

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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Board of Directors
North Pine Vistas Metropolitan District No. 3
Douglas County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of North Pine Vistas 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 North Pine Vistas 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 financial statements that collectively comprise the District's financial statements as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP
Denver, Colorado

August 19, 2024

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

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

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Investments	\$ 629,071	\$ -	\$ 629,071	\$ -	\$ 629,071
Investments - restricted	300	226,763	227,063	-	227,063
Receivable - County Treasurer	2,340	6,157	8,497	-	8,497
Property taxes receivable	131,352	1,483,512	1,614,864	-	1,614,864
Prepaid debt insurance, net of accumulated amortization	-	-	-	265,492	265,492
Total Assets	<u>763,063</u>	<u>1,716,432</u>	<u>2,479,495</u>	<u>265,492</u>	<u>2,744,987</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	629,644	629,644
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,644</u>	<u>629,644</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 763,063</u>	<u>\$ 1,716,432</u>	<u>\$ 2,479,495</u>		
LIABILITIES					
Accrued interest on bonds	\$ -	\$ -	\$ -	59,212	59,212
Taxes payable - City	297,354	-	297,354	-	297,354
Payable to District 1	263,378	-	263,378	-	263,378
Long-term liabilities:					
Due within one year	-	-	-	220,000	220,000
Due in more than one year	-	-	-	20,152,995	20,152,995
Total Liabilities	<u>560,732</u>	<u>-</u>	<u>560,732</u>	<u>20,432,207</u>	<u>20,992,939</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	131,352	1,483,512	1,614,864	-	1,614,864
Total Deferred Inflows of Resources	<u>131,352</u>	<u>1,483,512</u>	<u>1,614,864</u>	<u>-</u>	<u>1,614,864</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	4,500	-	4,500	(4,500)	-
Debt service	-	232,920	232,920	(232,920)	-
Unassigned	66,479	-	66,479	(66,479)	-
Total Fund Balances	<u>70,979</u>	<u>232,920</u>	<u>303,899</u>	<u>(303,899)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 763,063</u>	<u>\$ 1,716,432</u>	<u>\$ 2,479,495</u>		
Net Position:					
Restricted for:					
Emergencies				4,500	4,500
Debt service				173,708	173,708
Unrestricted				(19,411,380)	(19,411,380)
Total Net Position				<u>\$ (19,233,172)</u>	<u>\$ (19,233,172)</u>

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

NORTH PINE VISTAS 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>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Treasurer's fees	\$ 5,856	\$ 15,429	\$ 21,285	\$ -	\$ 21,285
Transfer to District 1	420,429	-	420,429	-	420,429
Bond principal Series 2021A	-	195,000	195,000	(195,000)	-
Bond principal Series 2021B	-	218,000	218,000	(218,000)	-
Bond interest expense	-	786,248	786,248	(90,850)	695,398
Trustee fees	-	5,000	5,000	-	5,000
Bond insurance	-	-	-	15,476	15,476
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>426,285</u>	<u>1,219,677</u>	<u>1,645,962</u>	<u>(488,374)</u>	<u>1,157,588</u>
GENERAL REVENUES					
Property taxes	390,109	1,026,640	1,416,749	-	1,416,749
Specific ownership taxes	36,176	95,205	131,381	-	131,381
Interest income	<u>51,367</u>	<u>17,347</u>	<u>68,714</u>	<u> </u>	<u>68,714</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total General Revenues	<u>477,652</u>	<u>1,139,192</u>	<u>1,616,844</u>	<u> </u>	<u>1,616,844</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>51,367</u>	<u>(80,485)</u>	<u>(29,118)</u>	<u>488,374</u>	<u>459,256</u>
NET CHANGES IN FUND BALANCES					
	51,367	(80,485)	(29,118)	29,118	
CHANGE IN NET POSITION					
				459,256	459,256
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>19,612</u>	<u>313,405</u>	<u>333,017</u>	<u>(20,025,445)</u>	<u>(19,692,428)</u>
END OF YEAR	<u>\$ 70,979</u>	<u>\$ 232,920</u>	<u>\$ 303,899</u>	<u>\$(19,537,071)</u>	<u>\$(19,233,172)</u>

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

NORTH PINE VISTAS 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	\$ 390,109	\$ 390,109	\$ -
Specific ownership taxes	29,258	36,176	6,918
Interest income	<u>10,000</u>	<u>51,367</u>	<u>41,367</u>
Total Revenues	<u>429,367</u>	<u>477,652</u>	<u>48,285</u>
EXPENDITURES			
Treasurer's fees	3,658	5,856	(2,198)
Payment to the City	108,824	-	108,824
Transfer to District 1	<u>316,885</u>	<u>420,429</u>	<u>(103,544)</u>
Total Expenditures	<u>429,367</u>	<u>426,285</u>	<u>3,082</u>
NET CHANGE IN FUND BALANCE	-	51,367	51,367
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>19,612</u>	<u>19,612</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 70,979</u>	<u>\$ 70,979</u>

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the North Pine Vistas Metropolitan District No. 3 (“the District”), located in Douglas 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 as a quasi-municipal organization established under the State of Colorado Special District Act and the creation of the District was approved by the eligible electors of the District voting at an election held on November 1, 2011. The District was established for the primary purpose of funding, constructing, owning and operating certain public infrastructure and assisting in the coordination of metropolitan district services and facilities to support the needs of a primarily residential development known as “Lagae Ranch” located in the City of Castle Pines (the “City”) and Douglas County (the “County”). The District was organized concurrently with North Pine Vistas Metropolitan District No. 1 (“District No. 1”) and North Pine Vistas Metropolitan District No. 2 (“District No. 2”). The Service Plan states that District No. 1 is responsible for constructing, owning and operating the majority of the public services and facilities for the Development, while District No. 2 and the District are responsible for funding and assisting in the coordination of metropolitan district services and facilities related to the development.

The District's primary revenues are property taxes. 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.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

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.

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.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

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.

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 all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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. The District amended its total appropriations in the Debt Service Fund.

Assets, Liabilities, Deferred Outflows/Inflows of Resources 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 investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

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.

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 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 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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 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.

Original Issue Premium, Loss on Refunding and Prepaid Bond Insurance

Original issue premium from the Series 2021A Bonds is being amortized over the term of the bonds using the interest method. The deferred loss on refunding is being amortized over the life of the bonds using the effective interest method. The prepaid bond insurance is being amortized over the life of the bonds using the interest method. Accumulated amortization of original issue premium, the deferred loss on refunding and prepaid bond insurance amounted to \$268,617, \$78,050 and \$32,910, respectively, at December 31, 2023.

NORTH PINE VISTAS 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 \$4,500 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$232,920 is restricted for the payment of the debt service costs associated with the Series 2021A Bonds (see Note 3).

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

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.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

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 or 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.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Note 2: Cash and Investments

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

Statement of Net Position:

Investments	\$ 629,071
Investments - restricted	<u>227,063</u>
Total	<u>\$ 856,134</u>

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

Investments - COLOTRUST	\$851,251
Investments – Federated Hermes Treas Oblg	<u>4,883</u>
Total	<u>\$856,134</u>

Deposits

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

Investments

Credit Risk

The District's investment policy requires that the District follow state statutes for 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.

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 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.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

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

Federated Hermes Treasury Obligation Fund

The District's funds that were included in the trust account related to the Series 2021 A Bonds is invested in the Federated Hermes Treasury Obligation Fund ("Fund"). This Fund is a money market fund and each share is equal in value to \$1.00. All investments within the Portfolio are recorded at fair value and the District records its investment in the Fund at NAV. The Portfolio is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 10 days or less. As of December 31, 2023, the District has \$4,883 invested in the fund.

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 Trust. 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. On December 31, 2023, the District had \$851,251 invested in COLOTRUST PLUS+.

Note 3: Long-Term Debt

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

\$16,140,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A and \$2,629,000 Limited Tax General Obligation Subordinate Bonds, Series 2021B₃

On October 20, 2021 the District issued \$16,140,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A ("Series 2021A Bonds") and \$2,629,000 Limited Tax General Obligation Subordinate Bonds, Series 2021B₃("Series 2021B Bonds") for the purpose of refunding the Series 2016 A Bonds and the Series 2016 B Bonds, financing public improvements related to a primarily residential development (the "Development") in the City of Castle Pines, fund the Senior Reserve Fund through the purchase of a reserve fund surety policy, and pay other costs in connection with the issuance of the Series 2021A Bonds and the Series 2021 B Bonds.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

The Series 2021A Bonds bear interest at rates ranging from 4.00% to 5.00%, are payable semiannually on each June 1 and December 1, commencing on December 1, 2021, and mature on December 1, 2051. The Series 2021B Bonds bear interest at the rate of 4.25%, payable annually on December 15, commencing on December 15, 2021, to the extent that Pledged Revenue is available, and mature on December 15, 2035. The Series 2021A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2022, and 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 December 1, 2031, upon payment of par, and accrued interest.

The Series 2021B 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 December 15, 2026, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2021A Bonds are secured by the Senior Required Mill Levy, all revenues derived from a payment in lieu of taxes (“PILOT”) relating to the Senior Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District.

The Series 2021B Bonds are secured by the Subordinate Required Mill Levy, all revenues derived from any PILOT relating to the Subordinate Required Mill Levy, the Subordinate Capital Fee Revenue, if any, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, and any other legally available moneys as determined by the District.

In the event that any amounts of principal or interest on the Series 2021A Bonds remains unpaid on December 2, 2057, amounts shall be deemed discharged. On December 16, 2057, any amounts still outstanding on the Series 2021 B Bonds shall be deemed discharged.

The Series 2021A Bonds have an insured rating of “AA” by S&P and a “A2” insured rating by Moody’s. The Series 2021B Bonds are not rated.

Advance Refunding

On October 20, 2021, the Limited Tax General Obligation Bonds, Series 2016A (“Series 2016A Bonds”) and Subordinate Limited Tax General Obligation Bonds, Series 2016B (“Series 2016B Bonds”) were advanced refunded with the issuance of the Series 2021A Bonds and the Series 2021B Bonds. An escrow was funded to repay the bonds along with accrued interest in full. The refunding resulted in a net present value savings of \$1,018,526.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements for the 2021A Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 220,000	\$ 654,800	\$ 874,800
2025	230,000	643,800	873,800
2026	255,000	632,300	887,300
2027	270,000	619,550	889,550
2028	300,000	606,050	906,050
2029-2033	1,830,000	2,788,200	4,618,200
2034-2038	2,485,000	2,350,200	4,835,200
2039-2043	3,245,000	1,794,800	5,039,800
2044-2048	4,090,000	1,077,800	5,167,800
2049-2051	2,870,000	232,600	3,102,600
	<u>\$ 15,795,000</u>	<u>\$ 11,400,100</u>	<u>\$ 27,195,100</u>

Due to the uncertainty of the timing of the principal and interest on the Series 2021B Bonds, a schedule of the estimated timing of these payments is not available.

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

	<u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2023</u>	<u>Portion</u>
Series 2021A Bonds	\$ 15,990,000	\$ -	\$ 195,000	\$ 15,795,000	\$ 220,000
Series 2021B Bonds	<u>2,629,000</u>	<u>-</u>	<u>218,000</u>	<u>2,411,000</u>	<u>-</u>
Total	18,619,000	-	413,000	18,206,000	220,000
Original issue premium	<u>2,293,316</u>	<u>-</u>	<u>126,321</u>	<u>2,166,995</u>	<u>-</u>
	<u>\$ 20,912,316</u>	<u>\$ -</u>	<u>\$ 539,321</u>	<u>\$ 20,372,995</u>	<u>\$ 220,000</u>

Debt Authorization

As of December 31, 2023, the District had remaining voted debt authorization of approximately \$59,234,000. The District has not budgeted to issue any new debt during 2023. Per the District's Service Plan, the District can not issue debt in excess of \$35,000,000.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Note 4: Other Agreements

Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement

On June 2, 2016, the District and Districts Nos. 1 and 2 entered into an Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement. In this agreement, District No. 2 and the District engage District No. 1 to perform administrative functions and to be the operator of any of the public improvements which are owned by any of the Districts and have not been conveyed to other entities. Districts Nos. 2 and 3 are required to provide funds to District No. 1 sufficient to pay for these functions.

Intergovernmental Agreement

On November 1, 2012 (amended in 2014 and 2016), the District, Districts Nos. 1 and 2, and the City entered into an Intergovernmental Agreement that states that the public improvements to be financed by the Districts shall be dedicated to the City, or other governmental entity and prohibits the Districts from owning or operating water and sanitation improvements unless Castle Pines North Metropolitan District no longer provides such services. The agreement also requires City approval to any inclusions of property or consolidations, limits the amount of debt issued by all Districts to \$35,000,000, requires City approval prior to condemnations, imposes a mill levy limitation consistent with the Service Plan and imposes a maximum mill levy imposition term consistent with the Service Plan.

Resolution Adopting System Development Fees

On September 1, 2017, the District, and District No. 2, approved a resolution adopting a system development fee. The fee was assessed on each unit constructed within the boundaries of the Districts and due at the time a building permit is issued. The fee was set for detached single family units at \$3,000 per unit and for attached single family and multi-family units at \$2,000 per unit, the fee increases by 3% annually on January 1 beginning on January 1, 2017. During 2023, the District did not collect any System Development Fees.

Intergovernmental Agreement Concerning Annual Contribution for Right-of-Way and Storm Sewer Maintenance

On October 11, 2016, the District, Districts Nos. 1 and 2, and the City entered into an Intergovernmental Agreement Concerning Annual Contribution for Right-of-Way and Storm Sewer Maintenance. The City required the Districts to enter into this agreement in order to ensure that the Districts assist the City with defraying the operation and maintenance costs associated with certain landscaping and certain storm sewer and drainage improvements. The agreement required the District to make annual contributions derived from a mill levy of 5 mills imposed on taxable property within the District, commencing on January 1 of the year following the year in which the City accepts the related Lagae Road for ownership and maintenance. The contribution obligation terminates on the earlier of 15 years from the commencement date or December 31, 2035, whichever first occurs. The 5 Mill Levy was first certified in 2016 for collection in 2017.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2023

Amended and Restated Intergovernmental Agreement

The Districts and the City entered into an Amended and Restated Intergovernmental Agreement dated July 1, 2022 (as amended and restated, the “City General IGA” or the “IGA”), whereby the City agreed to own and maintain certain public improvements benefiting the Districts, including but not limited to streets, safety protection, trails, park and recreation, open space, landscaping, and storm drainage improvements (as further described therein, the “City Maintained Improvements”), and in return, the Districts agreed to annually contribute funds to the City to help defray the costs of operating and maintaining such public improvements.

Pursuant to the City General IGA, the Districts agreed to impose an ad valorem mill levy annually, commencing in calendar year 2022, for collection and remittance to the City annually, commencing in calendar year 2023. The City Operations Mill Levy shall be certified in the minimum amount as follows (collected and remitted in the following year) per the following schedule: eight (8) mills in 2022; 10.5 mills in 2023; 12.5 mills in 2024; 13.5 mills in 2025; and 14.5 mills in 2026 and in subsequent years (“City Operations Mill Levy Schedule”); provided that the City Operations Mill Levy may exceed the amounts set forth in the City Operations Mill Levy Schedule if the property within the Districts is developed sooner than anticipated under the City Operations Mill Levy Schedule. The obligations of the Districts to impose the City Operations Mill Levy and remit to the City any and all revenues therefrom (the “Operations Revenue”) shall be payable solely from Operations Revenue of the Districts. The City Operations Mill Levy shall be utilized exclusively to pay for the costs of operations and maintenance of the City Maintained Improvements by the City and directly associated City administrative costs. The remainder of the Districts’ operations mill levy shall be retained by the Districts to fund the Districts’ covenant enforcement, legal, accounting and administration costs, including the cost to operate and maintain District Maintained Improvements (as defined therein, consisting of signage and retaining walls). In the event that the Districts generally fail to impose, collect or pay over the City Operations Mill Levy to the City during the term of the City General IGA and such failure is uncured or addressed in a manner acceptable to the City, the City may, in its sole discretion, quit claim and transfer the City Maintained Improvements to the Districts and have no further obligation to operate or maintain same and may terminate the City General IGA and the Districts shall be required to pay the City termination costs in the amount of \$400,000, subject to inflation.

The City General IGA describes the process for the City to finally accept the completed City Maintained Improvements. For the City Maintained Improvement that were not yet complete as of the date of the City General IGA (the “Incomplete City Improvements”), the City agreed to accept such improvements in their then-current condition and state with no warranty or representation given by the Districts, in exchange for a Completion Payment the amount of \$282,694 to be paid to the City by the Districts as full and final payment to be applied to the costs of completion of the Incomplete City Improvements by the City (subject to a contingency of not less than 15% of the estimated costs of completion of the Incomplete City Improvements). The Incomplete City Improvements were to be completed by the City no later than December 31, 2023. On July 6, 2022, District No. 1 paid the City \$282,694.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2023

Subsequent to year end the Districts and the City entered into a First Amended and Restated Intergovernmental Agreement which supersedes and replaces the Amended and Restated Intergovernmental Agreement dated July 1, 2022 (“Prior IGA”) in its entirety and which Prior IGA will be of no further force and effect. The Districts’ obligation to impose and certify an ad valorem mill levy for collection and remittance to the City to operate and maintain the City Maintained Improvements is terminated and the Districts agree they will not impose and certify an ad valorem operating mill levy of more than seven (7) mills, as may be adjusted if the laws change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur, beginning in tax collection year 2024, unless specifically authorized by the City.

Note 5: Related Parties

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 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 November 1, 2011, 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.

NORTH PINE VISTAS 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 (“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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds; and,
- 2) unamortized debt insurance, deferred cost on refunding and original issue premium are not financial resources and, therefore are not reported in the funds.

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 interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

NORTH PINE VISTAS 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 1,026,640	\$ 1,026,640	\$ 1,026,640	\$ -
Specific ownership taxes	61,598	61,598	95,205	33,607
Interest income	<u>-</u>	<u>-</u>	<u>17,347</u>	<u>17,347</u>
Total Revenues	<u>1,088,238</u>	<u>1,088,238</u>	<u>1,139,192</u>	<u>50,954</u>
EXPENDITURES				
Bond principal Series 2021A	195,000	195,000	195,000	-
Bond principal Series 2021B	-	218,000	218,000	-
Bond interest expense	842,744	842,744	786,248	56,496
Trustee fees	7,000	7,000	5,000	2,000
Treasurer's fees	<u>15,400</u>	<u>15,400</u>	<u>15,429</u>	<u>(29)</u>
Total Expenditures	<u>1,060,144</u>	<u>1,278,144</u>	<u>1,219,677</u>	<u>58,467</u>
NET CHANGE IN FUND BALANCE	28,094	(189,906)	(80,485)	109,421
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>313,400</u>	<u>313,405</u>	<u>5</u>
END OF YEAR	<u>\$ 28,094</u>	<u>\$ 123,494</u>	<u>\$ 232,920</u>	<u>\$ 109,426</u>

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2023

Collection Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Tax		Percent Collected to Levied
		General Fund	City	Debt Service	Levied	Collected	
2016	\$ 536,120	10.000	0.000	50.000	\$ 32,167	\$ 32,167	100.00%
2017	\$ 1,909,850	10.000	5.000	50.000	\$ 124,140	\$ 124,141	100.00%
2018	\$ 3,216,820	10.000	5.000	50.000	\$ 209,093	\$ 209,093	100.00%
2019	\$ 5,210,010	10.198	5.099	50.991	\$ 345,361	\$ 345,284	99.98%
2020	\$ 10,387,960	10.398	5.199	51.991	\$ 702,101	\$ 702,180	100.01%
2021	\$ 14,122,970	14.357	5.370	53.706	\$ 1,037,093	\$ 1,037,093	100.00%
2022	\$ 17,448,830	14.357	5.370	55.664	\$ 1,315,485	\$ 1,315,485	100.00%
2023	\$ 18,280,620	7.724	13.616	56.160	\$ 1,416,749	\$ 1,416,749	100.00%
Estimated for year ending December 31, 2024	\$ 23,986,800	5.476	0.000	61.847	\$ 1,614,864		

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.