<u>100</u>
Excess (Deficiency) of Revenues over Expenditures	<u>273</u>	<u>276</u>	<u>(997)</u>	<u>(100)</u>
Other Financing Sources (Uses):				
Transfers (out)	(273)	(276)	(3)	-
Developer contributions	-	-	-	100
Total Other Financing Sources (Uses)	<u>(273)</u>	<u>(276)</u>	<u>(3)</u>	<u>100</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

Gunnison Rising Metropolitan District (the "District") was organized on May 25, 2016, contemporaneously with Gunnison Rising Metropolitan District Nos. 1-2 and Nos. 4-7, as a quasi-municipal corporation and is governed pursuant to provisions of Section 32-1-101, *et seq.* (the "Colorado Special District Act"). The City Council of the City of Gunnison approved the Consolidated Service Plan for Gunnison Rising Metropolitan District Nos. 1-7 on March 20, 2016, as amended by that First Amendment to the Consolidated Service Plan for Gunnison Rising Metropolitan District Nos. 1-7 approved by the City Council of the City of Gunnison on June 8, 2021 (collectively, the "Service Plan"). The District's service area is located in Gunnison County, Colorado. The District was established to acquire, construct, and install public improvements within the boundaries of the District. The public improvements include infrastructure for sanitary sewer, potable water, and storm sewer as well as improvements to roadways, highways, and trails. The District has no employees and all operations and administrative functions are contracted.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2023.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. Long-term Liabilities and Service Obligations

Long-term liabilities are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable and developer advances are reported net of the applicable bond premium or discount.

The District is obligated under the District Coordinating Service Agreement by and between Gunnison Rising District Nos. 1-7, dated November 2, 2021, to reimburse Gunnison Rising Metropolitan District No. 1 ("District No. 1"), over time, for the District's share of operating and maintenance costs (service obligations) incurred by District No. 1. This item represents the portion that has not yet been paid by the District as of December 31, 2023.

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads and landscaping	20-40
Parking lot improvements	15-40
Equipment and vehicles	5-10

6. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (3) For the 2023 budget, prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (4) For the 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

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

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$0, which is the approximate required reserve, at December 31, 2023.

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

On November 2, 2021, a majority of the District’s electors who voted in the election approved the following TABOR related ballot questions:

SHALL GUNNISON RISING METROPOLITAN DISTRICT NO. 3 BE AUTHORIZED TO COLLECT, RETAIN, AND SPEND THE FULL AMOUNT OF ALL TAXES, TAX INCREMENT REVENUES, TAP FEES, PARK FEES, FACILITY FEES, SERVICE CHARGES, INSPECTION CHARGES, ADMINISTRATIVE CHARGES, GIFTS, GRANTS, INVESTMENT EARNINGS OR ANY OTHER FEE, RATE, TOLL, PENALTY, CHARGE OR OTHER INCOME AUTHORIZED BY LAW OR CONTRACT TO BE IMPOSED, COLLECTED OR RECEIVED BY THE DISTRICT IN FISCAL YEAR 2021 AND IN EACH FISCAL YEAR THEREAFTER, SUCH AMOUNTS TO CONSTITUTE A VOTER-APPROVED REVENUE CHANGE AND BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, THE LIMITS IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-301, C.R.S. IN ANY SUBSEQUENT YEAR, OR ANY OTHER LAW WHICH PURPORTS TO LIMIT THE DISTRICT'S REVENUES OR EXPENDITURES AS IT CURRENTLY EXISTS OR AS IT MAY BE AMENDED IN THE FUTURE, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT?

C. Authorized But Unissued Debt

In November 2021, the District’s voters authorized the issuance of up to \$5,880,000,000 of debt at an interest rate not to exceed 12% per annum. As of December 31, 2023, the District has authorized unissued debt from this election as follows:

	Total Authorized	Amount Remaining
Public improvements	2,695,000,000	2,695,000,000
Operations and maintenance	735,000,000	735,000,000
Refunding	2,450,000,000	2,450,000,000
	<u>5,880,000,000</u>	<u>5,880,000,000</u>

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds

A. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Construction in progress	3,780,517	2,421,039	-	6,201,556
Total capital assets	<u>3,780,517</u>	<u>2,421,039</u>	<u>-</u>	<u>6,201,556</u>

Depreciation expense was \$0 for the year ended December 31, 2023.

B. Contractual Obligations Subject to Annual Appropriations

The District had the following outstanding contractual obligations subject to annual appropriations during the fiscal year:

1. Public Improvement Acquisition and Reimbursement Agreement

On September 2, 2021 the District executed the Public Improvement Acquisition and Reimbursement Agreement (the "PIARA") with Gunnison Valley Properties, LLC ("GVP"). Under this agreement, the Developer is eligible to receive reimbursement for District Eligible Costs related to public improvements. The advances carry a 6% interest rate, per annum. There is no fixed amortization schedule for the developer redemption and the District's obligations are subject to annual appropriation. The District's obligations under the PIARA shall terminate at the earlier of repayment in full of the Certified District Eligible Costs or September 8, 2041.

The District had the following changes in outstanding contractual obligations subject to annual appropriations for the year ended December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Developer Advances:					
Gunnison Valley Properties, LLC	3,780,517	2,547,793	-	6,328,310	-
	<u>3,780,517</u>	<u>2,547,793</u>	<u>-</u>	<u>6,328,310</u>	<u>-</u>

Gunnison Rising Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Intergovernmental Agreements

A. District Coordinating Service Agreement

On November 2, 2021, the Gunnison Rising Metropolitan District No. 1 (the “Coordinating District”) entered into a District Coordinating Service Agreement with the Gunnison Rising Metropolitan District Nos. 2 – 7 (the “financing Districts”). Under the terms and conditions of the agreement, the Coordinating District agrees to perform administrative services, operational services, and maintenance of public improvements on behalf of the Financing Districts. The Financing Districts are responsible for all costs, fees, charges, and expenses incurred by the Coordinating District in providing those services. Payments for services under this agreement are paid in equal installments on the 15th of each month.

The District Coordinating Service Agreement will terminate only upon written notice by one of the Districts to the other Districts and a termination agreement is approved by all of the Financing Districts. A termination agreement must (1) a plan for the manner in which ownership of the Public Improvements and ownership and maintenance shall be allocated and transferred as between the Districts; (2) a plan for payment associated with any outstanding obligations of the Coordinating District, as the same are incurred prior to the proposed date of termination; (3) to the extent any of the Public Improvements have been financed directly by the Coordinating District and such obligations remain outstanding, a plan for the payment of all such obligations and/or debts; and (4) the manner in which outstanding agreements of the Coordinating District may be terminated, cancelled, assigned or otherwise handled.

As of December 31, 2023, District No. 3 has incurred service obligations under this agreement totaling \$151,689.

SUPPLEMENTARY INFORMATION

Gunnison Rising Metropolitan District No. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Projects Fund
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended 2022)

	<u>2023</u>			<u>2022</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Interest	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General government:				
Organizational costs	-	107,650	(107,650)	-
Bond issuance costs	-	19,104	(19,104)	-
Capital Outlay	12,904,526	2,421,039	10,483,487	3,780,517
Total Expenditures	<u>12,904,526</u>	<u>2,547,793</u>	<u>10,356,733</u>	<u>3,780,517</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(12,904,526)</u>	<u>(2,547,793)</u>	<u>(10,356,733)</u>	<u>(3,780,517)</u>
Other Financing Sources (Uses):				
Developer advances	-	2,547,793	2,547,793	3,780,517
Transfers in	12,904,526	-	(12,904,526)	-
Total Other Financing (Uses)	<u>12,904,526</u>	<u>2,547,793</u>	<u>(10,356,733)</u>	<u>3,780,517</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Gunnison Rising Metropolitan District No. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended 2022)

	<u>2023</u>		Final Budget Variance Positive (Negative)	<u>2022</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General government:				
Contingency	500,000	-	500,000	-
Debt service:				
Interest and fiscal charges	271,707	-	271,707	-
Bond issuance costs	643,018	-	643,018	-
Total Expenditures	<u>1,414,725</u>	<u>-</u>	<u>1,414,725</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,414,725)</u>	<u>-</u>	<u>(1,414,725)</u>	<u>-</u>
Other Financing Sources (Uses):				
Bond proceeds	16,750,894	-	(16,750,894)	-
Transfers (out)	(12,904,526)	-	12,904,526	-
Total Other Financing (Uses)	<u>3,846,368</u>	<u>-</u>	<u>(3,846,368)</u>	<u>-</u>
Net Change in Fund Balance	2,431,643	-	(2,431,643)	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>2,431,643</u></u>	<u><u>-</u></u>	<u><u>(2,431,643)</u></u>	<u><u>-</u></u>