

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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Board of Directors
Silver Peaks Metropolitan District No. 3
Weld County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Silver Peaks 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 Silver Peaks Metropolitan District No. 3 as of December 31, 2023, 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 (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Denver, Colorado

September 7, 2024

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash and investments - restricted	\$ -	\$ 277,763	\$ -	\$ 277,763	\$ -	\$ 277,763
Receivable - County Treasurer	74	722	-	796	-	796
Property taxes receivable	28,763	326,014	-	354,777	-	354,777
Receivable from District No. 1	-	107,514	3,330	110,844	-	110,844
Developer receivable	933	17,891	-	18,824	-	18,824
Capital assets not being depreciated	-	-	-	-	3,655,157	3,655,157
Total Assets	<u>\$ 29,770</u>	<u>\$ 729,904</u>	<u>\$ 3,330</u>	<u>\$ 763,004</u>	<u>3,655,157</u>	<u>4,418,161</u>
LIABILITIES						
Accrued interest on bonds	\$ -	\$ -	\$ -	\$ -	126,332	126,332
Long-term liabilities:						
Due within one year	-	-	-	-	35,000	35,000
Due in more than one year	-	-	-	-	4,003,060	4,003,060
Total Liabilities	-	-	-	-	4,164,392	4,164,392
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	28,763	326,014	-	354,777	-	354,777
Total Deferred Inflows of Resources	<u>28,763</u>	<u>326,014</u>	<u>-</u>	<u>354,777</u>	<u>-</u>	<u>354,777</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	10	-	-	10	(10)	-
Debt service	-	403,890	-	403,890	(403,890)	-
Capital projects	-	-	3,330	3,330	(3,330)	-
Unassigned	997	-	-	997	(997)	-
Total Fund Balances	<u>1,007</u>	<u>403,890</u>	<u>3,330</u>	<u>408,227</u>	<u>(408,227)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,770</u>	<u>\$ 729,904</u>	<u>\$ 3,330</u>	<u>\$ 763,004</u>		
Net Position:						
Restricted for:						
Emergencies					10	10
Debt service					277,558	277,558
Capital projects					3,330	3,330
Unrestricted					(381,906)	(381,906)
Total Net Position					<u>\$ (101,008)</u>	<u>\$ (101,008)</u>

The notes to the financial statements are an integral part of these statements.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of Activities
EXPENDITURES						
Audit	\$ 4,900	\$ -	\$ -	\$ 4,900	\$ -	\$ 4,900
Treasurer's fees	364	3,551	-	3,915	-	3,915
Transfer to District No. 1	26,818	-	-	26,818	-	26,818
Bond principal	-	30,000	-	30,000	(30,000)	-
Bond interest expense	-	156,500	-	156,500	36,838	193,338
Paying agent fees	-	7,000	-	7,000	-	7,000
Developer advances - interest	-	-	-	-	21,975	21,975
Total Expenditures	<u>32,082</u>	<u>197,051</u>	<u>-</u>	<u>229,133</u>	<u>28,813</u>	<u>257,946</u>
GENERAL REVENUES						
Property taxes	24,252	236,729	-	260,981	-	260,981
Specific ownership taxes	1,031	10,068	-	11,099	-	11,099
Interest income	<u>6,807</u>	<u>8,960</u>	<u>-</u>	<u>15,767</u>	<u>-</u>	<u>15,767</u>
Total General Revenues	<u>32,090</u>	<u>255,757</u>	<u>-</u>	<u>287,847</u>	<u>-</u>	<u>287,847</u>
NET CHANGES IN FUND BALANCES	8	58,706	-	58,714	(58,714)	
CHANGE IN NET POSITION					29,901	29,901
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>999</u>	<u>345,184</u>	<u>3,330</u>	<u>349,513</u>	<u>(480,422)</u>	<u>(130,909)</u>
END OF YEAR	<u>\$ 1,007</u>	<u>\$ 403,890</u>	<u>\$ 3,330</u>	<u>\$ 408,227</u>	<u>\$ (509,235)</u>	<u>\$ (101,008)</u>

The notes to the financial statements are an integral part of these statements.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 24,252	\$ 24,252	\$ 24,252	\$ -
Specific ownership taxes	1,918	1,918	1,031	(887)
Interest income	<u>-</u>	<u>7,000</u>	<u>6,807</u>	<u>(193)</u>
Total Revenues	<u>26,170</u>	<u>33,170</u>	<u>32,090</u>	<u>(1,080)</u>
EXPENDITURES				
Audit	-	5,000	4,900	100
Treasurer's fees	364	364	364	-
Transfer to District No. 1	<u>25,806</u>	<u>26,800</u>	<u>26,818</u>	<u>(18)</u>
Total Expenditures	<u>26,170</u>	<u>32,164</u>	<u>32,082</u>	<u>82</u>
NET CHANGE IN FUND BALANCE	-	1,006	8	(998)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>999</u>	<u>999</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 2,005</u>	<u>\$ 1,007</u>	<u>\$ (998)</u>

The notes to the financial statements are an integral part of these statements.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of Silver Peaks Metropolitan District No. 3 (the “District”), located in Weld County, Colorado, entirely within the Town of Lochbuie (“Town”), conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The District is one of five overlaid districts (Silver Peaks Metropolitan District Nos. 1-5, the Districts, or SPMD No. 1, 2, 3, 4, or 5). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 20, 2000, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established primarily to coordinate the financing, construction and installation of local public improvements, including streets, traffic safety controls, street lighting, landscaping, storm drainage, television relay, water, sanitary sewer, park and recreation, transportation, and mosquito control improvements for the Silver Peaks Development. Public improvements and facilities constructed or acquired by the District may be owned and maintained by the District or may be dedicated for ownership and maintenance to the Town, to the South Beebe Draw Metropolitan District (“SBD”), or to other non-profit or governmental entities for the use and benefit of the District residents and taxpayers. The District will dissolve when there are no maintenance obligations, financial obligations, outstanding bonds, or other obligations outstanding, and upon a determination of the Town, that all of the purposes for which the District was created have been accomplished, and that all financial obligations are defeased or secured by escrowed funds or securities meeting the investment requirements in part 6 of article 75 of title 24, C.R.S.

The District has entered into an intergovernmental agreement with Silver Peaks Metropolitan District Nos. 1, 2 4 and 5 whereby certain revenues generated by Silver Peaks Metropolitan District Nos. 2 - 5 will be shared with Silver Peaks Metropolitan District No. 1.

The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are 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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

The District amended the total appropriations in the General Fund and the Debt Service Fund primarily due to an increase in expenses.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

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

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, 2023, 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 investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet/statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category at December 31, 2023.

In addition to liabilities, the balance sheet/statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), 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 assets 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. Land and certain landscaping improvements are not depreciated.

Fees

The District imposes certain infrastructure fees on property within the District pursuant to a joint resolution with Silver Peaks Metropolitan Districts Nos. 1-5 as amended. The fees are required to be paid for an undeveloped lot on which a residential structure has not been constructed and a certificate of occupancy has not been issued. The District records the revenue when the fees are paid and received.

Property Taxes

Property taxes are levied by the District's Board of Directors. 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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$10 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$403,890 is restricted for the payment of the debt service costs associated with the Series 2020A Bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$3,330 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their 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.

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 an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments – restricted	\$ <u>277,763</u>
Total	\$ <u>277,763</u>

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

COLOTRUST	\$ <u>277,763</u>
Total	\$ <u>277,763</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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. The District did not have any deposits at December 31, 2023.

Investments

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.

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 certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

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.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

The District had the following investment at December 31, 2023.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by the COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District had \$277,763 invested in COLOTRUST.

Note 3: Capital Assets

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

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
Governmental Activities:				
Capital assets not being depreciated:				
Construction in process	\$ 3,655,157	\$ -	\$ -	\$ 3,655,157
Total capital assets not being depreciated	3,655,157	-	-	3,655,157
Governmental activities capital assets, net	\$ 3,655,157	\$ -	\$ -	\$ 3,655,157

In accordance with the District’s service plan, the District will dedicate certain improvements and facilities to the Town or its designee upon completion of construction and installation. Upon acceptance by the County or its designee for maintenance and ownership, the facilities will be removed from the District’s property records.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2023, is as follows:

\$3,200,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A and \$500,000 Limited Tax General Obligation Subordinate Bonds, Series 2020B

On December 23, 2020, the District issued \$3,200,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A ("Series 2020A Bonds") and \$500,000 Limited Tax General Obligation Subordinate Bonds, Series 2020B ("Series 2020B Bonds"), for the purpose of, paying for a portion of the costs of designing, acquiring, constructing and installing certain Public Improvements, paying the costs of issuance of the Bonds, and, with respect to the Series 2020A Bonds only, funding the Senior Reserve Fund.

The Series 2020A Bonds bear interest at 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2021. The Series 2020B Bonds bear interest at the rate of 7.00%, payable annually on December 15, commencing on December 15, 2021, to the extent that Pledged Revenue is available. The Series 2020A Bonds are subject to mandatory sinking fund redemption commencing on December 1, 2021, and are subject to optional redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2025 upon payment of par, accrued interest and a redemption premium ranging from 0% to 3%. The Series 2020B Bonds are subject to a mandatory sinking fund redemption from Subordinate Pledged Revenue, if any, on deposit in the subordinate Bond Fund, and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 15, 2025, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2020A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available monies as determined by the District. The Series 2020A Bonds are also secured by the Senior Reserve Fund and the Senior Surplus Fund. The Series 2020B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, any amount remaining in the Senior Surplus Fund after termination of the fund and any other legally available monies as determined by the District.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020A Bonds. Due to the uncertainty in the timing of payments on the Series 2020B Bonds, no summary is presented.

	Principal	Interest	Total
2024	\$ 35,000	\$ 155,000	\$ 190,000
2025	35,000	153,250	188,250
2026	40,000	151,500	191,500
2027	45,000	149,500	194,500
2028	50,000	147,250	197,250
2029-2033	315,000	695,250	1,010,250
2034-2038	465,000	601,750	1,066,750
2039-2043	645,000	468,750	1,113,750
2044-2048	895,000	283,250	1,178,250
2049-2050	575,000	47,000	622,000
	<u>\$ 3,100,000</u>	<u>\$ 2,852,500</u>	<u>\$ 5,952,500</u>

Facilities Funding and Acquisition Agreement

On June 3, 2019, the District entered into a Facilities Funding and Acquisition Agreement (“FFAA”) with WM Sub SILP, LLC a Colorado Limited Liability Company (“SILP”), whereby the District agreed to acquire from SILP improvements constructed by SILP or to reimburse SILP for funds advanced to the District for construction of public improvements subject to conditions set forth in the FFAA. The District agreed to reimburse SILP for the costs of the improvements plus interest at 7% per annum. The parties further agree that no payment will be required of the District beyond legally available funds of the District for such payment as further described in the FFAA. The FFAA terminates on December 31, 2049, unless terminated earlier by mutual written agreement. The balance due at December 31, 2023, is \$380,329 including accrued interest of \$66,407.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

The following is an analysis of changes in long-term debt for the year ending December 31, 2023:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
General Limited Tax General Obligation Bonds:					
Series 2020A Bonds	\$ 3,130,000	\$ -	\$ 30,000	\$ 3,100,000	\$ 35,000
Series 2020B Bonds	500,000	-	-	500,000	-
Developer Advance - capital	313,922	-	-	313,922	-
Developer Advance- capital interest	44,432	21,975	-	66,407	-
Total	3,988,354	21,975	30,000	3,980,329	35,000
Issuance Premium	60,898	-	3,167	57,731	-
	<u>\$ 4,049,252</u>	<u>\$ 21,975</u>	<u>\$ 33,167</u>	<u>\$ 4,038,060</u>	<u>\$ 35,000</u>

Debt Authorization

As of December 31, 2023, the District had remaining voted debt authorization of \$34,800,000. The District has not budgeted to issue debt during 2024. Per the District's Service Plan, the District cannot issue debt in excess of \$27,000,000. The District was allocated an additional \$9,000,000 of debt authorization from District No. 1 as part of an intergovernmental agreement (see Note 6) and another additional \$7,090,000 of debt authorization from District No. 5 as part of the First Amendment to an intergovernmental agreement (see Note 6).

Note 5: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 6: Intergovernmental Agreements

Intergovernmental Agreement Regarding Infrastructure Financing Between and Among Silver Peaks Metropolitan Districts Nos. 1-5

On December 12, 2006, the District entered into an agreement with Silver Peaks Metropolitan District Nos. 1, 2, 4 and 5. Per the agreement, District No. 1 will be responsible for the overall coordination of the construction, operations and maintenance of regional facilities and services. District No. 1 shall own and maintain the regional facilities, however they may dedicate or convey any interest in any regional facility to another governmental entity upon such reasonable terms and conditions as determined by District No. 1, so long as such dedication does not impair the use or benefit of such regional facilities to District Nos. 2-5. District Nos. 2-5 agree to impose system development fees, drainage fees, and sewer line connection fees against the property owners and service users within each of the respective boundaries. District Nos. 2-5 each shall be responsible for the construction, operation and maintenance of its local improvements.

District Nos. 2-5 shall own and maintain their respective local improvements, however the District may dedicate or convey any interest in any local improvements to another governmental entity upon such reasonable terms and conditions as determined by the District, so long as such dedication does not impair the use or benefit of such local improvements to the residents and taxpayers of the applicable District. The Districts agree that each of the District Nos. 2-4 shall be allocated \$9,000,000 of the debt authorization as their respective Debt Allocation.

On July 2, 2015, the Silver Peaks Metropolitan District Nos. 1-5 entered into the First Amendment to this Agreement pursuant to which Silver Peaks Metropolitan District No. 5 assigned its entire proportionate share of the debt allocation to Silver Peaks Metropolitan District Nos. 1-4. Further, the Silver Peaks Metropolitan District Nos. 1-5 agreed that the District would be allocated an additional \$7,090,000 of the debt authorization as its respective debt allocation, and that Silver Peaks Metropolitan District Nos. 1, 3, and 4 will determine between and amongst themselves how the remaining debt allocation will be split up between each of them. Pursuant to the Amendment, the District had, as of the date of the Amendment, unused debt allocation totaling \$8,650,000.

Intergovernmental Agreement to Designate Funds

On July 2, 2015, the District and District No. 5 entered into the Intergovernmental Agreement to Designate Funds, whereby it was agreed that District No. 5 will have the right, but not the obligation to pay down, defease and/or retire any portion of the Remaining Disbursements at any time through appropriate and available District No. 5 funds. Any Paid Disbursements will reduce the total amount of the Remaining Disbursement but will not alter the ratios or quotients of the New Bond Revenue described in the A&R Agreement.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Intergovernmental Agreement Regarding Storm Drainage

On February 13, 2001, the District and SPMD Nos. 1, 2, 4 and 5 entered into an agreement with SBD whereby the District shall impose and collect a storm drainage impact fee and a storm drainage maintenance fee to be remitted to SBD to fund construction and maintenance of certain storm drainage improvements necessary for the development of the Districts. On April 26, 2011, a First Amendment to the agreement was executed to include the Highlands Districts which are located within the Beebe Draw Basin, and bound the District to the same duties and obligations and allowed the same rights and privileges as the Silver Peaks Districts.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements and bond insurance used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable developer advances and accrued bond and developer advance interest payable are not due and payable in the current period and, therefore, are not in the funds.

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 2) governmental funds report long-term debt payments as expenditures, however, in the Statement of Activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 236,729	\$ 236,729	\$ 236,729	\$ -
Specific ownership taxes	18,938	18,938	10,068	(8,870)
Interest income	-	-	8,960	8,960
Total Revenues	<u>255,667</u>	<u>255,667</u>	<u>255,757</u>	<u>90</u>
EXPENDITURES				
Bond principal	30,000	30,000	30,000	-
Bond interest expense	156,500	156,500	156,500	-
Paying agent fees	-	7,000	7,000	-
Treasurer's fees	<u>3,551</u>	<u>3,551</u>	<u>3,551</u>	<u>-</u>
Total Expenditures	<u>190,051</u>	<u>197,051</u>	<u>197,051</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>65,616</u>	<u>58,616</u>	<u>58,706</u>	<u>90</u>
NET CHANGE IN FUND BALANCE	65,616	58,616	58,706	90
FUND BALANCE:				
BEGINNING OF YEAR	<u>352,913</u>	<u>352,913</u>	<u>345,184</u>	<u>(7,729)</u>
END OF YEAR	<u>\$ 418,529</u>	<u>\$ 411,529</u>	<u>\$ 403,890</u>	<u>\$ (7,639)</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital improvements	-	-	-
Total Expenditures	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	3,330	3,330	-
END OF YEAR	<u>\$ 3,330</u>	<u>\$ 3,330</u>	<u>\$ -</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2023

Collection Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property	Mills Levied		Total Property Tax		Percent Collected to Levied
	<u>Tax Levy</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2019	\$ 4,490	61.181	0.000	\$ 275	\$ 275	100.00%
2020	\$ 2,167,620	67.580	0.000	\$ 146,488	\$ 146,488	100.00%
2021	\$ 3,550,680	6.280	61.300	\$ 239,955	\$ 239,955	100.00%
2022	\$ 3,851,870	6.280	61.300	\$ 260,310	\$ 260,310	100.00%
2023	\$ 3,755,870	6.457	63.029	\$ 260,981	\$ 260,981	100.00%
Estimated for year ending December 31, 2024	\$ 4,454,590	6.457	73.186	\$ 354,777		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.