

**NORTHLAKE METROPOLITAN
DISTRICT NO. 3**

BASIC FINANCIAL STATEMENTS

December 31, 2023

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Northlake Metropolitan District No. 3
Weld County, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the Northlake 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 the Northlake Metropolitan District No. 3 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.

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 Northlake Metropolitan District No. 3 and to meet our 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 the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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 required budgetary information on page 12 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 (GASB) 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.

Management has not presented the management's discussion and analysis that governmental 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 opinion is not affected by this missing information.

John Cutler & Associates, LLC

July 16, 2025

BASIC FINANCIAL STATEMENTS

NORTH LAKE METROPOLITAN DISTRICT NO. 3

STATEMENT OF NET POSITION

As of December 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Property Taxes Receivable	<u>\$ 3,220,424</u>
TOTAL ASSETS	<u>3,220,424</u>
DEFERRED INFLOW OF RESOURCES	
Deferred Property Tax Revenue	<u>3,220,424</u>
NET POSITION	
Reserved for Emergencies	-
Unrestricted	<u>-</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	<u>Governmental Activities</u>
EXPENSES	
Governmental Activities	
General Government	\$ 39,522
TOTAL EXPENSES	<u>39,522</u>
REVENUES	
GENERAL REVENUES	
Property Taxes	2,634,702
Specific Ownership Taxes	31,624
SPECIAL ITEMS	
Transfer to Other District	<u>(2,626,804)</u>
TOTAL REVENUES	<u>39,522</u>
CHANGE IN NET POSITION	-
NET POSITION, Beginning	<u>-</u>
NET POSITION, Ending	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2023

	<u>GENERAL FUND</u>
ASSETS	
Property Tax Receivable	<u>\$ 3,220,424</u>
TOTAL ASSETS	<u>\$ 3,220,424</u>
DEFERRED INFLOWS	
Deferred Property Taxes	<u>\$ 3,220,424</u>
FUND EQUITY	
Fund Balance	
Restricted for Emergencies	-
Unassigned	<u>-</u>
TOTAL FUND EQUITY	<u>-</u>
TOTAL DEFERRED INFLOWES AND FUND EQUITY	<u>\$ 3,220,424</u>

See the accompanying independent auditors' report.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	<u>GENERAL FUND</u>
REVENUES	
Property Taxes	\$ 2,634,702
Specific Ownership Taxes	<u>31,624</u>
TOTAL REVENUES	<u>2,666,326</u>
EXPENDITURES	
Current	
General Government	<u>39,522</u>
TOTAL EXPENDITURES	<u>39,522</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>2,626,804</u>
OTHER FINANCING SOURCES (USES)	
Transfer to Other District	<u>(2,626,804)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,626,804)</u>
NET CHANGE IN FUND BALANCES	-
FUND BALANCES, Beginning	<u>-</u>
FUND BALANCES, Ending	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northlake Metropolitan District No. 3 (the District”) was formed to provide public services and improvements for the District and surrounding area within its boundaries. The District is governed by a five-member Board of Directors elected by the constituents.

The accounting policies of the Northlake Metropolitan District No. 3 conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the Northlake Metropolitan District No. 3 has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is 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. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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*.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected 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.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. At December 31, 2024, the District did not have any capital assets.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. As of December 31, 2023, the District did not have any long-term obligations.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Net Position/Fund Balance Classification

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District did not have any restricted resources as of December 31, 2023.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2023.
- Assigned – This classification includes amounts that the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The District did not have any assigned resources as of December 31, 2023.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classification (Continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amounts by \$1,268,656. This may be a violation of State statute.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: DEBT AUTHORIZATION

On November 4, 2014, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$60,000,000.

As of December 31, 2023, the amount of debt authorized but unissued was \$60,000,000. The District intends to issue over time a part or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 4: RELATED PARTIES

Some members of the Board of Directors are employees, owners or members of the Developer. The District does not owe the Developer any amounts as of December 31, 2023.

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self insurance pool. The District funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund.

Settled claims resulting from these risks have not exceeded commercial or District coverages in any of the past three years.

NOTE 6: COMMITMENTS AND CONTINGENCIES

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2023, the emergency reserve of \$128,900 was recorded as a restriction of fund balance in the General Fund of District 1.

NORTHLAKE METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 7: SUBSEQUENT EVENTS

Potential subsequent events were considered through the date of the financial statements. It was determined that no events are required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

NORTHLAKE METROPOLITAN DISTRICT NO. 3

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Property Taxes	\$ 1,318,557	\$ 2,634,702	\$ 1,316,145
Specific Ownership Taxes	79,113	31,624	(47,489)
TOTAL REVENUES	<u>1,397,670</u>	<u>2,666,326</u>	<u>1,268,656</u>
EXPENDITURES			
Current			
General Government			
Treasurer Fees	20,965	39,522	(18,557)
TOTAL EXPENDITURES	<u>20,965</u>	<u>39,522</u>	<u>(18,557)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,376,705</u>	<u>2,626,804</u>	<u>1,250,099</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Other District	(1,376,705)	(2,626,804)	(1,250,099)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,376,705)</u>	<u>(2,626,804)</u>	<u>(1,250,099)</u>
CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE, Beginning	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.