

CASTLE OAKS METROPOLITAN DISTRICT
Douglas County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**CASTLE OAKS METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Castle Oaks Metropolitan District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Castle Oaks Metropolitan District, as of December 31, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Fiscal Focus Partners, LLC

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
August 22, 2021

BASIC FINANCIAL STATEMENTS

**CASTLE OAKS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 332,930
Cash and Investments - Restricted	866,097
Property Taxes Receivable	1,514,480
Receivable from County Treasurer	11,629
Total Assets	<u>2,725,136</u>
LIABILITIES	
Accounts Payable	5,204
Accrued Interest Payable	57,575
Noncurrent Liabilities	
Due Within One Year	465,000
Due in More Than One Year	15,519,335
Total Liabilities	<u>16,047,114</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	1,514,480
Total Deferred Inflows of Resources	<u>1,514,480</u>
NET POSITION	
Restricted For:	
Emergency Reserves	3,100
Debt Service	816,339
Unrestricted	(15,655,897)
Total Net Position	<u><u>\$ (14,836,458)</u></u>

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
FUNCTIONS/PROGRAMS					
Government Activities:					
General Government	\$ 48,380	\$ -	\$ -	\$ -	\$ (48,380)
Interest and Related Costs on Long-Term Debt	659,590	-	-	-	(659,590)
Total Governmental Activities	<u>\$ 707,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(707,970)
GENERAL REVENUES					
Property Taxes					1,503,899
Specific Ownership Taxes					129,723
Net Investment Income					8,198
Total General Revenues					<u>1,641,820</u>
CHANGE IN NET POSITION					933,850
Net Position - Beginning of Year					<u>(15,770,308)</u>
NET POSITION - END OF YEAR					<u><u>\$ (14,836,458)</u></u>

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 332,930	\$ -	\$ 332,930
Cash and Investments - Restricted	3,100	862,997	866,097
Property Taxes Receivable	92,723	1,421,757	1,514,480
Receivable from County Treasurer	712	10,917	11,629
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 429,465</u></u>	<u><u>\$ 2,295,671</u></u>	<u><u>\$ 2,725,136</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,204	\$ -	\$ 5,204
Total Liabilities	<u>5,204</u>	<u>-</u>	<u>5,204</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	92,723	1,421,757	1,514,480
Total Deferred Inflows of Resources	<u>92,723</u>	<u>1,421,757</u>	<u>1,514,480</u>
FUND BALANCES			
Restricted For:			
Emergency Reserves	3,100	-	3,100
Debt Service	-	873,914	873,914
Unassigned	328,438	-	328,438
Total Fund Balances	<u>331,538</u>	<u>873,914</u>	<u>1,205,452</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 429,465</u></u>	<u><u>\$ 2,295,671</u></u>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(15,125,000)
Bonds Premium	(859,335)
Accrued Bond Interest Payable	<u>(57,575)</u>

Net Position of Governmental Activities	<u><u>\$ (14,836,458)</u></u>
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See accompanying Notes to Basic Financial Statements.

CASTLE OAKS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 92,075	\$ 1,411,824	\$ 1,503,899
Specific Ownership Taxes	7,942	121,781	129,723
Net Investment Income	2,345	5,853	8,198
Total Revenues	<u>102,362</u>	<u>1,539,458</u>	<u>1,641,820</u>
EXPENDITURES			
Current:			
Accounting	16,740	-	16,740
Audit	5,400	-	5,400
County Treasurer's Fees	1,382	21,185	22,567
Election	5,068		5,068
Insurance and Bonds	3,595	-	3,595
Dues and Subscriptions	354	-	354
Legal	15,811	-	15,811
Miscellaneous	30	-	30
Debt Service:			
Paying Agent Fees	-	3,500	3,500
Bond Principal - Series 2018	-	445,000	445,000
Bond Interest - Series 2018	-	713,150	713,150
Total Expenditures	<u>48,380</u>	<u>1,182,835</u>	<u>1,231,215</u>
NET CHANGE IN FUND BALANCES	53,982	356,623	410,605
Fund Balances - Beginning of Year	<u>277,556</u>	<u>517,291</u>	<u>794,847</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 331,538</u></u>	<u><u>\$ 873,914</u></u>	<u><u>\$ 1,205,452</u></u>

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Changes in Fund Balances - Governmental Funds	\$	410,605
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Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Current Year Bond Principal Payment		445,000
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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.

Amortization of Bond Premium		76,391
Accrued Interest on Debt - Change in Liability		1,854

Change in Net Position of Governmental Activities	\$	<u>933,850</u>
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**CASTLE OAKS METROPOLITAN DISTRICT
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance- with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 92,075	\$ 92,075	\$ -
Specific Ownership Taxes	8,287	7,942	(345)
Net Investment Income	2,790	2,345	(445)
Total Revenues	<u>103,152</u>	<u>102,362</u>	<u>(790)</u>
EXPENDITURES			
Current:			
Accounting	27,000	16,740	10,260
Audit	5,500	5,400	100
County Treasurer's Fees	1,381	1,382	(1)
Election	2,000	5,068	(3,068)
Director's Fees	900	-	900
Insurance and Bonds	4,000	3,595	405
Dues and Subscriptions	350	354	(4)
Legal	30,000	15,811	14,189
Contingency	3,569	-	3,569
Miscellaneous	300	30	270
Total Expenditures	<u>75,000</u>	<u>48,380</u>	<u>26,620</u>
NET CHANGE IN FUND BALANCE	28,152	53,982	25,830
Fund Balance - Beginning of Year	<u>268,020</u>	<u>277,556</u>	<u>9,536</u>
FUND BALANCE - END OF YEAR	<u>\$ 296,172</u>	<u>\$ 331,538</u>	<u>\$ 35,366</u>

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as a deferred inflow of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Bond Issue Costs

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Bond Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

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

Deferred Inflow/Outflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

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

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 332,930
Cash and Investments - Restricted	866,097
Total Cash and Investments	<u>\$ 1,199,027</u>

Cash and investments as of December 31, 2020, consisted of the following:

Cash Deposits with Financial Institutions	\$ 3,674
Investments	1,195,353
Total Cash and Investments	<u>\$ 1,199,027</u>

Deposits with Financial Institutions

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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

At December 31, 2020, the District's cash deposits had a bank and carrying balance of \$3,674.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 1,142,289
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	53,064
Total		<u>\$ 1,195,353</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

	Balance - December 31, 2019	Additions	Retirements	Balance - December 31, 2020	Due Within One Year
General Obligation Refunding Bonds, Series 2018	\$ 15,570,000	\$ -	\$ 445,000	\$ 15,125,000	\$ 465,000
Bond Premium - Series 2018	935,726	-	76,391	859,335	-
	<u>\$ 16,505,726</u>	<u>\$ -</u>	<u>\$ 521,391</u>	<u>\$ 15,984,335</u>	<u>\$ 465,000</u>

Limited Tax General Obligation Refunding Bonds- Series 2018

On October 24, 2018, the District refunded \$18,210,000 of Nontaxable Refunding Loan, Series 2015A and Series 2015B by the issuance of \$16,415,000 General Obligation Limited Tax Refunding Bonds, Series 2018 (the "Bonds"). The proceeds were used for the purposes of: (i) repaying of the Nontaxable Refunding Loan, Series 2018A and Series 2015B and (ii) paying the costs of issuance on the Bonds. The Bonds are term bonds that bear interest at 5.00%, with a yield of 3.7815%, payable semi-annually on June 1 and December 1, beginning on December 1, 2018. The Bonds mature on December 1, 2040.

The Bonds maturing on or before December 1, 2028 are not subject to redemption prior to their respective maturity dates. The bonds maturing on or after December 1, 2029 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities. There is no redemption premium.

The Bonds are secured by and payable from the Pledged Revenue, consisting of the monies derived by the District from the following sources, net of any costs of collection: (i) the Required Mill Levy (an amount sufficient to pay the principal of and interest on the Bonds, but not in excess of 50.000 mills, as adjusted); (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available monies which the District determines, in its absolute discretion, to credit to the Bond Fund.

Required Mill Levy means an ad valorem mill levy imposed upon all taxable property within the District each year in an amount sufficient, to pay the principal and interest on the Bonds as the same become due, but not in excess of 50 mills; provided; however, in the event the method of calculating assessed valuation is or was changed after September 28, 2000, the maximum mill levy of 50.000 mills will be increased or decreased to reflect such changes. These mill levies have been adjusted by the Board as a result of subsequent changes in the ratio of actual valuation to assessed valuation which have occurred since 2000. The current adjusted mill levy is 68.111.

Additionally, the scheduled payment of the principal of and interest of the Bonds when due will be guaranteed under a municipal bond insurance policy with Build America Mutual Assurance Company (BAM). BAM's financial strength is rated AA by S&P Global Ratings.

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 465,000	\$ 690,900	\$ 1,155,900
2022	485,000	672,300	1,157,300
2023	510,000	648,050	1,158,050
2024	535,000	622,550	1,157,550
2025	560,000	595,800	1,155,800
2026-2030	3,260,000	2,528,750	5,788,750
2031-2035	4,155,000	1,629,000	5,784,000
2036-2040	5,155,000	635,000	5,790,000
Total	<u>\$ 15,125,000</u>	<u>\$ 8,022,350</u>	<u>\$ 23,147,350</u>

Debt Authorization

At December 31, 2020, the District had authorized but unissued indebtedness in the following amount allocated for the following purposes:

	<u>Amount Authorized on November 7, 2000</u>	<u>Authorized Used Series 2015 Loan</u>	<u>Authorized Used Series 2018 Bonds</u>	<u>Authorized but Unissued at December 31, 2020</u>
Public Improvements	\$ 64,250,000	\$ 29,177,640	\$ -	\$ 35,072,360
Intergovernmental Agreements	112,750,000	238,000	-	112,512,000
Operations and Maintenance	5,000,000	-	-	5,000,000
Refunding	68,750,000	25,434,360	16,415,000	26,900,640
Total	<u>\$ 250,750,000</u>	<u>\$ 54,850,000</u>	<u>\$ 16,415,000</u>	<u>\$ 179,485,000</u>

NOTE 5 NET POSITION

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergencies	\$ 3,100
Debt Service	816,339
Total	<u>\$ 819,439</u>

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 NET POSITION (CONTINUED)

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

NOTE 6 AGREEMENTS

Intergovernmental Agreement

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

NOTE 7 RISK MANAGEMENT

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

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

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

**CASTLE OAKS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 TAX, SPENDING AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**CASTLE OAKS METROPOLITAN DISTRICT
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance- with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,411,822	\$ 1,411,824	\$ 2
Specific Ownership Taxes	127,064	121,781	(5,283)
Net Investment Income	10,000	5,853	(4,147)
Total Revenues	<u>1,548,886</u>	<u>1,539,458</u>	<u>(9,428)</u>
EXPENDITURES			
Paying Agent Fees	6,000	3,500	2,500
County Treasurer's Fees	21,177	21,185	(8)
Bond Interest - Series 2018	713,150	713,150	-
Bond Principal - Series 2018	445,000	445,000	-
Contingency	5,673	-	5,673
Total Expenditures	<u>1,191,000</u>	<u>1,182,835</u>	<u>8,165</u>
NET CHANGE IN FUND BALANCE	357,886	356,623	(1,263)
Fund Balance - Beginning of Year	<u>512,851</u>	<u>517,291</u>	<u>4,440</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 870,737</u></u>	<u><u>\$ 873,914</u></u>	<u><u>\$ 3,177</u></u>

OTHER INFORMATION

**CASTLE OAKS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

	\$16,415,000 Taxable Refunding Loan Series 2018 Interest 5.00% Dated October 24, 2018 Interest Payable June 1 and December 1 Principal Payable December 1		
Bonds and Interest Maturing in the Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 465,000	\$ 690,900	\$ 1,155,900
2022	485,000	672,300	1,157,300
2023	510,000	648,050	1,158,050
2024	535,000	622,550	1,157,550
2025	560,000	595,800	1,155,800
2026	590,000	567,800	1,157,800
2027	620,000	538,300	1,158,300
2028	650,000	507,300	1,157,300
2029	685,000	474,800	1,159,800
2030	715,000	440,550	1,155,550
2031	750,000	404,800	1,154,800
2032	790,000	367,300	1,157,300
2033	830,000	327,800	1,157,800
2034	870,000	286,300	1,156,300
2035	915,000	242,800	1,157,800
2036	950,000	206,200	1,156,200
2037	990,000	168,200	1,158,200
2038	1,030,000	128,600	1,158,600
2039	1,070,000	87,400	1,157,400
2040	1,115,000	44,600	1,159,600
Total	<u>\$ 15,125,000</u>	<u>\$ 8,022,350</u>	<u>\$ 23,147,350</u>

CASTLE OAKS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 20,790,520	4.000	46.000	\$ 1,039,526	\$ 1,039,527	100.00 %
2017	23,228,460	4.000	46.000	1,161,423	1,161,415	100.00
2018	26,719,500	4.422	50.855	1,476,974	1,476,803	99.99
2019	27,354,180	4.422	46.000	1,379,252	1,379,254	100.00
2020	30,691,790	3.000	46.000	1,503,897	1,503,899	100.00
Estimated for the Year Ending December 31,						
2021	\$ 30,907,760	3.000	46.000	\$ 1,514,480		

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