

**THE CANYONS METROPOLITAN DISTRICT NO. 3
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Canyons Metropolitan District No. 3
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the The Canyons 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 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 and the 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. 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.

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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 generally accepted auditing standards 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 generally accepted auditing standards, we:

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

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

Required Supplementary Information

Management has omitted 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 opinion on the basic financial statements is not affected by this missing information.

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

Other Information

Management is responsible for the other information included in the annual report. The Other Information and the Continuing Disclosure Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

D'Agostino & Associates, P.C.

June 3, 2024

BASIC FINANCIAL STATEMENTS

**THE CANYONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 750
Cash and Investments - Restricted	22,106,132
Prepaid Insurance	3,921
Property Tax Receivable	267,560
Receivable from County Treasurer	220
Capital Assets:	
Capital Assets Not Being Depreciated	9,546,234
Total Assets	31,924,817
LIABILITIES	
Accounts Payable	320,346
Retainage Payable	12,979
Accrued Interest	2,464,285
Noncurrent Liabilities:	
Due in More Than One Year	31,506,349
Total Liabilities	34,303,959
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	267,560
Total Deferred Inflows of Resources	267,560
NET POSITION	
Restricted for:	
Emergency Reserve	300
Capital Projects	1,171,745
Net Position - Unrestricted	(3,818,747)
Total Net Position	\$ (2,646,702)

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 88,288	\$ -	\$ -	\$ -	\$ (88,288)
Interest on Long-Term Debt and Related Costs	1,699,761	-	-	-	(1,699,761)
Total Governmental Activities	\$ 1,788,049	\$ -	\$ -	\$ -	(1,788,049)
GENERAL REVENUES					
Property Taxes					36,574
Specific Ownership Taxes					3,392
Interest Income					1,072,712
Total General Revenues and Transfers					1,112,678
CHANGES IN NET POSITION					(675,371)
Net Position - Beginning of Year					(1,971,331)
NET POSITION - END OF YEAR					\$ (2,646,702)

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 750	\$ -	\$ -	\$ 750
Cash and Investments - Restricted	300	4,535	22,101,297	22,106,132
Receivable from County Treasurer	37	183	-	220
Prepaid Insurance	3,921	-	-	3,921
Property Tax Receivable	44,590	222,970	-	267,560
	<u>49,598</u>	<u>222,970</u>	<u>22,101,297</u>	<u>22,378,583</u>
Total Assets	<u>\$ 49,598</u>	<u>\$ 222,688</u>	<u>22,101,297</u>	<u>\$ 22,378,583</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 10,594	\$ -	\$ 309,752	\$ 320,346
Retainage Payable	-	-	12,979	12,979
Total Liabilities	<u>10,594</u>	<u>-</u>	<u>322,731</u>	<u>333,325</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	44,590	222,970	-	267,560
Total Deferred Inflows of Resources	<u>44,590</u>	<u>222,970</u>	<u>-</u>	<u>267,560</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expense	3,921	-	-	3,921
Restricted for:				
Emergency Reserves	200	-	-	200
Debt Service	-	4,718	-	4,718
Capital Projects	-	-	21,778,566	21,778,566
Unassigned	(9,707)	-	-	(9,707)
Total Fund Balances	<u>(5,586)</u>	<u>4,718</u>	<u>21,778,566</u>	<u>21,777,698</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 49,598</u>	<u>\$ 222,688</u>	<u>\$ 22,101,297</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,546,234
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Bond Interest	(2,464,285)
Bonds Payable	(31,270,000)
Developer Advance Payable	(213,535)
Accrued Developer Advance Interest	(22,814)
Net Position of Governmental Activities	<u>\$ (2,646,702)</u>

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 6,097	\$ 30,477	\$ -	\$ 36,574
Specific Ownership Taxes	566	2,826	-	3,392
Interest Income	122	1,098	1,071,492	1,072,712
Total Revenues	<u>6,785</u>	<u>34,401</u>	<u>1,071,492</u>	<u>1,112,678</u>
EXPENDITURES				
Current:				
Accounting	37,080	-	16,435	53,515
Auditing	4,800	-	-	4,800
County Treasurer's Fee	93	466	-	559
Dues and Membership	322	-	-	322
Election	725	-	-	725
Escrow Fee	-	-	2,525	2,525
Insurance and Bonds	3,821	-	-	3,821
Legal	19,272	-	4,600	23,872
Miscellaneous	1,140	-	-	1,140
Debt Service:				
Bond Interest - Series 2021	-	25,399	-	25,399
Paying Agent Fees	-	4,000	-	4,000
Capital Projects:				
Capital Outlay	-	-	3,399,914	3,399,914
Engineering	-	-	242,342	242,342
Total Expenditures	<u>67,253</u>	<u>29,865</u>	<u>3,665,816</u>	<u>3,762,934</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,468)	4,536	(2,594,324)	(2,650,256)
OTHER FINANCING SOURCES (USES)				
Developer Advance	61,056	-	1,674	62,730
Total Other Financing Sources	<u>61,056</u>	<u>-</u>	<u>1,674</u>	<u>62,730</u>
NET CHANGE IN FUND BALANCES	588	4,536	(2,592,650)	(2,587,526)
Fund Balances - Beginning of Year	<u>(6,174)</u>	<u>182</u>	<u>24,371,216</u>	<u>24,365,224</u>
FUND BALANCES - END OF YEAR	<u>\$ (5,586)</u>	<u>\$ 4,718</u>	<u>\$ 21,778,566</u>	<u>\$ 21,777,698</u>

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (2,587,526)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay 3,642,256

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance (62,730)

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 Interest Payable - Change in Liability (1,655,452)

Accrued Interest Payable Developer Advance - Change in Liability (11,919)

Changes in Net Position of Governmental Activities \$ (675,371)

**THE CANYONS METROPOLITAN DISTRICT NO. 3
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 6,096	\$ 6,097	\$ 1
Specific Ownership Taxes	549	566	17
Interest Income	-	122	122
Total Revenues	<u>6,645</u>	<u>6,785</u>	<u>140</u>
EXPENDITURES			
Accounting	32,800	37,080	(4,280)
Auditing	5,200	4,800	400
Contingency	3,059	-	3,059
County Treasurer's Fee	91	93	(2)
Dues and Membership	500	322	178
Election	2,000	725	1,275
Insurance and Bonds	3,850	3,821	29
Legal	23,500	19,272	4,228
Miscellaneous	2,000	1,140	860
Total Expenditures	<u>73,000</u>	<u>67,253</u>	<u>5,747</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,355)	(60,468)	5,887
OTHER FINANCING SOURCES (USES)			
Developer Advance	66,554	61,056	(5,498)
Total Other Financing Sources (Uses)	<u>66,554</u>	<u>61,056</u>	<u>(5,498)</u>
NET CHANGE IN FUND BALANCE	199	588	389
Fund Balance - Beginning of Year	<u>1</u>	<u>(6,174)</u>	<u>(6,175)</u>
FUND BALANCE - END OF YEAR	<u>\$ 200</u>	<u>\$ (5,586)</u>	<u>\$ (5,786)</u>

See accompanying Notes to Basic Financial Statements.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court of Douglas County, Colorado on December 19, 2001, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan approved by the City of Castle Pines (City) in Douglas County, Colorado on October 22, 2009, as amended by a First Amendment thereto approved by the City on December 8, 2015 and by a Second Amendment thereto approved by the City on December 10, 2019 collectively, the "Service Plan". The District operates in connection with Districts Nos. 1, 2, 4 and 8 – 11 and serves as a financing District.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, relocation, redevelopment, and completion of public improvements, covenant enforcement services, and planning services, including water, sanitation, streets, security services, parks and recreation, public transportation, traffic and safety, limited fire protection, limited television relay and translation, and mosquito control.

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 has no employees, and all operations and administrative functions are contracted.

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

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 include the statement of net position and the statement of activities. These financial statements include 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 CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 government 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 measurable 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 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 debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, 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 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.

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 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 or, if in equal installments, at the taxpayer's election in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridged, sidewalks, and similar items), are reported 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. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

All assets of the District are anticipated to be conveyed to other governmental entities. 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 of capital assets, a component of the District's net position.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows 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, *deferred inflows of resources*, represents an acquisition of net assets 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, the item, *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 resources 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:

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

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

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

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

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

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2023. The deficit was eliminated with developer advances received in 2024.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 750
Cash and Investments - Restricted	<u>22,106,132</u>
Total Cash and Investments	<u><u>\$ 22,106,882</u></u>

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

Deposits with Financial Institutions	\$ 1,391,040
Investments	<u>20,715,842</u>
Total Cash and Investments	<u><u>\$ 22,106,882</u></u>

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. 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 102% of the aggregate uninsured deposits.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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 \$1,391,040.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . 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 investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted-Average Under 60 Days	<u>\$ 20,715,842</u>

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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.

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. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A 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 PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by Fitch Ratings. COLOTRUST records its investments at 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 or weekly, and there is no redemption notice period.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,903,978	\$ 3,642,256	\$ -	\$ 9,546,234
Total Capital Assets, Not Being Depreciated	<u>5,903,978</u>	<u>3,642,256</u>	<u>-</u>	<u>9,546,234</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 5,903,978</u>	 <u>\$ 3,642,256</u>	 <u>\$ -</u>	 <u>\$ 9,546,234</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023
Bonds Payable:				
Limited Tax GO and Special Revenue Bonds Series 2021	\$ 31,270,000	\$ -	\$ -	\$ 31,270,000
Subtotal Bonds Payable	<u>31,270,000</u>	<u>-</u>	<u>-</u>	<u>31,270,000</u>
Accrued Interest on:				
Limited Tax GO and Special Revenue Bonds Series 2021	808,833	1,680,851	25,399	2,464,285
Subtotal Accrued Interest	<u>808,833</u>	<u>1,680,851</u>	<u>25,399</u>	<u>2,464,285</u>
Other Debts:				
Developer Advance - Operating	121,661	61,056	-	182,717
Developer Advance - Capital	29,144	1,674	-	30,818
Accrued Interest on:				
Developer Advance - Operating	8,259	10,084	-	18,343
Developer Advance - Capital	2,636	1,835	-	4,471
Subtotal Other Debts	<u>161,700</u>	<u>74,649</u>	<u>-</u>	<u>236,349</u>
 Total Long-Term Obligations	 <u>\$ 32,240,533</u>	 <u>\$ 1,755,500</u>	 <u>\$ 25,399</u>	 <u>\$ 33,970,634</u>

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds)

Bond Proceeds

The District issued the 2021 Bonds on December 16, 2021, in the par amount of \$31,270,000. Proceeds from the sale of the Bonds were used for the purposes of (i) refunding the 2021 Note; (ii) financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure; and (iii) paying costs of issuance of the 2021 Bonds.

Details of the 2021 Bonds

The 2021 Bonds bear interest at the rate of 5.50% per annum and are payable annually on each December 1, beginning on December 1, 2022, but only from and to the extent of available Pledge Revenue. The 2021 Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of Pledged Revenue.

The 2021 Bonds are structured as "cash flow" bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2021 Bonds compounds annually on each December 1. In the event that any amount of principal or interest on the 2021 Bonds remains unpaid after application of all Pledged Revenue available therefor on December 1, 2061, such amounts will be deemed discharged and no longer due and outstanding.

Optional Redemption

The 2021 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, 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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026 to November 30, 2027	3.00%
December 1, 2027 to November 30, 2028	2.00
December 1, 2028 to November 30, 2029	1.00
December 1, 2029 and Thereafter	0.00

Pledged Revenue

The 2021 Bonds are secured by and payable from moneys derived by the District from the following sources: (a) all Property Tax Revenues; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; (c) all Excluded Property PILOT (Payment in Lieu of Taxes) Revenues; (d) Pledged Net PIF (Public Improvement Fees); (e) all Capital Fees; (f) any District No. 3 Discretionary PIF Revenues which the District determines, in its absolute discretion, to deposit with the Trustee for application as Pledged Revenue; and (g) any other legally available moneys which the District determines, in its absolute discretion, to credit to the 2021 Bond Fund.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds) (Continued)

Pledged Revenue (Continued)

Property Tax Revenues means the ad valorem property taxes derived from the District's imposition of the Required Mill Levy, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County, and do not include specific ownership tax revenues

Required Mill Levy

The District is required to levy on all taxable property of the District the Required Mill Levy which is an ad valorem mill levy imposed each year in an amount equal to 45 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cur or abatement on or after January 1, 2020) or such lesser mill levy that will generate Property Tax Revenues which, when combined with moneys then on deposit in the 2021 Bond Fund, will pay the Bonds in full in the year such levy is collected.

Excluded Property PILOT Revenues

Certain real property has been excluded from the District's boundaries (the Excluded Property). Pursuant to a Declaration of Covenants Concerning Payments in Lieu of Taxes, the owner of such excluded real property will make an Annual Fee payment to the District. Annual Fee means an annual payment in lieu of taxes in an amount equal to \$100,000, which amount will be increased by 1% on January 1 of each calendar year after the calendar year of the date on which the District issues the 2021 Bonds; however, the Annual Fee will not be due or payable until the Annual Fee Commencement Date (generally meaning the date the City issues the first temporary certificate of occupancy or final certificate of occupancy for any building or structure on the Excluded Property), will be paid in arrears, and will be prorated for the calendar year in which the Annual Fee Commencement Date occurs.

Pledged Net PIF Revenues

The Indenture defines Pledged Net PIF Revenues as the Gross PIF Revenues, net of any PIF collection costs. Gross PIF Revenues are, collectively, the portions of revenue derived from imposition of the following:

- (a) the Credit PIF (currently equal to 50% of the City's Sales/Use Tax rate (currently 2.75%)), but solely to the extent derived from the following (and subject to the limitations of the Annexation and Development Agreement):
 - (i) Credit PIF Construction Activities occurring within, or otherwise relating to, property within the District and the Excluded Property and collected prior to the PIF Termination Date; and
 - (ii) Credit PIF Retail Sales occurring from or within the Excluded Property and collected prior to the Credit PIF Termination Date.
- (b) the Add-On PIF, currently at 3%, but solely to the extent derived from Add-On Retail Sales occurring from or within the Excluded Property and collected prior to the Add-On PIF Termination Date.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds) (Continued)

Pledged Revenue (Continued)

Pledged Net PIF Revenues (Continued)

The PIF Covenant imposes a Credit PIF on Credit PIF Construction Activities and a Credit PIF on Credit PIF Retail Sales in lieu of a portion of the City's Sales Tax. The Add-On PIF is not in lieu of any portion of the City's sales tax and is therefore in addition to sales taxes.

The Pledged Net PIF Revenue is expected to be collected by Canyons Metropolitan District No. 1 (District No. 1) and remitted to the Trustee pursuant to the PIF Collection Agreements and the PIF Assignment Agreement (whereby District No. 1 has assigned all right, title, and interest in the Pledged Net PIF Revenue to the District).

Capital Fees

Capital Fees means all fees, rates, tolls, penalties, and charges of a capital nature, if any, (excluding periodic, recurring service charges) now or hereafter imposed by the District, including and without limitation, the Facilities Fees. Capital Fees do not include any fee imposed solely for the purpose of funding operation and maintenance expenses.

The District imposes a Facilities Fee in the amount of \$4,000 for each single-family residential unit within the District and \$2,000 for each multi-family residential unit within the District. The Facilities Fees for multi-family residential units are due and payable upon the issuance of a building permit for such multi-family residential units. The Facilities Fees for residential lots are due and payable upon the earlier to occur of i) the initial transfer of a residential lot to a third-party builder, or ii) the issuance of a building permit for a residential unit on a residential lot. The Facilities Fee Resolution does not contemplate any Facilities Fees relating to commercial space.

District No. 3 Discretionary PIF Revenues

The Indenture defines District No. 3 Discretionary PIF Revenues as the portions of revenue derived from imposition of the following in accordance with the PIF Covenant: (a) the Credit PIF, but solely to the extent derived from Credit PIF Retail Sales occurring from or within the District; (b) the Add-On PIF, but solely to the extent derived from: (i) Add-On PIF Retail Sales occurring from or within the District, and (ii) Add-On PIF Construction Activities occurring within, or otherwise relating to property within the District or the Excluded Property.

Bonds Debt Service

The annual debt service requirements of the 2021 Bonds are not currently determinable since they are payable only from available Pledged Revenue.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2021⁽³⁾ (the 2021 Bonds) (Continued)

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under the Indenture (whatever the reason for such event or condition and whether it be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there shall be no default or Event of Default hereunder except as provided in this Section:

- (a) The District fails or refused to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture;
- (b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the Indenture or Bond Resolution, and fails to remedy the same after notice thereof; or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

It is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default hereunder.

The Series 2021 Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Series 2021 Bonds.

The Series 2021 Bonds are not subject to early termination. The Series 2021 Bonds are not subject to acceleration.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

At December 31, 2023, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 4, 2014	Authorization Used - Series 2020 Bonds	Authorization Used - Series 2021 Bonds	Authorized But Unissued
Streets	\$ 226,000,000	\$ -	\$ 15,223,060	\$ 210,776,940
Water	226,000,000	-	4,660,120	221,339,880
Sewer/Sanitation	226,000,000	183,000	11,184,288	214,632,712
Parks and Recreation	226,000,000	-	-	226,000,000
Public Transportation	226,000,000	-	-	226,000,000
Television Relay	226,000,000	-	-	226,000,000
Mosquito Control	226,000,000	-	-	226,000,000
Security Services	226,000,000	-	-	226,000,000
Fire Protection	226,000,000	-	-	226,000,000
Safety Protection	226,000,000	-	-	226,000,000
Refundings	226,000,000	-	202,532	225,797,468
Intergovernmental Agreements	226,000,000	-	-	226,000,000
Private Agreements	226,000,000	-	-	226,000,000
Operations and Maintenance Debt	226,000,000	-	-	226,000,000
Special Assessment Indebtedness	226,000,000	-	-	226,000,000
Total	<u>\$ 3,390,000,000</u>	<u>\$ 183,000</u>	<u>\$ 31,270,000</u>	<u>\$ 3,358,547,000</u>

Pursuant to the Amended and Restated Service Plan, the aggregate debt limit is \$226,000,000 for all of The Canyons Metropolitan District Nos. 2 – 11 combined, exclusive of refunding.

Pursuant to the Service Plan, the maximum mill levy for general obligation debt and operations and maintenance is 59.000 mills. Both the operations and maintenance and the debt service portion of the limit is to be adjusted for increases or decreases in the residential assessment ratio so that the actual tax revenues derived from the mill levy, as adjusted, are neither diminished nor enhanced as a result.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

Developer Advance

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

Operations Funding and Reimbursement Agreement

The District and North Canyons Development Company, LLC (NCDC) entered into a Funding and Reimbursement Agreement (the Operations Funding Agreement) on September 21, 2020, whereby NCDC agreed to loan moneys to the District for the purpose of covering revenue shortfalls with respect to operation and maintenance expenses of the District.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance (Continued)

Operations Funding and Reimbursement Agreement (Continued)

Under the Operations Funding Agreement, NCDC agrees to loan the District up to \$50,000 per year (the Annual O&M Loan Cap), for four years, not to exceed \$200,000 (subject to increase as described below, the Maximum Loan Amount). The funds are to be loaned to the District in a series of installments and are to be available to the District through December 31, 2023 (the O&M Loan Obligation Termination Date).

Thereafter, the O&M Loan Obligation Termination Date will automatically extend for additional one-year terms unless NCDC provides written notice to the District of termination at least 30 days prior to December 31 of each year. Upon each automatic one-year extension of the O&M Loan Obligation Termination Date, NCDC agrees to loan to the District one or more sums of money up to the Annual O&M Loan Cap, and the Maximum Loan Amount shall be increased by the additional amount of such Annual O&M Loan Cap for each extension year, if any.

Each loan advance made under the Operations Funding Agreement accrues simple interest at the rate of 6.5% per annum from the date of such advance until the date the applicable O&M Reimbursement Obligation is issued (or the date such advance is repaid, if earlier).

The obligations under the Operating Funding Agreement shall not extend beyond 30 years from the effective date of the agreement (September 21, 2050).

Obligations under the Operations Funding Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal-year financial obligation and shall be at all times subject to annual appropriation by the District, in its absolute discretion.

As of December 31, 2023, \$182,717 of principal and \$18,343 of interest are outstanding under this Agreement

Capital Funding and Reimbursement Agreement

The District and NCDC entered into a Funding and Reimbursement Agreement (Capital) on December 10, 2021, (the Capital Funding Agreement) whereby NCDC agreed to loan moneys to the District for the purpose of funding certain capital costs of the District.

Under the Capital Funding Agreement, NCDC agrees to loan the District up to \$50,000 per year (the Annual Capital Loan Cap), for four years, up to the aggregate of \$200,000 (subject to increase as described below, the Maximum Capital Loan Amount). Interest accrues at a rate of 6.0% simple interest, annually. The funds are to be loaned to the District in a series of installments and are to be available to the District through December 31, 2024 (the Capital Loan Obligation Termination Date). Thereafter, the Capital Loan Obligation Termination Date will automatically extend for additional one-year terms unless NCDC provides written notice to the District of termination at least 30 days prior to December 31 of each year.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance (Continued)

Capital Funding and Reimbursement Agreement (Continued)

Upon each automatic one-year extension of the Capital Loan Obligation Termination Date, NCDC agrees to loan to the District one or more sums of money up to the Annual Capital Loan Cap, and the Maximum Capital Loan Amount shall be increased by the additional amount of such Annual Capital Loan Cap for each extension year, if any.

The obligations under the Capital Funding Agreement shall not extend beyond 30 years from the effective date of the agreement (December 10, 2051).

Obligations under the Capital Funding Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal-year financial obligation and shall be at all times subject to annual appropriation by the District, in its absolute discretion.

As of December 31, 2023, \$30,818 of principal and \$4,471 of interest are outstanding under this Agreement.

Infrastructure Acquisition and Project Fund Disbursement Agreement

The District and NCDC entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement, dated as of November 22, 2021, pursuant to which the District and NCDC agreed, among other things, that the District will reimburse NCDC for District Eligible Costs incurred by NCDC for Public Infrastructure.

Pursuant to the terms of this Agreement, the Developer may be reimbursed for the following categories of District Eligible Costs:

- (i) Public Infrastructure which is to be conveyed to another governmental entity with final, preliminary or conditional acceptance by the applicable governmental entity.
- (ii) Public Infrastructure which is to be conveyed to another governmental entity without final, preliminary or conditional acceptance by the applicable governmental entity.
- (iii) Public Infrastructure which is to be owned, operated and maintained by the District.
- (iv) Funds advanced to or on behalf of the District for District Eligible Costs.

The Infrastructure Acquisition and Project Fund Disbursement Agreement also contains provisions for NCDC to initiate a request for the District's acceptance of District Eligible Costs. The District will obtain an Engineer's Cost Certification and Accountant's Cost Certification and then the District will accept the District Eligible Costs by adopting a resolution. Within three business days of receiving a District Eligible Cost Acceptance Resolution, the District shall make a requisition in the amount of the Certified District Eligible Costs from the Project Fund held by the Trustee, which requisition shall direct that the Trustee make payment of the applicable amount directly to NCDC.

As of December 31, 2023, no amounts were outstanding under this Agreement.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Public Infrastructure Construction Agreement

The District and NCDC entered into a Public Infrastructure Construction Agreement, dated as of January 31, 2022, pursuant to which the District and NCDC agreed, among other things, that the District will construct certain Public Infrastructure that will serve property within the boundaries of the District. The District has agreed to construct the Public Infrastructure in accordance with the plans and specifications referenced in the agreement. The District will, upon written request from NCDC, provide written updates as to the status of the completion of the Public Infrastructure and any impediments the District has knowledge of that would likely prevent the Public Infrastructure or any material component thereof from being completed in accordance with such schedule of completion.

As of December 31, 2023, no amounts were outstanding under this Agreement.

Reimbursement Agreement (The Canyons – Eastern Loop Waterline)

The District and Shea Canyons, LLC entered into a reimbursement agreement, dated as of June 16, 2022, and as amended on January 18, 2023, pursuant to which the District and Shea Canyons, LLC agreed, among other things, for the District to design and construct or cause to be designed and constructed the Eastern Loop in accordance with plans and specifications approved by Parker Water and Sanitation District (Parker Water).

The District and Shea Canyons, LLC desire to split the cost for the design, construction, and installation of the Eastern Loop. These costs include but are not limited to engineering and design fees, labor and material costs, equipment costs, construction oversight and management fees, all costs for obtaining easements or other property interests, fees incurred for the issuance of a letter of credit required by the line extension agreement with Parker Water, fees required to be paid by Parker Water, any warranty surety required by Parker Water, any costs incurred by the District for the maintenance, repair or upkeep of the Eastern Loop until the date of actual acceptance by Parker Water, and any other related fees, costs, or expenses (collectively, the Project Costs), with the District paying 64% of the Project Costs and Shea Canyons, LLC paying 36% of the Project Costs.

Shea Canyons, LLC shall reimburse the District or cause the District to be reimbursed for 36% of all Projects Costs, provided that such costs do not exceed the amounts shown in the most recent Budget approved by the Parties. The District will invoice Shea as Project Costs are incurred, with such invoice to include reasonable supporting documentation detailing and substantiating the Project Costs incurred including, as applicable, a copy of the payment requests submitted by contractors, the District's project manager, or engineers or other consultants working on the Eastern Loop project. Shea Canyons, LLC agrees to pay each invoice withing 30 days of receipt.

As of December 31, 2023, no amounts were outstanding under this Agreement.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 300
Capital Projects	1,171,745
Total Restricted Net Position	\$ 1,172,045

The District had a deficit unrestricted net position as of December 31, 2023. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements to be constructed.

NOTE 7 RELATED PARTIES

The Original landowner and developer of the property which constitutes the District is NCDC (the Original Landowner). The majority of the members of the Board of Directors are employees, owners or otherwise associated with NCDC and may have conflicts of interest in dealing with the District.

The Developer advanced funds to the District pursuant to following agreements (see Note 4 Long-Term Obligations for additional information):

Operations Funding and Reimbursement Agreement

- Purpose: To pay general, administrative, operations and maintenance costs of the District
- Parties: District and NCDC
- Original Date: September 21, 2020
- Years Covered: 2020 - 2023
- Maximum Amount: \$200,000
- Interest Rate: 6.5% per annum from date of deposit
- Principal Balance at December 31, 2023: \$182,717
- Accrued Interest Balance at December 31, 2023: \$18,343

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 RELATED PARTIES (CONTINUED)

Capital Funding and Reimbursement Agreement

- Purpose: To pay certain capital costs of the District
- Parties: District and North Canyons
- Original Date: December 10, 2021
- Years Covered: 2021 - 2023
- Maximum Amount: \$200,000
- Interest Rate: 6.0% per annum from date of deposit
- Principal Balance at December 31, 2023: \$30,818
- Accrued Interest Balance at December 31, 2023: \$4,471

NOTE 8 DISTRICT AGREEMENTS

Intergovernmental Agreement with the City

As contemplated by the Service Plan, the Canyons Districts (being District Nos. 1 – 11) and the City entered into an Intergovernmental Agreement for The Canyons Metropolitan District Nos. 1 – 11, dated as of December 6, 2010, as amended pursuant to a First Amendment thereto dated December 11, 2015 (as so amended, the City IGA), which, among other things, recites the limitations on the Canyons Districts' provision of services and exercise of powers as set forth in the Service Plan.

In addition to the limitations contained in the Service Plan, the City IGA specifies that completed Public Improvements are to be dedicated to the City, Parker Water and Sanitation District (Parker Water), or other appropriate governmental entity. The Canyons Districts are authorized to undertake and coordinate any operational requirements for Public Improvements that will not ultimately be conveyed to the City, Parker Water, or other governmental entity and may also operate and maintain Public Improvements that are pending final acceptance by the City.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Intergovernmental Agreement with the City (Continued)

Upon acceptance by the City, Parker Water, or other appropriate governmental entity, none of the Canyons Districts are authorized to operate or maintain such Public Improvements unless authorized under separate intergovernmental agreement with the City, Parker Water, or such other governmental entity, respectively. The Canyons Districts are specifically authorized to own, operate, and maintain park and recreation improvements and landscaped or open space parcels. The City IGA also specifies that none of the Canyons Districts are authorized to engage in the provision of any television relay and translation facilities or services and, subject to certain exceptions for improvements comprising a portion of the water system improvements, shall not be authorized to provide fire protection facilities or services.

Project SIA (Canyonside Filing No. 2)

The District, NCDC and the City entered into Project SIA, dated March 25, 2022, for the purpose of providing completion of Project Improvements, as hereinafter defined, for Canyonside Filing No. 2 (Final Plat). Pursuant to the Service Plan, state statutes and the Development Agreement, the District is authorized to construct the Project Improvements and to execute this Project SIA and to perform the obligations set forth herein. This Project SIA will provide for the completion of the Project Improvements and will protect the City from the cost of completing the Project Improvements.

Subject to and in accordance with the terms and provisions of Project SIA, Master Developer and/or the District will cause their respective portions of the Project Improvements to be constructed and completed at their respective expense, in accordance with the Plans.

The obligation of the Master Developer and the District to construct and complete the Developer Improvements and the District Improvements, respectively, is conditioned upon and will arise only upon approval and recordation of the Final Plan.

At all times during construction of the Project Improvements, and until Final Acceptance thereof by the City, the City will have the right but not the duty to inspect materials and workmanship in order to ascertain compliance with the terms of the Plans, this Project SIA, the Development Agreement, and the applicable City standards and specifications.

Escrow Agreement (District Funds)

The District, the City and FirstBank Escrow Services, LLC (FirstBank) entered into an Escrow Agreement, dated as of March 24, 2022. The District and the City hereby appoint FirstBank as the Escrow Agent under the Project SIA, and Escrow Agent hereby accepts such appointment. Escrow Agent will establish a non-interest bearing account pursuant to this Escrow Agreement for the District Funds of \$6,532,023.90. The District has deposited funds into an account at FirstBank. Escrow Agent will deposit the District Funds into the Escrow Account and will disburse the District Funds only in accordance with the Escrow Agreement.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Escrow Agreement (District Funds) (Continued)

The District shall be entitled to make written requests for the payment of invoices for costs of the Project Improvements from the District Funds (each, a Disbursement Request) on a monthly basis to the City and Escrow Agent, until such time as the District Funds are exhausted.

Upon receipt of a Disbursement Request, the City will have fifteen (15) business days to review the Disbursement Request and conduct any inspections that the City desires to make or request any testing by the District pursuant to the Project SIA and deliver written approval of the same.

During the year, the District requisitioned and received \$1,552,262 leaving a balance of \$1,332,524 in the Escrow Account at December 31, 2023.

Water Main Improvement Agreement

The District and Parker Water entered into a Water Main Improvement Agreement, dated as of June 16, 2022. The District desires to construct certain Public Infrastructure that will serve property within its boundaries and has agreed to construct the Public Infrastructure in accordance with the plans and specifications referenced in the Agreement. Parker Water wished to grant permission to the District to develop such Public Infrastructure pursuant to the Rules and Regulations of Parker Water and the terms and provisions of the Agreement.

At the time of commencement of construction of the Public Infrastructure, the District or its agent/contractor shall deposit with Parker Water, security in the form of an irrevocable Letter of Credit in a form and drawn on a financial institution acceptable to Parker Water, in the amount of 120% of the estimated cost of the construction identified in the Agreement.

The District shall warrant the Public Infrastructure for a period of two years following completion of construction by Parker Water or its agent/contractor and preliminary acceptance of such improvements by Parker Water. At the conclusion of such two-year warranty period, the District's warrant shall expire and all such improvements shall be accepted for maintenance by Parker Water.

Agreement Among the City of Castle Pines, Colorado, the Canyons Metropolitan District No. 3 and North Canyons, LLP regarding the relocation of South Havana Street

The District, the City and North Canyons, LLP entered into an Agreement, dated as of November 9, 2023. Pursuant to the terms of the City/County IGA, the County will convey to the City: (a) the existing South Havana Street right-of-way; (b) the benefit of easements appurtenant to the South Havana right-of-way including but not limited to easements recorded in the office of the Douglas County Clerk and Recorded; and (c) a permanent slope and drainage easement along the west side of existing South Havana Street. North Canyons will submit a preliminary plan and final plat to the City showing a proposed relocation of the South Havana Street right-of-way and the relocation of appurtenant permanent slope and drainage easements as part of a re-subdivision of adjacent real property owned by North Canyons, and will pay all application fees and costs associated with such submittals.

**THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Agreement Among the City of Castle Pines, Colorado, the Canyons Metropolitan District No. 3 and North Canyons, LLP regarding the relocation of South Havana Street (Continued)

In connection with the Final Plat submittal by North Canyons, the District shall provide construction drawings for the new street improvements to be constructed with the Relocated South Havana right-of-way for review and approval by the City and its referral agencies. The obligations of all the Parties under this Agreement are contingent upon the City's receipt of payment from the County in the amount of \$500,000 as set forth in the City/County IGA.

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, workers' compensation, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds 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, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior 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 limits must be refunded unless the voters approve retention of such revenue.

On May 4, 2010 and November 4, 2014, the District voters passed an election question to increase property taxes \$100,000,000 per election annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue without regard to any limitations under TABOR.

THE CANYONS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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.

SUPPLEMENTARY INFORMATION

**THE CANYONS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 30,479	\$ 30,477	\$ (2)
Specific Ownership Taxes	2,743	2,826	83
Interest Income	33,000	1,098	(31,902)
Facilities Fees	695,000	-	(695,000)
Transfers from District #1 - PIF	920,000	-	(920,000)
Total Revenues	1,681,222	34,401	(1,646,821)
EXPENDITURES			
County Treasurer's Fee	457	466	(9)
Paying Agent Fees	4,000	4,000	-
Bond Interest - Series 2021	1,676,765	25,399	1,651,366
Total Expenditures	1,681,222	29,865	1,651,357
NET CHANGE IN FUND BALANCE	-	4,536	4,536
Fund Balance - Beginning of Year	-	182	182
FUND BALANCE - END OF YEAR	\$ -	\$ 4,718	\$ 4,718

**THE CANYONS METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 350,000	\$ 1,071,492	\$ 721,492
Cost Reimbursement From Shea	1,589,400	-	(1,589,400)
Total Revenues	<u>1,939,400</u>	<u>1,071,492</u>	<u>(867,908)</u>
EXPENDITURES			
Accounting	11,500	16,435	(4,935)
Engineering	615,000	242,342	372,658
Legal	50,000	4,600	45,400
Capital Outlay	10,610,000	3,399,914	7,210,086
Escrow Fee	-	2,525	(2,525)
Contingency	275,000	-	275,000
Total Expenditures	<u>11,561,500</u>	<u>3,665,816</u>	<u>7,895,684</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,622,100)	(2,594,324)	7,027,776
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	1,674	1,674
Total Other Financing Sources	<u>-</u>	<u>1,674</u>	<u>1,674</u>
NET CHANGE IN FUND BALANCE	(9,622,100)	(2,592,650)	7,029,450
Fund Balance - Beginning of Year	<u>22,240,424</u>	<u>24,371,216</u>	<u>2,130,792</u>
FUND BALANCE - END OF YEAR	<u>\$ 12,618,324</u>	<u>\$ 21,778,566</u>	<u>\$ 9,160,242</u>

OTHER INFORMATION

**THE CANYONS METROPOLITAN DISTRICT NO. 3
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
YEAR ENDED DECEMBER 31, 2023**

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2020	\$ 310	0.0%	0.000	0.000	0.000	\$ -	\$ -	0.00 %
2021	310	0.0%	9.000	45.000	54.000	17	17	100.00 %
2022	1,230	296.8%	9.000	45.000	54.000	66	66	100.00 %
2023	659,910	53551.2%	9.237	46.185	55.422	36,574	36,574	100.00 %
Estimated for Year Ending December 31, 2024	\$ 4,701,630	612.5%	9.484	47.424	56.908	\$ 267,560		

Note:
Property taxes collected in any one year include collection of delinquent

Source: Douglas County Assessor and Treasurer.

**CONTINUING DISCLOSURE OF ANNUAL INFORMATION AS
REQUIRED BY THE LIMITED TAX GENERAL OBLIGATION AND
SPECIAL REVENUE BONDS, SERIES 2021⁽³⁾**

**THE CANYONS METROPOLITAN DISTRICT NO. 3
 ASSESSED AND ACTUAL VALUATION OF CLASSES OF PROPERTY OF THE DISTRICT
 AND SCHEDULE OF LARGEST TAXPAYERS WITHIN THE DISTRICT
 YEAR ENDED DECEMBER 31, 2023**

2023 Assessed and "Actual" Valuation of Classes of Property of the District

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Residential - Multi-Family	\$ 2,164,000	46.03 %	\$ 32,298,443	78.03 %
Agricultural	1,230	0.03	4,658	0.01
Vacant Land	2,297,550	48.87	8,234,944	19.89
Personal Property	238,710	5.08	855,585	2.07
Natural Resources	140	0.00	512	0.00
	<u>\$ 4,701,630</u>	<u>100.00 %</u>	<u>\$ 41,394,142</u>	<u>100.00 %</u>

2023 Largest Taxpayers Within the District

	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Canyons Multifamily Owner LLC	\$ 2,359,780	50.19 %
CR Canyonside Investors LLC	1,612,540	34.30
North Canyons Development Company LLC	727,640	15.48
City of Castle Pines	1,030	0.02
North Canyons LLLP	640	0.01
Total	<u>\$ 4,701,630</u>	<u>100.00 %</u>