

**Northridge Estates Metropolitan District No. 3  
Weld County, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2023**

**Northridge Estates Metropolitan District No. 3**

**TABLE OF CONTENTS**

**December 31, 2023**

**Independent Auditor’s Report** ..... 1

**Basic Financial Statements:**

    Government-Wide Financial Statements:

        Statement of Net Position ..... 1

        Statement of Activities ..... 2

    Fund Financial Statements:

        Balance Sheet – Governmental Funds ..... 3

        Statement of Revenues, Expenditures, and Changes in Fund Balances –  
            Governmental Funds ..... 4

        Reconciliation of the Statement of Revenues, Expenditures, and  
            Changes in Fund Balances to the Statement of Activities ..... 5

        Statement of Revenues, Expenditures, and Changes in Fund Balances –  
            Budget and Actual – General Fund..... 6

    Notes to Financial Statements ..... 7

**Supplemental Information:**

    Statement of Revenues, Expenditures, and Changes in Fund Balances –  
        Budget and Actual – Debt Service Fund ..... 20

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Northridge Estates Metropolitan District No. 3  
Weld County, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Northridge Estates 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 District as of December 31, 2023, and the respective changes in financial position thereof, 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, 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 Responsibility 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 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 to 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**

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

## **Other Matters**

### *Economic Dependency*

As disclosed in Note 8 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

*Fiscal Focus Partners LLC*

Arvada, Colorado  
July 29, 2024

**NORTHRIDGE ESTATES METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF NET POSITION**

**December 31, 2023**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 960
Cash and investments - restricted	6,311
Due from county treasurer	78
Assessment receivable	700
Property taxes receivable	176,377
<b>Total assets</b>	<u>184,426</u>
<b>LIABILITIES</b>	
Accounts payable	103,092
Unearned revenue	250
Accrued interest payable	866,598
Noncurrent liabilities:	
Due in more than one year	10,900,000
<b>Total liabilities</b>	<u>11,869,940</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	176,377
<b>Total deferred inflows of resources</b>	<u>176,377</u>
<b>NET POSITION</b>	
Restricted for:	
Emergencies	350
Debt service	6,000
Unrestricted	(11,868,241)
<b>Total net position</b>	<u>\$ (11,861,891)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

**NORTHBRIDGE ESTATES METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs:</b>				
<b>Primary government</b>				
General government	\$ 134,900	\$ 4,175	\$ 50,284	\$ (80,441)
Interest on long-term debt and related costs	603,868	-	-	(518,376)
Total primary government	\$ 738,768	\$ 4,175	\$ 50,284	\$ (598,817)
<b>General Revenues:</b>				
Property taxes				25,272
Specific ownership taxes				1,074
Interest income				1,884
Total general revenues				28,230
<b>Change in net position</b>				(570,587)
<b>Net position - beginning</b>				(11,291,304)
<b>Net position - ending</b>				\$ (11,861,891)

The accompanying Notes to the Financial Statements are an integral part of these statements.

**NORTHRIDGE ESTATES METROPOLITAN DISTRICT NO. 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2023

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 960	\$ -	\$ 960
Cash and investments - restricted	350	5,961	6,311
Due from county treasurer	39	39	78
Assessment receivable	700	-	700
Property taxes receivable	44,094	132,283	176,377
<b>Total assets</b>	46,143	138,283	184,426
<b>LIABILITIES</b>			
Accounts payable	103,092	-	103,092
Unearned revenue	250	-	250
<b>Total liabilities</b>	103,342	-	103,342
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	44,094	132,283	176,377
<b>Total deferred inflows of resources</b>	44,094	132,283	176,377
<b>FUND BALANCES</b>			
Restricted for:			
Emergencies	350	-	350
Debt service	-	6,000	6,000
Unassigned	(101,643)	-	(101,643)
<b>Total fund balances</b>	(101,293)	6,000	(95,293)
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 46,143	\$ 138,283	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, developer advances and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(10,900,000)
Accrued interest payable - bonds	(866,598)
Net position of governmental activities	\$ (11,861,891)

The accompanying Notes to the Financial Statements are an integral part of these statements.

**NORTHRIDGE ESTATES METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 6,318	\$ 18,954	\$ 25,272
Specific ownership tax	537	537	1,074
Intergovernmental revenue	32,520	85,492	118,012
Design review fees	3,550	-	3,550
Fines	625	-	625
Investment income	5	1,879	1,884
<b>Total revenues</b>	<u>43,555</u>	<u>106,862</u>	<u>150,417</u>
<b>EXPENDITURES</b>			
General Government			
Management & accounting	36,873	-	36,873
Legal	24,929	-	24,929
Audit	16,205	-	16,205
Insurance	9,498	-	9,498
County treasurer's fees	95	284	379
Trustee fees	-	4,000	4,000
Bank fees	-	85	85
Other general and administrative	1,496	-	1,496
Operating Expenses			
Landscape	24,583	-	24,583
Design review fees	2,050	-	2,050
Repairs & maintenance	19,171	-	19,171
Debt Service			
Bond interest	-	96,493	96,493
<b>Total expenditures</b>	<u>134,900</u>	<u>100,862</u>	<u>235,762</u>
<b>Excess of revenues over (under) expenditures</b>	(91,345)	6,000	(85,345)
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer contribution	17,764	-	17,764
<b>Total other financing sources (uses)</b>	<u>17,764</u>	<u>-</u>	<u>17,764</u>
<b>Net change in fund balances</b>	(73,581)	6,000	(67,581)
<b>Fund balances (deficit) - beginning</b>	<u>(27,712)</u>	<u>-</u>	<u>(27,712)</u>
<b>Fund balances (deficit) - ending</b>	<u>\$ (101,293)</u>	<u>\$ 6,000</u>	<u>\$ (95,293)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

**NORTHRIDGE ESTATES 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 - governmental funds	\$ (67,581)
Amounts reported for governmental activities in the statement of activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued bond interest payable - change in liability	<u>(503,006)</u>
Change in net position of governmental activities	<u><u>\$ (570,587)</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

**NORTHRIDGE ESTATES METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended December 31, 2023

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 6,318	\$ 6,318	\$ -
Specific ownership tax	379	537	158
Intergovernmental revenue	31,496	32,520	1,024
Design review fees	7,000	3,550	(3,450)
Fines	-	625	625
Investment income	-	5	5
<b>Total revenues</b>	<b>45,193</b>	<b>43,555</b>	<b>(1,638)</b>
<b>EXPENDITURES</b>			
General Government			
Management & accounting	36,000	36,873	(873)
Legal	25,000	24,929	71
Audit	16,000	16,205	(205)
Insurance	7,979	9,498	(1,519)
County Treasurer's fees	95	95	-
Election	3,000	188	2,812
Other general and administrative	1,418	1,308	110
Operating Expenses			
Utilities	12,500	-	12,500
Landscape	102,645	24,583	78,062
Design review fees	7,000	2,050	4,950
Repairs & maintenance	6,000	19,171	(13,171)
<b>Total expenditures</b>	<b>217,637</b>	<b>134,900</b>	<b>82,737</b>
<b>Excess of revenue over (under) expenditures</b>	(172,444)	(91,345)	81,099
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	173,983	-	(173,983)
Developer contribution	-	17,764	17,764
<b>Total other financing sources (uses)</b>	<b>173,983</b>	<b>17,764</b>	<b>(156,219)</b>
<b>Net change in fund balances</b>	1,539	(73,581)	(75,120)
<b>Fund balances - beginning</b>	<b>11,228</b>	<b>(27,712)</b>	<b>(27,712)</b>
<b>Fund balances (deficit) - ending</b>	<b>\$ 12,767</b>	<b>\$ (101,293)</b>	<b>\$ (114,060)</b>

The accompanying Notes to the Financial Statements are an integral part of these statements.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023

#### **Note 1 – Definition of Reporting Entity**

Northridge Estates Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Weld County on December 17, 2018, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Greeley, Colorado (City).

The District was organized in conjunction with Northridge Estates Metropolitan District No. 1 (District No. 1) and Northridge Estates Metropolitan District No. 2 (District No. 2), (collectively the Districts). The Districts were established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements needed for the development of property commonly referred to as Northridge Estates. The Districts may also provide ongoing operations and maintenance services. The Consolidated Service Plan defines Taxing Districts as District Nos. 1, 2 or 3 and the Operating District as District No. 1. Effective January 1, 2022 the Districts entered into a Master Intergovernmental Agreement (Note 7) which designated the District as the Coordinating District of the Districts.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the City.

#### **Note 2 – Summary of Significant Accounting Policies**

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

The statement of net position reports all financial resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

Separate financial statements are provided for the governmental funds. 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 related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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 major source of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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 general government, except those required to be reported in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

#### **Budgetary Information**

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 appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget 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.

#### **Pooled Cash and Investments**

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.

#### **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 taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

#### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period 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. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Equity

##### Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

##### Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**Northridge Estates Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2023**

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

The District has a deficit fund balance as of December 31, 2023. The District anticipates this will be funded from property taxes and intergovernmental revenue in 2024.

**Note 3 – Cash and Investments**

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

Statement of net position	
Cash and investments	\$ 960
Cash and investments - restricted	6,311
	<u>\$ 7,271</u>

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

Deposits with financial institutions	\$ 5,478
Investments	1,793
	<u>\$ 7,271</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District’s cash deposits had a bank balance and carrying balance of \$5,478.

**Northridge Estates Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2023**

**Investments**

The District has not adopted a formal investment policy; however the District follows state statute regarding investments. The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 1,793</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

**Northridge Estates Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2023**

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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 the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District holds all its investments in the COLOTRUST PLUS+ portfolio.

**Note 4 – Long-Term Obligations**

Changes in long-term debt for the year ended December 31, 2023 are summarized as follows:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023
Governmental activities:				
General Obligation Bonds				
Limited Tax - Series 2022	\$ 10,900,000	\$ -	\$ -	\$ 10,900,000

**Limited Tax General Obligation Bonds Series 2022**

**Bond Details**

On May 26, 2022 Limited Tax General Obligation Bonds Series 2022 (the 2022 Bonds) were issued for the purposes of: i) paying for project costs; and ii) paying the costs incurred in connection with the issuance of the Bonds.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

The 2022 Bonds bear interest at 5.50%, payable annually to the extent of pledged revenue available therefore on December 1 each year, commencing December 1, 2022. The 2022 Bonds are structured as “cash flow” bonds meaning that there are no scheduled payments of principal and interest prior to the final maturity date. The 2022 Bonds mature on May 1, 2062. Any principal of the 2022 Bonds, that is not paid when due, shall remain outstanding until paid or until the 2022 Bonds Termination Date (May 1, 2062). Unpaid interest on the 2022 Bonds does not compound but remains due and owing. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the 2022 Bonds. In the event any amounts due and owing on the 2022 Bonds remain outstanding on May 1, 2062, such amounts shall be deemed discharged and shall no longer be due and outstanding.

#### **Optional Redemption**

The Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2027, to November 30, 2028	3.00%
December 1, 2028, to November 30, 2029	2.00
December 1, 2029, to November 30, 2030	1.00
December 1, 2030, and thereafter	0.00

#### **Pledged Revenue**

The 2022 Bonds are secured by and payable from moneys derived by the District from Pledged Revenue. Pledged Revenue is defined as moneys derived from the following sources: 1) amounts received from District No. 1 and District No. 2 pursuant to the pledged agreement (Note 7), 2) the Required Mill Levy, 3) 50% of Specific Ownership Tax until the assessed valuation threshold as defined in the agreement is achieved and after the date the threshold is achieved 100% of Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and 4) any other legally available moneys which the District determines, in its absolute discretion to transfer to the Trustee for application as pledged revenue.

#### **Required Mill Levy**

The Required Mill Levy is 45 mills (subject to adjustment) or such lesser mill levy which will fund the Bond Fund in an amount sufficient to pay all of the principal and interest on the Bonds in full. The mill levy will be adjusted to reflect changes in the event the laws of the State change with respect to assessment of property, the ration for determining assessed valuation changes or other similar changes after January 1, 2007 so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished or enhanced as a result of such changes.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

#### Events of Default

The 2022 Bonds contain certain events of default: a) the District fails to impose the required mill levy or to apply the mill levy as required by the trust indenture or if District No. 1 or District No. 2 fails or refuses to impose the required mill levy, b) the District defaults in the performance of the covenants, agreements or conditions contained in the indenture or bond resolution and c) the District files a petition under the federal bankruptcy laws.

#### Authorized Debt

On November 7, 2018, a majority of the qualified electors of the Districts authorized the issuance of indebtedness in the amount not to exceed \$253,000,000. Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness not to exceed \$11,500,000.

As of December 31, 2023 the District has the following amount of debt available:

Purpose	Authorization Used and Remaining from 2018 Election		
	Principal Amount Voted	Principal Amount Used by 2022 Bonds	Principal Amount Remaining
Park and recreation	\$ 11,500,000	\$ 2,268,077	\$ 9,231,923
Sanitation/storm sewer	11,500,000	2,390,715	9,109,285
Streets	11,500,000	4,440,461	7,059,539
Water	11,500,000	1,800,747	9,699,253
Television relay and translation	11,500,000	-	11,500,000
Transportation	11,500,000	-	11,500,000
Safety protection	11,500,000	-	11,500,000
Mosquito control	11,500,000	-	11,500,000
Security	11,500,000	-	11,500,000
Fire protection	11,500,000	-	11,500,000
Refunding	126,500,000	-	126,500,000
IGA debt	11,500,000	-	11,500,000
Total	\$ 253,000,000	\$ 10,900,000	\$ 242,100,000

#### **Note 5 – Net Position**

The District's net position consists of two components – restricted and unrestricted.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

**Northridge Estates Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2023**

	Governmental Activities
Restricted net position:	
Emergencies	\$ 350
Debt service	6,000
	<u>\$ 6,350</u>

As of December 31, 2023, the District has unrestricted net position of \$(11,868,241). The deficit in net position is primarily due to debt proceeds required to fund capital acquisitions, which are owned by other governments.

**Note 6 – Related Parties**

Members of the Board of Directors are officers, employees, or associated with the Developer and may have conflicts of interest in dealing with the District.

**Note 7 – Agreements**

**City of Greeley Intergovernmental Agreement**

In connection with the approval of the Districts' service plan, the Districts entered into an Intergovernmental Agreement with the City of Greeley (City IGA). Under the terms of the City IGA, the Districts agree that no action will be taken, including the imposition of any tax, which would constitute a material departure from the terms of the Service Plan. The City IGA entitles the City to protect and enforce its rights by suit, action or special proceedings including actions for specific performance or damages. The intent is that the remedies available are in addition to remedies available to the City under C.R.S. 32-1-207 or any other applicable statute. The District has 60 days to provide the City with written evidence that no material departure occurred. The District does not currently believe there have been any material departures.

**Master Intergovernmental Agreement**

Effective January 1, 2022 the District entered into a Master Intergovernmental Agreement (Master IGA) with District No. 1 and District No. 2 to coordinate the issuance of debt to reimburse the Developer for capital repayment and to stipulate the Coordinating District as the owner of the public improvements responsible for the operation and maintenance of Public Improvements not conveyed to the City. The Master IGA also provides that the Coordinating District coordinate operations and management of the Districts, including supervising the business and affairs of the Districts. As Pledge Districts, the District, District No. 1 and District No. 2 agree to impose an ad valorem tax on property within their respective boundaries in an amount determined by the Coordinating District to cover ongoing operations and maintenance costs. Except for pledged revenues pledged under the Capital Pledge Agreement, the Pledge Districts assign all revenue to the Coordinating District.

## Northridge Estates Metropolitan District No. 3

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

#### **Capital Pledge Agreement**

On January 18, 2022 the District entered into a Capital Pledge Agreement with District No. 1 and District No. 2 pursuant to which the Districts agree 1) that the District will issue Bonds as necessary to finance and construct the Districts' improvements and 2) to levy annual taxes to the extent necessary to provide for payment of Annual Bond Costs, in the amount of the Required Mill Levy determined by the District. Annual bond costs include payment of debt service and related costs in connection with any bonds, notes, contract or other obligations issued by the District. This may include an amount sufficient to replenish a reserve fund for debt at a rate not to exceed 45 mills adjusted so that actual tax revenues are not diminished or enhanced by changes in the method of calculating assessed valuation after January 1, 2007.

#### **Note 8 – Economic Dependency**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

#### **Note 9 – Risk Management**

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

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

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

#### **Note 10 - Tax, Spending and Debt Limitation**

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

**Northridge Estates Metropolitan District No. 3**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2023**

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 and benefit increases.

A majority of the District's electors has authorized the District to collect revenues without regard to the TABOR limits.

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.

SUPPLEMENTAL INFORMATION

**NORTHRIDGE ESTATES METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND**

**For the Year Ended December 31, 2023**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 18,954	\$ 18,954	\$ -
Specific ownership tax	1,137	537	(600)
Intergovernmental revenue	89,210	85,492	(3,718)
Investment income	-	1,879	1,879
<b>Total revenues</b>	<u>109,301</u>	<u>106,862</u>	<u>(2,439)</u>
<b>EXPENDITURES</b>			
County treasurer's fees	284	284	-
Trustee fees	6,000	4,000	2,000
Bank fees	-	85	(85)
Debt Service			
Cost of issuance	-	-	-
Bond interest	103,017	96,493	6,524
<b>Total expenditures</b>	<u>109,301</u>	<u>100,862</u>	<u>8,439</u>
<b>Net change in fund balances</b>	-	6,000	6,000
<b>Fund balances - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - ending</b>	<u><u>\$ -</u></u>	<u><u>\$ 6,000</u></u>	<u><u>\$ 6,000</u></u>