

PROMONTORY METROPOLITAN DISTRICT NO. 1
Adams County, Colorado

Financial Statements
and
Independent Auditor's Report
December 31, 2024

PROMONTORY METROPOLITAN DISTRICT NO. 1

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COLORADO CPA COMPANY

Independent Auditor's Report

Board of Directors
Promontory Metropolitan District No. 1
Adams County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Promontory Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Promontory Metropolitan District No. 1 as of December 31, 2024, and the respective changes in financial position 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Supplemental 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.

Supplemental 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 the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
September 29, 2025

PROMONTORY METROPOLITAN DISTRICT NO. 1

Statement of Net Position
December 31, 2024

	<u>Governmental Activities</u>
Assets	
Cash and investments - unrestricted	\$ 485,646
Cash and investments - restricted	22,597
Cash due from county treasurer	7,734
Accounts receivable - reimbursement	18,000
Property taxes receivable	916,891
Prepaid expense	5,309
Capital assets, not being depreciated	<u>8,164,019</u>
Total assets	<u>9,620,196</u>
Liabilities	
Accounts payable	<u>12,974</u>
Total liabilities	12,974
Deferred inflows of resources	
Property taxes	<u>916,891</u>
Total liabilities and deferred inflows of resources	<u>929,865</u>
Net position	
Net investment in capital assets	8,164,019
Restricted for	
Emergency reserve	100,000
Capital projects	18,464
Unrestricted	<u>407,848</u>
Total net position	<u>\$ 8,690,331</u>

See notes to financial statements.

PROMONTORY METROPOLITAN DISTRICT NO. 1

**Statement of Activities
For the Year Ended December 31, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government					
Government activities					
General government	\$ 106,312	\$ -	\$ -	\$ -	\$ (106,312)
	<u>\$ 106,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(106,312)</u>
General revenues					
Property taxes					2,056,996
Specific ownership tax					107,072
Interest					13,115
Other					<u>303</u>
Total general revenues					2,177,486
Change in net position					2,071,174
Net position beginning of year					<u>6,619,157</u>
Net position end of year					<u>\$ 8,690,331</u>

See notes to financial statements.

PROMONTORY METROPOLITAN DISTRICT NO. 1

**Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended December 31, 2024**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues			
Property taxes	\$ 2,056,996	\$ -	\$ 2,056,996
Specific ownership tax	107,072	-	107,072
Interest	13,115	-	13,115
Other	<u>303</u>	<u>-</u>	<u>303</u>
Total revenues	<u>2,177,486</u>	<u>-</u>	<u>2,177,486</u>
Expenditures			
Current			
Treasurer's fees	30,860	-	30,860
Legal	17,397	-	17,397
Audit	13,000	-	13,000
Accounting	12,656	-	12,656
Landscape maintenance	11,059	-	11,059
Insurance	7,851	-	7,851
Water	6,227	-	6,227
Administrative costs	6,062	-	6,062
Website	1,200	-	1,200
Capital outlay	<u>-</u>	<u>1,834,511</u>	<u>1,834,511</u>
Total expenditures	<u>106,312</u>	<u>1,834,511</u>	<u>1,940,823</u>
Excess (deficiency) of revenues over expenditures	<u>2,071,174</u>	<u>(1,834,511)</u>	<u>236,663</u>
Other financing sources			
Interfund transfers	<u>(1,852,975)</u>	<u>1,852,975</u>	<u>-</u>
Total other financing sources	<u>(1,852,975)</u>	<u>1,852,975</u>	<u>-</u>
Net change in fund balances - total governmental funds	218,199	18,464	236,663
Fund position - beginning of year	<u>289,649</u>	<u>-</u>	<u>289,649</u>
Fund position - end of year	<u>\$ 507,848</u>	<u>\$ 18,464</u>	<u>\$ 526,312</u>

See notes to financial statements.

PROMONTORY METROPOLITAN DISTRICT NO. 1

**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, 2024**

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

Net change in fund balances - total governmental funds	\$ 236,663
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	<u>1,834,511</u>
Changes in net position of governmental activities	<u>\$ 2,071,174</u>

See notes to financial statements.

PROMONTORY METROPOLITAN DISTRICT NO. 1

**General Fund - Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,057,002	\$ 2,057,002	\$ 2,056,996	\$ (6)
Specific ownership tax	123,418	123,418	107,072	(16,346)
Interest	-	-	13,115	13,115
Other	-	-	303	303
Transfers from District No. 3	<u>5,837</u>	<u>5,837</u>	<u>-</u>	<u>(5,837)</u>
Total revenues	<u>2,186,257</u>	<u>2,186,257</u>	<u>2,177,486</u>	<u>(8,771)</u>
Expenditures				
Current				
Treasurer's fees	42,000	42,000	30,860	11,140
Legal	42,000	42,000	17,397	24,603
Audit	12,000	12,000	13,000	(1,000)
Accounting	28,800	28,800	12,656	16,144
Landscape maintenance	12,000	12,000	11,059	941
Insurance	10,250	10,250	7,851	2,399
Water	24,000	24,000	6,227	17,773
Administrative costs	1,800	1,800	6,062	(4,262)
Website	-	-	1,200	(1,200)
Elections	5,000	5,000	-	5,000
Utilities	12,000	12,000	-	12,000
Snow removal	12,000	12,000	-	12,000
Signage	12,000	12,000	-	12,000
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>263,850</u>	<u>263,850</u>	<u>106,312</u>	<u>157,538</u>
Excess of revenues over expenditures	<u>1,922,407</u>	<u>1,922,407</u>	<u>2,071,174</u>	<u>148,767</u>
Other financing sources				
Interfund transfers	<u>(1,888,000)</u>	<u>(1,888,000)</u>	<u>(1,852,975)</u>	<u>35,025</u>
Total other financing sources	<u>(1,888,000)</u>	<u>(1,888,000)</u>	<u>(1,852,975)</u>	<u>35,025</u>
Net change in fund balances - total governmental funds	34,407	34,407	218,199	183,792
Fund position - beginning of year	<u>52,391</u>	<u>52,391</u>	<u>289,649</u>	<u>237,258</u>
Fund position - end of year	<u>\$ 86,798</u>	<u>\$ 86,798</u>	<u>\$ 507,848</u>	<u>\$ 421,050</u>

See notes to financial statements.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies

Promontory Metropolitan District No. 1 (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. 3 (collectively, the "Districts"). The Districts' service area is located in Adams County, Colorado. The District operates under the Service Plan for Promontory Metropolitan District Nos. 1 and 3, approved by Adams County (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 9), the District is the Coordinating District and District No. 3 is 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 the 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.

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). GASB is responsible for establishing U.S. GAAP for state and local governments through its pronouncements. The more significant accounting policies established by U.S. GAAP and used by the District are discussed below.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The operations are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenditures, as appropriate.

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. Redemption of bonds is recorded as a reduction in liabilities. Property taxes are recognized as revenues in the year for which they are levied and collected.

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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, and other taxes.

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

Budgets

In accordance with the State Budget Law of Colorado, the Board 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 can modify the budget by line item within the total appropriation without notification. The appropriation can be modified only upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Property Taxes

Property taxes are levied by the Board. 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 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 property tax revenue is recorded as revenue in the year it is available or collected. Property taxes have been historically levied by Promontory Metropolitan District No. 3 and transferred to the District to pay operating and debt service costs.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period, and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statement of net position, but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate.

Deferred property taxes represent property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value or amortized cost, as applicable.

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 minimum number of bank accounts. 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.

Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction-in-progress and are not depreciated.

Fund Balance - Governmental Funds

The fund balances for the District's governmental funds are displayed in up to five components:

Non-spendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency reserves of \$100,000 have been provided for as required by Article X, Section 20 of the Colorado Constitution (Note 9).

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the Board. There is no committed fund balance for the year ended December 31, 2024.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2024.

Unassigned – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

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

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 1 - Definition of Reporting Entity and Summary of Significant Accounting Policies (continued)

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Restricted net position – net position is considered restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Net investment in capital assets – consists of capital assets net of accumulated depreciation reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

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

Interfund Transfers

Funds are occasionally transferred between funds when the need arises. There were interfund transfers of \$1,852,975 in 2024.

Note 2 - Cash

Cash and investments as of December 31, 2024:

Deposits with financial institutions	\$ 90,536
Investments	<u>417,707</u>
Total cash and investments	<u>\$ 508,243</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (the "PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators.

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 2 - Cash (continued)

Deposits with Financial Institutions (continued)

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. The District follows state statutes for deposits.

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.

Note 3 - 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
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 3 - Investments (continued)

Investments (continued)

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

Colotrust

The District invested in the Colorado Local Government Liquid Asset Trust (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 offers shares in three portfolios. Colotrust Prime ("Prime"), Colotrust Plus+ ("Plus") and Colotrust Edge ("Edge"). The District's investment at December 31, 2024, is in Plus. The Trust operates similarly to a money market fund and each share of Prime and Plus is equal in value to \$1.00 and Edge shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. Plus and Edge 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 services as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the 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. Prime and Plus are rates AAAM by Standard's & Poor's, and Edge is rated AAAF/S-1 by Fitch Ratings. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

As of December 31, 2024, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>2024</u>
Colotrust Plus+	Weighted average under 60 days	<u>\$ 417,707</u>

Note 4 - Receivables

In the government-wide financial statements, receivables are reported at the gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 5 - Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2024 is as follows:

<u>Governmental Type Activities</u>	<u>Balance at January 1, 2024</u>	<u>Additions</u>	<u>Transfer</u>	<u>Balance at December 31, 2024</u>
Capital assets not being depreciated				
Construction in progress	\$ 6,235,909	\$ 1,834,511	\$ 93,599	\$ 8,164,656
Total capital assets not being depreciated	<u>6,235,909</u>	<u>1,834,511</u>	<u>93,599</u>	<u>8,164,656</u>
Capital assets being depreciated				
Parks, landscaping, and trails	93,599	-	(93,599)	-
Total capital assets being depreciated	<u>93,599</u>	<u>-</u>	<u>(93,599)</u>	<u>-</u>
Accumulated depreciation				
Parks, landscaping, and trails	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets being depreciated	<u>93,599</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government-type assets, net	<u>\$ 6,329,508</u>	<u>\$ 1,834,511</u>	<u>\$ -</u>	<u>\$ 8,164,656</u>

Note 6 - Long-Term Obligations

Developer Advances

Public Improvement Acquisition and Reimbursement

On December 3, 2019, the District entered into the Public Improvements Acquisition and Reimbursement Agreement ("IARA") with the Developer, whereby the District agrees to reimburse ELG Investors, LLC (the "Developer"), for "District Eligible Costs" ("Costs") for public improvements constructed on behalf of the District. Reimbursement is subject to the receipt by the District of an Application for Acceptance of District Eligible Costs from the Developer, an Engineer's Cost Certification that verifies all improvements are fit for their intended purpose and were constructed in accordance with their design, and an Accountant's Cost Certification. No later than 45 days following receipt of said documents, the District shall accept the Costs by adopting an Acceptance Resolution. Amounts owed to the Developer under the IARA bear interest at 6% from the effective date of the Acceptance Resolution. As of December 31, 2024, no amounts are outstanding under the IARA.

As of December 31, 2024, no amounts are owed under the IARA.

Funding and Reimbursement Agreement (Operations and Maintenance)

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 6 - Long-Term Obligations (continued)

Developer Advances (continued)

On December 3, 2019, the District entered into the Funding and Reimbursement Agreement (Operations and Maintenance) (“FRA”) with the Developer, whereby the District agrees to reimburse the Developer for general operating, administrative and maintenance costs incurred by the District. The Developer has agreed to loan the District a maximum of \$50,000 per annum for two years, up to \$100,000 through December 31, 2021 (the “Loan Obligation Termination Date”). Thereafter, the Developer may agree to renew its obligations under the FRA by providing written notice thereof to the District, in which case the Loan Obligation Termination Date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year. Interest accrues on the advances at 6.5% per annum simple interest, 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. The term for repayment terminates on December 31, 2049. The FRA shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple-fiscal- year financial obligation. Repayment of advances and the agreement to issue a Reimbursement Obligation, shall be at all times subject to annual appropriation by the District, in its absolute discretion.

The Parties agree and acknowledge that the Developer has incurred Costs on behalf of the District prior to the execution of this Agreement in anticipation that the same would be reimbursed as provided

herein (the “Prior Costs”). Reimbursement for Prior Costs shall be made in accordance with, and subject to the terms and conditions of this Agreement governing the reimbursement for Costs, except that any Prior Costs reimbursed in accordance with this Agreement shall not be included in the calculation of the Maximum Loan Amount under Section 1 of this Agreement.

As of December 31, 2024, no amounts are owed under the FRA.

Debt Authorization

On November 5, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,104,000,000. At the same election, the District's electorate authorized an additional \$1,035,000,000 for the purpose of refunding outstanding indebtedness. The District's service plan limits the issuance of debt to \$69,000,000. In the future, the District may issue a portion or all of the remaining authorized debt. The debt was authorized for each of the following purposes:

As of December 31, 2024, the District had \$69,000,000 in authorized, but unissued, debt.

Note 7 - Related Parties

Certain members of the Board are employees, owners, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts have been disclosed to the Board.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 8 - Risk Management

Except as provided in the Colorado Governmental Immunity Act as it may be amended, 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 (the "Pool") as of December 31, 2024. 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.

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

Note 9 - Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, referred to 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 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.

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.

On November 5, 2019, the District's electors authorized the District to increase taxes by the imposition of ad valorem property taxes in any year without limitation as to rate or amount or any other condition in fiscal year 2019 without regard to any limitations under TABOR.

PROMONTORY METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

Note 9 - Tax, Spending, and Debt Limitations (continued)

Note 10 - Service and Reimbursement Agreements

District Coordinating Service Agreement

On December 3, 2019, the District Operating Agreement was entered into by and among the District (the "Operating District") and Promontory Metropolitan District No. 3 (the "Taxing District"). The Operating District and the Taxing District were organized to provide essential public improvements and services. The purpose of the agreement is to set forth the rights and obligations of the Taxing District to fully fund the Operating District to provide services (as defined in the agreement) on behalf of the Districts. In the agreement, the Operating District is to perform specific services for the Taxing Districts and serve as custodian and repository for the Taxing District's records. The Taxing District shall pay service costs (as defined in the agreement) of the Operating District by the imposition of taxes against the taxable property located within their boundaries.

Reimbursement Agreement - Off-Site Water Improvements

On July 22, 2021, the District entered into the Reimbursement Agreement (Off-Site Water Improvements) with Todd Creek Village Metropolitan District ("TCVMD") and the developer. The agreement establishes the terms and conditions for providing reimbursement and obligates the District to reimburse the costs for constructing the off-site water improvements that were financed by TCVMD on behalf of the developer. The reimbursement amount shall be separately accounted for by the District, and held until the Off-Site Water Improvements are fully completed and operational as demonstrated by TCVMD. As of December 31, 2024, no funds have been expended, but the District has assigned \$105,000 of fund balance in compliance with the agreement.

SUPPLEMENTAL INFORMATION

PROMONTORY METROPOLITAN DISTRICT NO. 1

**Debt Service Fund - Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Specific ownership tax	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
Organizational costs	100,000	100,000	-	100,000
Parks, landscape, and trails	288,000	288,000	34,511	253,489
Water and related infrastructure	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,800,000</u>	<u>(300,000)</u>
Total expenditures	<u>1,888,000</u>	<u>1,888,000</u>	<u>1,834,511</u>	<u>53,489</u>
Excess of revenues under expenditures	<u>(1,888,000)</u>	<u>(1,888,000)</u>	<u>(1,834,511)</u>	<u>53,489</u>
Other financing sources				
Interfund transfers	<u>1,888,000</u>	<u>1,888,000</u>	<u>1,852,975</u>	<u>35,025</u>
Total other financing sources	<u>1,888,000</u>	<u>1,888,000</u>	<u>1,852,975</u>	<u>35,025</u>
Net change in fund deficit	-	-	18,464	18,464
Fund position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Deficit) fund position - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,464</u>	<u>\$ 18,464</u>