CASTLE OAKS METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016

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BARNES GRIGGS
& ASSOCIATES, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Castle Oaks Metropolitan District
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Castle Oaks Metropolitan District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Castle Oaks Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes Griggs & Associates, PC

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Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary 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.

Barner Griggs & Associates, PC

Lakewood, Colorado
July 16, 2017

BASIC FINANCIAL STATEMENTS

CASTLE OAKS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	$ 51,120
Cash and investments - Restricted	1,040,284
Receivable from County Treasurer	8,089
Property taxes receivable	1,161,423
Prepaid expense	3,168
Total assets	2,264,084
DEFERRED OUTFLOWS OF RESOURCES	
Cost of loan refunding	1,281,900
Total deferred outflows of resources	1,281,900
LIABILITIES	
Accounts payable	9,911
Accrued interest payable	61,581
Due to SLV	149,163
Noncurrent liabilities	
Due within one year	400,000
Due in more than one year	18,210,000
Total liabilities	18,830,655
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,161,423
Total deferred inflows of resources	1,161,423
NET POSITION	
Restricted for:	
Emergency reserves	2,800
Debt Service	235,720
Unrestricted	(16,684,614)
Total net position	$ (16,446,094)

These financial statements should be read only in connection with the accompanying notes to financial statements.

CASTLE OAKS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Government activities:					
General government	$ 65,757	$ -	$ -	$ -	$ (65,757)
Interest and related costs on long-term debt	1,021,761	-	-	-	(1,021,761)
	$ 1,087,518	$ -	$ -	$ -	(1,087,518)
General revenues:					
Property taxes					1,039,527
Specific ownership taxes					95,640
Other income					53
Interest income					5,399
Total general revenues					1,140,619
Change in net position					53,101
Net position - Beginning					(16,499,195)
Net position - Ending					$ (16,446,094)

These financial statements should be read only in connection with the accompanying notes to financial statements.

CASTLE OAKS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	$ 51,120	$ -	$ 51,120
Cash and investments - Restricted	2,800	1,037,484	1,040,284
Receivable from County Treasurer	647	7,442	8,089
Prepaid expense	3,168	-	3,168
Property taxes receivable	92,914	1,068,509	1,161,423
Total assets	$ 150,649	$ 2,113,435	$ 2,264,084
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 9,911	$ -	$ 9,911
Due to SLV	-	149,163	149,163
Total liabilities	9,911	149,163	159,074
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	92,914	1,068,509	1,161,423
Total deferred inflows of resources	92,914	1,068,509	1,161,423
FUND BALANCES			
Nonspendable	3,168	-	3,168
Restricted for:			
Emergency reserves	2,800	-	2,800
Debt service	-	895,763	895,763
Unassigned	41,856	-	41,856
Total fund balances	47,824	895,763	943,587
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 150,649	$ 2,113,435	

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

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Cost of refunding	1,281,900
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Loan payable	(18,610,000)
Loan interest payable	(61,581)
Net Position of governmental acitivities	$ (16,446,094)

These financial statements should be read only in connection with the accompanying notes to financial statements.

CASTLE OAKS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	General	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	$ 83,162	$ 956,365	$ 1,039,527
Specific ownership taxes	7,651	87,989	95,640
Other income	53	-	53
Interest income	1,618	3,781	5,399
Total revenues	92,484	1,048,135	1,140,619
EXPENDITURES			
Current			
Accounting	23,886	-	23,886
Audit	4,000	-	4,000
County Treasurer's fees	1,248	14,348	15,596
Insurance and bonds	2,971	-	2,971
Legal	19,212	-	19,212
Miscellaneous	60	32	92
Debt service			
Paying agent fees	-	192	192
Loan principal	-	215,000	215,000
Loan interest	-	731,088	731,088
Total expenditures	51,377	960,660	1,012,037
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,107	87,475	128,582
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	82	(82)	-
Total other financing sources (uses)	82	(82)	-
NET CHANGE IN FUND BALANCES	41,189	87,393	128,582
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	6,635	808,370	815,005
FUND BALANCES - END OF YEAR	$ 47,824	$ 895,763	$ 943,587

These financial statements should be read only in connection with the accompanying notes to financial statements.

CASTLE OAKS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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

Net changes in fund balances - Total governmental funds	$ 128,582
Long-term debt (e.g., loans, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:	
Principal payment	215,000
Amortization - cost of refunding	(268,284)
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 interest on debt - Change in liability	(22,197)
Change in net position of governmental activities	$ 53,101

These financial statements should be read only in connection with the accompanying notes to financial statements.

CASTLE OAKS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
December 31, 2016

	Original and Final Budget	Actual	Variance- with final budget Positive (Negative)
REVENUES			
Property taxes	$ 83,162	$ 83,162	$ -
Specific ownership taxes	7,480	7,651	171
Other income	1,000	53	(947)
Interest income	15	1,618	1,603
Total revenues	91,657	92,484	827
EXPENDITURES			
Current			
Accounting	20,000	23,886	(3,886)
Audit	-	4,000	(4,000)
County Treasurer's fees	1,250	1,248	2
Election	2,000	-	2,000
Director's fees	900	-	900
Insurance and bonds	3,200	2,971	229
Legal	40,000	19,212	20,788
Miscellaneous	500	60	440
Contingency	4,150	-	4,150
Total expenditures	72,000	51,377	20,623
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,657	41,107	21,450
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	82	82
Total other financing sources (uses)	-	82	82
NET CHANGE IN FUND BALANCES	19,657	41,189	21,532
FUND BALANCES - BEGINNING OF YEAR	2,184	6,635	4,451
FUND BALANCES - END OF YEAR	$ 21,841	$ 47,824	$ 25,983

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 - DEFINITION OF REPORTING ENTITY

Castle Oaks Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by court order and decree of the District Court for the County of Douglas on January 9, 2001 and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is located within the Town of Castle Rock, Colorado.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, and completion of public improvements and services, including water, sanitation/storm sewer, streets, park and recreation, mosquito control, safety protection, television relay and translation, and security.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. Redemption of bonds is recorded as a reduction in liabilities.

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 sources 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 accounted for in another fund.
>
> The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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 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.

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 single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

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 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 a deferred inflow of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issue Costs

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Amortization

Cost of Refunding

In the government-wide financial statements, the deferred cost of refunding is being amortized using the interest method. The amortization amount is a component of interest expense, and the unamortized deferred costs are reflected as a deferred outflow of resources.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports 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 government only has one item that qualifies for reporting in this category, cost of bond refunding.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: nonspendable, 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:

- *Nonspendable 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 legally or contractually required to be maintained intact.

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

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

- *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.

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

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	51,120
Cash and investments - Restricted		1,040,284
Total Cash and investments	$	1,091,404

Cash and investments as of December 31, 2016, consisted of the following:

Cash deposits with financial institutions	$	859,068
Investments		232,336
Total Cash and investments	$	1,091,404

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 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, 2016, the District's cash deposits had a bank balance of $859,545 and a carrying balance of $859,068.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, 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.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

Fair Value Measurement and Application

The District categorizes its fair value measurements 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; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

As of December 31, 2016, the District had the following investments:

Investment	**Maturity**	**Fair Value**
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 232,336
		$ 232,336

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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. 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 is rated AAAm by Standard & Poor's.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Retirement of Long-Term Obligations	Balance at December 31, 2016	Due Within One Year
Refunding Loan - Series 2015A	$ 7,850,000	$ -	$ 90,000	$ 7,760,000	$ 150,000
Refunding Loan - Series2015B	10,975,000	-	125,000	10,850,000	250,000
	$ 18,825,000	$ -	$ 215,000	$ 18,610,000	$ 400,000

Loan Agreement

The District entered into a Loan Agreement with Compass Mortgage Corporation dated December 11, 2015, in the amount of $18,825,000 for the purpose of refunding the Series 2012 bonds and repaying developer advances. The Loan consists of a taxable portion, convertible to tax-exempt, (Series 2015A) in the amount of $7,850,000 and a nontaxable portion (Series 2015B) in the amount of $10,975,000. Principal payments are due December 1 and interest payments are due June 1 and December 1 in varying amounts through December 1, 2022 with an interest rate of 4.93% on the taxable portion and an interest rate of 3.21% on the nontaxable portion. The Loan is subject to mandatory redemption beginning December 1, 2016. The Loan may not be prepaid in whole or in part prior to December 11, 2018. The Loan may be prepaid in whole or, subject to the consent of the Lender, in part, on December 11, 2018, or on any date thereafter, at the option of the District and after ten (10) days prior written notice to the Lender of such prepayment, upon payment of par and accrued interest to the date of prepayment, without prepayment fees, premiums, or penalties.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The District is required to impose a mill levy that will be sufficient to produce the amount necessary to pay the principal of and interest on the Loan when due, to pay any Contingent Interest then due and owing, and to fund the Reserve Fund to the Reserve Requirement, but not in excess of 50 mills; provided however, in the event the method of calculating assessed valuation is or was changed after the date of approval of the original Service Plan (September 28, 2000), the mill levy limitations provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such change. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. The District hereby determines that, pursuant to the above formula and based on changes since September 28, 2000, as of the Closing Date the foregoing mill levy of 50 mills has adjusted upwards to 61.1809 mills. The District has pledged the required mill levy, the portion of the specific ownership taxes allocable to the amount of the required mill levy; and any other legally available moneys which the Board determines in its sole discretion to apply as pledged revenue.

The District's long-term obligations will mature as follows:

	Principal	Interest	Total
2017	$ 400,000	$ 698,968	$ 1,098,968
2018	540,000	584,541	1,124,541
2019	600,000	567,206	1,167,206
2020	620,000	547,947	1,167,947
2021	635,000	528,046	1,163,046
2022	15,815,000	507,661	16,322,661
	$ 18,610,000	$ 3,434,369	$ 22,044,369

Debt Authorization

On November 7, 2000, District voters authorized the District to issue $250,750,000 of general obligation bonds or other financial obligations for the infrastructure development, parks and recreation, performance of intergovernmental agreements, formation of a regional water authority, refinancing of district debt, and other uses. However, the District's Service Plan limits its general obligation debt to $25,000,000 which does not include debt authorization utilized for refunding. The District has issued $18,825,000 under the Service Plan limit.

Subsequent to year end the residential assessment rate was changed from 7.96% to 7.2%. Based upon the May 2017 preliminary assessed valuations, the service plan limit of 50 mills may be adjusted to 67.638 mills. The final adjusted mill levy will be based upon final assessed value for budget year 2018.

NOTE 5 - NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are 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 a restricted net position as of December 31, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergencies	$ 2,800
Debt service	235,720
	$ 238,520

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, which will be conveyed or were conveyed to other governmental entities.

NOTE 6 - AGREEMENTS

Intergovernmental Agreement

On October 28, 2002, as amended September 2, 2003, the District entered into an agreement with the Town of Castle Rock (the Town) whereby the District will finance and construct public improvements which are necessary to provide municipal services within the District's Boundaries as set forth in the Service Plan. Upon completion of the improvements, the District is required to convey the improvements to the Town. Upon acceptance, the Town is responsible for operation, maintenance, and repair of such improvements. The District imposes a development fee on property within its boundaries which equals the water and sewer fee of the Town plus a facility fee (Development Fee) to the District. Pursuant to the Agreement, the District retains the Town's water and sewer fee. The District is also permitted to impose ad valorem property taxes, rates, fees, or other revenue as set forth in the Service Plan.

Development Fee Agreement

On September 25, 2005, the District entered into a Development Fee Agreement with Autumn Sage Development, Ltd., (the "Former Developer"). The Former Developer guaranteed to fund any shortfall in Facility Development Fees up to $1,680,179 with respect to property within the District owned by the Former Developer. The shortfall amounts were to be calculated semiannually as of April 15th and October 15th and are to be paid each May 1st and November 1st commencing 2006 through 2009. The amount of $145,530 for the 2009 payment was still owed to the District as of December 31, 2013. In 2014, the SLV Castle Oaks, LLC, (the "Developer"), authorized the use of current facility fee payments received and subsequently forwarded to the Developer to meet this obligation. Therefore there are no other amounts owed from the Former Developer per this agreement.

NOTE 6 – AGREEMENTS (CONTINUED)

The Resolution of the Castle Oaks Metropolitan District Regarding the Imposition of Facilities/ Development Fees, as amended, imposes a lien on the property in the District for the collection of the fees at the time of building permit. The Developer has prepaid all fees; therefore, fees collected are forwarded to the Developer for reimbursement.

NOTE 7 - RELATED PARTIES

Certain members of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest with respect to certain transactions which come before the Board.

NOTE 8 - INTERFUND TRANSFER

During the year ended December 31, 2016, the District transferred $82 from the Debt Service fund to the General fund to reimburse for previously incurred costs.

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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.

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.

On November 7, 2000, the District's voters authorized the District to increase annual taxes $500,000 annually without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

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.

SUPPLEMENTARY INFORMATION

CASTLE OAKS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance- with final budget Positive (Negative)
REVENUES			
Property taxes	$ 956,364	$ 956,365	$ 1
Specific ownership taxes	86,070	87,989	1,919
Interest income	2,500	3,781	1,281
Total revenues	1,044,934	1,048,135	3,201
EXPENDITURES			
Paying agent fees	6,000	192	5,808
County Treasurer's fees	14,385	14,348	37
Interest expense - loan	718,766	731,088	(12,322)
Principal expense - loan	215,000	215,000	-
Contingency	50,000	-	50,000
Miscellaneous	1,815	32	1,783
Total expenditures	1,005,966	960,660	45,306
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	38,968	87,475	48,507
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	(82)	(82)
Total other financing sources (uses)	-	(82)	(82)
NET CHANGE IN FUND BALANCES	38,968	87,393	48,425
FUND BALANCES - BEGINNING OF YEAR	851,563	808,370	(43,193)
FUND BALANCES - END OF YEAR	$ 890,531	$ 895,763	$ 5,232

OTHER INFORMATION

CASTLE OAKS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	$7,850,000 Taxable Refunding Loan Series 2015A Interest 4.93% Dated December 11, 2015 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2017	$ 150,000	$ 350,683	$ 500,683
2018	225,000	$ 244,281	$ 469,281
2019	250,000	$ 237,058	$ 487,058
2020	260,000	$ 229,033	$ 489,033
2021	265,000	$ 220,688	$ 485,688
2022	6,610,000	$ 212,181	$ 6,822,181
	$ 7,760,000	$ 1,493,924	$ 9,253,924

(Continued)

CASTLE OAKS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

Bonds and Interest Maturing in the Year Ending December 31,	$10,975,000 Nontaxable Refunding Loan Series 2015B Interest 3.21% Dated December 11, 2015 Interest Payable June 1 and December 1 Principal Payable December 1			Total		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ 250,000	$ 348,285	$ 598,285	$ 400,000	$ 698,968	$ 1,098,968
2018	315,000	340,260	655,260	540,000	584,541	1,124,541
2019	350,000	330,148	680,148	600,000	567,206	1,167,206
2020	360,000	318,914	678,914	620,000	547,947	1,167,947
2021	370,000	307,358	677,358	635,000	528,046	1,163,046
2022	9,205,000	295,480	9,500,480	15,815,000	507,661	16,322,661
	$ 10,850,000	$ 1,940,445	$ 12,790,445	$ 18,610,000	$ 3,434,369	$ 22,044,369

CASTLE OAKS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2012	$ 8,836,030	4.000	46.000	$ 441,802	$ 441,868	100.02%
2013	$ 9,310,140	4.000	46.000	$ 465,507	$ 465,515	100.00%
2014	$ 11,112,455	4.000	46.000	$ 555,623	$ 555,624	100.00%
2015	$ 12,986,450	4.000	46.000	$ 649,323	$ 649,326	100.00%
2016	$ 20,790,520	4.000	46.000	$1,039,526	$ 1,039,527	100.01%
Estimated for the year ending December 31, 2017	$ 23,228,460	4.000	46.000	$1,161,423		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.