

Castle Pines North Metropolitan District

Financial Statements and Supplementary
Information

Year Ended December 31, 2016



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Castle Pines North Metropolitan District

Contents

Independent Auditor's Report	1 – 2
-------------------------------------	-------

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	3
---------------------------	---

Statement of Activities	4 – 5
-------------------------	-------

Fund Financial Statements:

Balance Sheet – Governmental Funds	6
------------------------------------	---

Reconciliation of the Governmental Funds Balance Sheet with the Government-wide Statement of Net Position	7
--	---

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
--	---

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-wide Statement of Activities	9
--	---

Statement of Net Position – Enterprise Funds	10
--	----

Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds	11 – 12
---	---------

Statement of Cash Flows – Enterprise Funds	13
--	----

Notes to Financial Statements	14 – 42
-------------------------------	---------

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) – General Fund	43
--	----

Schedule of the District's Proportionate Share of the Net Pension Liability – Cost-Sharing Defined Benefit Plan	44
--	----

Schedule of District Contributions – Cost-Sharing Defined Benefit Plan	45
--	----

Castle Pines North Metropolitan District

Contents (Continued)

Other Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance – (Budget and Actual) – Debt Service Fund	46
---	----

Schedule of Revenues, Expenditures and Changes in Fund Balance – (Budget and Actual) – 2015 COPs Fund	47
--	----

Schedule of Revenues, Expenses and Changes in Net Position – (Budget and Actual) – Enterprise Funds	48 – 49
--	---------

Continuing Disclosure

Annual Financial Information Required by the General Obligation Bonds, Series 2006	50 – 55
---	---------

Annual Financial Information Required by the \$21,895,000 Refunding Certificates of Participation, Series 2015	56 – 62
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Independent Auditor's Report

Board of Directors
Castle Pines North Metropolitan District
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Castle Pines North 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Castle Pines North Metropolitan District as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent in all material respects, with the audited financial statements from which it has been derived.



Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund on page 43, Schedule of the District's Proportionate Share of the Net Pension Liability – Cost-Sharing Defined Benefit Plan on page 44 and Schedule of District Contributions – Cost-Sharing Defined Benefit Plan on page 45 be presented to supplement the basic financial statements. Such 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. 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.

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 budgetary comparison schedules on pages 46 through 49 and Continuing Disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements as a whole.

The Continuing Disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Anton Collins Mitchell LLP

Greeley, Colorado
July 17, 2017

Basic Financial Statements

Castle Pines North Metropolitan District

Statement of Net Position December 31, 2016 With Comparative Totals for December 31, 2015

	Governmental Activities	Business-type Activities	Total 2016	Total 2015
Assets				
Cash and investments	\$ 3,925,371	\$ 11,209,454	\$ 15,134,825	\$ 12,787,091
Cash and investments - restricted	998,494	-	998,494	1,007,026
Property taxes receivable	4,837,090	-	4,837,090	6,519,153
Accounts receivable - services	-	514,579	514,579	457,721
Accounts receivable - other	-	233,142	233,142	55,023
Prepaid items	107,346	-	107,346	90,019
Capital assets, not being depreciated	63,401,935	2,819,790	66,221,725	65,712,416
Capital assets, net of accumulated depreciation	1,639,059	48,390,491	50,029,550	51,540,114
Total assets	74,909,295	63,167,456	138,076,751	138,168,563
Deferred outflows of resources				
Deferred loss on refunding	161,218	-	161,218	337,671
Deferred outflows relating to pensions	154,666	188,753	343,419	217,252
Total deferred outflows of resources	315,884	188,753	504,637	554,923
Liabilities				
Accounts payable	89,180	316,239	405,419	366,956
Accrued compensated absences	19,039	25,065	44,104	38,988
Accrued interest payable on long-term debt	92,585	-	92,585	106,403
Long-term debt payable - less than one year (Note 4)	1,817,251	-	1,817,251	1,752,886
Long-term debt payable - greater than one year (Note 4)	21,483,260	-	21,483,260	25,375,731
Net pension liability	541,473	660,823	1,202,296	971,185
Total liabilities	24,042,788	1,002,127	25,044,915	28,612,149
Deferred inflows of resources				
Deferred property taxes	4,837,090	-	4,837,090	6,519,153
Deferred inflows of resources relating to pensions	9,918	12,104	22,022	196
Total deferred inflows of resources	4,847,008	12,104	4,859,112	6,519,349
Net position				
Net investment in capital assets	41,901,701	51,210,281	93,111,982	90,461,584
Restricted for:				
Emergency reserve	118,316	-	118,316	101,827
Debt service	642,227	-	642,227	649,809
Conservation Trust Fund	355,117	-	355,117	356,067
Unrestricted	3,318,022	11,131,697	14,449,719	12,022,701
Total net position	\$ 46,335,383	\$ 62,341,978	\$ 108,677,361	\$ 103,591,988

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

Castle Pines North Metropolitan District

Statement of Activities Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

Functions/programs	Total Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,381,617	\$ 116,545	\$ 134,028	\$ -
Parks and open space	948,567	-	52,436	-
Debt issuance costs	-	-	-	-
Interest and related costs on long-term debt	1,126,998	-	-	-
Total governmental activities	3,457,182	116,545	186,464	-
Business-type activities:				
Water	4,314,246	3,909,177	-	1,397,350
Wastewater	1,541,845	1,702,877	-	-
Storm Drainage	738,318	222,125	142,500	-
Total business-type activities	6,594,409	5,834,179	142,500	1,397,350
Total	\$ 10,051,591	\$ 5,950,724	\$ 328,964	\$ 1,397,350
General revenues				
Taxes:				
Property taxes				
Specific ownership taxes				
Miscellaneous income				
Earnings on investments				
Loss on disposal of capital assets				
Total general revenues				
Changes in net position				
Net position at beginning of year				
Net position at end of year				

Castle Pines North Metropolitan District

Statement of Activities Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

Net (Expense) Revenue and Changes in Net Position				
Governmental Activities	Business-type Activities	Total	2015	
\$ (1,131,044)	\$ -	\$ (1,131,044)	\$	(1,081,040)
(896,131)	-	(896,131)		(809,405)
-	-	-		(350,836)
(1,126,998)	-	(1,126,998)		(1,251,577)
(3,154,173)	-	(3,154,173)		(3,492,858)
-	992,281	992,281		659,104
-	161,032	161,032		145,659
-	(373,693)	(373,693)		199,641
-	779,620	779,620		1,004,404
(3,154,173)	779,620	(2,374,553)		(2,488,454)
6,439,734	-	6,439,734		5,525,467
599,784	-	599,784		531,810
32,654	289,987	322,641		49,129
24,150	77,842	101,992		29,774
(4,225)	-	(4,225)		-
7,092,097	367,829	7,459,926		6,136,180
3,937,924	1,147,449	5,085,373		3,647,726
42,397,459	61,194,529	103,591,988		99,944,262
\$ 46,335,383	\$ 62,341,978	\$ 108,677,361	\$	103,591,988

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

Castle Pines North Metropolitan District

Balance Sheet Governmental Funds December 31, 2016 With Comparative Totals for December 31, 2015

	General	Debt Service	2015 COPs	Total	2015
Assets					
Cash and investments	\$ 3,925,371	\$ -	\$ -	\$ 3,925,371	\$ 3,497,125
Cash and investments - restricted	355,117	1,406	641,971	998,494	1,007,026
Property taxes receivable	2,993,639	1,843,451	-	4,837,090	6,519,153
Prepaid items	107,346	-	-	107,346	43,462
Total assets	\$ 7,381,473	\$ 1,844,857	\$ 641,971	\$ 9,868,301	\$ 11,066,766
Liabilities					
Accounts payable	\$ 88,030	\$ 1,150	\$ -	\$ 89,180	\$ 47,843
Accrued compensated absences	19,039	-	-	19,039	15,391
Total liabilities	107,069	1,150	-	108,219	63,234
Deferred inflows of resources					
Deferred property taxes	2,993,639	1,843,451	-	4,837,090	6,519,153
Total deferred inflows of resources	2,993,639	1,843,451	-	4,837,090	6,519,153
Fund balances					
Nonspendable					
Prepaid items	107,346	-	-	107,346	43,462
Restricted for:					
Emergency reserve	118,316	-	-	118,316	101,827
Debt service	-	256	641,971	642,227	649,809
Conservation Trust Fund	355,117	-	-	355,117	356,067
Assigned for subsequent year's expenditures	251,232	-	-	251,232	113,076
Unassigned	3,448,754	-	-	3,448,754	3,220,138
Total fund balance	4,280,765	256	641,971	4,922,992	4,484,379
Total liabilities, deferred inflows of resources and fund balance	\$ 7,381,473	\$ 1,844,857	\$ 641,971	\$ 9,868,301	\$ 11,066,766

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

Castle Pines North Metropolitan District

Reconciliation of the Governmental Funds Balance Sheet with the Government-wide Statement of Net Position December 31, 2016 With Comparative Totals for December 31, 2015

		2016	2015
Amounts reported for governmental activities in the statement of net position are different because:			
Total fund balance - governmental funds		\$ 4,922,992	\$ 4,484,379
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.			
Capital assets	\$ 68,676,083		
Accumulated depreciation	<u>(3,635,089)</u>	65,040,994	65,157,538
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund financial statements.			
Bonds payable	\$ (1,760,000)		
Bond premium, net of amortization	(595,511)		
Certificates of participation payable	(20,945,000)		
Deferred loss on refunding, net of amortization	161,218		
Accrued interest payable - long term debt	<u>(92,585)</u>	(23,231,878)	(26,897,349)
Pension liability and related deferred inflows and deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial statements.			
Net pension liability	\$ (541,473)		
Deferred outflows of resources relating to pensions	154,666		
Deferred inflows of resources relating to pensions	(9,918)	(396,725)	(347,109)
Total net position - governmental activities		\$ 46,335,383	\$ 42,397,459

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

Castle Pines North Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

	General	Debt Service	2015 COPs	Total	2015
Revenues					
Property taxes	\$ 2,984,267	\$ 3,455,467	\$ -	\$ 6,439,734	\$ 5,525,467
Specific ownership taxes	599,784	-	-	599,784	531,810
Conservation Trust Fund	52,436	-	-	52,436	44,698
Intergovernmental revenues	-	134,028	-	134,028	115,503
Farm land revenue	40,000	-	-	40,000	40,200
Lease income	71,112	-	-	71,112	69,093
Oil royalty income	5,433	-	-	5,433	2,988
Earnings on investments	21,585	2,487	78	24,150	9,896
Miscellaneous income	32,654	-	-	32,654	19,476
Total revenues	3,807,271	3,591,982	78	7,399,331	6,359,131
Expenditures					
General government	1,072,525	51,901	-	1,124,426	994,915
Parks and open space	948,567	-	-	948,567	854,103
Capital outlay	95,256	-	-	95,256	28,440
Debt service					
Principal	-	3,325,000	370,000	3,695,000	27,185,000
Interest and fees	-	232,663	864,806	1,097,469	1,129,791
Debt issuance costs	-	-	-	-	350,836
Total expenditures	2,116,348	3,609,564	1,234,806	6,960,718	30,543,085
Excess (deficiency) of revenues over expenditures	1,690,923	(17,582)	(1,234,728)	438,613	(24,183,954)
Other financing sources (uses)					
Transfers out/in, base rental	(1,234,728)	-	1,234,728	-	-
Transfers in/out, debt related	(10,000)	10,000	-	-	-
Transfers out, other	-	-	-	-	(157,185)
Proceeds from debt issuance	-	-	-	-	21,895,000
Premium on debt	-	-	-	-	656,573
Total other financing sources (uses)	(1,244,728)	10,000	1,234,728	-	22,394,388
Net change in fund balances	446,195	(7,582)	-	438,613	(1,789,566)
Fund balance at beginning of year	3,834,570	7,838	641,971	4,484,379	6,273,945
Fund balance at end of year	\$ 4,280,765	\$ 256	\$ 641,971	\$ 4,922,992	\$ 4,484,379

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

Castle Pines North Metropolitan District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-wide Statement of Activities Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

		2016	2015
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - governmental funds		\$ 438,613	\$ (1,789,566)
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, these costs are capitalized on the statement of net position and depreciated over their estimated useful lives as annual depreciation expense in the statement of activities.			
Capital outlay	\$ 95,256		
Net book value of capital assets disposed	(4,225)		
Depreciation expense	<u>(207,575)</u>	(116,544)	(243,379)
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.			
Change in accrued interest payable	\$ 13,818		
Amortization of bond premium and loss on refunding	<u>(43,347)</u>	(29,529)	(121,786)
The issuance of long-term debt, including premiums, is reported as other financing sources in the governmental funds; however, issuing debt increases long-term debt liabilities in the statement of net position.			
		-	(22,551,573)
Repayment of bond and COP principal are expenditures in the governmental funds but are shown as reductions in long-term liabilities in the statement of net position and do not affect the statement of activities.			
		3,695,000	27,185,000
Pension expense relating to the District's defined benefit retirement plan is recognized on the statement of activities and not included in the fund financial statements.			
		(49,616)	(42,090)
Change in net position of governmental activities		\$ 3,937,924	\$ 2,436,606

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

Castle Pines North Metropolitan District

Statement of Net Position

Enterprise Funds

December 31, 2016

With Comparative Totals for December 31, 2015

	Water	Wastewater	Storm Drainage	2016 Total	2015 Total
Assets					
Current assets:					
Cash and investments	\$ 9,745,277	\$ 1,197,868	\$ 266,309	\$ 11,209,454	\$ 9,289,966
Accounts receivable - services	323,554	168,783	22,242	514,579	457,721
Accounts receivable - other	233,142	-	-	233,142	55,023
Prepaid expenses	-	-	-	-	46,557
Total current assets	10,301,973	1,366,651	288,551	11,957,175	9,849,267
Capital assets					
Property, plant and equipment	58,609,474	11,442,144	36,440	70,088,058	69,674,005
Accumulated depreciation	(16,131,813)	(2,717,957)	(28,007)	(18,877,777)	(17,579,013)
Total capital assets	42,477,661	8,724,187	8,433	51,210,281	52,094,992
Total assets	52,779,634	10,090,838	296,984	63,167,456	61,944,259
Deferred outflows of resources					
Deferred outflows of resources relating to pensions	93,553	76,327	18,873	188,753	117,255
Total deferred outflows of resources	93,553	76,327	18,873	188,753	117,255
Liabilities					
Current liabilities:					
Accounts payable	214,194	77,538	24,507	316,239	319,113
Accrued compensated absences	10,273	10,026	4,766	25,065	23,597
Total current liabilities	224,467	87,564	29,273	341,304	342,710
Long-term liabilities					
Net pension liability	327,527	267,219	66,077	660,823	524,169
Total long-term liabilities	327,527	267,219	66,077	660,823	524,169
Total liabilities	551,994	354,783	95,350	1,002,127	866,879
Deferred inflows of resources					
Deferred inflows of resources relating to pensions	5,999	4,895	1,210	12,104	106
Total deferred inflows of resources	5,999	4,895	1,210	12,104	106
Net position					
Net investment in capital assets	42,477,661	8,724,187	8,433	51,210,281	52,094,992
Unrestricted	9,837,533	1,083,300	210,864	11,131,697	9,099,537
Total net position	\$ 52,315,194	\$ 9,807,487	\$ 219,297	\$ 62,341,978	\$ 61,194,529

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

Castle Pines North Metropolitan District

Statement of Revenues, Expenses and Changes in Net Position Enterprise Funds Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

	Water	Wastewater	Storm Drainage	2016 Total	2015 Total
Operating revenues					
Water charges	\$ 3,909,177	\$ -	\$ -	\$ 3,909,177	\$ 2,946,447
Wastewater charges	-	1,702,877	-	1,702,877	1,554,074
Storm drainage charges	-	-	222,125	222,125	336,384
Total operating revenues	3,909,177	1,702,877	222,125	5,834,179	4,836,905
Operating expenses					
Water operations					
General overhead	273,590	-	-	273,590	305,982
Salaries and wages	181,045	-	-	181,045	172,896
Employee benefits and taxes	110,308	-	-	110,308	94,599
Memberships, training and subscriptions	5,372	-	-	5,372	3,925
Engineering	123,968	-	-	123,968	50,734
Repairs and maintenance	1,668,741	-	-	1,668,741	940,166
Utilities	763,290	-	-	763,290	729,737
Equipment and supplies	27,567	-	-	27,567	5,581
Treatment costs	10,083	-	-	10,083	4,894
Water rebates	4,515	-	-	4,515	12,533
Other projects	50,087	-	-	50,087	51,170
Total Water operations	3,218,566	-	-	3,218,566	2,372,217
Wastewater operations					
General overhead	-	65,276	-	65,276	56,577
Salaries and wages	-	151,351	-	151,351	144,058
Employee benefits and taxes	-	89,400	-	89,400	76,510
Memberships, training and subscriptions	-	3,553	-	3,553	1,102
Engineering	-	104,887	-	104,887	17,199
Repairs and maintenance	-	178,035	-	178,035	118,425
Utilities	-	75,106	-	75,106	72,974
Equipment, supplies and other projects	-	1,075	-	1,075	2,054
Treatment costs	-	670,660	-	670,660	723,934
Total Wastewater operations	-	1,339,343	-	1,339,343	1,212,833
Storm Drainage operations					
General overhead	-	-	23,587	23,587	12,043
Salaries and wages	-	-	33,023	33,023	32,245
Employee benefits and taxes	-	-	22,208	22,208	19,031
Engineering	-	-	836	836	47,885
Repairs and maintenance	-	-	656,835	656,835	23,631
Equipment, supplies and other projects	-	-	1,247	1,247	1,326
Total Storm Drainage operations	-	-	737,736	737,736	136,161
Total operating expenses	3,218,566	1,339,343	737,736	5,295,645	3,721,211
Revenues in excess of expenses before depreciation	690,611	363,534	(515,611)	538,534	1,115,694
Depreciation	1,095,680	202,502	582	1,298,764	1,388,324

Continued.

Castle Pines North Metropolitan District

Statement of Revenues, Expenses and Changes in Net Position Enterprise Funds Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

	Water	Wastewater	Storm Drainage	2016 Total	2015 Total
Operating income (loss)	(405,069)	161,032	(516,193)	(760,230)	(272,630)
Non-operating revenues					
Earnings on investments	55,965	20,097	1,780	77,842	19,878
Refunds of expenditures	-	-	-	-	2,000
Reimbursable income	260,217	-	-	260,217	-
Miscellaneous revenue	29,770	-	-	29,770	27,653
Grant revenue	-	-	142,500	142,500	-
Total non-operating revenues	345,952	20,097	144,280	510,329	49,531
Income (loss) before contributions and transfers	(59,117)	181,129	(371,913)	(249,901)	(223,099)
Capital improvement fees	1,397,350	-	-	1,397,350	1,277,034
Transfers in	-	-	-	-	157,185
Change in net position	1,338,233	181,129	(371,913)	1,147,449	1,211,120
Net position at beginning of year	50,976,961	9,626,358	591,210	61,194,529	60,341,074
Restatement for change in accounting principle	-	-	-	-	(357,665)
Net position at end of year	\$ 52,315,194	\$ 9,807,487	\$ 219,297	\$ 62,341,978	\$ 61,194,529

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

Castle Pines North Metropolitan District

Statement of Cash Flows Enterprise Funds Year Ended December 31, 2016 With Comparative Totals for the Year Ended December 31, 2015

	Water	Wastewater	Storm Drainage	2016 Total	2015
Cash flows from operating activities:					
Receipts from customers and others	\$ 3,682,291	\$ 1,694,246	\$ 222,667	\$ 5,599,204	\$ 4,749,459
Payments to suppliers	(2,885,697)	(1,101,120)	(661,730)	(4,648,547)	(3,157,505)
Payments to employees	(252,569)	(208,927)	(63,299)	(524,795)	(394,675)
Net cash flows from operating activities	544,025	384,199	(502,362)	425,862	1,197,279
Cash flows from non-capital financing activities					
Transfers in	-	-	-	-	157,185
Miscellaneous revenue	289,987	-	-	289,987	27,653
Grant revenue	-	-	142,500	142,500	-
Utility rebates and refunds	-	-	-	-	2,000
Net cash flows from non-capital financing activities	289,987	-	142,500	432,487	186,838
Cash flows from capital and related financing activities:					
Capital contributions	1,397,350	-	-	1,397,350	1,277,034
Acquisition of capital assets	(414,053)	-	-	(414,053)	(1,106,143)
Net cash flows from capital and related financing activities	983,297	-	-	983,297	170,891
Cash flows from investing activities					
Earnings on investments	55,965	20,097	1,780	77,842	19,878
Net cash flows from investing activities	55,965	20,097	1,780	77,842	19,878
Net increase in cash and cash equivalents	1,873,274	404,296	(358,082)	1,919,488	1,574,886
Cash and cash equivalents, beginning of year	7,872,003	793,572	624,391	9,289,966	7,715,080
Cash and cash equivalents, end of year	\$ 9,745,277	\$ 1,197,868	\$ 266,309	\$11,209,454	\$ 9,289,966
Reconciliation of operating income (loss) to net cash flows from operating activities					
Net income (loss) from operations	\$ (405,069)	\$ 161,032	\$ (516,193)	\$ (760,230)	\$ (272,630)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	1,095,680	202,502	582	1,298,764	1,388,324
Changes in operating assets and liabilities:					
Accounts receivable	(226,886)	(8,631)	540	(234,977)	(51,650)
Prepaid items	23,278	18,623	4,656	46,557	(5,577)
Accounts payable	18,238	(21,151)	39	(2,874)	122,124
Accrued compensated absences	580	587	301	1,468	3,130
Net pension liability and related deferred inflows/outflows of resources	38,204	31,237	7,713	77,154	49,353
Prepaid water revenue	-	-	-	-	(35,795)
Net cash flows from operating activities	\$ 544,025	\$ 384,199	\$ (502,362)	\$ 425,862	\$ 1,197,279

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

Castle Pines North Metropolitan District

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Organization

The Castle Pines North Metropolitan District (the “District”) is a quasi-municipal corporation and political subdivision of the State of Colorado under the Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized by a court order on June 11, 1984, and is governed by an elected five member Board of Directors (“Board”). The District was established to provide water service, wastewater service, storm drainage service and parks and open space services for the benefit of the property owners, residents and users of the facilities of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the application of these criteria, there are no component units included in the District’s reporting entity.

Castle Pines North Metropolitan District

Notes to Financial Statements

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 activities of the District. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct 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 those 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the District's fleet service function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise 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. 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.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances presents increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby 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. Expenditures generally are recognized when a liability is incurred, as under accrual accounting.

Castle Pines North Metropolitan District

Notes to Financial Statements

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Property taxes and earnings on investments 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.

The District reports the following major governmental funds:

General Fund—The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund. This is a major fund of the District.

Debt Service Fund—The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt-related costs.

2015 COPs Fund—The 2015 COPs Fund is a debt service fund used to account for the base rental revenue and expenditures relating to the Refunding Certificates of Participation, Series 2015.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services provided. Operating expenses for the proprietary fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Castle Pines North Metropolitan District

Notes to Financial Statements

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the primary intent is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District reports the following major enterprise funds:

Water Enterprise Fund– The Water Enterprise Fund accounts for the water operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Wastewater Enterprise Fund – The Wastewater Enterprise Fund accounts for the wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Storm Drainage Enterprise Fund– The Storm Drainage Enterprise Fund accounts for the storm drainage operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Budgets

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

- By October 15, the District Manager submits to the Board of Directors (the “Board”) a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A dually noticed public hearing is conducted to obtain taxpayer comments.
- Prior to December 15, the budget is formally adopted through passage of a Board resolution and monies are appropriated by fund.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board through passage of a budget amendment after a dually noticed public hearing.

Castle Pines North Metropolitan District

Notes to Financial Statements

- The District appropriates revenues and expenditures by fund as part of the budget approval process. Budgets for the governmental funds are adopted on a basis consistent with GAAP. Budgetary comparisons presented for the enterprise funds are presented on a non-GAAP budgetary basis.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

The following table summarizes the individual fund budgeted expenditures, as originally adopted and as revised:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General Fund	\$ 3,828,632	\$ -	\$ 3,828,632
Debt Service Fund	3,631,367	-	3,631,367
2015 COPs Fund	1,233,806	1,000	1,234,806
Proprietary fund:			
Enterprise Funds	7,668,614	165,903	7,834,517
Total	\$ 16,362,419	\$ 166,903	\$ 16,529,322

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

The District follows the practice of pooling cash and investments from all funds to maximize earnings on investments. 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. Earnings on investments are allocated periodically to the participating funds based upon each funds' average equity balance in the total cash and investments.

Restricted Cash

The amounts restricted in the governmental activities represent funds that have been restricted for the Conservation Trust Fund and debt service.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, based on quoted market values.

Castle Pines North Metropolitan District

Notes to Financial Statements

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. Tap fees, user fees and similar fees set by the Board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Property Taxes

Property taxes are certified by the Board. The levy is based on assessed valuations determined by the Douglas County Assessor generally as of January 1 of each year. The levy is certified by December 15 to the County Commissioners and attach as an enforceable lien on property on January 1 of the following year. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflows of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources is recognized as revenue and the receivable is reduced.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets are reported in the applicable governmental or business-type 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation is reported on the Statement of Activities as a current period expense.

Castle Pines North Metropolitan District

Notes to Financial Statements

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Distribution system	50-100 years
Collection system	50-100 years
Buildings	25-60 years
Trails	12-30 years
Machinery and equipment	5-25 years
Parking lots	15 years
Irrigation systems	30 years
Office furniture and equipment	5 years

Interfund Transactions

Activity between funds that represent outstanding balances between funds are reported as “due to/from other funds”. The outstanding balances between the funds result mainly from the time lag between the dates that (1) the interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services rendered, and it is probable that the District will compensate the employees for the benefits earned. The District permits employees to accumulate earned but unused personal leave time. Accumulated, unpaid personal leave time is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Bond Premiums, Discounts and Issuance Costs

In the governmental fund statements, bond premiums, discounts, and issuance costs are recognized as current period revenues and/or expenditures. Bond premiums and discounts in the government-wide and proprietary fund statements are deferred and amortized over the life of the

Castle Pines North Metropolitan District

Notes to Financial Statements

bonds using the straight-line method, which approximates the effective-interest method. Issuance costs are expensed as incurred, while bond premiums and discounts are netted against the related debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The deferred loss on refunding is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred property taxes are recognized as revenue in the period that the amounts become available. The District also recognizes deferred inflows of resources related to pensions.

Fund Balance and Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

Castle Pines North Metropolitan District

Notes to Financial Statements

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's adopted policy, the Board has the authority to assign the designated fund balance for each governmental fund based on the intended use of resources by the District in the most recently adopted budget.

Unassigned – all other spendable amounts. Only the General Fund reports a positive unassigned fund balance. In other governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to other purposes, the funds would report a negative unassigned fund balance; however, any amount reported as assigned fund balance would have to be eliminated before a negative unassigned fund balance could be reported.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Castle Pines North Metropolitan District

Notes to Financial Statements

Pensions

The District participates in the Local Government Division Trust Fund (“LGDTF”), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments at PERA are reported at fair value.

Comparative Data

Comparative total data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, cash equivalents and investments as of December 31, 2016, follows:

	S&P Rating	Fair Value	Weighted Ave. Maturity Date (in days)	Concentration of Credit Risk
Cash on hand	NR	\$ 300	N/A	NA
Cash with county treasurer	NR	50,727	N/A	NA
Deposits with financial institutions	NR	2,614,170	N/A	NA
ColoTrust	AAAm	13,468,122	N/A	100.00%
		\$ 16,133,319		

Castle Pines North Metropolitan District

Notes to Financial Statements

The above amounts are classified in the statement of net position is as follows:

Cash, cash equivalents and investments:	
Governmental activities	\$ 3,925,371
Business-type activities	11,209,454
Restricted cash, cash equivalents and investments	
Governmental activities	998,494
	\$ 16,133,319

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2016, the District had deposits with financial institutions with a carrying amount of \$2,614,170. The bank balances with the financial institutions were \$2,620,158 of which \$750,000 was covered by federal depository insurance. The remaining balance of \$1,870,158 was collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

The District has a formal investment policy which follows Colorado statutes which specify investment instruments meeting defined rating and risk criteria in which the District may invest. These investments include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District's policy is to hold investments until maturity.

Castle Pines North Metropolitan District

Notes to Financial Statements

Fair Value

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on recurring basis represent the amount invested with a local government investment pool, with a fair value \$13,468,122 as of December 31, 2016, measured at the fair value of the investment pool's share price multiplied by the number of shares held (Level 2).

Local Government Investment Pools

At December 31, 2016, the District had invested \$13,468,122 in COLOTRUST (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Due to the limitations specified by Colorado statutes, as of December 31, 2016, the District had no investments exposed to custodial credit risk.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

Castle Pines North Metropolitan District

Notes to Financial Statements

3. CAPITAL ASSETS

A summary of changes in governmental activity capital assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land and improvements to land	\$ 45,583,416	\$ -	\$ -	\$ 45,583,416
Water and water storage rights	17,723,263	-	-	17,723,263
Construction in progress	-	95,256	-	95,256
Total capital assets, not being depreciated	63,306,679	95,256	-	63,401,935
Capital assets, being depreciated:				
Parking lots	202,710	-	-	202,710
Parks, buildings and equipment	2,882,484	-	(12,073)	2,870,411
Concrete trails	1,439,434	-	-	1,439,434
Asphalt trails	302,064	-	-	302,064
Irrigation system	436,943	-	-	436,943
Office furniture and equipment	22,586	-	-	22,586
Total capital assets, being depreciated	5,286,221	-	(12,073)	5,274,148
Less accumulated depreciation for:				
Parking lots	(190,282)	(5,290)	-	(195,572)
Parks, buildings and equipment	(1,964,870)	(138,787)	7,848	(2,095,809)
Concrete trails	(663,202)	(47,495)	-	(710,697)
Asphalt trails	(299,840)	(2,222)	-	(302,062)
Irrigation system	(294,582)	(13,781)	-	(308,363)
Office furniture and equipment	(22,586)	-	-	(22,586)
Total accumulated depreciation	(3,435,362)	(207,575)	7,848	(3,635,089)
Total capital assets being depreciated, net	1,850,859	(207,575)	(4,225)	1,639,059
Governmental activities capital assets, net	\$ 65,157,538	\$ (112,319)	\$ (4,225)	\$ 65,040,994

Depreciation for governmental activity capital assets has been allocated to the general government activity in the statement of activities.

Castle Pines North Metropolitan District

Notes to Financial Statements

A summary of changes in business-type activity capital assets is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land and rights of way	\$ 103,115	\$ -	\$ -	\$ 103,115
Construction-in-progress	2,302,622	414,053	-	2,716,675
Total capital assets not being depreciated	2,405,737	414,053	-	2,819,790
Capital Assets being depreciated:				
Buildings and improvements	7,553,040	-	-	7,553,040
Landscaping, fencing, electrical	3,629,840	-	-	3,629,840
Ground water rights	6,936,728	-	-	6,936,728
Distribution system	18,900,558	-	-	18,900,558
Collection system	1,480,781	-	-	1,480,781
Water tanks	2,315,656	-	-	2,315,656
Machinery and Equipment	8,844,034	-	-	8,844,034
Vehicles	150,726	-	-	150,726
Developer contributions	17,226,659	-	-	17,226,659
PCWRA Plant Expansion	230,246	-	-	230,246
Total capital assets being depreciated	67,268,268	-	-	67,268,268
Less accumulated depreciation for:				
Buildings and improvements	(2,543,902)	(232,207)	-	(2,776,109)
Landscaping, fencing, electrical	(1,558,159)	(113,977)	-	(1,672,136)
Ground water rights	(292,858)	(10,896)	-	(303,754)
Distribution system	(1,772,602)	(223,410)	-	(1,996,012)
Collection system	(391,581)	(14,808)	-	(406,389)
Water tanks	(915,311)	(46,313)	-	(961,624)
Machinery and Equipment	(7,236,937)	(446,621)	-	(7,683,558)
Vehicles	(42,610)	(26,753)	-	(69,363)
Developer contributions	(2,634,080)	(172,267)	-	(2,806,347)
PCWRA Plant Expansion	(190,973)	(11,512)	-	(202,485)
Total accumulated depreciation	(17,579,013)	(1,298,764)	-	(18,877,777)
Net capital assets being depreciated	49,689,255	(1,298,764)	-	48,390,491
Business-type activities capital assets, net	\$ 52,094,992	\$ (884,711)	\$ -	\$ 51,210,281

Castle Pines North Metropolitan District

Notes to Financial Statements

Depreciation for business-type activity capital assets has been allocated to the following activities:

Water	\$ 1,095,680
Wastewater	202,502
Storm drainage	582
Total depreciation expense - business-type activities	\$ 1,298,764

4. LONG-TERM DEBT

Governmental Activities Debt

Following is a summary of governmental activity debt transactions for the year ended December 31, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
2006A Limited Tax G.O. Fixed Rate Refunding Bonds	\$ 3,155,000	\$ -	\$ (1,395,000)	\$ 1,760,000	\$ 1,390,000
2006 B Limited Tax G.O. Fixed Rate Refunding Bonds	1,930,000	-	(1,930,000)	-	-
2015 COPs Refunding Bond	21,315,000	-	(370,000)	20,945,000	390,000
2006A Refunding Bond Premium	5,232	-	(3,055)	2,177	1,762
2006B Refunding Bond Premium	93,783	-	(93,783)	-	-
2015 COPs Premium	629,602	-	(36,268)	593,334	35,489
Compensated absences	15,391	21,114	(17,466)	19,039	-
Total governmental activities	\$27,144,008	\$ 21,114	\$ (3,845,572)	\$23,319,550	\$ 1,817,251

A description of the long-term debt as of December 31, 2016, is as follows:

\$14,310,000 Limited Tax General Obligation Refunding Bonds – Series 2006A

In May 2006, the District issued \$14,310,000 of Limited Tax General Obligation Refunding Bonds, Series 2006A (“Series 2006A Bonds”). The proceeds were used to advance refund the District’s Limited Tax General Obligation Refunding Bonds, Series 2003, and the Limited Tax General Obligation Refunding Bonds, Series 2004, and to pay for the costs of issuance. A restriction on tap fees, as pledged for debt service, was also removed. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

Castle Pines North Metropolitan District

Notes to Financial Statements

The Series 2006A Bonds bear interest at rates ranging from 4.00% to 4.50% and are comprised of serial bonds maturing from 2006 through 2015 and term bonds due in 2018. The Series 2006A Bonds maturing on or after December 1, 2016 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Series 2006A Bonds maturing on December 1, 2018 are also subject to mandatory sinking fund redemption prior to the maturity date of the bonds, in part, by lot, on December 1 of each year in 2016, 2017 and 2018.

The Series 2006A Bonds are payable from the revenue derived from the imposition of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the bonds when due, but not exceeding a maximum mill levy. The lien of the Series 2006A Bonds on such ad valorem property tax revenue will be on parity with the lien of the District's Limited Tax General Obligation Refunding Bonds, Series 2006B.

The District received a premium from the issuance of the Series 2006A Bonds in the amount of \$89,901 and incurred costs of issuance totaling \$121,366. The Series 2006A Bonds exceeded the book value of the defeased bonds by \$1,149,514. These amounts are being amortized over the life of the Series 2006A Bonds.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds:

Year Ending December 31	Principal	Interest	Total
2017	\$ 1,390,000	\$ 77,350	\$ 1,467,350
2018	370,000	18,275	388,275
	\$ 1,760,000	\$ 95,625	\$ 1,855,625

\$5,700,000 Limited Tax General Obligation Refunding Bonds – Series 2006B

In May 2006, the District issued \$5,700,000 of Limited Tax General Obligation Refunding Bonds, Series 2006B ("Series 2006B Bonds"). The proceeds were used to refund a portion the District's Limited Tax General Obligation Variable Rate Refunding Bonds, Series 1999 ("Series 1999 Bonds"), and to pay for the costs of issuance. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006B Bonds bore interest at rates ranging from 4.50% to 5.00% and were comprised of bonds maturing in 2024, 2025, 2026 and 2027.

The 2006B Bond was paid in full by the District and the remaining premium on the 2006B Bond was fully amortized during the fiscal year ended December 31, 2016.

Castle Pines North Metropolitan District

Notes to Financial Statements

General Obligation Debt Authorization

As of December 31, 2016, the District had no authorized unissued general obligation debt. The District has not budgeted to issue any additional debt in 2017.

\$21,895,000 Refunding Certificates of Participation – Series 2015

On March 12, 2015, the District issued \$21,895,000 of Refunding Certificates of Participation, Series 2015 for the purpose of refunding the lease-purchase obligations of the District related to the 2008 Certificates and the 2009 Certificates which were financed through the Castle Pines North Finance Corporation. The District determined it had available resources for the additional annual debt service payments, and in a low interest rate market, the District wanted to remove variable rate interest risk by refunding the 2008 and 2009 Certificates to a fixed interest rate.

The 2015 Certificates were issued evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under a Lease Agreement dated March 12, 2015. Pursuant to the Lease Agreement, the District is obligated to pay Base Rental during the lease term to the trustee lessor UMB Bank. Base rental represents monies required to pay the principal and interest on the 2015 Certificates when due, and any related fees.

The Series 2015 Certificates of Participation bear interest at rates ranging from 3.25% to 5.00% and are comprised of bonds maturing in 2045. The Series 2015 Certificates of Participation maturing on or after December 1, 2022 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 1, 2021, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The District received a premium from the issuance of the Series 2015 Certificates of Participation in the amount of \$656,573 and incurred costs of issuance totaling \$350,386, which are being amortized over the life of the Certificates of Participation.

Castle Pines North Metropolitan District

Notes to Financial Statements

The following is a summary of the annual long-term debt principal and interest requirements for the 2015 Certificates of Participation:

Year Ending December 31	Principal	Interest	Total
2017	\$ 390,000	\$ 843,306	\$ 1,233,306
2018	410,000	823,806	1,233,806
2019	425,000	803,306	1,228,306
2020	445,000	782,056	1,227,056
2021	470,000	759,807	1,229,807
2022-2026	2,685,000	3,461,531	6,146,531
2027-2031	3,360,000	2,787,331	6,147,331
2032-2036	2,325,000	2,134,912	4,459,912
2037-2041	4,460,000	1,358,582	5,818,582
2042-2045	5,975,000	344,400	6,319,400
	\$ 20,945,000	\$ 14,099,037	\$ 35,044,037

Colorado Water Conservation Board Loan

The Colorado Water Conservation Board (“CWCB”) approved three loans to the District all related to the Chatfield Reservoir Reallocation Project (“the Project”) in an amount not to exceed \$6,453,900 in total, which closed on October 15, 2015. The CWCB loans are expected to cover approximately 90% of the costs of the Project, with the District’s share of 10% already set aside in an escrow account. The CWCB loan terms are: interest at 3% per annum for 30 years; a one-time 1% loan service fee; interest payable only on funds drawn under the loans until the project is substantially complete; and principal and interest due one year from substantial completion and annually thereafter in equal payments. The loan security and repayment source is a pledge of Water Activity Enterprise revenues backed by a rate covenant.

Business-type Activities Debt

Following is a summary of business-type activity debt transactions for the year ended December 31, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 23,597	\$ 20,695	\$ (19,227)	\$ 25,065	\$ -
Total business-type activities	\$ 23,597	\$ 20,695	\$ (19,227)	\$ 25,065	\$ -

Castle Pines North Metropolitan District

Notes to Financial Statements

5. DISTRICT AGREEMENTS

Hidden Pointe Metropolitan District (formerly Green Valley Water and Sanitation District)

On June 2, 1994, the District entered into an amended service agreement and an agreement regarding mill levies with the Green Valley Water and Sanitation District. The agreements provide for the District to provide water and wastewater service for up to 216 single family equivalents to the property known as the Green Valley Subdivision. 216 Valley Group, LP or its successors are required to: (i) assess additional tap fees of \$2,000 per single family equivalent through 2002 and \$2,500 thereafter payable to the District, (ii) construct all required water and wastewater mains in the property and to the District boundary, and convey such improvements to the District, (iii) impose a service charge for water and wastewater at 125% of the charges imposed by the District, and (iv) impose a mill levy of up to 51.5 mills or the actual mill levy (22 mills) assessed for debt that existed at the time of the agreement. The resulting net revenues are to be remitted to the District until the longer of (a) 30 years from initiation of payments (until 2025), or (b) 20 years from first refinancing (2016). The agreement also provided for a decrease of 10 mills beginning in collection year 2014. The District received \$134,028 in 2016 for debt service related to this agreement.

Castle Pines North Golf Company

The District entered into an agreement with the Castle Pines North Golf Company (“Golf Club”) on February 2, 1996, to provide and/or treat effluent for irrigation use by the Golf Club for twenty years. The Golf Club is entitled to a maximum use of 325 acre feet of water per year, at a rate of 750,000 gallons per day for the first two years from the date of the commencement without any charge. After the second anniversary of the commencement of irrigation, the Golf Club is entitled to 240 acre feet per year provided the daily maximum shall remain the same. The District received certain improvements to its systems as compensation for this agreement. The revenue related to these improvements is recognized equally over the twenty years of the agreement. During 2016, the District recorded \$35,795 of revenue related to the agreement. From 2016 forward, the Golf Club will pay the District for water usage pursuant to an approved rate structure.

Plum Creek Water Reclamation Authority

The District, along with the Castle Pines Metropolitan District and the Town of Castle Rock, has its wastewater treated by the Plum Creek Water Reclamation Authority (“PCWRA”), and owns treatment capacity in PCWRA’s system. The District pays annually for operating costs and debt to maintain and upgrade the wastewater facilities, according to its percentage of flow of the total. PCWRA charged the District \$670,660 for 2016.

Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement

On August 26, 2008, the District, the Town of Castle Rock (“Town”), and Stonegate Village Metropolitan District (“Stonegate”) entered into an agreement known as the Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement (“IGA”) with Parker Water and

Castle Pines North Metropolitan District

Notes to Financial Statements

Sanitation (“Parker Water”). Parker Water owns land on which it has constructed a 16,200 acre feet reservoir known as the Reuter-Hess Reservoir (“Reservoir”) located in Douglas County, Colorado. During the calendar year 2008, Parker Water received a favorable Record of Decision from the Army Corp of Engineers to expand Reuter-Hess from 16,200 acre feet to nearly 72,000 acre feet.

Pursuant to the IGA, Parker Water may sell, transfer or convey a storage easement to the participating entities. The storage easement constitutes rights in real property which shall entitle each participating entity the right to store a specific volume of water in the Reservoir, including the right to deliver into, store within and withdraw from the Reservoir volumes of water on the terms and conditions set forth in the participating entity’s respective storage easement deed, the IGA and their operations plan. The District purchased 1,500 acre-feet of reservoir storage capacity for \$8,318,153. The storage easement acquired by the District during 2008 is within the original 16,200 acre-foot Reservoir.

Also pursuant to the IGA, Parker Water will establish an outlet structures escrow in the amount of \$7,800,000 for the benefit of the participating entities for the construction of two outlet facilities which will enable the Reservoir to operate as designed. Additionally, the IGA requires Parker Water to (i) expand the Reservoir in accordance with applicable permits, and (ii) enlarge the Reservoir’s outlet pipe to accommodate the participating entities individual outlet capacities. Parker Water completed the expansion of the Reservoir, including the construction of the outlet structures, in January 2012, within the timeframe allowed in the IGA.

Hock Hocking Water Rights

In March 2010, the District closed a Purchase and Sale Agreement with the Mount Carbon Metropolitan District (“Mount Carbon”) for the purchase of shares of Hock Hocking Mine water rights for \$7,011,000. Under the agreement, the District paid \$1,428,000 directly to Mount Carbon, who then paid Aggregate Industries in connection with Mount Carbon’s purchase of 102 water taps. The District has a security interest in those taps.

Centennial Water and Sanitation District

The District entered into an Intergovernmental Agreement (“IGA”) with the Centennial Water and Sanitation District (“CWSD”) on January 27, 2010. The Agreement provides for CWSD to divert, transport, treat and deliver District owned South Platte water through CWSD facilities to a storage tank at the southern end of CWSD’s distribution system. The District then transports the water to its customers through its Interconnect Pipeline. Water delivery is available between October 1st and April 30th of each year until December 31, 2059 and subject to future renewal by mutual agreement by both parties. The District and CWSD constructed separate capital assets to meet the obligations of the IGA and delivery began in 2012. The District agreed to participate in the future expansion of mutually beneficial treatment facilities. Pursuant to the IGA, CWSD is entitled to use up to 15% of District water supplied through its facilities. Each year from 2012 on, the District pays an annual capacity readiness fee of \$400,000 to CWSD, in addition to fees for treated water. In 2016, the District paid \$601,521 for services provided under this IGA.

Castle Pines North Metropolitan District

Notes to Financial Statements

6. EMPLOYEE PENSION PLAN

Plan Description

Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments ("COLAs"), referred to as annual increases in the CRS. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban

Castle Pines North Metropolitan District

Notes to Financial Statements

Wage Earners and Clerical Workers (“CPI-W”) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$81,004, for the year ended December 31, 2016.

Castle Pines North Metropolitan District

Notes to Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a net pension liability of \$1,202,296 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016, respectively. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar years 2015 and 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District's proportion was 0.10914 percent, which was an increase of 0.00078 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$207,775. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,980	\$ -
Changes of assumptions or other inputs	-	22,022
Net difference between projected and actual earnings on pension plan investments	231,451	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	21,984	-
District contributions subsequent to the measurement date	81,004	-
Total	\$ 343,419	\$ 22,022

Castle Pines North Metropolitan District

Notes to Financial Statements

The \$81,004 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2017	\$ 71,895
2018	59,355
2019	61,154
2020	47,989
	\$ 240,393

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and “DPS” Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

Castle Pines North Metropolitan District

Notes to Financial Statements

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Castle Pines North Metropolitan District

Notes to Financial Statements

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return *
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, the total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Castle Pines North Metropolitan District

Notes to Financial Statements

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate ("SEIR") determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 1,843,244	\$ 1,202,296	\$ 670,695

Pension Plan Fiduciary Net Position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Castle Pines North Metropolitan District

Notes to Financial Statements

7. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending December 31, 2016, 2015 and 2014, the District's employer contributions to the HCTF were \$6,516, \$6,322, and \$6,056, respectively, equal to their required contributions for each year.

8. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees of the District who are members of the LGDTF (see Note 6) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the 401(k) Plan.

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar years 2016 and 2015, respectively). Catch-up contributions up to \$6,000 for the calendar years 2016 and 2015 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2016, 2015, and 2014, the 401(k) Plan member contributions were \$19,452, \$16,596, and \$15,372, respectively.

Castle Pines North Metropolitan District

Notes to Financial Statements

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to workers compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

10. TABOR COMPLIANCE

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local districts. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources, such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local districts to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$118,316 for this purpose.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

11. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through July 17, 2017, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

Required Supplementary Information

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) – General Fund Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance	2015
	Original	Final	Budget Basis	Favorable (Unfavorable)	Actual
Revenues					
Property taxes	\$ 3,021,071	\$ 3,021,071	\$ 2,984,267	\$ (36,804)	\$ 2,560,582
Specific ownership taxes	522,939	522,939	599,784	76,845	531,810
Conservation Trust Fund	48,000	48,000	52,436	4,436	44,698
Farm land revenue	40,200	40,200	40,000	(200)	40,200
Lease income	65,981	65,981	71,112	5,131	69,093
Oil royalty income	2,000	2,000	5,433	3,433	2,988
Earnings on investments	5,365	5,365	21,585	16,220	8,021
Miscellaneous income	10,000	10,000	32,654	22,654	19,476
Total revenues	3,715,556	3,715,556	3,807,271	91,715	3,276,868
Expenditures					
General government:					
Salaries and wages	361,473	361,473	311,482	49,991	305,612
Employee benefits and taxes	164,708	164,708	119,270	45,438	118,265
Accounting, audit and legal	211,338	211,338	223,547	(12,209)	131,131
Other professional services	161,124	161,124	151,655	9,469	151,717
Utilities	36,250	36,250	31,709	4,541	32,698
Insurance	40,230	40,230	38,414	1,816	33,525
County collection fees	45,438	45,438	44,823	615	38,445
Memberships, training and subscriptions	13,400	13,400	8,877	4,523	10,340
Other office expenses	47,100	47,100	44,283	2,817	42,875
Repairs and maintenance	82,300	82,300	98,465	(16,165)	85,792
Contingency	65,000	65,000	-	65,000	-
Total general government	1,228,361	1,228,361	1,072,525	155,836	950,400
Parks and open space:					
Landscape maintenance contract	265,000	265,000	221,759	43,241	225,420
Landscape supplies	10,000	10,000	2,271	7,729	6,449
Repairs and maintenance	399,500	399,500	415,839	(16,339)	327,810
Utilities	271,100	271,100	298,794	(27,694)	286,717
Park services	9,000	9,000	9,904	(904)	7,707
Total parks and open space	954,600	954,600	948,567	6,033	854,103
Capital outlay	412,795	412,795	95,256	317,539	28,440
Total expenditures	2,595,756	2,595,756	2,116,348	479,408	1,832,943
Excess of revenues over expenditures	1,119,800	1,119,800	1,690,923	571,123	1,443,925
Other financing sources (uses)					
Transfers out, debt related	-	-	(10,000)	(10,000)	(157,185)
Transfers out, base rental expense	(1,232,876)	(1,232,876)	(1,234,728)	(1,852)	(1,231,281)
Total other financing sources (uses)	(1,232,876)	(1,232,876)	(1,244,728)	(11,852)	(1,388,466)
Net change in fund balance	(113,076)	(113,076)	446,195	559,271	55,459
Fund balance - beginning of year	3,576,429	3,576,429	3,834,570	258,141	3,779,111
Fund balance - end of year	\$ 3,463,353	\$ 3,463,353	\$ 4,280,765	\$ 817,412	\$ 3,834,570

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District

Schedule of the District's Proportionate Share of the Net Pension Liability Cost – Sharing Defined Benefit Plan Last Ten Years

	2016	2015	2014
District's proportion of the net pension liability	0.10914%	0.10836%	0.08968%
District's proportionate share of the net pension liability	\$1,202,296	\$ 971,185	\$ 662,685
District's covered-employee payroll	\$ 648,164	\$ 608,976	\$ 491,736
District's proportionate share of the net pension liability as a percentage of its covered-employee	185.49%	159.48%	134.76%
Plan fiduciary net position as a percentage of the total pension	76.90%	80.70%	77.66%

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report

Castle Pines North Metropolitan District

Schedule of the District Contributions Cost – Sharing Defined Benefit Plan Last Ten Years

	2016	2015	2014	2013
Statutorily Required Contribution	\$ 81,004	\$ 78,597	\$ 75,288	\$ 60,666
Contributions in Relation to the Statutorily Required Contributions	81,004	78,597	75,288	60,666
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 666,309	\$ 648,164	\$ 608,976	\$ 491,736
Contributions as a Percentage of Covered Employee Payroll	12.16%	12.13%	12.36%	12.34%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See accompanying Independent Auditor's Report

Other Supplementary Information

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) – Debt Service Fund Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance	2015
	Original	Final	Budget Basis	Favorable (Unfavorable)	Actual
Revenues					
Property taxes	\$ 3,498,082	\$ 3,498,082	\$ 3,455,467	\$ (42,615)	\$ 2,964,885
Intergovernmental revenues	134,028	134,028	134,028	-	115,503
Earnings on investments	1,200	1,200	2,487	1,287	1,819
Total revenues	3,633,310	3,633,310	3,591,982	(41,328)	3,082,207
Expenditures					
County collection fees	52,613	52,613	51,901	712	44,515
Bond principal	3,340,566	3,340,566	3,325,000	15,566	5,045,000
Bond interest	230,588	230,588	230,363	225	476,238
Paying Agent Fees	2,300	2,300	2,300	-	3,450
Letter of Credit Fees	5,300	5,300	-	5,300	-
Total expenditures	3,631,367	3,631,367	3,609,564	21,803	5,569,203
Excess (deficiency) of revenues over expenditures	1,943	1,943	(17,582)	(19,525)	(2,486,996)
Other financing sources					
Transfers in, debt related	-	-	10,000	10,000	-
Total other financing sources	-	-	10,000	10,000	-
Net change in fund balance	1,943	1,943	(7,582)	(9,525)	(2,486,996)
Fund balance at beginning of year	5,544	5,544	7,838	2,294	2,494,834
Fund balance at end of year	\$ 7,487	\$ 7,487	\$ 256	\$ (7,231)	\$ 7,838

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - 2015 COPs Fund

Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance	2015
	Original	Final	Budget Basis	Favorable (Unfavorable)	Actual
Revenues					
Earnings on investments	\$ 930	\$ 930	\$ 78	\$ (852)	\$ 56
Total revenues	930	930	78	(852)	56
Expenditures					
Principal	370,000	370,000	370,000	-	580,000
Interest and fees	863,806	864,806	864,806	-	640,886
Cost of issuance	-	-	-	-	350,836
Total Expenditures	1,233,806	1,234,806	1,234,806	-	1,571,722
Excess (deficiency) of revenues over expenditures	(1,232,876)	(1,233,876)	(1,234,728)	(852)	(1,571,666)
Other financing sources (uses)					
Transfers in, base rental revenue	1,232,876	1,232,876	1,234,728	1,852	1,222,880
Transfers out, debt related	-	-	-	-	(21,560,816)
Proceeds from debt issuance	-	-	-	-	21,895,000
Premium on debt	-	-	-	-	656,573
Total other financing sources (uses)	1,232,876	1,232,876	1,234,728	1,852	2,213,637
Change in fund balance	-	(1,000)	-	1,000	641,971
Fund balance at beginning of year	620,321	620,321	641,971	21,650	-
Fund balance at end of year	\$ 620,321	\$ 619,321	\$ 641,971	\$ 22,650	\$ 641,971

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Net Position (Budget and Actual) - Enterprise Funds Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance	2015
	Original	Final	Budget Basis	Favorable (Unfavorable)	Actual
Revenues					
Water charges	\$2,846,154	\$2,846,154	\$ 3,909,177	\$ 1,063,023	\$ 2,946,447
Wastewater charges	1,592,183	1,592,183	1,702,877	110,694	1,554,074
Storm drainage charges	210,752	210,752	222,125	11,373	336,384
Capital improvement fees	1,413,797	1,413,797	1,397,350	(16,447)	1,277,034
Earnings on investments	9,376	9,376	77,842	68,466	19,878
Financing proceeds	2,051,000	2,051,000	-	(2,051,000)	-
Refunds of expenditures	-	-	-	-	2,000
Reimbursable income	50,000	50,000	260,217	210,217	-
Miscellaneous income	-	-	29,770	29,770	27,653
Grant revenue	-	-	142,500	142,500	-
Transfers in	-	-	-	-	157,185
Total revenues	8,173,262	8,173,262	7,741,858	(431,404)	6,320,655
Expenditures					
Water operations					
General overhead	324,633	324,633	273,590	51,043	305,982
Salaries and wages	177,940	177,940	181,045	(3,105)	172,896
Employee benefits and taxes	78,553	78,553	110,308	(31,755)	94,599
Memberships, training and subscriptions	6,200	6,200	5,372	828	3,925
Engineering	34,000	34,000	123,968	(89,968)	50,734
Repairs and maintenance	1,068,400	1,068,400	1,668,741	(600,341)	940,166
Utilities	681,909	681,909	763,290	(81,381)	729,737
Equipment and supplies	79,000	79,000	27,567	51,433	5,581
Treatment costs	10,000	10,000	10,083	(83)	4,894
Water rebates	12,500	12,500	4,515	7,985	12,533
Other projects	22,000	22,000	50,087	(28,087)	51,170
Total water operations	2,495,135	2,495,135	3,218,566	(723,431)	2,372,217
Wastewater operations					
General overhead	65,677	65,677	65,276	401	56,577
Salaries and wages	148,161	148,161	151,351	(3,190)	144,058
Employee benefits and taxes	63,418	63,418	89,400	(25,982)	76,510
Memberships, training and subscriptions	8,000	8,000	3,553	4,447	1,102
Engineering	47,000	47,000	104,887	(57,887)	17,199
Repairs and maintenance	165,000	194,673	178,035	16,638	118,425
Utilities	84,730	84,730	75,106	9,624	72,974
Equipment, supplies & other projects	5,500	5,500	1,075	4,425	2,054
Treatment costs	726,307	726,307	670,660	55,647	723,934
Total Wastewater operations	1,313,793	1,343,466	1,339,343	4,123	1,212,833
Storm drainage operations					
General overhead	15,806	15,806	23,587	(7,781)	12,043
Salaries and wages	32,705	32,705	33,023	(318)	32,245
Employee benefits and taxes	15,765	15,765	22,208	(6,443)	19,031
Engineering	15,000	15,000	836	14,164	47,885
Repairs and maintenance	489,100	625,330	656,835	(31,505)	23,631
Equipment, supplies and other projects	2,000	2,000	1,247	753	1,326
Contingency	50,000	50,000	-	50,000	-
Total storm drainage operations	620,376	756,606	737,736	18,870	136,161
Capital outlay	3,239,310	3,239,310	414,053	2,825,257	810,679
Total expenditures	7,668,614	7,834,517	5,709,698	2,124,819	4,531,890
Change in net position - budgetary basis	504,648	338,745	2,032,160	1,693,415	1,788,765

Continued.

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Net Position (Budget and Actual) - Enterprise Funds Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>2016</u>	<u>2015</u>
Reconciliation to GAAP basis		
Capital outlay	414,053	810,679
Depreciation	(1,298,764)	(1,388,324)
Change in net position - GAAP basis	1,147,449	1,211,120
Net position at beginning of year	61,194,529	60,341,074
Restatement for change in accounting principle	-	(357,665)
Net position at end of year	\$ 62,341,978	\$ 61,194,529
	<i>See accompanying Independent Auditor's Report.</i>	

Continuing Disclosure

Annual Financial Information

Required by the General Obligation Bonds, Series 2006

Castle Pines North Metropolitan District

Continuing Disclosure

December 31, 2016

UNAUDITED

Table III (Series 2006A)
History of District Assessed Valuation

Levy/Collection Year	Assessed Valuation ¹	Increase or (Decrease)	Percentage Change
1998/1999	\$ 24,659,740	\$ 4,412,800	21.79%
1999/2000	36,744,570	12,084,830	49.01%
2000/2001	45,004,340	8,259,770	22.48%
2001/2002	68,640,316	23,635,976	52.52%
2002/2003	86,819,810	18,179,494	26.49%
2003/2004	110,893,170	24,073,360	27.73%
2004/2005	114,573,850	3,680,680	3.32%
2005/2006	125,207,050	10,633,200	9.28%
2006/2007	128,057,598	2,850,548	2.28%
2007/2008	136,796,755	8,739,157	6.82%
2008/2009	138,095,490	1,298,735	0.95%
2009/2010	145,738,180	7,642,690	5.53%
2010/2011	146,720,630	982,450	0.67%
2011/2012	130,150,150	(16,570,480)	-11.29%
2012/2013	130,612,920	462,770	0.36%
2013/2014	133,803,323	3,190,403	2.44%
2014/2015	134,903,840	1,100,517	0.82%
2015/2016	159,003,720	24,099,880	17.86%
2016/2017	157,559,940	(1,443,780)	-0.91%

¹ Includes New Growth Assessed Valuation

Source: Douglas County Assessor's Office

Table V (Series 2006A)
Historical Property Tax Collections

Levy/Collection Year	Total Taxes Levied	Tax Collections ¹	Percentage of Tax Collections to Levied ²
1998/1999	\$ 1,645,733	\$ 1,609,633	97.81%
1999/2000	2,351,652	2,265,559	96.34%
2000/2001	2,880,278	2,846,242	98.82%
2001/2002	3,313,387	3,292,244	99.36%
2002/2003	3,720,539	3,715,679	99.87%
2003/2004	4,665,070	4,647,347	99.62%
2004/2005	4,926,732	4,848,795	98.42%
2005/2006	5,304,433	5,284,384	99.62%
2006/2007	5,465,795	5,477,493	100.21%
2007/2008	5,845,438	5,830,278	99.74%
2008/2009	5,938,106	5,929,404	99.85%
2009/2010	5,975,265	5,959,166	99.73%
2010/2011	6,015,546	6,008,857	99.89%
2011/2012	5,336,156	5,309,456	99.50%
2012/2013	5,335,130	5,268,294	98.75%
2013/2014	5,485,936	5,467,734	99.67%
2014/2015	5,531,056	5,525,467	99.90%
2015/2016	6,519,153	6,439,734	98.78%

¹ Figures include current and delinquent tax collections, penalties, and (prior to 2010) interest.

Treasurer's fees have not been deducted from these accounts.

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

Table IV (Series 2006A & B)
Assessed and "Actual" Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$ 136,531,300	75.82%	\$ 1,896,269,303	92.66%
Commercial	21,422,230	11.90%	73,869,850	3.61%
Vacant	4,804,910	2.67%	16,568,378	0.81%
Agricultural	2,270	0.00%	7,867	0.00%
Other Natural Resources	1,010	0.00%	3,537	0.00%
Personal Property	17,318,330	9.62%	59,718,224	2.92%
	\$ 180,080,050	100.00%	\$ 2,046,437,159	100.00%

Source: Douglas County Assessor's Office

<http://www.douglas.co.us/assessor/taxing-authorities/certification/reports>

Table XII (Series 2006A & B)
Estimated Overlapping General Obligation Debt ¹

Overlapping Entity	Outstanding General Obligation Debt	Percentage Applicable to District	Amount Applicable to District
Douglas County School District RE1	\$ 342,249,714	2.96%	\$ 10,130,000

¹ Douglas County School District RE1 fiscal year is July 1 to June 30, 2016.

Percentage applicable to District is calculated by taking 2015 Assessed Valuation of District over Assessed Valuation of Douglas County School District RE-1

Source: Douglas County School District RE-1 CAFR, Statistical Section

Castle Pines North Metropolitan District

Continuing Disclosure December 31, 2016 UNAUDITED

TABLE VIII (Series 2006A & B)
History of General Fund Revenues, Expenditures and Changes in Fund Balance

	2011	2012	2013	2014 ¹	2015	2016
Revenues						
Property taxes	\$ 2,782,036	\$ 2,460,619	\$ 2,441,405	\$ 2,533,828	\$ 2,560,582	\$ 2,984,267
Specific ownership taxes	397,722	409,994	449,104	492,208	531,810	599,784
Conservation Trust Fund	41,754	44,828	49,104	44,534	44,698	52,436
Lease income	123,346	120,206	100,760	109,105	112,281	111,112
Base Rental income	931,000	943,446	973,363	-	-	-
Earnings on investments	13,033	14,627	5,747	6,374	8,021	21,585
Miscellaneous income	12,818	12,113	7,047	16,318	19,476	38,087
Total revenues	4,301,709	4,005,833	4,026,530	3,202,367	3,276,868	3,807,271
Expenditures						
General government	2,071,759	1,941,451	1,635,554	898,708	950,400	1,072,525
Parks and open space	691,281	668,437	911,445	678,946	854,103	948,567
Capital outlay	-	-	-	8,423	28,440	95,256
Base rental expense	931,000	943,446	973,363	1,001,719	8,401	-
Total expenditures	3,694,040	3,553,334	3,520,362	2,587,796	1,841,344	2,116,348
Excess of revenues over expenditures	607,669	452,499	506,168	614,571	1,435,524	1,690,923
Other financing sources (uses)						
Transfers out	-	(10,365,229)	-	-	(1,380,065)	(1,244,728)
Transfers in	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	10,500	-	-
Total other financing sources (uses)	-	(10,365,229)	-	10,500	(1,380,065)	(1,244,728)
Net change in fund balance	607,669	(9,912,730)	506,168	625,071	55,459	446,195
Fund balance at beginning of year	11,952,933	12,560,602	2,647,872	3,154,040	3,779,111	3,834,570
Fund balance at end of year	\$ 12,560,602	\$ 2,647,872	\$ 3,154,040	\$ 3,779,111	\$ 3,834,570	\$ 4,280,765

¹ Beginning in 2014, the Finance Corporation was no longer reported as part of the General Fund

Source: District's 2010 - 2016 financial statements.

Castle Pines North Metropolitan District

Continuing Disclosure December 31, 2016 UNAUDITED

TABLE IX (Series 2006A & B)
History of Debt Service Fund Revenues, Expenditures and Changes in Fund Balance

	2011	2012	2013	2014	2015	2016
Revenues						
Property taxes	\$ 3,221,305	\$ 2,849,137	\$ 2,826,889	\$ 2,933,906	\$ 2,964,885	\$ 3,455,467
Earnings on investments	2,940	2,455	2,358	2,006	1,819	2,487
Hidden Pointe Taxes	234,781	200,412	214,720	119,425	115,503	134,028
Total revenues	3,459,026	3,052,004	3,043,967	3,055,337	3,082,207	3,591,982
Expenditures						
General government ¹	48,382	42,775	44,884	44,102	44,515	51,901
Debt service - principal and interest	3,560,113	3,156,304	1,750,175	1,750,237	5,521,238	3,557,663
Debt service - other related	29,705	20,617	9,471	5,601	3,450	-
Total expenditures	3,638,200	3,219,696	1,804,530	1,799,940	5,569,203	3,609,564
Excess (deficiency) of revenues over expenditures	(179,174)	(167,692)	1,239,437	1,255,397	(2,486,996)	(17,582)
Other financing sources						
Transfers in	-	1,024	-	-	-	10,000
Total other financing sources (uses)	-	1,024	-	-	-	10,000
Net change in fund balance	(179,174)	(166,668)	1,239,437	1,255,397	(2,486,996)	(7,582)
Fund balance at beginning of year	345,842	166,668	-	1,239,437	2,494,834	7,838
Fund balance at end of year	\$ 166,668	\$ -	\$ 1,239,437	\$ 2,494,834	\$ 7,838	\$ 256

¹ Expenditures for General Government represents the county treasurer's fees for property tax collections.

Source: District's 2010 - 2016 financial statements.

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

TABLE X (Series 2006A & B)
Debt Service Fund Budget Summary and Comparison

	2017 Budget	2016 Budget	2016 Actual
Revenues			
Property taxes	\$ 1,843,451	\$ 3,498,082	\$ 3,455,467
Earnings on investments	4	1,200	2,487
Hidden Pointe Taxes	18,988	134,028	134,028
Total revenues	1,862,443	3,633,310	3,591,982
Expenditures			
County treasurer's fees	27,652	52,613	51,901
Bond principal	1,760,000	3,340,566	3,325,000
Bond interest	74,800	230,588	230,363
Paying agent fees	2,300	2,300	2,300
Letter of credit fees	5,300	5,300	-
Total expenditures	1,870,052	3,631,367	3,609,564
Excess (deficiency) of revenues over expenditures	(7,609)	1,943	(17,582)
Other financing sources			
Transfers in	6,313	-	10,000
Total other financing sources	6,313	-	10,000
Net change in fund balance	(1,296)	1,943	(7,582)
Fund balance at beginning of year	5,544	5,544	7,838
Fund balance at end of year	\$ 4,248	\$ 7,487	\$ 256

Note: General Fund includes Conservation Trust Fund.

Source: District's 2016 audited financial statements and the District's 2016 and 2017 adopted budgets.

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

TABLE X (Series 2006A & B)
General Fund Budget Summary and Comparison

	2017 Budget	2016 Budget	2016 Actual
Revenues			
Property taxes	\$ 2,993,639	\$ 3,021,071	\$ 2,984,267
Specific ownership taxes	386,967	522,939	599,784
Conservation Trust Fund	48,000	48,000	52,436
Lease income	113,933	108,181	116,545
Earnings on investments	12,310	5,365	21,585
Miscellaneous income	22,000	10,000	32,654
Total revenues	3,576,849	3,715,556	3,807,271
Expenditures			
General government	793,220	1,228,361	1,072,525
Parks and open space	1,318,177	954,600	948,567
Capital outlay	488,126	412,795	95,256
Total expenditures	2,599,523	2,595,756	2,116,348
Excess (deficiency) of revenues over expenditures	977,326	1,119,800	1,690,923
Other financing uses			
Transfers out/base rental expense	(1,236,246)	(1,232,876)	(1,234,728)
Transfers out, debt related	(6,313)	-	(10,000)
Proceeds from sale of capital assets	14,000	-	-
Total other financing uses	(1,228,559)	(1,232,876)	(1,244,728)
Net change in fund balance	(251,233)	(113,076)	446,195
Fund balance at beginning of year	3,576,429	3,576,429	3,834,570
Fund balance at end of year	\$ 3,325,196	\$ 3,463,353	\$ 4,280,765

Note: General Fund includes Conservation Trust Fund.

Source: District's 2016 audited financial statements and the District's 2016 and 2017 adopted budgets.

Continuing Disclosure

Annual Financial Information

**Required by the \$21,895,000 Refunding Certificates of
Participation, Series 2015**

Castle Pines North Metropolitan District

Continuing Disclosure December 31, 2016 UNAUDITED

Table II (COPs Series 2015)
History of District Assessed Valuation, Mill Levies and Tax Collections

Levy/Collection Year	Assessed Valuation ¹	Percentage Change	General Fund Mill Levy	Bond Fund Mill Levy	Taxes Levied	Tax Collections	Percentage of Tax Collections To Levied
2009/2010	145,738,180	0.00%	19	22	5,975,265	5,959,166	99.73%
2010/2011	146,720,630	0.67%	19	22	6,015,546	6,008,857	99.89%
2011/2012	130,150,150	-11.29%	19	22	5,336,156	5,309,456	99.50%
2012/2013	130,612,920	0.36%	19	22	5,335,130	5,268,294	98.75%
2013/2014	133,803,323	2.44%	19	22	5,485,936	5,467,735	99.67%
2014/2015	134,903,840	0.82%	19	22	5,531,056	5,525,467	99.90%
2015/2016	159,003,720	17.86%	19	22	6,519,153	6,439,733	98.78%
2016/2017	157,559,940	-0.91%	19	11.7	4,837,090	-	-

¹ Includes New Growth Assessed Valuation

² Levied for payment of and pledged to the District's Limited Tax General Obligation Refunding Bonds, Series 2006A and 2006B. No tax revenue derived from such mill levies is pledged to the 2015 Certificates.

³ Figures include current and delinquent tax collections, penalties, and (prior to 2010) interest. Treasurer's fees have not been deducted from these amounts.

⁴ The District believes that substantially all of the differences between its taxes levied and collected are the result of tax abatements and refunds, not from unpaid or delinquent taxes.

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

Table III (COPs Series 2015)
Assessed and "Actual" Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$ 136,531,300	75.82%	\$ 1,896,269,303	92.66%
Commercial	21,422,230	11.90%	73,869,850	3.61%
Vacant	4,804,910	2.67%	16,568,378	0.81%
Agricultural	2,270	0.00%	7,867	0.00%
Other Natural Resources	1,010	0.00%	3,537	0.00%
Personal Property	17,318,330	9.62%	59,718,224	2.92%
	\$ 180,080,050	100.00%	\$ 2,046,437,159	100.00%

Source: Douglas County Assessor's Office
<http://www.douglas.co.us/assessor/taxing-authorities/certification/reports>

Table IV (COPs Series 2015)
Sample Total 2016 Mill Levy ¹

Taxing Entity	Mill Levy
Cherry Creek Basin Water Authority	0.473
Douglas County	19.274
Douglas County Law Enforcement Authority	4.500
Douglas County Library	4.016
Douglas County School District RE-1	41.064
Douglas County Soil Conservation District	0.000
South Metro Fire Rescue	9.250
Urban Drainage & Flood Control District	0.559
Urban Drainage & Flood South Platte	0.061
Sample Overlapping Mill Levy	79.197
Castle Pines North Metropolitan District	30.700
Sample Total Mill Levy	109.897

¹One mill equals 1/10 of one cent. Mill levies certified in 2016 are for the collection of ad valorem property taxes in 2017.

Source: Douglas County Assessor's Office

Castle Pines North Metropolitan District

Continuing Disclosure

December 31, 2016

UNAUDITED

Table V (COPs Series 2015)
2016 Water and Sewer Customer Information

Customer Class	Water Customers		Sewer Customers	
	Inside District	Outside District	Inside District	Outside District
Residential	3,186	216	3,186	216
Commercial	44	-	44	-
Irrigation	75	3	-	-
	3,305	219	3,230	216

Source: The District's Billing System

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

TABLE VIII (Series 2006A & B)
History of General Fund Revenues, Expenditures and Changes in Fund Balance ¹

	2013	2014	2015	2016
Revenues				
Property taxes	\$ 2,441,405	\$ 2,533,828	\$ 2,560,582	\$ 2,984,267
Specific ownership taxes	449,104	492,208	531,810	599,784
Earnings on investments	5,122	6,044	7,437	19,153
Farm land revenue	26,000	40,200	40,200	40,000
Oil royalty revenue	7,122	4,690	2,988	5,433
Miscellaneous income	7,047	16,318	19,477	24,754
Cell phone lease revenue	67,638	64,215	69,093	71,113
Total revenues	3,003,438	3,157,503	3,231,587	3,744,504
Expenditures				
General government	849,280	619,014	678,981	778,740
Parks and open space	724,357	958,640	1,125,523	1,242,357
Capital outlay	-	8,423	28,440	37,889
Total expenditures	1,573,637	1,586,077	1,832,944	2,058,986
Excess of revenues over expenditures	1,429,801	1,571,426	1,398,643	1,685,518
Other financing sources (uses)				
Transfers out / base rental expense	(973,363)	(883,868)	(1,388,465)	(1,244,728)
Proceeds from sale of capital assets	-	10,500	-	7,900
Total other financing sources (uses)	(973,363)	(873,368)	(1,388,465)	(1,236,828)
Net change in fund balance	456,438	698,058	10,178	448,690
Fund balance at beginning of year	2,313,831	2,770,269	3,468,327	3,478,505
Fund balance at end of year	\$ 2,770,269	\$ 3,468,327	\$ 3,478,505	\$ 3,927,195

¹ Excludes Conservation Trust Fund, Finance Corporation Fund and 2015 Certificates of Participation Fund activity.

Source: District's 2013 - 2016 financial statements.

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

TABLE VII (COPs Series 2015)
General Fund Budget Summary and Comparison¹

	2017 Budget	2016 Budget	2016 Actual
Revenues			
Property taxes	\$ 2,993,639	\$ 3,021,071	\$ 2,984,267
Specific ownership taxes	386,967	522,939	599,784
Earnings on investments	11,541	4,826	19,153
Farm land revenue	40,200	40,200	40,000
Oil royalty revenue	7,752	2,000	5,433
Miscellaneous income	22,000	10,000	24,754
Cell phone lease revenue	65,982	65,981	71,113
Total revenues	3,528,081	3,667,017	3,744,504
Expenditures			
General government	793,220	834,911	778,740
Parks and open space	1,318,177	1,348,050	1,242,357
Capital outlay	183,000	5,000	37,889
Total expenditures	2,294,397	2,187,961	2,058,986
Excess (deficiency) of revenues over expenditures	1,233,684	1,479,056	1,685,518
Other financing uses			
Transfers out/base rental expense	(1,228,559)	(1,232,876)	(1,244,728)
Proceeds from sale of capital assets	-	-	7,900
Total other financing uses	(1,228,559)	(1,232,876)	(1,236,828)
Net change in fund balance	5,125	246,180	448,690
Fund balance at beginning of year	3,847,052	3,217,173	3,478,505
Fund balance at end of year	\$ 3,852,177	\$ 3,463,353	\$ 3,927,195

¹General Fund excludes the Conservation Trust Fund and 2015 Certificates of Participation Fund.

Source: District's 2016 audited financial statements and the District's 2016 and 2017 adopted budgets.

Castle Pines North Metropolitan District

Continuing Disclosure
December 31, 2016
UNAUDITED

Table VII (COPs Series 2015)
Assessed and "Actual" Valuation of Classes of Property in the District

Obligation	Principle General Obligation Debt Outstanding
Limited Tax General Obligation Refunding Bonds, Series 2006A	\$ 1,760,000
	\$ 1,760,000

Source: District's 2016 audited Financial Statements

Table IX(COPs Series 2015)
Estimated Overlapping General Obligation Debt ¹

Overlapping Entity	Outstanding General Obligation Debt	Percentage Applicable to District	Amount Applicable to District
Douglas County School District	\$ 342,249,714	2.96%	\$ 10,130,000

¹ Douglas County School District RE1 fiscal year is July 1 to June 30, 2016.

Percentage applicable to District is calculated by taking 2015 Assessed Valuation of District over Assessed Valuation of Douglas County School District RE-1

Source: Douglas County School District RE-1 CAFR, Statistical Section

Castle Pines North Metropolitan District

Continuing Disclosure

December 31, 2016

UNAUDITED

COPs Series 2015

2016 Ten Largest Customers of the Water System (Ranked by Revenue)

		Water Consumption (Gallons)	Percent of Total Water Consumption	Total User Charge Revenue Collected	Percent of Total User Charges Collected
	Customer				
1	Castle Pines North Homeowners Association II	5,046,000	0.84%	\$ 50,561	0.98%
2	Castle Pines North Homeowners Association I	6,466,000	1.07%	50,493	0.98%
3	Avant	12,157,000	2.02%	45,589	0.89%
4	Sheridan Castle Pines LLC	2,613,000	0.43%	42,264	0.82%
5	Village Square at Castle Pines	4,757,000	0.79%	40,551	0.79%
6	Bramleridge HOA	7,030,000	1.17%	36,498	0.71%
7	Canterbury Park HOA	6,638,000	1.10%	28,870	0.56%
8	City of Castle Pines	5,205,000	0.87%	25,765	0.50%
9	Villa Carriage Homes HOA	5,079,000	0.84%	25,383	0.49%
10	Canterbury Park HOA(BRWK)	3,597,000	0.60%	25,200	0.49%
	Total	58,588,000	9.73%	\$ 371,173	7.23%

Source: The District's Billing System

COPs Series 2015

2016 Ten Largest Customers of the Sewer System (Ranked by Revenue)

		Total User Charge Revenue Collected	Percent of Total User Charges Collected
	Customer		
1	Avant	\$ 72,334	6.06%
2	Village Square at Castle Pines	20,682	1.73%
3	Canterbury Park HOA	20,593	1.73%
4	Villa Carriage Homes HOA	16,398	1.38%
5	Twin Star Energy LLC	8,937	0.75%
6	Kroger Utilities	6,248	0.52%
7	Castle Pines Marketplace, LLC	6,045	0.51%
8	Canterbury Park HOA(BRWK)	5,540	0.46%
9	Circle K Stores, Inc.	5,081	0.43%
10	Sheridan Castle Pines LLC	4,302	0.36%
	Total	\$ 166,160	13.93%

Source: The District's Billing System