

Solaris Metropolitan District No. 3

Financial Statements

December 31, 2023

**Solaris Metropolitan District No. 3
Financial Statements
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Solaris Metropolitan District No. 3
Vail, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Solaris Metropolitan District No. 3 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. 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 one year after the date that the financial statements are issued.

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INDEPENDENT AUDITORS REPORT
To the Board of Directors
Solaris Metropolitan District No. 3

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 U.S. 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 U.S. 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Solaris Metropolitan District No. 3**

Required Supplementary Information (continued)

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was derived from and relate 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
September 18, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solaris Metropolitan District No. 3

Management's Discussion and Analysis December 31, 2023

As management of Solaris Metropolitan District No. 3 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional supplementary information after the notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between the amounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing construction, operation, and maintenance of the basic public infrastructure that is performed by Solaris Metropolitan District No. 1. There are no business-type activities within the District.

The District's government-wide and fund financial statements can both be found on pages C1 & C2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two funds, the General Fund and the Debt Service Fund, both of which are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages D1-D12 of this report.

Condensed Financial Information

A condensed comparative summary of the District's government-wide assets, liabilities, deferred inflows, net position, revenues and expenses follows:

Statement of Net Position

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Assets:		
Cash	\$ 1,275,884	\$ 1,222,302
Current and other assets	29,994,511	30,334,864
Total Assets	<u>31,270,395</u>	<u>31,557,166</u>
Deferred Outflows		
Deferred Loss on Refunding	1,225,789	1,273,016
Total Deferred Inflows	<u>1,225,789</u>	<u>1,273,016</u>
Liabilities:		
Current Liabilities	768,919	80,071
Long-term obligations	32,733,779	33,950,581
Total Liabilities	<u>33,502,698</u>	<u>34,030,652</u>
Deferred Inflows		
Property Taxes	390,562	242,255
Total Deferred Inflows	<u>390,562</u>	<u>242,255</u>
Net Position:		
Restricted for Debt Service	1,274,728	1,214,970
Restricted for TABOR	2,560	2,525
Unrestricted	(2,674,364)	(2,660,220)
Total Net Position	<u>\$ (1,397,076)</u>	<u>\$ (1,442,725)</u>

Statement of Activities

Revenue:		
Operating & Capital Grants and Contributions	\$ 958,813	\$ 1,057,335
General revenue:		
Property taxes	258,599	258,043
Interest and other revenue	30,302	42,385
Total Revenue	<u>1,247,714</u>	<u>1,357,763</u>
Expenses:		
General government	198,835	90,157
Interest on long-term debt	1,003,230	1,021,914
Total Expenses	<u>1,202,065</u>	<u>1,112,071</u>
Change in Net Position	<u>45,649</u>	<u>245,692</u>
Net Position – Beginning	<u>(1,442,725)</u>	<u>(1,688,417)</u>
Net Position – Ending	<u>\$ (1,397,076)</u>	<u>\$ (1,442,725)</u>

The District is one of the “taxing districts” in a triple district structure whereby the District is supporting the financing of the infrastructure provided by Solaris Metropolitan District No. 1. The District consists of commercial properties. Solaris Metropolitan District No. 1 is the “operating district” and as such, has and will continue to receive capital and service obligation payments from the District and District No. 2 to fund the construction and operation of infrastructure in the Districts. District No. 3 funds such costs with property taxes.

Government-wide Financial Analysis. During 2023 the District’s primary activity was to collect property taxes to pay service costs to District No. 1 for the infrastructure in the Districts and to pay outstanding debt service.

Financial Analysis of the District’s Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$1,288,640. The \$1,288,640 ending fund balance is the result of a cumulative surplus of revenues in excess of expenditures.

The District adopts budgets for each fund on an annual basis. A budgetary comparison has been provided on page E1 for the General Fund and on page F1 for the debt service fund.

Capital assets. All public infrastructure capital assets utilized by the Solaris districts are constructed and operated by District No.1. Therefore, no capital assets are reported by the District.

Long-term debts. In October 2016, the District issued \$29,330,000 General Obligation Refunding Bonds Series 2016A and \$4,000,000 Subordinate Limited Tax General Obligation Bond Series 2016B. A portion of the proceeds from this bond issuance was transferred to District No. 2 to fully repay the Series 2013 bonds. In 2021, the District entered into the 2021 Refunding Note in the amount of \$34,375,000. The District paid \$34,931,566 to an escrow fund to fully refund the General Obligation Refunding Bonds Series 2016A and Subordinate Limited Tax General Obligation Bond Series 2016B. This transaction is more fully described in the Notes to the Financial Statement on page D9 of this report.

Request for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Solaris Metropolitan District No. 3
Statement of Net Position
December 31, 2023

Assets:	
Cash and cash equivalents	1,275,884
Amounts due from treasurer	1,014
Property taxes receivable	390,562
Due from other governments	12,372
Capital obligations due from Solaris Metropolitan District No. 2	<u>29,590,563</u>
Total Assets	<u><u>31,270,395</u></u>
 Deferred Outflow of Resources:	
Deferred charge on refunding	<u>1,225,789</u>
Total Deferred Outflow of Resources	<u><u>1,225,789</u></u>
 Liabilities:	
Current liabilities due in less than one year:	
Due to other governments	630
Accrued interest payable	78,289
Loan payable	690,000
Non-current liabilities due in excess of one year:	
Service obligations due to Solaris Metropolitan District No. 1	343,779
Loan payable	<u>32,390,000</u>
Total Liabilities	<u><u>33,502,698</u></u>
 Deferred Inflow of Resources:	
Property tax revenue	<u>390,562</u>
Total Deferred Inflow of Resources	<u><u>390,562</u></u>
 Net Position:	
Restricted for debt service	1,274,728
Restricted for emergencies	2,560
Unrestricted	<u>(2,674,364)</u>
Total Net Position	<u><u>(1,397,076)</u></u>

The accompanying notes are an integral part of these financial statements.

**Solaris Metropolitan District No. 3
Statement of Activities
For the Year Ended December 31, 2023**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Functions/Programs:					
Governmental activities:					
General government	198,835	-	8,954	949,859	759,978
Interest	1,003,230	-	-	-	(1,003,230)
Total primary government	<u>1,202,065</u>	<u>-</u>	<u>8,954</u>	<u>949,859</u>	<u>(243,252)</u>
General revenues:					
Taxes:					
Property tax					244,717
Specific ownership tax					13,882
Interest income					30,302
Total General Revenues					<u>288,901</u>
Change in Net Position					45,649
Net Position - Beginning					(1,442,725)
Net Position - Ending					<u>(1,397,076)</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Solaris Metropolitan District No. 3
Balance Sheet
Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	14,242	1,261,642	1,275,884
Amounts due from treasurer	300	714	1,014
Property taxes receivable	216,049	174,513	390,562
Due from other governments	-	12,372	12,372
Total Assets	<u>230,591</u>	<u>1,449,241</u>	<u>1,679,832</u>
Liabilities, Deferred Inflow of Resources, and Fund			
Liabilities:			
Due to other governments	630	-	630
Total Liabilities	<u>630</u>	<u>-</u>	<u>630</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	216,049	174,513	390,562
Total Deferred Inflow of Resources	<u>216,049</u>	<u>174,513</u>	<u>390,562</u>
Fund Balances:			
Restricted for debt service	-	1,274,728	1,274,728
Restricted for emergencies	2,560	-	2,560
Unassigned	11,352	-	11,352
Total Fund Balances	<u>13,912</u>	<u>1,274,728</u>	<u>1,288,640</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>230,591</u>	<u>1,449,241</u>	<u>1,679,832</u>

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023

Governmental Funds Total Fund Balance		1,288,640
Deferred outflows are not available for current period expenditures and therefore, are not reported in the funds. This represents the District's deferred charges on refunding.		1,225,789
Long-term liabilities, including bonds payable and developer advances, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:		
Bonds payable	(33,080,000)	
Bond issuance discount	29,590,563	
Accrued interest payable	<u>(78,289)</u>	
		(3,567,726)
Amounts due to other Districts for capital and service obligations are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(343,779)</u>
Net Position of Governmental Activities		<u><u>(1,397,076)</u></u>

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Debt Service	Total Governmental Funds
Revenues:			
Property taxes	72,395	172,322	244,717
Specific ownership taxes	4,107	9,775	13,882
Capital obligation payments from Solaris Metropolitan District No. 2	-	1,445,331	1,445,331
Interest	296	30,006	30,302
Interdistrict payments from Solaris Metropolitan District No. 1	8,954	-	8,954
Total Revenues	85,752	1,657,434	1,743,186
Expenditures:			
General government	85,467	5,170	90,637
Debt service			
Bond principal	-	635,000	635,000
Bond interest	-	957,506	957,506
Total Expenditures	85,467	1,597,676	1,683,143
Net Change in Fund Balances	285	59,758	60,043
Fund Balances - Beginning	13,627	1,214,970	1,228,597
Fund Balances - Ending	13,912	1,274,728	1,288,640

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances for total governmental funds		60,043
Changes in long-term receivables do not provide current financial resources and are no available to cover current costs.		(495,472)
<p>The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal repayments - Bonds payable	635,000	
Refunding bond proceeds	(108,198)	
Amortization of bond refunding gains	(47,226)	
		479,576
<p>The change in long-term liabilities reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.</p>		
		1,502
Change in Net Position of Governmental Activities		45,649

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

The District was organized in 2006 concurrently with Solaris Metropolitan District No. 1 ("District 1") and Solaris Metropolitan District No. 2 ("District 2") and is governed by a five-member elected Board of Directors. On September 19, 2006, a Consolidated Service Plan ("Service Plan") for the Districts was approved. On April 3, 2007, the first amendment to the Service Plan was approved. 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 Districts were organized to provide various public improvements necessary and appropriate for the development of the Solaris Vail project. The public improvements, which include sanitation, water, streets, traffic and safety controls, and parks and recreation, will be constructed for the benefit of the taxpayers and service users within the Districts' boundaries.

The District serves as one of the "Taxing District" with District 2 and District 1 serves as the "Operating District". The Operating District is responsible for providing the day-to-day operations and administrative management for all three Districts.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental fund:

The *General Fund* is the District's primary operating fund. It 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 accumulation of resources for general long-term debt repayment.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at amortized cost. The change in value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2023.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with accounting principles generally accepted in the United States of America, the assessed but uncollected property taxes have been recorded as a receivable and deferred inflow of resources.

4. Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities. In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the fund financial statements. Long-term debt also includes contractual obligations as described in note V.A.

5. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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 one item that qualified for this category. The deferred charge on refunding is amortized over the life of the refunding debt and amortization is included in interest expense.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

F. Subsequent Events

Management has evaluated subsequent events through ; the date these financial statements were available to be issued.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2023 budget, prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$2,560, which is the approximate required reserve, at December 31, 2023.

On November 7, 2006, a majority of the District's electors authorized the District to collect, keep and expend all District revenue during 2006, and continuing thereafter without regard to limitations under TABOR.

Also, on November 7, 2006, the voters of the District authorized the issuance of \$280,000,000 in debt and approved an increase in property tax revenue to pay such debt.

The District's management believes it is in compliance with the financial provisions of TABOR.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$0 at year end.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	-	-	-
Certificates of deposit	Not rated	1,125,035	-	1,125,035
<i>Investments:</i>				
Investment pool	AAAm	150,849	150,849	-
		<u>1,275,884</u>	<u>150,849</u>	<u>1,125,035</u>

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2023, the District had the following recurring fair value measurements.

Investments Measured at Amortized Cost	Total
CSAFE	150,849
	150,849

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

As of December 31, 2023, the District had invested \$150,849 in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State Statutes governing the Trust. The Trust operates similarly to a 2a-7-like money market fund and each share is equal in value to \$1.00. CSAFE is rated AAAM by the Standard & Poor's Corporation. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as depository in connection with direct investment and withdrawals. The custodian's internal records segregate investments owned by the Trust. Investments in CSAFE are stated as amortized value which approximates fair value.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

B. Long-term Debt

2021 Refunding Note

The 2021 Refunding Note was issued for the purpose of refunding the District's outstanding 2016A General Obligation Refunding Bonds (Series 2016A) and the Series 2016B Subordinate Limited Tax General Obligation Refunding Bonds (Series 2016B). The note bears annual interest of 2.84%. Certain property taxes levied by the District are pledged for the payment of the note. The total amount of the note issued were \$34,375,000 and the total paid to escrow, including contribution from the District, was \$34,931,566. This refunding reduced total debt service payments over the next 24 years by approximately \$17,697,884.

The District has the following payments to maturity as of December 31, 2023:

	Principal	Interest	Total
2024	690,000	939,472	1,629,472
2025	705,000	919,876	1,624,876
2026	760,000	899,854	1,659,854
2027	780,000	878,270	1,658,270
2028	835,000	856,118	1,691,118
2029 - 2033	4,770,000	3,903,580	8,673,580
2034 - 2038	5,610,000	3,848,519	9,458,519
2039 - 2043	6,725,000	3,690,000	10,415,000
2044 - 2048	8,980,000	1,982,925	10,962,925
2049	3,225,000	145,125	3,370,125
	Total		
	<u>33,080,000</u>	<u>18,063,739</u>	<u>51,143,739</u>

The District has the following changes in long-term liabilities during the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2021 Series Loan	33,715,000	-	(635,000)	33,080,000	690,000
	<u>33,715,000</u>	<u>-</u>	<u>(635,000)</u>	<u>33,080,000</u>	<u>690,000</u>

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

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

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. The Pool provides coverage for property claims and liability coverage claims and workers' compensation. Settled claims have not exceeded this coverage in the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 member pursuant to a distribution formula.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2023 (the latest audited information available) is as follows:

Assets	<u><u>81,143,798</u></u>
Liabilities	58,670,068
Capital and surplus	<u>22,473,730</u>
Total	<u><u>81,143,798</u></u>
Revenue	29,593,851
Underwriting expenses	<u>31,416,477</u>
Underwriting gain (loss)	(1,822,626)
Other income	<u>1,695,393</u>
Net income (loss)	<u><u>(127,233)</u></u>

B. Related Parties

The District's Board of Directors are either officers or employees of or have business or professional relationships with the Developer.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

V. Intergovernmental Agreements

A. District Operations Agreement

The Districts entered into an Amended and Restated District Operating (the "Agreement") dated March 19, 2013, amending and restating the District Operating Agreement dated April 26, 2007. The Agreement generally provides that the District will perform operations services including administration, financial management, election management, budget preparation, and insurance administration for the Taxing Districts and the Taxing Districts have pledged to levy taxes to provide for payment of the operations costs. As of December 31, 2023, the District owes \$343,779 to the Service District for these services.

B. Intergovernmental Agreement with the Town of Vail, Colorado, Solaris Metropolitan District No. 1 and Solaris Metropolitan District No. 2

On March 22, 2007 the Districts entered into an Intergovernmental Agreement with the Town of Vail, Colorado, as required by the Consolidated Service Plan. Under this Agreement, the Districts must obtain the approval of the Vail Town Council prior to any inclusion of property located outside of the service area as defined in the Service Plan. Prior to the issuance of any privately placed debt, the Districts shall obtain a certificate from an External Financial Advisor certifying to the reasonableness of the interest rate and the structure. The IGA was amended on March 4, 2008, increasing the debt authorization limit from \$20,000,000 to \$40,000,000.

The Consolidated Service Plan of the Districts anticipates the dedication of the public improvements to the Town of Vail or other appropriate jurisdiction for ownership and maintenance. The Districts are authorized to operate or maintain any improvements not dedicated to other jurisdictions, including those improvements known as the "Plaza".

C. Omnibus Funding and Reimbursement Agreement

On October 13, 2016, the District, along with District 1 and District 2, entered into an agreement with Solaris Property Owner, LLC. This agreement consolidated several prior agreements and commitments between the parties. The following agreements were terminated: The Integrated Project Delivery Agreement, The Original Funding and Reimbursement Agreement, The Joint Resolution Agreement, and the 2010 Costs Agreement. Furthermore, this agreement included an amendment to the Capital Pledge and Mill Levy Policy Agreement, whereby the Taxing Districts will impose the Capital levies and pledge the levies to the issuer of the 2016 series bonds (District 3).

The General Obligation Refunding Bonds, Series 2016A and the Subordinate Limited Tax General Obligation Refunding Bonds, Series 2016B, in the amounts of \$29,330,000 and \$4,000,000 respectively, were issued for the purpose of: (i) repaying the Solaris Property Owner, LLC debt; (ii) refunding the Series 2013 bonds; (iii) funding the reserve funds; (iv) paying the bond issue costs.

The General Obligation Loan, Series 2021 in the amounts of \$34,375,000 were issued for the purpose of: (i) repaying the Solaris Property Owner, LLC debt; (ii) refunding the Series 2016A and Series 2016B bonds; (iii) funding the reserve funds; (iv) paying the bond issue costs.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2023
(continued)

V. Intergovernmental Agreements (continued)

D. Capital Pledge Agreement

The Districts then entered into a Capital Pledge and Mill Levy Policy Agreement (the "Capital Pledge Agreement") dated December 15, 2021, whereby District No. 2 and District No. 3 pledged to levy taxes to provide for payment of the annual debt requirements for the Series 2021 loan. The Capital Pledge Agreement provides that the Taxing Districts will each levy a debt service mill levy not to exceed a maximum of 50 mills in either District (subject to certain adjustments) and which will be in a corresponding proportion of 46.391 mills in District No. 2 and 25 mills in District No. 3. As of December 31, 2023, the District is owed \$29,590,563 from District No. 2 under this agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Solaris Metropolitan District No. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	71,667	72,395	728
Specific ownership taxes	3,583	4,107	524
Interest	200	296	96
Interdistrict payments from Solaris Metropolitan District No. 1	9,440	8,954	(486)
Total Revenues	84,890	85,752	862
Expenditures:			
General government:			
Accounting and auditing	4,750	4,750	-
Insurance	4,690	4,204	486
Treasurer's fees	2,150	2,172	(22)
Service obligation payments to Solaris Metropolitan District No. 1	73,100	74,341	(1,241)
Contingency	5,000	-	5,000
Total General Government Expenditures	89,690	85,467	4,223
Net Change in Fund Balance	(4,800)	285	5,085
Fund Balance - Beginning	14,788	13,627	(1,161)
Fund Balance - Ending	9,988	13,912	3,924

SUPPLEMENTARY INFORMATION

Solaris Metropolitan District No. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	170,782	172,322	1,540
Specific ownership taxes	8,538	9,775	1,237
Capital obligation payments from Solaris Metropolitan District No. 2	1,435,461	1,445,331	9,870
Interest	12,500	30,006	17,506
Total Revenues	1,627,281	1,657,434	30,153
Expenditures:			
General government:			
Treasurer's fees	5,123	5,170	(47)
Miscellaneous	4,000	-	4,000
Contingency	10,000	-	10,000
Debt service:			
Bond principal	635,000	635,000	-
Bond interest	957,506	957,506	-
Total General Government Expenditures	1,611,629	1,597,676	13,953
Net Change in Fund Balance	15,652	59,758	44,106
Fund Balance - Beginning	1,200,572	1,214,970	14,398
Fund Balance - Ending	1,216,224	1,274,728	58,504