

**CASTLE PINES COMMERCIAL  
METROPOLITAN DISTRICT NO. 3**

**Financial Statements**

**December 31, 2021**

# CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

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Dazzio & Associates, PC

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Castle Pines Commercial Metropolitan District No. 3  
Douglas County, Colorado

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of Castle Pines Commercial Metropolitan District No. 3 (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the District, as of December 31, 2021, and the respective changes in financial position 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*D'Agostino & Associates, P.C.*

August 5, 2022

## **BASIC FINANCIAL STATEMENTS**

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF NET POSITION**

**December 31, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Investments	\$ 68,005
Cash and Investments - Restricted	403,935
Receivable from County Treasurer	2,245
Property Taxes Receivable	237,971
Prepaid Expense	2,972
<b>Total Assets</b>	<b>715,128</b>
<b>Liabilities</b>	
Accounts Payable	8,682
<b>Total Liabilities</b>	<b>8,682</b>
<b>Deferred Inflows of Resources</b>	
Property Taxes	237,971
<b>Net Position</b>	
Restricted	
Emergency Reserves	3,300
Debt Service	402,207
Unrestricted	62,968
<b>Total Net Position</b>	<b>\$ 468,475</b>

The notes to the financial statements are an integral part of this statement.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2021**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Permits, Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
<u>Governmental Activities</u>					<u>Governmental Activities</u>
General government	\$ 191,990	\$ -	\$ 50,000	\$ -	\$ (141,990)
	<u>\$ 191,990</u>	<u>-</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>(141,990)</u>
			General Revenues		
			Property Taxes	329,734	
			Specific Ownership Taxes	31,799	
			Investment Earnings	199	
			Total General Revenues	<u>361,732</u>	
			Changes In Net Position	219,742	
			Net Position - Beginning	<u>248,733</u>	
			Net Position - Ending	<u>\$ 468,475</u>	

The notes to the financial statements are an integral part of this statement.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<b>Assets</b>			
Cash and Investments	\$ 68,005	\$ -	\$ 68,005
Cash and Investments - Restricted	3,300	400,635	403,935
Receivable from County Treasurer	673	1,572	2,245
Property Taxes Receivable	86,283	151,688	237,971
Prepaid Expense	2,972	-	2,972
<b>Total Assets</b>	<u>\$ 161,233</u>	<u>\$ 553,895</u>	<u>\$ 715,128</u>
<b>Liabilities</b>			
Accounts Payable	\$ 8,682	\$ -	\$ 8,682
<b>Total Liabilities</b>	<u>8,682</u>	<u>-</u>	<u>8,682</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	86,283	151,688	237,971
<b>Fund Balances</b>			
Nonspendable			
Prepaid Expenses	2,972	-	2,972
Restricted			
Emergency Reserves	3,300	-	3,300
Debt Service	-	402,207	402,207
Unassigned	59,996	-	59,996
<b>Total Fund Balances</b>	<u>66,268</u>	<u>402,207</u>	<u>468,475</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 161,233</u>	<u>\$ 553,895</u>	<u>\$ 715,128</u>

The notes to the financial statements are an integral part of this statement.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2021**

	<b>General</b>	<b>Debt Service</b>	<b>Total</b>
<b>Revenues</b>			
Property Taxes	\$ 98,920	\$ 230,814	\$ 329,734
Specific Ownership Tax	9,540	22,259	31,799
Insurance Proceeds	-	50,000	50,000
Net investment income	187	12	199
<b>Total Revenues</b>	<b>108,647</b>	<b>303,085</b>	<b>411,732</b>
<b>Expenditures</b>			
Accounting	7,395	-	7,395
Auditing	4,500	-	4,500
County Treasurer Fees	1,484	3,462	4,946
Directors Fees	1,759	-	1,759
District Management	12,953	-	12,953
Dues	321	-	321
General and Administrative	769	-	769
Insurance	2,971	-	2,971
Legal	12,159	144,217	156,376
<b>Total Expenditures</b>	<b>44,311</b>	<b>147,679</b>	<b>191,990</b>
<b>Net Change in Fund Balances</b>	<b>64,336</b>	<b>155,406</b>	<b>219,742</b>
<b>Fund Balances - Beginning</b>	<b>1,932</b>	<b>246,801</b>	<b>248,733</b>
<b>Fund Balances - Ending</b>	<b>\$ 66,268</b>	<b>\$ 402,207</b>	<b>\$ 468,475</b>

The notes to the financial statements are an integral part of this statement.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended December 31, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property Taxes	\$ 98,900	\$ 98,900	\$ 98,920	\$ 20
Specific Ownership Tax	8,000	7,000	9,540	2,540
Net investment income	1,200	300	187	(113)
<b>Total Revenues</b>	<b>108,100</b>	<b>106,200</b>	<b>108,647</b>	<b>2,447</b>
<b>Expenditures</b>				
Accounting	10,000	10,000	7,395	2,605
Auditing	5,000	5,000	4,500	500
County Treasurer Fees	1,500	1,500	1,484	16
Directors Fees	3,000	3,000	1,759	1,241
District Management	20,000	20,000	12,953	7,047
Dues	1,000	1,000	321	679
General and Administrative	5,000	5,000	769	4,231
Insurance	3,500	3,500	2,971	529
Legal	18,000	18,000	12,159	5,841
Contingency	5,000	5,000	-	5,000
<b>Total Expenditures</b>	<b>72,000</b>	<b>72,000</b>	<b>44,311</b>	<b>27,689</b>
<b>Net Change in Fund Balance</b>	<b>36,100</b>	<b>34,200</b>	<b>64,336</b>	<b>30,136</b>
<b>Fund Balance - Beginning</b>	<b>5,187</b>	<b>1,932</b>	<b>1,932</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 41,287</b>	<b>\$ 36,132</b>	<b>\$ 66,268</b>	<b>\$ 30,136</b>

The notes to the financial statements are an integral part of this statement.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Castle Pines Commercial Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by order and decree of the District Court of Douglas County on March 25, 1987 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under an Amended and Restated Consolidated Service Plan approved by the Town of Castle Rock on January 6, 2015 for Castle Pines Commercial Metropolitan Districts Nos. 1, 3 and 4. The District's service area is located entirely in the Town of Castle Rock in Douglas County, Colorado. The District was established for the purpose of financing the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitary sewer, storm sewer, streets, safety, parks and recreation, transportation facilities and fire protection.

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

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

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

**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.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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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.

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

Separate financial statements are provided for the governmental funds.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, specific ownership taxes and intergovernmental revenue. 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.

## CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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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 transfers made to District No. 1 for payments made for principal and interest on long-term debt.

#### **Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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.

The District amended its annual budget for the year ended December 31, 2021.

#### **Pooled Cash**

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.

## CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

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

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

#### **Equity**

##### ***Net Position***

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

##### ***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: 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 PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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- *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 as of December 31, 2021, are classified in the follows: accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 68,005
Cash and Investments - Restricted	<u>403,935</u>
Total Cash	<u>\$ 471,940</u>

Cash as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 174,876
Investments	<u>297,064</u>
Total Cash	<u>\$ 471,940</u>

## CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2021

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#### **Deposits with Financial Institutions**

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

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

At December 31, 2021, the District's cash deposits had a bank balance of 178,545 and a carrying balance of \$174,876.

#### **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 investments 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

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted Average Under 60 days	<u>\$ 297,064</u>

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

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

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

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST 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 or weekly, and there is no redemption notice period.

The District holds all its investments in the COLOTRUST PLUS+ portfolio.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 4 - AUTHORIZED DEBT**

On November 4, 2014, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$120,000,000 for infrastructure improvements and operations and maintenance and \$30,000,000 for refunding the District's debt and other obligations at an interest rate not to exceed 18% per annum. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 4, 2014	Authorization Used 2015 Bonds *	Authorized but Unissued at December 31, 2020
Streets	\$ 10,000,000	\$ 4,593,075	\$ 5,406,925
Parks and Recreation	10,000,000	-	10,000,000
Water	10,000,000	17,037	9,982,963
Sanitation/Storm Sewer	10,000,000	1,251,963	8,748,037
Public Transportation	10,000,000	-	10,000,000
Mosquito Control	10,000,000	-	10,000,000
Safety protection	10,000,000	-	10,000,000
Fire Protection	10,000,000	12,925	9,987,075
Television Relay	10,000,000	-	10,000,000
Security	10,000,000	-	10,000,000
Operations and Maintenance	10,000,000	-	10,000,000
Refundings	10,000,000	-	10,000,000
Intergovernmental Agreements	10,000,000	-	10,000,000
Private Agreements	10,000,000	-	10,000,000
Special Assesment Debt	10,000,000	-	10,000,000
	<u>\$ 150,000,000</u>	<u>\$ 5,875,000</u>	<u>\$ 144,125,000</u>

\* Issued by Castle Pines Commercial Metropolitan District No. 1

Pursuant to the Amended and Restated Consolidated Service Plan, dated January 6, 2015, the Districts can issue bond indebtedness of up to \$12,000,000. The District has a maximum debt service mill levy of 50.000 mills and a maximum operations mill levy of 15.000 mills, as adjusted for changes in the ratio of actual to assessed value of property within the District. As of December 31, 2021, the calculated maximum debt service mill levy was 50.000 mills of which the District levied 35.000 and 21.360 mills for collection in 2021 and 2022, respectively.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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**NOTE 5 - NET POSITION**

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

The restricted component of net position consists of amounts 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 restricted net position as of December 31, 2021, as follows:

Restricted net position:	
Emergency reserves	\$ 3,300
Debt Service	402,207
Total Restricted Net Position	<u>\$ 405,507</u>

**NOTE 6 - AGREEMENTS**

**2015 Pledge Agreement**

On January 1, 2015, the District and District No. 4 (the Taxing Districts) entered into a Capital Pledge Agreement with District No. 1 (the 2015 Pledge Agreement) to provide for the payment of the Series 2015 Bonds, and any Refunding Obligations, Parity Obligations and Permitted Subordinate Obligations issued by District No. 1. The Taxing Districts agree to levy an ad valorem property tax on all taxable property in each Taxing District, in addition to all other taxes, and direct the annual taxes each year to the District so long as the Series 2015 Bonds, any Refunding Obligations, Parity Obligations, or Permitted Subordinate Obligations remain outstanding or any obligation under any Reimbursement Agreement related to such obligations remains unpaid, in the amount of the applicable Required Mill Levy as determined by the District. The Required Mill Levy shall not exceed 50.000 mills.

On May 1, 2020, District No. 1 filed a lawsuit against the District and its Board Members demanding that pursuant to the Capital Pledge Agreement, the District should forward debt service mill levy related property taxes to District No. 1. The District asserted that in the past four years, District No. 1 has required the District to charge and transfer debt service tax revenues considerably in excess of debt service requirements in violation of the Capital Pledge Agreement.

On May 11, 2021, the District and District No. 1 reached a Settlement Agreement wherein District No. 1 stipulates there has been an over collection of ad valorem tax revenue from the District in the amount of \$453,701 ("Over Collected District 3 Taxes"). The District will be allowed to retain the Over Collected District 3 taxes and offset that amount against the tax revenue the District collected in 2019, 2020 and 2021, which is projected to total approximately \$583,701 as of

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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December 31, 2021, and which was collected for debt repayment pursuant to the terms of the Capital Pledge Agreement dated January 1, 2015. The Parties agreed that the net amount owed by the District for repayment of the 2015 Bonds under the Capital Pledge Agreement, after accounting for the Over Collected District 3 Taxes is \$137,000, which was paid on May 21, 2021.

On April 21, 2022, the 2015 Pledge Agreement was terminated.

**2022 Pledge Agreement**

On April 21, 2022, the District, District No. 4 (the Taxing Districts) and NBH Bank entered into a Capital Pledge Agreement (the 2022 Pledge Agreement) to provide for the payment of the Limited Tax General Obligation Refunding Loan, Series 2022 in the principal amount of \$4,545,000 entered into by District No. 4 on April 21, 2022 (the Note) and any Additional Refunding Obligations or Permitted Subordinate Obligations issued by District No. 4. The Taxing Districts agree to levy an ad valorem property tax on all taxable property in each Taxing District, in addition to all other taxes, and directs the District to transfer the Pledged Revenue, defined below, each year to District No. 4 so long as the 2022 Loan, any Refunding Obligations or Permitted Subordinate Obligations remain outstanding or any obligation under any Reimbursement Agreement related to such obligations remains unpaid, in the amount of the applicable Required Mill Levy as determined by the District.

Pledged Revenue consists of all Property Tax Revenues, defined as moneys derived from imposition by the District's Required Mill Levy and all Specific Ownership Tax Revenues received from the imposition of the District's Required Mill Levy.

The Required Mill Levy is an amount to be determined by District No. 4, in consultation with the District, which, if imposed by both of the Taxing Districts for collection in the succeeding Fiscal Year, would generate Property Tax Revenues equal to the Annual Debt Requirements for such Fiscal Year, but not in excess of the lesser of:

- (i) the number of mills which, if imposed by District No. 3, is projected to generate Property Tax Revenues and Specific Ownership Tax Revenues in the succeeding Fiscal Year equal to \$150,000, assuming: (A) for purposes of projecting Property Tax Revenues, the deduction of County collection fees at the then-applicable rate; and (B) for purposes of projecting Specific Ownership Tax Revenues, that Specific Ownership Tax Revenues will equal 6.00% of the projected Property Tax Revenues (prior to deduction of County collection costs); or
- (ii) 50 mills; provided, however, that in the event that the method of calculating assessed valuation is changed after January 1, 2015, such maximum mill levy of 50 mills provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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**Infrastructure Acquisition and Reimbursement Agreement**

On December 19, 2014, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (Acquisitions Agreement) with Promenade Castle Rock, LLC (Developer) wherein the District intends to coordinate the financing, construction and operation and maintenance of the Public Infrastructure in connection with the development within the boundaries of the Districts (“the Project”). The Districts have been unable to provide the Public Infrastructure without the assistance of the Developer and therefore agrees to reimburse the Developer for all District Eligible Costs, including a construction management fee not to exceed 5% and costs related to the formation of the District.

Interest on the Repayment Obligations and District Eligible Costs incurred under this Agreement shall bear simple interest at a rate of 8.0% per annum from the date any such Repayment Obligation or District Eligible costs are incurred, to the earlier of the date a Repayment Obligation or District Eligible Costs is issued, or the date of such payment in full. The District shall repay District Eligible costs approved by the District under this Agreement from the proceeds of loans or bonds issued by the District, and/or other legally available funds of the District not otherwise required for reasonable operating costs of the District. Any mill levy certified by the District for the purposes of repaying costs hereunder shall not exceed the mill levy limitations contained in the Service Plan, electoral authorization, or any applicable laws. The maximum mill levy established shall apply only to the extent that the District certifies a mill levy to directly fund District Eligible Costs under this Agreement and shall not apply as a limit on the mill levy that may be pledged to any loans, bonds or Reimbursement Obligations. The provision for repayment of amounts due hereunder shall be subject to annual appropriation by the District.

**Intergovernmental Agreement Regarding District Construction Administration**

The Intergovernmental Agreement Regarding District Construction Administration was entered into by Castle Pines Commercial Metropolitan District Nos. 1, 3 & 4 (each a “CPC District” and collectively “CPC Districts”) and Promenade at Castle Rock Metropolitan District No. 2 (Promenade No. 2) on March 5, 2015. The parties agreed that Promenade No. 2 will undertake construction administration services on behalf of the CPC Districts, and will be responsible for the construction of the public improvements contemplated in the service plan for the CPC Districts. CPC District No. 1 agrees that it will authorize its District Representative to submit a project fund requisition for all eligible project costs upon request by Promenade No. 2 for all amounts due under a contract awarded or anticipated to be awarded for the construction of public improvements benefitting the CPC Districts. The Boards of Directors of the CPC Districts agree that Promenade No. 2 may utilize such funds for any eligible project costs in its discretion.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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The Agreement shall be effective upon execution hereof by all the parties and shall terminate at such time that construction of public improvements is complete and all warranties have run, or no further proceeds remain available in District No. 1's Bond Issuance Project Fund.

**NOTE 7 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by 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 the past fiscal year.

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

**NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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On November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under 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 PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended December 31, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property Taxes	\$ 230,700	\$ 230,700	\$ 230,814	\$ 114
Specific Ownership Tax	18,500	15,600	22,259	6,659
Insurance Proceeds	-	50,000	50,000	-
Net investment income	-	-	12	12
Miscellaneous Income	1,200	1,200	-	(1,200)
<b>Total Revenues</b>	<b>250,400</b>	<b>297,500</b>	<b>303,085</b>	<b>5,585</b>
<b>Expenditures</b>				
Legal	75,200	140,000	144,217	(4,217)
Legal and Tax Reimbursements	-	375,000	-	375,000
Transfer to Castle Pines Com. MD No. 1	170,500	-	-	-
County Treasurer's fees	3,500	3,500	3,462	38
Contingency	1,200	1,200	-	1,200
<b>Total Expenditures</b>	<b>250,400</b>	<b>519,700</b>	<b>147,679</b>	<b>372,021</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(222,200)</b>	<b>155,406</b>	<b>377,606</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>246,801</b>	<b>246,801</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ 24,601</b>	<b>\$ 402,207</b>	<b>\$ 377,606</b>

See the Accompanying Independent Auditor's Report

## **OTHER INFORMATION**

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3**

**SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED**

Levy Year	Collection Year	Assessed Valuation	Mill Levy			Total Levy	Current Collection	Collection Rate
			General	Debt	Total			
2012	2013	\$ 6,708,220	30.000	0.000	30.000	\$ 201,247	\$ 178,018	88.46%
2013	2014	6,204,190	30.000	0.000	30.000	186,126	186,126	100.00%
2014	2015	6,638,040	10.000	40.000	50.000	331,902	331,874	99.99%
2015	2016	5,827,560	10.000	40.000	50.000	291,378	280,198	96.16%
2016	2017	5,750,710	10.000	40.000	50.000	287,535	287,535	100.00%
2017	2018	6,308,340	10.355 (1)	41.418 (1)	51.773	326,601	314,296	96.23%
2018	2019	5,946,090	15.513 (2)	41.368 (2)	56.881	338,219	335,855	99.30%
2019	2020	6,943,920	15.135 (3)	23.094 (3)	38.229	265,459	251,993	94.93%
2020	2021	6,594,690	15.000	35.000	50.000	329,734	329,734	100.00%
Estimated for year ending December 31, 2022		\$ 7,101,490	12.150	21.360	33.510	\$ 237,971		

Notes:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

- (1) Includes a levy of 1.773 for collection of refunds and abatements.
- (2) Includes a levy of 1.881 for collection of refunds and abatements.
- (3) Includes a levy of 0.341 for collection of refunds and abatements.