

**PEAK METROPOLITAN DISTRICT NO. 3
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peak Metropolitan District No. 3
El Paso County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Peak Metropolitan District No. 3 (the "District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the 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 Peak Metropolitan District No. 3 as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplementary 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 supplementary 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.

Other Information and Annual Disclosure

Management is responsible for the other information and annual disclosure information included in our report. The other information and annual 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 annual disclosure information, and, accordingly, we do not express an opinion or provide any assurance on them.

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

Wipfli LLP

Wipfli LLP
Denver, Colorado

September 30, 2025

BASIC FINANCIAL STATEMENTS

PEAK METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 9,237
Cash and Investments - Restricted	41,342,799
Prepaid Insurance	450
Receivable from County Treasurer	11
Property Tax Receivable	2,551
Capital Assets:	
Capital Assets Not Being Depreciated	<u>23,103,649</u>
Total Assets	<u>64,458,697</u>
LIABILITIES	
Accounts Payable	364,123
Accrued Interest	114,063
Noncurrent Liabilities:	
Due in More Than One Year	<u>71,466,872</u>
Total Liabilities	<u>71,945,058</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>2,551</u>
Total Deferred Inflows of Resources	<u>2,551</u>
NET POSITION	
Restricted for:	
Emergency Reserve	2,400
Debt Service	2,322,417
Unrestricted	<u>(9,813,729)</u>
Total Net Position	<u><u>\$ (7,488,912)</u></u>

See accompanying Notes to Basic Financial Statements.

PEAK METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 396,553	\$ -	\$ -	\$ -	\$ (396,553)
Interest on Long-Term Debt and Related Costs	5,359,907	-	-	-	(5,359,907)
Total Governmental Activities	<u>\$ 5,756,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(5,756,460)
GENERAL REVENUES					
Property Taxes					1,402
Specific Ownership Taxes					132
Interest Income					2,306,595
Other Revenue					1
Total General Revenues and Transfers					<u>2,308,130</u>
CHANGES IN NET POSITION					(3,448,330)
Net Position - Beginning of Year					<u>(4,040,582)</u>
NET POSITION - END OF YEAR					<u>\$ (7,488,912)</u>

See accompanying Notes to Basic Financial Statements.

**PEAK METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 9,237	\$ -	\$ -	\$ 9,237
Cash and Investments - Restricted	2,400	8,814,471	32,525,928	41,342,799
Receivable from County Treasurer	1	10	-	11
Prepaid Insurance	450	-	-	450
Property Tax Receivable	131	2,420	-	2,551
Total Assets	<u>\$ 12,219</u>	<u>\$ 8,816,901</u>	<u>\$ 32,525,928</u>	<u>\$ 41,355,048</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 7,905	\$ -	\$ 356,218	\$ 364,123
Total Liabilities	<u>7,905</u>	<u>-</u>	<u>356,218</u>	<u>364,123</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	131	2,420	-	2,551
Total Deferred Inflows of Resources	<u>131</u>	<u>2,420</u>	<u>-</u>	<u>2,551</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expense	450	-	-	450
Restricted for:				
Emergency Reserves	-	-	-	-
Debt Service	-	8,814,481	-	8,814,481
Capital Projects	-	-	32,169,710	32,169,710
Unassigned	3,733	-	-	3,733
Total Fund Balances	<u>4,183</u>	<u>8,814,481</u>	<u>32,169,710</u>	<u>40,988,374</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,219</u>	<u>\$ 8,816,901</u>	<u>\$ 32,525,928</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.

23,103,649

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

Accrued Interest	(7,581,344)
Due to District No. 2	(79,500)
Bond Payable Series 2022A-1	(18,250,000)
Bond Payable Series 2022A-2	(45,530,553)
Developer Advance Operations	(122,423)
Accrued Developer Advance Ops Interest	<u>(17,115)</u>

Net Position of Governmental Activities

\$ (7,488,912)

See accompanying Notes to Basic Financial Statements.

PEAK METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 72	\$ 1,330	\$ -	\$ 1,402
Specific Ownership Taxes	7	125	-	132
Interest Income	-	477,157	1,829,438	2,306,595
Other Revenue	1	-	-	1
Total Revenues	<u>80</u>	<u>478,612</u>	<u>1,829,438</u>	<u>2,308,130</u>
EXPENDITURES				
Current:				
Accounting	12,293	-	19,072	31,365
Auditing	6,700	-	-	6,700
County Treasurer's Fee	1	20	-	21
Dues And Membership	349	-	-	349
Election	24	-	-	24
Engineering	-	-	200,200	200,200
Insurance	4,371	-	-	4,371
Intergovernmental Expenditures	-	-	36,994	36,994
Legal	46,594	-	69,891	116,485
Website	64	-	-	64
Debt Service:				
Bond Interest	-	1,368,750	-	1,368,750
Capital Projects:				
Capital Outlay	-	-	11,579,109	11,579,109
Total Expenditures	<u>70,396</u>	<u>1,368,770</u>	<u>11,905,266</u>	<u>13,344,432</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(70,316)	(890,158)	(10,075,828)	(11,036,302)
OTHER FINANCING SOURCES				
Developer Advance	10,000	-	-	10,000
IGA Advances D2	79,500	-	-	79,500
Total Other Financing Sources	<u>89,500</u>	<u>-</u>	<u>-</u>	<u>89,500</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	19,184	(890,158)	(10,075,828)	(10,946,802)
Fund Balances (Deficit) - Beginning of Year	<u>(15,001)</u>	<u>9,704,639</u>	<u>42,245,538</u>	<u>51,935,176</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 4,183</u>	<u>\$ 8,814,481</u>	<u>\$ 32,169,710</u>	<u>\$ 40,988,374</u>

See accompanying Notes to Basic Financial Statements.

**PEAK METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Net Change in Fund Balances - Total Governmental Funds	\$ (10,946,802)
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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	11,579,109
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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.

IGA Advances D2	(79,500)
Developer Advance	(10,000)

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	<u>(3,981,358)</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ (3,448,330)</u></u>
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**PEAK METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 72	\$ 72	\$ -
Specific Ownership Taxes	7	7	-
Other Revenue	1,800	1	(1,799)
Total Revenues	<u>1,879</u>	<u>80</u>	<u>(1,799)</u>
EXPENDITURES			
Accounting	33,000	12,293	20,707
Auditing	7,150	6,700	450
Contingency	18,149	-	18,149
County Treasurer's Fee	1	1	-
Dues And Membership	500	349	151
Election	-	24	(24)
Insurance	4,000	4,371	(371)
Legal	57,200	46,594	10,606
Website	-	64	(64)
Total Expenditures	<u>120,000</u>	<u>70,396</u>	<u>49,604</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(118,121)	(70,316)	47,805
OTHER FINANCING SOURCES			
Developer Advance	-	10,000	10,000
IGA Advances D2	129,856	79,500	(50,356)
Total Other Financing Sources (Uses)	<u>129,856</u>	<u>89,500</u>	<u>(40,356)</u>
NET CHANGE IN FUND BALANCE	11,735	19,184	7,449
Fund Balance (Deficit) - Beginning of Year	<u>(11,735)</u>	<u>(15,001)</u>	<u>(3,266)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 4,183</u>	<u>\$ 4,183</u>

See accompanying Notes to Basic Financial Statements.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 DEFINITION OF REPORTING ENTITY

Peak Metropolitan District No. 3 (the District) a quasi-municipal corporation and political subdivision of the State of Colorado was organized by court order on January 23, 2019, recorded on January 25, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Colorado Springs (the City), El Paso County (the County), Colorado. The District was organized in conjunction with two other related districts, Peak Metropolitan District No. 1 (District No. 1) and Peak Metropolitan District No. 2 (District No. 2, and together with the District and District No. 1, the Districts).

The Consolidated Service Plan for the Districts was approved by the City on August 28, 2018, pursuant to Sections 32-1-201, et seq. C.R.S., as amended by that First Amendment to Consolidated Service Plan approved by the City on February 12, 2019, and that Second Amendment to the Consolidated Service Plan approved by the City on March 22, 2022, (the Service Plan) as the same may be amended or restated from time to time. The purposes for which each District was formed includes designing, constructing, acquiring, financing, operating and maintaining certain public improvements (as defined in the Service Plan), as authorized by and in accordance with the Service Plan.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements 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 property taxes and intergovernmental revenues.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

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 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and assessments. 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 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 general obligation 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.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government 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 and other financing uses 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, sale 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 property tax revenues are recorded as revenue in the year they are available or collected.

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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or business-type 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 or modified than those imposed on amounts that are classified as committed.

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 9,237
Cash and Investments - Restricted	41,342,799
Total Cash and Investments	<u>\$ 41,352,036</u>

Cash and investments as of December 31, 2024, consist of the following:

Deposits with Financial Institutions	\$ 16,228
Investments	41,335,808
Total Cash and Investments	<u>\$ 41,352,036</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 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.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

At December 31, 2024, the District's cash deposits had a bank balance and a carrying balance of \$16,228.

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, 2024, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund	Weighted-Average	
Trust (CSAFE)	Under 60 Days	\$ 41,335,808
Total		<u>\$ 41,335,808</u>

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers two portfolios: CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE 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 CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2023	Increases	Decreases	Balance at December 31, 2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 11,524,540	\$ 11,579,109	\$ -	\$ 23,103,649
Total Capital Assets, Not Being Depreciated	<u>\$ 11,524,540</u>	<u>\$ 11,579,109</u>	<u>\$ -</u>	<u>\$ 23,103,649</u>

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Due Within One Year
Bonds Payable:					
General Obligation Bonds					
Series 2022A-1	\$ 18,250,000	\$ -	\$ -	\$ 18,250,000	\$ -
Series 2022A-2	45,530,553	-	-	45,530,553	-
Accrued Interest					
Bond Accretion 2022A-2	3,485,923	3,981,358	-	7,467,281	-
Subtotal Bonds Payable	67,266,476	3,981,358	-	71,247,834	-
Other Debts:					
Developer Advance - Operating	112,423	10,000	-	122,423	-
IGA Advances District No. 2	-	79,500	-	79,500	-
Accrued Interest on:					
Developer Advance - Operating	7,336	9,779	-	17,115	-
Subtotal Other Debts	119,759	99,279	-	219,038	-
Total Long-Term Obligations	<u>\$ 67,386,235</u>	<u>\$ 4,080,637</u>	<u>\$ -</u>	<u>\$ 71,466,872</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Limited Tax General Obligation Bonds, Series 2022A-1 (the 2022A-1 Bonds) in the amount of \$18,250,000 and **Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2022A-2** (the 2022A-2 Bonds, and with the 2022A-1 Bonds, the Bonds). The 2022A-2 Bonds were issued as two term bonds in the original principal amount of: \$45,530,553 (value at Issuance) and \$84,680,000 (value at 2022-A Current Interest Conversion Date). The 2022A-2 Bonds in the original principal amount of \$6,474,240 mature on December 1, 2042. The 2022A-2 Bonds in the original principal amount of \$39,056,313 mature on December 1, 2052. The Bonds were issued December 21, 2022.

The Bonds are not subject to early termination or acceleration and do not have any unused lines of credit. No assets have been pledged as collateral on the 2022A-1 Bonds.

Events of Default of the Bonds

Events of default occur if the District fails to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture, does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture, or the District files a petition under the Federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Acceleration of the Bonds shall not be an available remedy for an Event of Default.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Proceeds of the Bonds

The Bonds were issued for the purpose of: (a) financing or reimbursing the costs of acquisition, construction, and installation of certain public improvements within the Development; (b) funding capitalized interest on the 2022A-1 Bonds; (c) funding an Initial Deposit to the Surplus Fund; and (d) paying the costs of issuing the Bonds.

Details of the 2022A-1 Bonds

The 2022A-1 Bond bear interest at the rate of 7.50% payable semiannually on June 1 and December 1 (Interest Payment Dates), beginning on June 1, 2023. The 2022A-1 Bonds have mandatory sinking fund principal payments due annually on December 1, beginning on December 1, 2037, and mature on December 1, 2052.

To the extent principal of any 2022A-1 Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any 2022A-1 Bond is not paid when due, such interest shall compound semiannually on each interest payment date (June 1 and December 1) at the rate then borne by the 2022A-1 Bonds.

Details of the 2022A-2 Term 2042 Bonds

The 2022A-2 Term 2042 Bonds will automatically convert to current interest bonds on December 1, 2030. Prior to conversion to current interest bonds, the 2022A-2 Term 2042 Bonds do not pay current interest; instead, they accrete in value at an annual yield equal to 7.750%. The accreted amount compounds semiannually on each Interest Payment Date, beginning June 1, 2023, to and including December 1, 2030.

The accreted principal balance at conversion on December 1, 2030, will be \$11,845,000. Upon conversion to current interest bonds, the 2022A-2 Term 2042 Bonds will bear interest at a rate of 7.750%, payable semiannually on each Interest Payment Date, commencing on June 1, 2031. Annual principal payments are due on December 1 of each year beginning December 1, 2037. The 2022A-2 Term 2042 Bonds mature on December 1, 2042.

On and after conversion to current interest bonds, to the extent principal of any 2022A-2 Term 2042 Bonds is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the 2022A-2 Term 2042 Bonds. To the extent interest accrued on the accreted value of any 2022A-2 Term 2042 Bonds is not paid when due, such unpaid interest shall compound semiannually on each Interest Payment Date at the rate then borne by the 2022A-2 Term 2042 Bonds.

Details of the 2022A-2 Term 2052 Bonds

The 2022A-2 Term 2052 Bonds will automatically convert to current interest bonds on December 1, 2030. Prior to conversion to current interest bonds, the 2022A-2 Term 2052 Bonds do not pay current interest; instead, they accrete in value at an annual yield equal to 8.00%. The accreted amount compounds semiannually on each Interest Payment Date, beginning June 1, 2023, to and including December 1, 2030.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Details of the 2022A-2 Term 2052 Bonds (Continued)

The accreted principal balance at conversion on December 1, 2030, will be \$72,835,000. Upon conversion to current interest bonds, the 2022A-2 Term 2052 Bonds will bear interest at a rate of 8.00%, payable semiannually on each Interest Payment Date, commencing on June 1, 2031. Annual principal payments are due on December 1 of each year beginning December 1, 2043. The 2022A-2 Term 2052 Bonds mature on December 1, 2052.

On and after conversion to current interest bonds, to the extent principal of any 2022A-2 Term 2052 Bonds is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the 2022A-2 Term 2052 Bonds.

To the extent interest accrued on the accreted value of any 2022A-2 Term 2052 Bonds is not paid when due, such unpaid interest shall compound semiannually on each Interest Payment Date at the rate then borne by the 2022A-2 Term 2052 Bonds.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2027, 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, 2027, to November 30, 2028	3 %
December 1, 2028, to November 30, 2029	2 %
December 1, 2029, to November 30, 2030	1 %
December 1, 2030, and Thereafter	0 %

Pledged Revenue

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue from the following sources, net of collection costs: (a) all Property Tax Revenues; (b) all Specific Ownership Tax Revenues; (c) all PILOT (payment in lieu of taxes) Revenues; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

“Property Tax Revenues” means all moneys derived from imposition by the District of the Required Mill Levy and do not include Specific Ownership Taxes. Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County. “Specific Ownership Tax Revenues” means the specific ownership taxes remitted to the District as a result of imposition of the Required Mill Levy.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Required Mill Levy

The Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Bonds when due, but not in excess of 37 mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2006). If the amount on deposit in the Surplus Fund is less than the Maximum Surplus Amount, the Required Mill Levy shall be equal to 37 mills (subject to adjustment), or such lesser mill levy which will generate Property Tax Revenues: (a) sufficient to pay the Bonds when due and to fully fund the Surplus Fund to the Maximum Surplus Amount, or (b) which, when combined with moneys then on deposit in the Bond Fund and the Surplus Fund, will pay the Bonds in full in the year such levy is collected.

Surplus Fund

The Bonds are additionally secured by amounts in the Surplus Fund which was partially funded in the amount of the Initial Deposit from proceeds of the Bonds in the amount of \$6,378,000. In addition to the Initial Deposit, Pledged Revenue that is not needed to pay debt service on the Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$12,756,110.

Bonds Debt Service

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 1,368,750	\$ 1,368,750
2026	-	1,368,750	1,368,750
2027	-	1,368,750	1,368,750
2028	-	1,368,750	1,368,750
2029	-	1,368,750	1,368,750
2030-2034	-	33,822,902	33,822,902
2035-2039	3,130,000	40,454,639	43,584,639
2040-2044	23,040,000	36,432,314	59,472,314
2045-2049	41,360,000	24,420,450	65,780,450
2050-2052	35,400,000	5,765,200	41,165,200
Total	<u>\$ 102,930,000</u>	<u>\$ 147,739,255</u>	<u>\$ 250,669,255</u>

* Includes fully accreted values for the 2022 A-2 2042 and 2022 A-2 2052 Bonds

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization Limit

The District was organized to provide services to the same service area with District No. 1 and District No. 2 pursuant to the Service Plan. The Districts, in aggregate, are limited in their ability to issue debt as set forth in the Service Plan to a total amount of \$200,000,000 (the Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt, which in the aggregate with the debt issued by District No. 1 and District No. 2, is in excess of the Service Plan Debt Issuance Limit. Of the \$200,000,000 in Service Plan Debt Issuance Limit: the District has issued to date a total of \$63,780,553 in Bonds and District No. 1 has issued to date a total of \$43,450,000 in Bonds, for a total of \$107,230,552 (the Aggregate Issuance). Therefore, the amount of debt authorization remaining within the Service Plan Debt Issuance Limit for the Districts combined is \$92,769,448 (the Remaining Service Plan Authority).

Service Plan Debt Issuance Limit		Aggregate Issuance		Remaining Service Plan Authority
\$200,000,000	-	\$107,230,552	=	\$92,769,448

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election the actual costs of construction were not known. Without knowing the costs of construction or the amount of debt to be issued by District No. 1 and District No. 2, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets) or to each of the Districts. Therefore, the Service Plan Debt Issuance Limit was voted in every power.

With that understanding, on November 6, 2018, a majority of the eligible electors of the District voted to authorize debt issuance in an amount not to exceed \$200,000,000 by power, as follows:

	Amount Authorized on November 6 2018	Used (District No. 1's Series 2021 Bonds)	Used (District's Series 2022 Bonds)	Authorized But Unused
Streets	\$ 200,000,000	\$ 15,329,467	\$ 9,576,214	\$ 175,094,319
Parks and Recreation	200,000,000	6,351,273	4,549,650	189,099,077
Water	200,000,000	6,881,267	4,292,497	188,826,236
Sanitation	200,000,000	8,289,359	5,525,998	186,184,643
Transportation	200,000,000	-	-	200,000,000
Mosquito Control	200,000,000	-	-	200,000,000
Safety Protection	200,000,000	-	-	200,000,000
Fire Protection / Emergency Med.	200,000,000	-	-	200,000,000
TV Relay and Translation	200,000,000	-	-	200,000,000
Security	200,000,000	-	-	200,000,000
Bond Proceeds to be Allocated	-	6,598,634	39,836,194	(46,434,828)
Total	<u>\$ 2,000,000,000</u>	<u>\$ 43,450,000</u>	<u>\$ 63,780,553</u>	<u>\$ 1,892,769,447</u>

In the future, the Districts may issue a portion or all of the Remaining Service Plan Authority for purposes of providing public improvements to support development as it occurs within the Districts' service area.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization Limit (Continued)

Any increase in the debt limit issuance of debt over the Service Plan Debt Issuance Limit will be considered a material modification of the Service Plan which would require approval from the City of Colorado Springs.

NOTE 6 NET POSITION

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

The District had a deficit in unrestricted net position as of December 31, 2024. This deficit amount is the result of a portion of Bond proceeds being restricted to capital projects per the terms of the Bonds.

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, 2024, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergencies	\$ 2,400
Debt Service Reserve	<u>2,322,417</u>
Total Restricted Net Position	<u><u>\$ 2,324,817</u></u>

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is UFCS Airport, LLC (Developer). During 2024, all members of the Board of Directors are employees or officers of, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

Facilities Acquisition and Payment Agreement

The District and the Developer entered into a Facilities Acquisition and Payment Agreement on November 30, 2022 (the FAPA) and First Amendment on July 18, 2023 (the FAPA Amendment). The FAPA sets forth the terms pursuant to which the District agrees to reimburse the Developer for and/or make direct payments of Construction Costs (as defined in the FAPA) up to a maximum amount of \$51,500,000. Simple interest accrues on such reimbursable amounts at 8% per annum. The FAPA Amendment recognizes the requirements of the Public Improvement IGA and to delegate to the Developer certain obligations relative to the Developer's construction of the Improvements (including the Public Improvements IGA Improvements, as defined in the FAPA Amendment) under the FAPA. As of December 31, 2024, there are no outstanding amounts under the FAPA.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 RELATED PARTIES (CONTINUED)

Operation Funding Agreement

On December 8, 2021, the District entered into an Operation Funding Agreement, effective January 1, 2021, as amended on November 30, 2022, and October 31, 2023 (OFA). The OFA provides for the Developer to advance funds for ongoing operations expenses incurred by the District as needed for fiscal years 2021 through 2024, up to the Shortfall Amount of \$260,000.

The District agrees to repay any advances received from any funds available after the payment of its annual debt service obligations and annual operations and maintenance expenses. Interest shall accrue at the rate of 8%. The District's obligation to reimburse the Developer is subject to annual appropriations and expires on December 31, 2064. As of December 31, 2024, outstanding advances under the OFA totaled \$122,423 and accrued interest totaled \$17,115.

Master Service Agreement for Program Management Services

On November 1, 2024, the District and the Developer entered into a Master Service Agreement for Program Management Services (the Program Management Agreement). Under the terms of the Program Management Agreement, the District retained the Developer as the Program Manager (the Program Manager) to plan and coordinate the construction and installation of improvements. The Program Manager will represent the District in all communications with the District's service providers and consultants, develop scopes of work to design and construct projects required by the District, coordinate necessary approvals, easements, assessments and charges required for the construction use or occupancy of permanent structures or for permanent changes in the existing facilities, among other things. In exchange for these services the District will compensate the Program Manager 3.75% of all eligible costs incurred in connection with the design, construction, and installation of the Improvements (as defined therein) (the Program Management Fee). By memo dated March 20, 2025, the Schedio Group, and independent engineering firm, verified that the Program Management Fee is fair and reasonable. The Program Management Agreement shall expire upon satisfactory completion of the services under all task orders. As of December 31, 2024, the District has paid \$0 in Program Management Fees.

NOTE 8 AGREEMENTS

Operations and Maintenance Mill Levy Limitation Agreement

On March 1, 2021, District No.1, District No. 2 (also referred to herein as the Maintenance District), and the District (together with District No. 1 each a Financing District and collectively, as the Financing Districts) entered into the 2021 Operations and Maintenance Mill Levy Limitation Agreement (Mill Levy Limitation Agreement). Pursuant to the Colorado Constitution, Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., metropolitan districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition of taxes, and the incurring of debt.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Operations and Maintenance Mill Levy Limitation Agreement (Continued)

Pursuant to the Mill Levy Limitation Agreement, the Districts shall dedicate the public improvements to the City or other appropriate jurisdiction in a manner consistent with the Approved Development Plan (as defined in the Service Plan), and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall not be authorized to operate and maintain any part of the public improvements after such dedication, unless the provision of such ongoing operation and maintenance is specifically identified in the Service Plan. The Service Plan allows for the boundaries of the Districts to overlap, as long as the aggregate mill levy for the payment of debt and operations of the overlapping Districts will not at any time exceed the Maximum Debt Mill Levy (as defined in the Service Plan) for the repayment of debt, or the Maximum Operating Mill Levy of 10 mills, subject to adjustment for changes in the method of calculating assessed valuation, (Maximum Operating Mill Levy) for the payment of Actual Administrative and Compliance Costs and Actual Maintenance Costs (both as defined therein).

The Districts agree each District will incur Actual Administrative and Compliance Costs and, as such, it is necessary for each District to impose an operating mill levy to pay for such Actual Administrative and Compliance Costs.

The Districts further acknowledge and agree it is the intent and desire of the Districts that the Maintenance District be responsible for managing and providing operation and maintenance of public improvements not otherwise accepted by other governing jurisdictions throughout the Service Area (as defined in the Service Plan) of all the Districts (Maintenance Services) and that it will be necessary for the Maintenance District to impose an operating mill levy to generate revenues for expenses related to the provision of such Maintenance Services.

The Mill Levy Limitation Agreement sets forth the agreement of the Districts relative to the process by which the Districts will annually determine their respective operation and maintenance mill levies needed for Actual Administrative and Compliance Costs of each District and by the Maintenance District for provision of the Maintenance Services to assure the Districts do not exceed the aggregate Maximum Operating Mill Levy. The Mill Levy Limitation Agreement supersedes and replaces in its entirety the Memorandum of Understanding, dated January 29, 2019, entered into by the Districts.

On March 28, 2024 District No. 1, District No. 2, and the District entered into a First Amendment to the Mill Levy Limitation Agreement, effective January 1, 2024. The District and District No. 1 do not have sufficient revenues to make payment of operations and maintenance expenses in fiscal years 2023 and 2024 (the Operations Shortfall). The Districts entered into this First Amendment to the Mill Levy Limitation Agreement to set forth the process by which District No. 2 will advance funds to the District and District No. 1 for the Operations Shortfalls (District No. 2 Advances) and for the District and District No. 1 to reimburse District No. 2. The District and District No. 1 agree that their intention is to repay District No. 2 for District No. 2 Advances, to the extent funds are available, which repayment is subject to annual budget and appropriation. As of December 31, 2024, District 2 advanced the District \$79,500 (Note 5).

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 AGREEMENTS (CONTINUED)

2022 PILOT Covenant

The Declaration of Covenants Imposing and Implementing Payment in Lieu of Taxes against all of the property of the District (the 2022 PILOT Covenant) made by the City, as Declarant, was entered into December 6, 2022, and became effective on December 8, 2022, upon recordation in the real property records of the Clerk and Recorder of El Paso County. The purpose of the 2022 PILOT Covenant is to require: (a) any tax-exempt users to make payments in lieu of taxes to the District and (b) the City to make payments in lieu of taxes to the District if a Lease Termination Event (as defined therein) occurs. Revenue from a PILOT Covenant (defined in the Indenture as the 2022 PILOT Covenant or any similar future covenant which provides for a payment in lieu of taxes) is a component of the Pledged Revenue. Payments under the 2022 PILOT Covenant are not expected to be required by the City unless a Lease Termination Event occurs, if ever, although such payments are possible.

Reimbursement Agreement

The District and District No. 1 entered into a Reimbursement Agreement, dated March 29, 2023, and effective as of December 21, 2022 (the District Reimbursement Agreement). In 2021, District No. 1 issued bonds and entered into other obligations for the purpose of, among other things, funding and reimbursing a portion of the costs of acquiring, designing and engineering, constructing and installing certain public improvements that benefit the property within both the District and District No. 1.

The District Reimbursement Agreement sets forth the terms by which the District, having issued Bonds, shall reimburse District No. 1 in the amount of \$1,365,349 for certain Reimbursable Expenses (defined therein) as of February 28, 2023, and a to-be-determined amount for certain Future Reimbursable Expenses (defined therein). Such expenses to be verified by an independent professional engineering firm to determine, in part, the 1) costs associated with the design and construction of certain public improvements, which have been paid for by District No. 1 that benefit the District, and therefore require a reimbursement by the District to District No. 1 and 2) allocation of costs associated with the design and construction of certain public improvements, which have been paid for by District No. 1, but that benefit both the District and District No. 1.

Public Improvement IGA

The District entered into a Public Improvement Intergovernmental Agreement with the City, acting by and through its enterprise, the Colorado Springs Municipal Airport (Airport and together with the City, COS), effective as of July 18, 2023, and recorded in the real property records of the Clerk and Recorder of El Paso County on July 20, 2023 (Public Improvement IGA). Pursuant to the Public Improvement IGA, COS delegates to the District the obligation to finance and cause construction of the Project Public Improvements (defined therein) and to finance same with proceeds from the District's Bonds.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Public Improvement IGA (Continued)

The District, either directly or with the efforts and cooperation with the Developer and other Service Providers (defined therein) shall coordinate, administer, and oversee, among other things, (i) the preparation of all budgets, schedules, contracts, and other documents pertaining to the Project Public Improvements and (ii) the planning, design, engineering, testing, construction, and installation for the Project Public Improvements according to the Construction Plans (defined therein). This agreement does not create a multi-fiscal year direct or indirect debt or obligation and financial obligations are contingent upon funds appropriated, budgeted, and otherwise available on an annual basis. The Public Improvement IGA shall continue in full force and effect until all obligations are satisfied unless otherwise terminated by mutual written consent of the parties to the agreement.

Availability of Funds and Step-In Rights Agreement

The Availability of Funds and Step-In Rights Agreement (the Step-In Rights Agreement) was entered into on July 18, 2023, by the District, the City, acting by and through its Airport enterprise, and Peak Innovation, LLC (the Owner). The Owner has purchased from the Airport certain property within the District (the Owner Property). In conjunction with the purchase, the Owner entered into an Owner Development Agreement with the Airport, which describes the obligation of the Airport to cause the installation of certain offsite improvements which may qualify as eligible public improvements under the City IGA and FAPA (the District Improvements). In order for the Owner Property to be developed and utilized, the District Improvements need to be constructed. The Step-In Rights Agreement sets forth the terms and conditions under which the District and the Airport will provide assurances to the Owner that the District Improvements will be constructed and when the Owner will be permitted to step-in and manage the completion of the District Improvements.

Funds related to the design, testing, engineering, and construction of the District Improvements, together with the related consultant fees associated with the construction of the District Improvements, have been and/or will be subject to payment and/or reimbursement by the District to construct the District Improvements (the Construction Related Expenses). Payment of District Project Funds (defined therein) may only be made after construction costs have been verified by an independent engineer (Certified Construction Costs).

The Step-In Rights Agreement shall automatically terminate upon the later of (i) the Completion Date (as defined in the Owner Development Agreement) or (ii) once all of the Certified Construction Costs related to the District Improvements under the Owner Development Agreement have been disbursed.

**PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental Agreement Regarding Covenant Enforcement and Design Review Services

The City of Colorado Springs has executed that certain Declaration of Design Covenants, Conditions and Restrictions for Peak Innovation Park dated January 24, 2020, and recorded in the real property records of the County at Reception No. 220011358 (as may be amended from time to time, the Declaration). The Declaration provides that the Districts shall enter into an Intergovernmental Agreement to provide that one or more of the Districts shall implement the terms and conditions of the Declaration. On March 1, 2021, the District, District No. 1, and District No. 2 entered into that certain Intergovernmental Agreement Regarding Covenant Enforcement and Design Review Services agreeing and assigning to District No. 2, through the Peak Innovation Park Architectural Control Committee, the power to provide design review services and enforce Covenants. The Districts agree to cooperate to establish annual budgets for the provision of these services.

Declaration of Covenants Imposing and Implementing Retail Sales Airport Facilities and Service Fees

The Declaration of Covenants Imposing and Implementing Retail Sales Airport Facilities and Services Fees was made by the City, as Declarant, on December 6, 2022, and became effective December 8, 2022 (Retail Sales PILOT). The Retail Sales PILOT imposes an Airport Facilities and Services Fee on all retail sales at an initial rate of 2% and at a maximum rate of 3%. As used in the Retail Sales PILOT, retail sales generally includes transactions upon which the City's sales tax is also imposed, except for personal property rentals and rooms and accommodations. The purpose of the Retail Sales PILOT is generally to make retail sales within its purview subject to a payment that approximates the sales tax imposed by retailers adjacent to the Airport that are required to collect sales tax on taxable transactions. Revenue derived from the Retail Sales PILOT is not pledged to the payment of the Bonds.

NOTE 9 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon advances by District No. 2. District No. 2 has agreed to advance the District until a revenue base has been established.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, or 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.

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 RISK MANAGEMENT (CONTINUED)

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3.00% 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.

On November 6, 2018, 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 TABOR.

On May 6, 2025, the qualified electors of the District approved an election question to waive the 5.25% property tax limit established under Section 29-1-1702, C.R.S. for 2025 and all future property tax years.

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.

NOTE 12 LITIGATION

The District is involved in negotiations related to a complaint filed on July 24, 2024 in the El Paso County District Court, Case No. 2024CV31380, by Fountain Mutual Irrigation Company; Cygnet Land, LLC, Michael S. Hassell (the Plaintiffs) against the City of Colorado Springs, Colorado Springs Utilities; Amazon.com Services, LLC; CF Capybara COS, LLC; UFCS Airport, LLC; Peak Metropolitan District Nos. 1, 2, and 3; El Paso County, Colorado; Pathfinder Windmill, LLC, and Peak Innovation, LLC (the Defendants) for a claim regarding stormwater damage (the Civil Action).

PEAK METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 12 LITIGATION (CONTINUED)

Fountain Mutual Irrigation Company and Cygnet Land, LLC (the Claimants) contend that they have causes of action against Urban Frontier, LLC and Enertia Consulting Group, LLC (collectively with the Plaintiffs, the Respondents) which are not described in the Civil Action.

Claimants and Respondents (collectively, the Parties) entered into a tolling agreement on or about January 14, 2025 (the Tolling Agreement) to facilitate the negotiation of a potential settlement of any and all claims of Claimants, whether currently pled in the Civil Action or not, and any and all counterclaims and cross-claims that Respondents may assert regarding the subject matter at issue in the Civil Action (the Tolerated Claims). The Tolling Agreement was set to expire on June 30, 2025, unless extended (the Tolling Period). Pursuant to the terms of the Tolling Agreement, Claimants filed a Motion to Dismiss the Civil Action without prejudice on January 22, 2025, which was granted by Court order that same day.

On or about June 30, 2025, the Parties extended the Tolling Agreement and the Tolling Period to August 29, 2025. On or about August 29, 2025, the Parties further extended the Tolling Agreement and the Tolling Period to October 28, 2025 (the Extended Tolling Period). All Parties agree and covenant not to assert any of the Tolerated Claims during the Extended Tolling Period.

SUPPLEMENTARY INFORMATION

**PEAK METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,330	\$ 1,330	\$ -
Specific Ownership Taxes	133	125	(8)
Interest Income	355,000	477,157	122,157
Total Revenues	<u>356,463</u>	<u>478,612</u>	<u>122,149</u>
EXPENDITURES			
County Treasurer's Fee	-	20	(20)
Paying Agent Fees	10,000	-	10,000
Bond Interest	1,368,750	1,368,750	-
Contingency	221,250	-	221,250
Total Expenditures	<u>1,600,000</u>	<u>1,368,770</u>	<u>231,230</u>
NET CHANGE IN FUND BALANCE	(1,243,537)	(890,158)	353,379
Fund Balance - Beginning of Year	<u>9,675,518</u>	<u>9,704,639</u>	<u>29,121</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,431,981</u>	<u>\$ 8,814,481</u>	<u>\$ 382,500</u>

**PEAK METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 1,545,662	\$ 1,829,438	\$ 283,776
Other Revenue	1,009,401	-	(1,009,401)
Total Revenues	2,555,063	1,829,438	(725,625)
EXPENDITURES			
Accounting	49,500	19,072	30,428
Engineering	70,000	200,200	(130,200)
Legal	85,800	69,891	15,909
Capital Outlay	38,785,299	11,579,109	27,206,190
Intergovernmental Expenditures	-	36,994	(36,994)
Contingency	1,009,401	-	1,009,401
Total Expenditures	40,000,000	11,905,266	28,094,734
NET CHANGE IN FUND BALANCE	(37,444,937)	(10,075,828)	27,369,109
Fund Balance - Beginning of Year	37,444,937	42,245,538	4,800,601
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 32,169,710</u>	<u>\$ 32,169,710</u>

OTHER INFORMATION

PEAK METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2024

\$18,250,000

Limited Tax General Obligation Bonds, Series 2022A-1

Dated December 21, 2022

Interest Rate 7.500%

Interest Payable June 1 and December 1

Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 1,368,750	\$ 1,368,750
2026	-	1,368,750	1,368,750
2027	-	1,368,750	1,368,750
2028	-	1,368,750	1,368,750
2029	-	1,368,750	1,368,750
2030	-	1,368,750	1,368,750
2031	-	1,368,750	1,368,750
2032	-	1,368,750	1,368,750
2033	-	1,368,750	1,368,750
2034	-	1,368,750	1,368,750
2035	-	1,368,750	1,368,750
2036	-	1,368,750	1,368,750
2037	65,000	1,368,750	1,433,750
2038	220,000	1,363,875	1,583,875
2039	355,000	1,347,375	1,702,375
2040	540,000	1,320,750	1,860,750
2041	700,000	1,280,250	1,980,250
2042	845,000	1,227,750	2,072,750
2043	960,000	1,164,375	2,124,375
2044	1,120,000	1,092,375	2,212,375
2045	1,205,000	1,008,375	2,213,375
2046	1,340,000	918,000	2,258,000
2047	1,440,000	817,500	2,257,500
2048	1,595,000	709,500	2,304,500
2049	1,715,000	589,875	2,304,875
2050	1,890,000	461,250	2,351,250
2051	2,030,000	319,500	2,349,500
2052	2,230,000	167,250	2,397,250
Total	<u>\$ 18,250,000</u>	<u>\$ 31,581,750</u>	<u>\$ 49,831,750</u>

PEAK METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2024

	\$45,530,553 (Value at Issuance) \$84,680,000 (Value at 2022A-2 Current Interest Conversion Date) Limited Tax General Obligation Bonds, Series 2022A-2 Dated December 21, 2022 Interest Rate 7.750% - 8.000% Interest Payable June 1 and December 1 Principal Due December 1		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ -	\$ -
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	6,744,788	6,744,788
2032	-	6,744,788	6,744,788
2033	-	6,744,788	6,744,788
2034	-	6,744,788	6,744,788
2035	-	6,744,788	6,744,788
2036	-	6,744,788	6,744,788
2037	135,000	6,744,788	6,879,788
2038	850,000	6,734,325	7,584,325
2039	1,505,000	6,668,450	8,173,450
2040	2,380,000	6,551,813	8,931,813
2041	3,150,000	6,367,363	9,517,363
2042	3,825,000	6,123,238	9,948,238
2043	4,365,000	5,826,800	10,191,800
2044	5,155,000	5,477,600	10,632,600
2045	5,565,000	5,065,200	10,630,200
2046	6,225,000	4,620,000	10,845,000
2047	6,725,000	4,122,000	10,847,000
2048	7,475,000	3,584,000	11,059,000
2049	8,075,000	2,986,000	11,061,000
2050	8,940,000	2,340,000	11,280,000
2051	9,655,000	1,624,800	11,279,800
2052	10,655,000	852,400	11,507,400
Total	<u>\$ 84,680,000</u>	<u>\$ 116,157,505</u>	<u>\$ 200,837,505</u>

PEAK METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2024

Year Ended December 31.	Assessed Valuation	Percent Change	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Levied	Collected	
2022	\$ -	0.00%	1.000	0.000	\$ -	\$ -	- %
2023	90	100.00%	2.000	37.000	3	4	117.00
2024	34,590	38333.33%	2.078	38.458	1,402	1,402	100.00
Estimated for Year Ending December 31, 2025	\$ 62,930	81.93%	2.077	38.458	\$ 2,551		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.

ANNUAL DISCLOSURE

**PEAK METROPOLITAN DISTRICT NO. 3
ANNUAL DISCLOSURE
ASSESSED VALUATION OF ALL CLASSES OF PROPERTY**

Property Class	Total Assessed Valuation	Percentage of Taxpayer/ Assessed Valuation
Valuation Year - 2024		
Vacant	\$ 61,780	98.17 %
Commercial	<u>1,150</u>	<u>1.83</u>
Total	<u><u>\$ 62,930</u></u>	<u><u>100.00 %</u></u>

**PEAK METROPOLITAN DISTRICT NO. 3
ANNUAL DISCLOSURE
TEN LARGEST TAXPAYERS WITHIN THE DISTRICT**

<u>Taxpayer Name</u>	<u>Assessed Valuation</u>	<u>Percentage of Taxpayer/ Assessed Valuation</u>
Valuation Year - 2024		
PEAK INNOVATION LLC	\$ 61,690	98.03 %
WILLIAMS SCOTSMAN INC	880	1.40
GRAYHAWK LEASING LLC	270	0.43
INDIVIDUAL	90	0.14
Total	<u>\$ 62,930</u>	<u>100.00 %</u>

**PEAK METROPOLITAN DISTRICT NO. 3
ANNUAL DISCLOSURE
DEBT TO ASSESSED RATIO**

Property Class	Amount
Direct Debt	\$ 71,247,834
2024 Certified Assessed Valuation	\$ 62,930
Ratio of Direct Debt to 2024 Certified Assessed Valuation	113218%
2024 District Statutory Actual Value	\$ 221,440
Ratio of Direct Debt to 2024 District Statutory "Actual" Value	32175 %