

PROMONTORY METROPOLITIAN DISTRICT NO. 3
Adams County, Colorado

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

PROMONTORY METROPOLITIAN DISTRICT NO. 3

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COLORADO CPA COMPANY

Independent Auditor's Report

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

Opinions

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, 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. 3 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 METROPOLITIAN DISTRICT NO. 3

**Statement of Net Deficit
December 31, 2024**

	<u>Governmental Activities</u>
Assets	
Cash and investments - restricted	\$ 90,765
Property tax receivable	88,290
Receivable - county treasurer	<u>331</u>
Total assets	<u>179,386</u>
Liabilities	
Accounts payable	4,000
Accrued interest payable	34,251
Due after one year	<u>1,021,000</u>
Total liabilities	1,059,251
Deferred inflows of resources	
Deferred property taxes	<u>88,290</u>
Total liabilities and deferred inflows of resources	<u>1,147,541</u>
Net deficit	
Emergency fund	25,000
Debt service	(1,068,596)
Unrestricted	<u>75,441</u>
Total net deficit	<u>\$ (968,155)</u>

See notes to financial statements.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Government activities					
General government	\$ 271	\$ -	\$ -	\$ -	\$ (271)
Interest and related costs on long-term debt	<u>72,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,916)</u>
	<u>\$ 73,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(73,187)</u>
General revenues					
Property taxes					88,214
Specific ownership tax					4,209
Interest					595
Other income					<u>90,382</u>
Total general revenues					183,400
Change in net deficit					110,213
Net deficit beginning of year					<u>(1,078,368)</u>
Net deficit end of year					<u>\$ (968,155)</u>

See notes to financial statements.

PROMONTORY METROPOLITAN DISTRICT NO. 3

**Balance Sheet - Governmental Funds
December 31, 2024**

	<u>General</u>	<u>Debt Service</u>	<u>Total Government Funds</u>
Assets			
Assets			
Cash and investments - restricted	\$ 85,671	\$ 5,094	\$ 90,765
Property tax receivable	14,715	73,575	88,290
Receivable - county treasurer	<u>55</u>	<u>276</u>	<u>331</u>
Total assets	<u>\$ 100,441</u>	<u>\$ 78,945</u>	<u>\$ 179,386</u>
Liabilities and Fund Deficits			
Liabilities			
Accounts payable	<u>\$ 4,000</u>	<u>-</u>	<u>4,000</u>
Deferred inflows of resources			
Deferred property taxes	<u>14,715</u>	<u>73,575</u>	<u>88,290</u>
Total liabilities and deferred inflows of resources	<u>18,715</u>	<u>73,575</u>	<u>92,290</u>
Fund balance			
Emergency fund	25,000	-	25,000
Unassigned	<u>31,726</u>	<u>5,370</u>	<u>37,096</u>
Total fund balance	<u>81,726</u>	<u>5,370</u>	87,096
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 100,441</u>	<u>\$ 78,945</u>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds	(1,021,000)
Unpaid bond interest	(28,933)
Accrued interest payable	<u>(5,318)</u>

Net deficit of governmental activities	<u>\$ (968,155)</u>
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See notes to financial statements.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

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

	<u>General</u>	<u>Debt Service</u>	<u>Total Government Funds</u>
Revenues			
Property taxes	\$ 14,702	\$ 73,512	\$ 88,214
Specific ownership tax	701	3,508	4,209
Interest	9	586	595
Other income	<u>75,319</u>	<u>15,063</u>	<u>90,382</u>
Total revenues	<u>90,731</u>	<u>92,669</u>	<u>183,400</u>
Expenditures			
Current			
Trustee fee	-	8,000	8,000
Administrative costs	50	-	50
Treasurer's fees	221	1,103	1,324
Bond interest	<u>-</u>	<u>63,813</u>	<u>63,813</u>
Total expenditures	<u>271</u>	<u>72,916</u>	<u>73,187</u>
Excess of revenues over expenditures	<u>90,460</u>	<u>19,753</u>	<u>110,213</u>
Other financing sources			
Interfund transfers	<u>14,383</u>	<u>(14,383)</u>	<u>-</u>
Total other financing sources	<u>14,383</u>	<u>(14,383)</u>	<u>-</u>
Net change in fund balances - total governmental funds	104,843	5,370	110,213
Deficit fund position - beginning of year	<u>(23,117)</u>	<u>-</u>	<u>(23,117)</u>
Fund position - end of year	<u>\$ 81,726</u>	<u>\$ 5,370</u>	<u>\$ 87,096</u>

See notes to financial statements.

PROMONTORY METROPOLITIAN 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, 2024**

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

Net change in fund balances - total governmental funds	\$ <u>110,213</u>
Changes in net deficit of governmental activities	\$ <u><u>110,213</u></u>

See notes to financial statements.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

**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	\$ 14,704	\$ 14,704	\$ 14,702	\$ (2)
Specific ownership tax	882	882	701	(181)
Interest	-	-	9	9
Other income	<u>-</u>	<u>-</u>	<u>75,319</u>	<u>75,319</u>
Total revenues	<u>15,586</u>	<u>15,586</u>	<u>90,731</u>	<u>75,145</u>
Expenditures				
Current				
Administrative costs	-	-	50	(50)
Treasurer's fees	<u>221</u>	<u>221</u>	<u>221</u>	<u>-</u>
Total expenditures	<u>221</u>	<u>221</u>	<u>271</u>	<u>(50)</u>
Excess of revenues over expenditures	<u>15,365</u>	<u>15,365</u>	<u>90,460</u>	<u>75,095</u>
Other financing sources				
Interfund transfers	<u>16,197</u>	<u>16,197</u>	<u>14,383</u>	<u>(1,814)</u>
Total other financing sources	<u>16,197</u>	<u>16,197</u>	<u>14,383</u>	<u>(1,814)</u>
Net change in fund balances - total governmental funds	31,562	31,562	104,843	73,281
Deficit fund position - beginning of year	<u>-</u>	<u>-</u>	<u>(23,117)</u>	<u>(23,117)</u>
Fund position - end of year	<u>\$ 31,562</u>	<u>\$ 31,562</u>	<u>\$ 81,726</u>	<u>\$ 50,164</u>

See notes to financial statements.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

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

Promontory Metropolitan District No. 3 (the "District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on November 14, 2019 and is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District was established to provide financing for the design, acquisition, installation and construction of streets, parks and recreation facilities, water systems, sanitation/storm systems, transportation, mosquito control, safety protection, fire protection, television and relay translation, and security

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. Pursuant to the District Coordinating Services Agreement (Note 7), the District is the Financing District. and Promontory Metropolitan District No. 1 the Coordinating District.

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 governed by an elected Board of Directors (the "Board"). The District has no employees, and all operations and administrative functions are contracted.

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'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 METROPOLITIAN DISTRICT NO. 3

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 (deficit), 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. 3

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.

As of December 31, 2025 the General Fund reported a fund balance in the fund financial statements of \$96,415.

The Debt Service Fund accounts for the resources that are restricted, committed, or assigned for principal and interest on long-term general obligation debt of the governmental funds as well as financial resources being accumulated for future debt service.

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.

During the year, the District's actual expenditures in the Debt Fund exceeded appropriated amounts, which may be a violation of State Budget Law. The excess expenditures were covered by available fund balance in the Debt Fund.

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.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

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.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term bonds are reported gross.

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, 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.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

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

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.

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.

The District has no capital assets as of December 31, 2024.

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 \$25,000 have been provided for as required by Article X, Section 20 of the Colorado Constitution (Note 6).
- The restricted fund balance in the Debt Service Fund is to be used exclusively for the payment of future general obligation bond principal, interest, and related costs.

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.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

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

Fund Balance - Governmental Funds (continued)

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.

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.

Other Income

During the year ended December 31, 2024, Adams County completed an audit of the distribution of specific ownership taxes from prior years. The results of the audit determined the District was under paid \$90,382. The District recorded the payment as other income.

Capital Facilities Fee

On September 2, 2020, the District adopted a resolution imposing a Capital Facilities Fee ("Fee") on 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. The Indenture of Trust (Note 3) the Fee is pledged to the repayment of debt.

The District did not collect any capital facilities fees during 2024, fees are recorded as revenue when invoiced.

Interfund Transfers

Funds are occasionally transferred between funds when the need arises. There were interfund transfers of \$(14,383) in 2024.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

Note 2 - Cash and Investments - Restricted

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.

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.

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and U.S. Government agency entities and certain money market funds.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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 investments are not required to be categorized within the fair value hierarchy. The investment's value is calculated using the net asset value ("NAV") method per share.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

Note 2 - Cash and Investments - Restricted (continued)

Investments (continued)

COLORTRUST Plus+

The District invested in *COLORTRUST Plus+* ("Investment"). The Investment is rated AAAM by Standard & Poor's Global Ratings with a maturity weighted average of 44 days. The investment is recorded at fair value, and the District records the Investment using the NAV. The fund is a money market fund with each share maintaining a value of \$1.00. The money market fund invests in high-quality instruments issued by the U.S. Government. At December 31, 2024, the District had \$3,567 invested with the trustee.

Note 3 - Long-Term Obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2024:

	<u>Balance at January 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2024</u>	<u>Due Within One Year</u>
2020A(3) Limited Tax General Obligation Bonds	\$ 1,021,000	\$ -	\$ -	\$ 1,021,000	\$ -
Unpaid interest on bonds	<u>34,251</u>	<u>-</u>	<u>-</u>	<u>34,251</u>	<u>-</u>
Total	<u>\$ 1,055,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,055,251</u>	<u>\$ -</u>

On October 22, 2020, the District issued Limited Tax General Obligation Bonds, Series 2020A(3) ("Bonds") in the amount of \$1,040,000 with a maturity date of December 1, 2050. The Bonds were issued for the purpose of: (a) payment of project costs, and (b) payments of other costs in connection with the issuance of the Bonds.

The mandatory redemption began as of December 1, 2021, subject to available pledged revenues. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2025 and on any date thereafter, upon payment of par, accrued interest, and a redemption premium ranging from 0%-3%. After December 31, 2028, there is no redemption premium.

Interest on the Bonds is payable annually on December 1 each year, commencing on December 1, 2020 at the rate of 6.25% per annum.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

Note 3 - Long-Term Obligations (continued)

To the extent principal of any Bonds is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Bonds is not paid when due, such interest shall compound annually on each interest payment date at the Bonds interest rate. 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 and interest, and all Bonds will be deemed defeased and no longer outstanding on the payment by the District of such amount. As of December 31, 2024, the accrued unpaid interest on the Bonds is \$34,251.

The Bonds are considered in default under any of the following occurrences:

(1) The District fails or refuses to impose the requires mill levy or to apply the pledged revenue as required by the agreement.

(2) the District defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of the District in the agreement of the Bond resolution and fails to remedy the covenants, agreements or conditions.

(3) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the Bond obligation.

The annual debt service requirements on the 2020A(3) Bonds are not currently determinable since they are payable only from available pledged revenue

Security

The Bonds are secured by and payable from the revenues derived by the District from the following sources, net of any costs of collection ("Pledged Revenue"): (i) all property tax revenues received from the required mill levy defined in the Bond agreement, excluding oil and gas tax revenue; (ii) all specific ownership tax revenue; (iii) all capital fees, including facility fees and (iv) any other legally available revenues which the District determines in its absolute discretion, to credit the Bond fund.

Required Mill Levy

Pursuant to the Indenture of Trust, the District is required to impose a mill levy not to exceed 50.000 mills to generate sufficient property tax revenues to pay the principal and interest on the Bonds. After January 1, 2019, if there are no changes in the method of calculating assessed valuation, the maximum mill levy of 50.000 mills will be increased or decreased to reflect the change. The District levied 50.525 mills for debt service in 2023 and 2024 for collection in 2024 and 2025, respectively.

PROMONTORY METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements

Note 3 - Long-Term Obligations (continued)

Debt Authorization

On November 5, 2019, a majority of the qualified electors of the District authorized total indebtedness of \$1,104,000,000. The debt was authorized for each of the following purposes:

- Streets
- Park and recreation facilities
- Water facilities
- Mosquito control
- Administration
- Operation and maintenance expenses
- Intergovernmental debt
- Payment, refunding, refinancing, or defeasance of debt
- Agreements with private parties

At the same election, the District's electorate authorized an additional \$759,000,000 for the purposes of refunding outstanding indebtedness. The District's Service Plan limits the District's issuance of \$69,000,000 of debt. As of December 31, 2024, the District had \$67,960,000 in authorized, but unissued, debt.

Note 4 - Related Parties

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

Note 5 - 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.

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

Note 6 - 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, 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.

After 20 years from the execution of this Agreement, the Parties hereby agree and acknowledge that any obligation of the District to reimburse Equinox due and outstanding under this Agreement, including accrued interest, is forgiven in its entirety, generally and unconditionally released, waived, acquitted and forever discharged, and shall be deemed a contribution to the District by Equinox and there shall be no further obligation of the District to pay or reimburse Equinox with respect to such amounts

PROMONTORY METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements

Note 6 - Tax, Spending, and Debt Limitations (continued)

Note 7 - Agreements

District Coordinating Services Agreement

On December 3, 2019, the District entered into the District Coordinating Services Agreement with Promontory Metropolitan District No. 1, the Coordinating District. The agreement sets forth the services District No. 1 will perform on behalf on the District related to administrative services and ownership, operation and maintenance of public improvements. It is the intent of the District to 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.

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 fund 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. 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. The term for repayment expires September 2, 2050.

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 2024.

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

PROMONTORY METROPOLITIAN DISTRICT NO. 3

Notes to Financial Statements

Note 6 - Tax, Spending, and Debt Limitations (continued)

Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. During 2024, there were no Cost acceptances or reimbursements under the IARA.

Raw Water Reimbursement Agreement

The District entered into a agreement on July 22, 2021, effective January 1, 2021, with Equinox for reimbursment of water tap fees for eligible costs within the Todd Creek Village Metropolitan District.6. As of December 31, 2024 Equinox has not incurred any costs in relation to water taps.

SUPPLEMENTAL INFORMATION

PROMONTORY METROPOLITIAN DISTRICT NO. 3

**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	\$ 73,520	\$ 73,520	\$ 73,512	\$ (8)
Specific ownership tax	4,411	4,411	3,508	(903)
Interest	5,000	5,000	586	(4,414)
Other income	<u>-</u>	<u>-</u>	<u>15,063</u>	<u>15,063</u>
Total revenues	<u>82,931</u>	<u>82,931</u>	<u>92,669</u>	<u>(5,325)</u>
Expenditures				
Current				
Treasurer's fees	1,103	1,103	8,000	(6,897)
Fees	4,010	4,010	1,103	2,907
Contingency	5,000	5,000	-	5,000
Bond interest	<u>35,536</u>	<u>35,536</u>	<u>63,813</u>	<u>(28,277)</u>
Total expenditures	<u>45,649</u>	<u>45,649</u>	<u>72,916</u>	<u>(27,267)</u>
Excess of revenues under expenditures	<u>37,282</u>	<u>37,282</u>	<u>19,753</u>	<u>(17,529)</u>
Other financing sources				
Interfund transfers	-	-	(14,383)	14,383
Net change in fund deficit	37,282	37,282	5,370	(31,912)
Fund position - beginning of year	<u>379</u>	<u>376</u>	<u>-</u>	<u>(376)</u>
Fund position - end of year	<u>\$ 37,661</u>	<u>\$ 37,658</u>	<u>\$ 5,370</u>	<u>\$ (32,288)</u>