

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

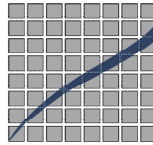
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2024

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Bradley Heights Metropolitan District No. 3

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bradley Heights Metropolitan District No. 3 ("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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 8, 2025

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

STATEMENT OF NET POSITION

DECEMBER 31, 2024

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ -
Cash and investments - restricted	393
Receivable from County Treasurer	5
Property taxes receivable	1,217
Total assets	1,615
<u>LIABILITIES</u>	
Due to Bradley Heights Metropolitan District No. 1	794
Due to Bradley Heights Metropolitan District No. 2	29
Total liabilities	823
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	1,217
Total deferred inflows of resources	1,217
<u>NET POSITION</u>	
Restricted for:	
Debt service	468
Emergency reserve	10
Unrestricted	(903)
Total net position	\$ (425)

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>FUNCTIONS / PROGRAMS</u>					
Primary government					
Government activities:					
General government	\$ 728	\$ -	\$ -	\$ -	\$ (728)
Total government activities	<u>\$ 728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(728)</u>
<u>GENERAL REVENUES</u>					
Property taxes					665
Specific ownership taxes					61
Total general revenues					<u>726</u>
Change in net position					(2)
Net position, beginning of year					<u>(423)</u>
Net position, end of year					<u>\$ (425)</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments - restricted	10	383	393
Receivable from County Treasurer	1	4	5
Property taxes receivable	303	914	1,217
Due from other funds	-	110	110
Total assets	<u>\$ 314</u>	<u>\$ 1,411</u>	<u>\$ 1,725</u>
<u>LIABILITIES</u>			
Due to Bradley Heights Metropolitan District No. 1	\$ 794	\$ -	\$ 794
Due to Bradley Heights Metropolitan District No. 2	-	29	29
Due to other funds	110	-	110
Total liabilities	<u>904</u>	<u>29</u>	<u>933</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	303	914	1,217
Total deferred inflows of resources	<u>303</u>	<u>914</u>	<u>1,217</u>
<u>FUND BALANCES</u>			
Restricted for:			
Debt service	-	468	468
Emergency reserve	10	-	10
Unassigned:			
Unrestricted	(903)	-	(903)
Total fund balances	<u>(893)</u>	<u>468</u>	<u>(425)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 314</u>	<u>\$ 1,411</u>	<u>\$ 1,725</u>

Amounts reported for governmental activities in the statement of net position are the same as above.

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

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

YEAR ENDED DECEMBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property taxes	\$ 166	\$ 499	\$ 665
Specific ownership taxes	16	45	61
Total revenues	182	544	726
<u>EXPENDITURES</u>			
Current:			
Transfer to Bradley Heights Metropolitan District No. 1	179	-	179
Transfer to Bradley Heights Metropolitan District No. 2	-	540	540
County Treasurer fees	3	6	9
Total expenditures	182	546	728
Net change in fund balances	-	(2)	(2)
Fund balances, beginning of year	(893)	470	(423)
Fund balances, end of year	<u>\$ (893)</u>	<u>\$ 468</u>	<u>\$ (425)</u>

Amounts reported for governmental activities in the statement of activities are the same as above.

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

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

YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance
<u>REVENUES</u>				
Property taxes	\$ 165	\$ 166	\$ 166	\$ -
Specific ownership taxes	12	16	16	-
Total revenues	177	182	182	-
<u>EXPENDITURES</u>				
Transfer to Bradley Heights Metropolitan District No. 1	-	179	179	-
County Treasurer fees	2	3	3	-
Total expenditures	2	182	182	-
Total other financing sources and uses	175	-	-	-
Net change in fund balance	<u>\$ 350</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			(893)	
Fund balance, end of year			<u>\$ (893)</u>	

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. DEFINITION OF REPORTING ENTITY

Bradley Heights Metropolitan District No. 3 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in September 2005 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to plan, design, acquire, construct, install, relocate, redevelop, and finance public improvements including water, sewer, storm sewer, detention, flood, and other drainage improvements needed for the area.

The District was organized in conjunction with Bradley Heights Metropolitan District No. 1 ("District No. 1") and Bradley Heights Metropolitan District No. 2 ("District No. 2"). District No. 1 is the coordinating district and District No. 2 and the District are the taxing districts as defined by the Coordinated Services Agreement, dated July 13, 2021.

The District follows 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, and 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 operational and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and the liabilities plus deferred inflows of resources 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

Measurement focus, basis of accounting, and financial statement position

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 when they are both measurable and available. Revenues are considered to be available when they are collectable 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, 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.

The District amended its annual budget for the year ended December 31, 2024.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

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

Property taxes, net of estimated uncollectable amounts, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues 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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

Net position and fund balances

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.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Fund balances

Fund balances for governmental funds are 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. 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:

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is 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.

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

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

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

General fund balance deficit

The general fund reported a deficit in the fund financial statements as of December 31, 2024. The deficit is expected to be eliminated with the receipt of property taxes in the future.

Use of estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

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	\$ -
Cash and investments - restricted	393
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	\$ 393
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See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2024, are as follows:

Deposits with financial institutions	<u>\$ 393</u>
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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. The 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 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.

As of December 31, 2024, the District's cash deposits had a bank balance of \$393 and a carrying balance of \$393.

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 below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise 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 US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2024, the District had no investments.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

4. LONG-TERM OBLIGATIONS

Debt authorization

As of December 31, 2024, the District's debt authorized, authorization used, and amounts authorized but unissued are as follows:

	Electoral Authorization	2010 Amended Service Plan Authorization
Amount authorized	\$ 505,000,000	\$ 35,000,000
Authorization used: Bradley Heights Metropolitan District No. 2 Series 2021A(3) Bonds	(35,000,000)	(35,000,000)
Authorized but unissued indebtedness	<u>\$ 470,000,000</u>	<u>\$ -</u>

On November 1, 2005, the District's voters authorized the issuance of indebtedness at an interest rate not to exceed 18%. The service plan set the maximum mill levy at 30 mills. The Series 2021A(3) Bonds issued by District No. 2 count toward the District's authorization used due to the capital pledge agreement disclosed in Note 7.

5. NET POSITION

The District has net position consisting of restricted and unrestricted.

Restricted net position includes balances with external restrictions 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 a restricted net position as of December 31, 2024 as follows:

Restricted net position:	
Debt service	\$ 468
Emergency reserve (Note 9)	10
	<u>\$ 478</u>

The District has a deficit in unrestricted net position as of December 31, 2024. This deficit is the result of the District being responsible for the repayment of bonds issued by District No. 2 for public improvements, of which a significant portion was conveyed to other governmental entities and which costs were removed from the District's financial records.

6. AGREEMENTS

Capital pledge agreement

To provide for the payment of the Series 2021A(3) Bonds ("Series 2021 Bonds"), the District entered into a Capital Pledge Agreement with District No. 2 and the trustee of the bonds dated August 26, 2021. Under this agreement, District No. 2 is to receive all of the District's capital revenue and agrees to remit the capital revenue to the trustee of the bonds as soon as practicable upon receipt in accordance with the terms of the Series 2021 Bonds indenture of trust. District No. 2 should apply such revenue, together with all other pledged revenue in its possession, to the payment of the principal, premium if any, and interest on the bonds due in accordance with the terms of the Series 2021 Bonds indenture. The District's capital revenue consists of monies derived from the following sources, net of any collection costs: (i) mandatory capital levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the mandatory capital levy; and (iii) any PILOT revenues received from any PILOT recorded against property within District No. 3's boundaries. Mandatory capital levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount of 30.000 mills, or such lesser mill levy which will (together with any PILOT revenues) be sufficient to pay the principal, premium if any, and interest on the Series 2021 Bonds as they become due and payable.

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

District coordinating services agreement

Effective July 13, 2021, the District, District No. 1, and District No. 2 entered into a District Coordinating Services Agreement. Under this agreement, District No. 1 became the coordinating district, and the District and District No. 2 were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the districts' boundaries and perform the administrative services on behalf of the District and District No. 2.

7. RELATED PARTIES

The developers of the property within the District are Bradley Heights Investments, LLC; Ros Equity, LLC; and Challenger Communities, LLC. Members of the board of directors are officers, employees, or associated with the developers and may have conflicts of interest in dealing with the District.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

The District pays annual premiums to the Pool for liability, property, and public officials' liability 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.

9. 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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.

District management believes the District 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 likely require judicial interpretation.

On November 1, 2005, the District's voters authorized the District to collect, spend, and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE (BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>				
Property taxes	\$ 495	\$ 499	\$ 499	\$ -
Specific ownership taxes	35	45	45	-
Total revenues	530	544	544	-
<u>EXPENDITURES</u>				
Transfer to Bradley Heights Metropolitan District No. 2	-	540	540	-
County Treasurer fees	7	6	6	-
Total expenditures	7	546	546	-
Net change in fund balance	<u>\$ 523</u>	<u>\$ (2)</u>	(2)	<u>\$ -</u>
Fund balance, beginning of year			470	
Fund balance, end of year			<u>\$ 468</u>	

See independent auditor's report.