Promontory Metropolitan District No. 3
Adams County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023

Promontory Metropolitan District No. 3

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the 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, 2023, 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 accompanying 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.

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.

Fiscal Focus Partners, LLC

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Auditor's Responsibility 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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 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 identified in the table of contents is presented for the purposes of additional analysis and legal compliance 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
July 31, 2024

BASIC FINANCIAL STATEMENTS

Promontory Metropolitan District No. 3

STATEMENT OF NET POSITION

December 31, 2023

		Governmental Activities
Assets		
Cash and investments - restricted	$	3,530
Receivable - County Treasurer		304
Property taxes receivable		88,224
Total Assets		92,058
Liabilities		
Due to other governments		26,951
Accrued interest payable		5,318
Noncurrent liabilities:		
Due in more than one year		1,049,933
Total Liabilities		1,082,202
Deferred Inflow of Resources		
Property tax revenue		88,224
Total Deferred Inflow of Resources		88,224
Net Position (Deficit)		
Unrestricted		(1,078,368)
Total Net Position (Deficit)	$	(1,078,368)

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

Promontory Metropolitan District No. 3

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary government					
General government	$ 8,124	$ -	$ -	$ -	$ (8,124)
Interest on long-term debt and related costs	65,815	-	-	-	(65,815)
Total primary government	$ 73,939	$ -	$ -	$ -	(73,939)
		General Revenues:			
		Property taxes			45,446
		Specific ownership taxes			3,227
		Interest income			3
		Total general revenues			48,676
		Change in net position			(25,263)
		Net position (deficit) - beginning			(1,053,105)
		Net position (deficit) - ending			$ (1,078,368)

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

Promontory Metropolitan District No. 3

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2023

	General	Debt Service	Total Governmental Funds
Assets			
Cash and investments - restricted	$ 3,271	$ 259	$ 3,530
Receivable - County Treasurer	51	253	304
Property taxes receivable	14,704	73,520	88,224
Total Assets	$ 18,026	$ 74,032	$ 92,058
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Due to other governments	$ 26,439	$ 512	$ 26,951
Total Liabilities	26,439	512	26,951
Deferred Inflows of Resources			
Property tax revenue	14,704	73,520	88,224
Total Deferred Inflows of Resources	14,704	73,520	88,224
Fund Balances			
Unassigned	(23,117)	-	(23,117)
Total Fund Balance (Deficit)	(23,117)	-	(23,117)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 18,026	$ 74,032	

Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,021,000)
Unpaid bond interest payable	(28,933)
Accrued interest - bonds	(5,318)
Net position (deficit) of governmental activities	$ (1,078,368)

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

Promontory Metropolitan District No. 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General	Debt Service	Total Governmental Funds
Revenues			
Property taxes	$ 7,575	$ 37,871	$ 45,446
Specific ownership taxes	538	2,689	3,227
Interest income	-	3	3
Total revenues	8,113	40,563	48,676
Expenditures			
General government			
Administrative costs	25	-	25
Transfer to Promontory Metropolitan District No. 1	8,039	-	8,039
Debt service			
Bond interest	-	63,813	63,813
Treasurer fees	60	300	360
Total expenditures	8,124	64,113	72,237
Excess of revenue over (under) expenditures	(11)	(23,550)	(23,561)
Other financing sources (uses)			
Transfers in/(out)	(23,106)	23,106	-
Total other financing sources (uses)	(23,106)	23,106	-
Net change in fund balances	(23,117)	(444)	(23,561)
Fund balances - beginning	-	444	444
Fund balances (deficit) - ending	$ (23,117)	$ -	$ (23,117)

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

Promontory Metropolitan District No. 3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Net change in fund balances - total governmental funds	$	(23,561)
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Accrued bond interest payable - change in liability		(1,702)
Change in net position (deficit) of governmental activities	$	(25,263)

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

Promontory Metropolitan District No. 3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 7,575	$ 7,575	$ -
Specific ownership taxes	455	538	83
Miscellaneous income	25,000	-	(25,000)
Total revenues	33,030	8,113	(24,917)
EXPENDITURES			
General government			
Administrative costs	-	25	(25)
Treasurer fees	114	60	54
Transfer to Promontory Metropolitan District No. 1	7,916	8,039	(123)
Contingency	25,000	-	25,000
Total expenditures	33,030	8,124	24,906
Excess of revenues over (under) expenditures	-	(11)	(11)
Other financing sources (uses)			
Transfers in/(out)	-	(23,106)	(23,106)
Total other financing sources (uses)	-	(23,106)	(23,106)
Net change in fund balance	-	(23,117)	(23,117)
Fund balance - beginning	-	-	-
Fund balance (deficit) - ending	$ -	$ (23,117)	$ (23,117)

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

Note 1 – Reporting Entity

Promontory Metropolitan District No. 3 (the District) was organized on November 14, 2019, as a quasi-municipal organization established under the State of Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) concurrently with Promontory Metropolitan District No. 1 (District No. 1) and Promontory Metropolitan District Nos. 2, 4 and 5 (the Districts). The District's service area is located in Adams County, Colorado. The District operates under the Service Plan for Promontory Metropolitan Districts Nos 1-5 (the Service Plan) approved by Adams County (the County) on August 17, 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 systems, transportation, mosquito control, safety protection, fire protection, television and relay translation, and security. Pursuant to the District Coordinating Services Agreement (Note 8), District No. 1 is the Coordinating District and Districts No. 2-5 are the Financing Districts.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

Note 2 – Summary of Significant Accounting Policies

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

Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measureable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

> The general fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.
>
> The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Budgets

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

The District amended its 2023 budget.

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

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

The District has no capital assets as of December 31, 2023.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund’s average equity balance in the total cash.

Property Taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by

December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital Facilities Fee

On September 2, 2020, the District adopted a resolution imposing a Capital Facilities Fee (Fee) upon property within the District. Pursuant to the resolution, the Fee is payable on the initial date the lot is sold at a rate of $4,000 per residential unit. Per the Indenture of Trust for the $2020A_{(3)}$ Bonds (Note 4), the Fee is pledged to the repayment of debt.

The District did not collect any capital facilities fees during 2023.

Deferred Inflow of Resources

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

Equity

Net Position

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

Fund Balance

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

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

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

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

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

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

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

Note 3 – Cash and Investments

Cash and investments are reflected on the December 31, 2023 statement of net position as follows:

Cash and investments - restricted	$	3,530
Total cash and investments	$	3,530

Cash and investments as of December 31, 2023 consist of the following:

Deposits with financial institutions	$	3,490
Investments		40
Total cash and investments	$	3,530

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2023, the federal insurance limit was $250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of $3,490.

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

As of December 31, 2023, the District had the following investment:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 days	$ 40

Colotrust

The District invests in the Colorado Local Government Liquid Asset Trust (Colotrust) (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, Colotrust Plus+ and Colotrust Edge.

Colotrust Prime and Colotrust Plus+, which operate similarly to a money market fund, offer daily liquidity and each share is equal in value to $1.00. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. Colotrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. Both portfolios are rated AAAm by Standard and Poor's.

Colotrust Edge, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. Colotrust Edge may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. governmental agencies, and highest rated commercial paper. Colotrust Edge is rated AAAf/S1 by Fitch Ratings.

The designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust records its investments as fair value and the District records its investment in Colotrust at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period. The District was invested in the Colotrust Plus+ portfolio at December 31, 2023.

Note 4 – Long-Term Obligations

The District's outstanding long-term obligations at December 31, 2023, are as follows:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023
Bonds Payable:				
$2020A_3$ Limited Tax General Obligation Bonds	$ 1,021,000	$ -	$ -	$ 1,021,000
Unpaid Interest on Bonds	27,231	1,702	-	28,933
	$ 1,048,231	$ 1,702	$ -	$ 1,049,933

The $2020A_3$ Bonds are structured as cash flow bonds, and as such the timing of principal payments is unknown. Accordingly, no scheduled maturity table is presented in the financial statements.

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

$1,040,000 Limited Tax General Obligation Bonds, Series $2020A_{(3)}$

Bond Details

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

Interest on the $2020A_{(3)}$ Bonds is payable annually on December 1 each year, commencing on December 1, 2020 at the rate of 6.25% per annum. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such interest shall compound annually on each interest payment date, at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. As of December 31, 2023, the accrued unpaid interest on the bonds is $28,933.

Optional Redemption

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

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

Security

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

Required Mill Levy

Pursuant to the Indenture of Trust, the District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in an amount necessary to generate Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds, but not in excess of 50.000 mills provided however, that if, after January 1, 2019, there were or are changes in the method of calculating assessed valuation the maximum mill levy of 50 mills will be increased or decreased to reflect such changes. To the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. The District levied 50.525 mills for debt service in 2022 and 2023, for collection in 2023 and 2024, respectively.

The annual debt service requirements on the $2020A_{(3)}$ Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Debt Authorization

On November 5, 2019, the District's electorate authorized total indebtedness of $1,104,000,000 for the purpose of providing certain improvements and facilities and entering into one or more intergovernmental agreements with one or more public entities for the purpose of financing the costs of public improvements, facilities, systems, programs or projects which the District may lawfully provide for the purpose of providing for the operation and maintenance of the District and its facilities and properties, which agreement may constitute a multiple fiscal year obligation of the District to the extent authorized by law. 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 Districts issuance of $69,000,000 of debt. After the issuance of the 2020A$_{(3)}$ Bonds, the District's remaining debt authorization under its Service Plan is $67,960,000. In the future, the District may issue a portion or all of the remaining authorized but unissued debt.

Note 5 – Fund Deficit

The general fund reported a deficit fund balance at December 31, 2023, as a result of accrued amounts owing to District No. 1 under the District Coordinating Services Agreement (Note 8). The deficit is expected to be eliminated through Developer advances or other revenue sources during 2024.

Note 6 – Net Position

The District has an unrestricted deficit of $1,053,105 as of December 31, 2023. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements which have been or will be conveyed to other governmental entities.

Note 7 – Related Parties

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

Note 8 – Agreements

District Coordinating Services Agreement

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

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, 2023. 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.

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 2023.

Public Improvements Acquisition and Reimbursement Agreement

On September 2, 2020, the District entered into the Public Improvements Acquisition and Reimbursement Agreement (IARA) with Equinox Development, LLC (Equinox) to establish the terms and conditions for: (i) the acquisition of certain Public Improvements financed and constructed or caused to be constructed by Equinox that is to be owned by the District; and (ii) the reimbursement of Certified District Eligible Costs (Costs) incurred by Equinox. Pursuant to the agreement, the District agrees to reimburse Equinox for advances plus interest at the rate of 6% per annum. The District's obligation to make reimbursement payments is subject to annual appropriations and shall not be deemed to be a multiple fiscal year obligation for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. During 2023, there were no cost acceptances or reimbursements under the IARA.

Note 9 – Risk Management

The District is 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Note 10 – Tax, Spending and Debt Limitations

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Pursuant to the District Coordinating Services Agreement (Note 8), District No. 1 has established the Emergency Reserve for the District.

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

SUPPLEMENTAL INFORMATION

Promontory Metropolitan District No. 3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 37,879	$ 37,879	$ 37,871	$ (8)
Specific ownership taxes	2,273	2,273	2,689	416
Interest income	5,000	10,133	3	(10,130)
Total revenues	45,152	50,285	40,563	(9,722)
EXPENDITURES				
Bond interest	35,536	63,813	63,813	-
Trustee fees	4,010	4,010	-	4,010
Treasurer fees	568	568	300	268
Contingency	5,000	5,000	-	5,000
Total expenditures	45,114	73,391	64,113	9,278
Excess of revenues over (under) expenditures	38	(23,106)	(23,550)	(444)
Other financing sources (uses)				
Transfers in/(out)	-	23,106	23,106	-
Total other financing sources (uses)	-	23,106	23,106	-
Net change in fund balance	38	-	(444)	(444)
Fund balance - beginning	341	-	444	444
Fund balance - ending	$ 379	$ -	$ -	$ -