

WINSOME METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	18
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	19
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20



Board of Directors
Winsome 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 Winsome Metropolitan District No. 3 (the “District”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Winsome Metropolitan District No. 3 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the basic 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 basic 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 basic 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 basic 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 basic 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 of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 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, such information is fairly stated in all material respects in relation to the financial statements.



Wipfli LLP
Denver, Colorado

July 31, 2024

WINSOME METROPOLITAN DISTRICT NO. 3

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ -	\$ 122	\$ 364,085	\$ 364,207	\$ -	\$ 364,207
Receivable - County Treasurer	63	237	-	300	-	300
Property taxes receivable	7,058	26,701	-	33,759	-	33,759
Receivable from District No. 2	-	44,378	-	44,378	-	44,378
Capital assets not being depreciated	-	-	-	-	8,524,125	8,524,125
Total Assets	<u>\$ 7,121</u>	<u>\$ 71,438</u>	<u>\$ 364,085</u>	<u>\$ 442,644</u>	<u>8,524,125</u>	<u>8,966,769</u>
LIABILITIES						
Due to District No. 1	\$ 63	\$ 36,484	\$ 12,119	\$ 48,666	-	48,666
Accrued interest	-	-	-	-	1,042,890	1,042,890
Long-term liabilities:						
Due in more than one year	-	-	-	-	9,365,202	9,365,202
Total Liabilities	<u>63</u>	<u>36,484</u>	<u>12,119</u>	<u>48,666</u>	<u>10,408,092</u>	<u>10,456,758</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>7,058</u>	<u>26,701</u>	<u>-</u>	<u>33,759</u>	<u>-</u>	<u>33,759</u>
Total Deferred Inflows of Resources	<u>7,058</u>	<u>26,701</u>	<u>-</u>	<u>33,759</u>	<u>-</u>	<u>33,759</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	68	-	-	68	(68)	-
Debt service	-	8,253	-	8,253	(8,253)	-
Capital projects	-	-	351,966	351,966	(351,966)	-
Unassigned	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>(68)</u>	<u>68</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>8,253</u>	<u>351,966</u>	<u>360,219</u>	<u>(360,219)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,121</u>	<u>\$ 71,438</u>	<u>\$ 364,085</u>	<u>\$ 442,644</u>		
Net Position:						
Net investment in capital assets					(841,077)	(841,077)
Restricted for:						
Emergencies					68	68
Capital projects					351,966	351,966
Unrestricted					<u>(1,034,705)</u>	<u>(1,034,705)</u>
Total Net Position					<u>\$ (1,523,748)</u>	<u>\$ (1,523,748)</u>

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

WINSOME METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Planning and engineering	\$ -	\$ -	\$ 10,998	\$ 10,998	\$ -	\$ 10,998
Capital improvements	-	-	1,600,158	1,600,158	(1,600,158)	-
Treasurer's fees	36	137	-	173	-	173
Bond interest expense	-	119,542	-	119,542	378,770	498,312
Trustee fees	-	8,000	-	8,000	-	8,000
Transfer to District No. 1	2,626	-	-	2,626	-	2,626
Repay developer advances	-	-	1,524,084	1,524,084	(1,524,084)	-
Interest on developer advances	-	-	76,074	76,074	39,337	115,411
Total Expenditures	<u>2,662</u>	<u>127,679</u>	<u>3,211,314</u>	<u>3,341,655</u>	<u>(2,706,135)</u>	<u>635,520</u>
GENERAL REVENUES						
Property taxes	2,412	9,124	-	11,536	-	11,536
Specific ownership taxes	250	948	-	1,198	-	1,198
Interest and other income	-	122	26,338	26,460	-	26,460
Transfer from District No. 2	-	111,505	-	111,505	-	111,505
Total General Revenues	<u>2,662</u>	<u>121,699</u>	<u>26,338</u>	<u>150,699</u>	<u>-</u>	<u>150,699</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	-	(5,980)	(3,184,976)	(3,190,956)	2,706,135	(484,821)
OTHER FINANCING SOURCES						
Developer advances	-	-	1,600,158	1,600,158	(1,600,158)	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1,600,158</u>	<u>1,600,158</u>	<u>(1,600,158)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	-	(5,980)	(1,584,818)	(1,590,798)	1,590,798	
CHANGE IN NET POSITION						
					(484,821)	(484,821)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	-	14,233	1,936,784	1,951,017	(2,989,944)	(1,038,927)
END OF YEAR	<u>\$ -</u>	<u>\$ 8,253</u>	<u>\$ 351,966</u>	<u>\$ 360,219</u>	<u>\$ (1,883,967)</u>	<u>\$ (1,523,748)</u>

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

WINSOME METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2023

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,412	\$ 2,412	\$ -
Specific ownership taxes	212	250	38
Developer advance	<u>332</u>	<u>-</u>	<u>(332)</u>
Total Revenues	<u>2,956</u>	<u>2,662</u>	<u>(294)</u>
EXPENDITURES			
Insurance	2,449	-	2,449
Miscellaneous expenses	20	-	20
Treasurer's fees	36	36	-
Transfer to District No. 1	383	2,626	(2,243)
Emergency reserve	<u>68</u>	<u>-</u>	<u>68</u>
Total Expenditures	<u>2,956</u>	<u>2,662</u>	<u>294</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Winsome Metropolitan District No. 3 (“District”), located in the in El Paso County (“County”), Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on May 13, 2020, as a quasi-municipal organization established under the State of Colorado Special District Act. The District and Winsome Metropolitan District No. 2 (“District No. 2” and, together with the District, the “Districts”), Winsome Metropolitan District No. 1 (“District No. 1”) and Winsome Metropolitan District No. 4 (“District No. 4” and together with the Districts and District No. 1, the “Winsome Districts”) were organized as special districts pursuant to the Service Plan for Winsome Metropolitan District Nos. 1-4 (the “Service Plan”) approved on July 23, 2019, by the Board of County Commissioners of the County (the “Board of County Commissioners”), for the primary purpose of financing the construction of the improvements approved in the Service Plan (the “Public Improvements”) and at the Elections, as well as covenant enforcement and design review, ongoing service and maintenance of stormwater facilities open space, trails, noxious weeds and mosquito control. The District’s primary sources of revenues are property taxes and bond proceeds. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Basis of Presentation

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

Budgetary Accounting

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

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand.

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$68 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$8,253 is restricted for the payment of debt service costs relating to the Series 2021A Bonds.

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

The restricted fund balance in the Capital Projects Fund in the amount of \$351,966 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Net Position

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

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

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Note 2: Cash and investments

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

Statement of Net Position:

Cash and investments - restricted	\$ 364,207
Total	\$ <u>364,207</u>

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

Investments – COLOTRUST	\$ 364,207
	\$ <u>364,207</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. The District had no deposits at December 31, 2023.

Investments

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment in COLOTRUST is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2023, the District had \$364,207 invested in COLOTRUST Plus+.

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 6,923,967	\$ 1,600,158	\$ -	\$ 8,524,125
Total capital assets not being depreciated	<u>6,923,967</u>	<u>1,600,158</u>	<u>-</u>	<u>8,524,125</u>
Government type assets, net	<u>\$ 6,923,967</u>	<u>\$ 1,600,158</u>	<u>\$ -</u>	<u>\$ 8,524,125</u>

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Note 4: Long Term Debt

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

\$9,069,000 Limited Tax General Obligation Limited Tax Cash Flow Bonds, Series 2021A₃

On July 14, 2021, the District issued \$9,069,000 Limited Tax General Obligation Limited Tax Cash Flow Bonds, Series 2021A₃ (“Series 2021A Bonds”). The Series 2021A Bonds were issued for the purpose of paying a portion of the Project Costs, and paying the cost of issuance of the Series 2021A Bonds. The Series 2021A Bonds bear interest at the rate of 5.125%, payable annually on December 1, commencing on December 1, 2021 to the extent Pledged Revenue is available. The Series 2021A Bonds mature on December 1, 2050. The Series 2021A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on September 1, 2026, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The 2021A bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Pledged Revenue for payment. In the event any amounts due and owing on the 2021A Bonds remain outstanding on December 2, 2060, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The Series 2021A Bonds are secured by the Required Mill Levy, the Pledged Fees, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available moneys as determined by the District.

Because of the uncertainty of the timing of the principal and interest payment on the Series 2021A Bonds, no schedule of principal and interest payments is presented.

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

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

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
<u>General Obligation Bond</u>					
Series 2021A Bonds	\$ 9,069,000	\$ -	\$ -	\$ 9,069,000	\$ -
<u>Other</u>					
Developer advance	180,791	1,715,569	1,600,158	296,202	-
	<u>\$ 9,249,791</u>	<u>\$ 1,715,569</u>	<u>\$ 1,600,158</u>	<u>\$ 9,365,202</u>	<u>\$ -</u>

Debt Authorization

On May 5, 2020, a majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed \$180,000,000 for the purpose of financing the costs of acquiring, construction, relocating, installing, completing and otherwise providing public improvements. As of December 31, 2023, \$170,931,000 of this authorization remains unissued. The Service Plan provides that the District shall not issue bonds or other debt in excess of \$20,000,000.

Note 5: Other Agreements

Winsome Metropolitan District Nos. 1-4 and Winsome, LLC Advance and Reimbursement and Facilities Acquisition Agreement (Capital Expenses)

The Winsome Districts and the Developer entered into the Winsome Metropolitan District Nos. 1-4 and Winsome, LLC Advance and Reimbursement and Facilities Acquisition Agreement (Capital Expenses) effective July 27, 2020 (the "Facilities Acquisition Agreement"). The Facilities Acquisition Agreement establishes the terms and conditions (a) upon which the Developer may advance funds to or expend funds on behalf of one or more of the Winsome Districts for any and all costs of any kind related to the provision of the Public Improvements that may be lawfully funded by any one of the Districts under the Special District Act and the Service Plan, inclusive of Eligible Professional Service Costs (as defined in the Facilities Acquisition Agreement) (the "District Eligible Costs"), and (b) upon which one or more of the Winsome Districts may make reimbursement to Developer for such advances and/or expenditures. Pursuant to the Facilities Acquisition Agreement, the Developer agrees to advance funds or expend funds on behalf of one or more of the Winsome Districts for District Eligible Costs in one or more installments, provided that in no event shall the total amount that the Developer shall be obligated to advance to collectively or expend on behalf of the Winsome Districts collectively, exceed \$11,697,419 (the "Maximum Advance Amount"), which amount constitutes the maximum amount that may be advanced or expended under the Facilities Acquisition Agreement. Pursuant to the Facilities Acquisition Agreement, the Advances and/or Certified District Eligible.

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Costs accepted in accordance with the Facilities Acquisition Agreement shall bear simple interest at a rate that does not exceed the prime interest rate plus two points thereon from the date such costs are incurred by the Developer, provided, however, that no interest shall begin to accrue on any Advance made to any Winsome District prior to the date on which an order declaring the Winsome Districts organized were recorded in the real property records of El Paso County, which date was June 2, 2020, and the interest shall stop accruing under this Agreement on the date of payment of such amount in full. At December 31, 2023 the balance under this agreement was \$296,202, consisting of principal of \$272,810 and interest of \$23,392.

Advance and Reimbursement Agreement (Operation and Maintenance Expenses)

The Winsome Districts and the Developer entered into an Advance and Reimbursement Agreement (Operation and Maintenance Expenses) effective July 27, 2020 (the “O&M Reimbursement Agreement”) which establishes the terms and conditions upon which (a) the Developer may advance funds to District No. 1 on behalf of the Districts for the Operations Costs (defined below) (the “Advances”) and (b) District No. 1 may make reimbursement to the Developer for the Advances. The Winsome Districts and the Developer acknowledge in the O&M Reimbursement Agreement that the Winsome Districts currently have insufficient funds to pay for (i) the maintenance and operation costs incurred in the ordinary course of business and necessary for the operations and maintenance of the public improvements, facilities and services of the Winsome Districts; (ii) the general administration of the Winsome Districts (including, but not limited to, maintaining the Winsome Districts as a lawfully existing political subdivisions of the State); and (iii) fulfilling the obligations of the Winsome Districts under the Service Plan, which collective costs may include, but are not limited to legal, accounting, design, engineering and management costs (collectively, the “Operations Costs”) and that as of the date of the O&M Reimbursement Agreement, the Developer will have made Advances for Operations Costs of the Winsome Districts and may make Advances for the Operations Costs of the Winsome Districts in the future. Pursuant to the O&M Reimbursement Agreement, the Developer agrees to advance funds or expend funds on behalf of the Winsome Districts for Operation Costs in one or more installments, provided that in no event shall the total amount that the Developer shall be obligated to advance to District No. 1 or expend on behalf of District No. 1 for the benefit of the Districts collectively, exceed \$208,607 (the “Maximum Advance Amount”), which amount constitutes the maximum amount that may be advanced or expended under the O&M Reimbursement Agreement.

Intergovernmental Agreement Concerning District Operations and Funding

The Winsome Districts entered into an Intergovernmental Agreement Concerning District Operations and Funding dated June 21, 2021 (the “Master IGA”) to set forth their respective roles, responsibilities and obligations with respect to the provision of administrative services, ownership, operation and maintenance of the Public Improvements and the funding of the same.

Pursuant to the Master IGA, District No. 1 will own operate and maintain the Public Improvements within the Winsome Districts not otherwise dedicated to other governmental entities, and District No. 1 is engaged as “operator” to provide the operation and maintenance services described therein (the “Services”).

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Capital Pledge Agreement

On July 14, 2021 the District entered into a Capital Pledge Agreement (“Capital Pledge Agreement”) with District No. 2 and the Trustee pursuant to which District No. 2 will pledge the District No. 2 Pledged Revenue to the repayment of the Bonds, such revenues generally consisting of (i) moneys derived from imposition by the Pledge District 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 (ii) the specific ownership taxes remitted to the Pledge District as a result of its imposition of the Required Mill Levy. The Capital Pledge Agreement is to remain in effect until the “Termination Date,” defined in the Capital Pledge Agreement to mean the earlier of: (a) the date on which all amounts due with respect to the Bonds and any Additional Obligations have been defeased or paid in full; or (b) December 1, 2060.

Note 6: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

On May 5, 2020, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Note 7: Risk Management

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

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

WINSOME METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

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

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) governmental funds report developer advances and/or bond proceeds as revenue and report interest as expenditures; however, these are reported as changes to long-term liabilities on the government-wide financial statements.

SUPPLEMENTAL INFORMATION

WINSOME METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 9,125	\$ 9,124	\$ (1)
Specific ownership taxes	728	948	220
Interest and other income	-	122	122
Transfer from District No. 2	<u>108,635</u>	<u>111,505</u>	<u>2,870</u>
Total Revenues	<u>118,488</u>	<u>121,699</u>	<u>3,211</u>
EXPENDITURES			
Bond interest expense	114,322	119,542	(5,220)
Trustee fees	4,000	8,000	(4,000)
Treasurer's fees	<u>166</u>	<u>137</u>	<u>29</u>
Total Expenditures	<u>118,488</u>	<u>127,679</u>	<u>(9,191)</u>
NET CHANGE IN FUND BALANCE	-	(5,980)	(5,980)
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>14,233</u>	<u>14,233</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 8,253</u>	<u>\$ 8,253</u>

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

WINSOME METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest and other income	\$ 25,000	\$ 26,338	\$ 1,338
Total Revenues	25,000	26,338	1,338
EXPENDITURES			
Planning and engineering	-	10,998	(10,998)
Capital improvements	1,958,858	1,600,158	358,700
Repay developer advances	-	1,524,084	(1,524,084)
Interest on developer advances	-	76,074	(76,074)
Total Expenditures	1,958,858	3,211,314	(1,252,456)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,933,858)	(3,184,976)	(1,251,118)
OTHER FINANCING SOURCES			
Developer advances	-	1,600,158	1,600,158
Total Other Financing Sources	-	1,600,158	1,600,158
NET CHANGE IN FUND BALANCE	(1,933,858)	(1,584,818)	349,040
FUND BALANCE:			
BEGINNING OF YEAR	1,933,858	1,936,784	2,926
END OF YEAR	\$ -	\$ 351,966	\$ 351,966

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

WINSOME METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2023

Year Ended	Prior Year Assessed Valuation for Current Year Property	Mills Levied			Total Property Tax		Percent Collected to Levied
		General	Covenant Enforcement	Debt Service	Levied	Collected	
<u>December 31,</u>	<u>Tax Levy</u>						
2021	\$ 4,910	15.000	0.000	0.000	\$ 74	\$ 74	100.48%
2022	\$ 140,060	15.105	0.000	55.664	\$ 9,912	\$ 9,912	100.00%
2023	\$ 159,340	10.093	5.046	57.266	\$ 11,537	\$ 11,536	99.99%
Estimated for year ending December 31, 2023	\$ 448,720	10.487	5.243	59.504	\$ 33,759		

NOTE

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