

# **Castleview Metropolitan District No. 2**

**Annual Financial Report**

**December 31, 2021**





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1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

 [www.HaynieCPAs.com](http://www.HaynieCPAs.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
Castleview Metropolitan District No. 2  
Douglas County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Castleview Metropolitan District No. 2 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 major funds of Castleview Metropolitan District No. 2, 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 Castleview Metropolitan District No. 2 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 opinion.

### Responsibilities of Management 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.

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 Castleview Metropolitan District No. 2's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



## **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 opinion. 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, including omissions, 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 Castlevue Metropolitan District No. 2'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 Castlevue Metropolitan District No. 2'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.

## **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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Castleview Metropolitan District No. 2's financial statements as a whole. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information, as listed in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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

Sincerely,

*Haynie & Company*

Littleton, Colorado

July 20, 2022

## **Basic Financial Statements**

**Castleview Metropolitan District No. 2**  
**Statement of Net Position**  
**December 31, 2021**

<b>Assets</b>	<b>Governmental Activities</b>
Cash and equivalents	\$ 37,902
Cash and equivalents - restricted	486,458
Property Taxes Receivable	137,946
Due from County Treasurer	378
Due from District #1	3,303
Capital assets not being depreciated	<u>5,216,419</u>
Total assets	<u><u>\$ 5,882,406</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 1,657
Accrued interest payable	14,313
Non-current liabilities	
Due in more than one year	<u>6,571,628</u>
Total liabilities	<u><u>6,587,598</u></u>
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	<u>137,946</u>
Total deferred inflows of resources	<u><u>137,946</u></u>
<b>Net Position</b>	
Net investment in capital assets	(1,328,913)
Restricted for:	
Emergency	2,246
Debt service	529,382
Unrestricted	<u>(45,853)</u>
Total Net Position	<u>(843,138)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 5,882,406</u></u>

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

**Castleview Metropolitan District No. 2**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 74,854	\$ -	\$ -	\$ -	\$ (74,854)
Interest and related costs on long-term debt	<u>334,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,528)</u>
	<u>409,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(409,382)</u>
General revenues:					
Property taxes					55,495
Specific ownership taxes					5,352
Interest income					<u>740</u>
Total general revenues					<u>61,587</u>
Change in net position					(347,795)
Net position - beginning of year (restated)					<u>(495,343)</u>
Net position - end of year					<u><u>\$ (843,138)</u></u>

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

**Castleview Metropolitan District No. 2**  
**Governmental Funds Balance Sheet**  
**and Reconciliation of Fund Balances to Net Position**  
**December 31, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	Total
<b>Assets</b>				
Cash and equivalents	\$ 37,902	\$ -	\$ -	\$ 37,902
Cash and equivalents - restricted	-	-	486,458	486,458
Property Taxes Receivable	25,016	-	112,930	137,946
County Treasurer Receivable	63	-	315	378
Developer Advance Receivable	991	2,007	-	2,998
Due from District #1	3,303	-	-	3,303
Due from other funds	-	-	42,609	42,609
Total assets	\$ 67,275	\$ 2,007	\$ 642,312	\$ 711,594
<b>Liabilities</b>				
Accounts Payable	1,657	-	-	1,657
Due to other funds	40,602	2,007	-	42,609
Total liabilities	42,259	2,007	-	44,266
<b>Deferred Inflows of Resources</b>				
Deferred property tax revenue	25,016	-	112,930	137,946
Total deferred inflows of resources	25,016	-	112,930	137,946
<b>Fund Balances</b>				
Restricted:				
Debt service	-	-	529,382	529,382
Emergency reserve	2,246	-	-	2,246
Unassigned	(2,246)	-	-	(2,246)
Total Fund Balances	\$ -	\$ -	\$ 529,382	\$ 529,382
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	\$ 67,275	\$ 2,007	\$ 642,312	\$ 711,594
Total governmental fund balance				\$ 529,382
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				5,216,419
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:				
Developer advances payable				(2,982,850)
Unfunded developer advance				(2,998)
Bonds payable				(3,435,000)
Accrued interest- Bonds				(14,313)
Accrued interest - Developer advances				(153,778)
Net position of governmental activities				\$ (843,138)

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

**Castleview Metropolitan District No. 2**  
**Governmental Fund Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2021**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 9,249	\$ -	\$ 46,246	\$ 55,495
Specific ownership taxes	892	-	4,460	5,352
Interest income	-	518	222	740
Total General Revenues	<u>10,141</u>	<u>518</u>	<u>50,928</u>	<u>61,587</u>
<b>Expenditures</b>				
General government				
Audit	6,000	-	-	6,000
Accounting	9,502	-	-	9,502
Insurance	11,108	-	-	11,108
Legal	23,005	-	-	23,005
Bank Fees	37	-	-	37
Miscellaneous	473	-	-	473
Paying Agent Fees	-	-	7,000	7,000
Consulting fees	-	16,896	-	16,896
Treasurer's Fees	139	-	694	833
Debt Service				
Bond Issuance Costs	-	9,000	-	9,000
Interest Expense	-	-	171,750	171,750
Capital outlay	-	5,216,419	-	5,216,419
Developer Repayments	-	2,272,669	-	2,272,669
Total Expenditures	<u>50,264</u>	<u>7,514,984</u>	<u>179,444</u>	<u>7,744,692</u>
<b>Net revenues over (under) expenditures</b>	<u>(40,123)</u>	<u>(7,514,466)</u>	<u>(128,516)</u>	<u>(7,683,105)</u>
<b>Other financing sources (uses)</b>				
Developer Advances	40,091	5,218,426	-	5,258,517
Total other financing sources (uses)	<u>40,091</u>	<u>5,218,426</u>	<u>-</u>	<u>5,258,517</u>
<b>Net change in fund balances</b>	(32)	(2,296,040)	(128,516)	(2,424,588)
<b>Fund balances:</b>				
Beginning of the year	<u>32</u>	<u>2,296,040</u>	<u>657,898</u>	<u>2,953,970</u>
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,382</u>	<u>\$ 529,382</u>

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

**Castleview Metropolitan District No. 2**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2021**

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

Net change in fund balance—total governmental funds	\$ (2,424,588)
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Long-term debt 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. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.

Developer advances	(5,255,519)
Repayment of developer advances	2,272,669
Unfunded developer advance	(2,998)
Accrued interest - change in liability	(153,778)

Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure.

Capital outlay	<u>5,216,419</u>
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Change in net position of governmental activities	<u>\$ (347,795)</u>
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The accompanying notes are an integral part of these financial statements.

**Castleview Metropolitan District No. 2**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—General Fund**  
**For the Year Ended December 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Property taxes	\$ 9,249	\$ 9,249	\$ -
Specific ownership taxes	925	892	(33)
Developer advance	<u>39,826</u>	<u>40,091</u>	<u>265</u>
Total Revenue	<u>50,000</u>	<u>50,232</u>	<u>232</u>
<b>Expenditures</b>			
Audit	5,000	6,000	(1,000)
Accounting	4,000	9,502	(5,502)
Insurance/SDA Dues	2,500	11,108	(8,608)
Legal	25,000	23,005	1,995
Bank Fees	-	37	(37)
Miscellaneous	500	473	27
Treasurer's Fees	139	139	-
Contingency	11,747	-	11,747
Emergency Reserve	<u>1,114</u>	<u>-</u>	<u>1,114</u>
Total Expenditures	<u>50,000</u>	<u>50,264</u>	<u>(264)</u>
<b>Change in fund balance</b>	-	(32)	(32)
<b>Fund Balance—Beginning of year</b>	<u>-</u>	<u>32</u>	<u>32</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

# **Castleview Metropolitan District No. 2**

## **Notes to Financial Statements**

### **December 31, 2021**

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#### **1. Definition of Reporting Entity**

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Castleview Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on January 7, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District was formed to operate under its Service Plan approved by Town Council on August 21, 2018. The District's boundaries are located in the Town of Castle Rock, Douglas County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, development and financing of the public improvements from the proceeds of debt to be issued by the District. The District is governed by an elected Board of Directors.

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

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

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

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#### **2. Summary of Significant Accounting Policies**

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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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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## 2. Summary of Significant Accounting Policies (continued)

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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 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 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures 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 Capital Projects Fund is the District's fund to account for the financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

# **Castleview Metropolitan District No. 2**

## **Notes to Financial Statements**

### **December 31, 2021**

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## **2. Summary of Significant Accounting Policies (continued)**

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Budgets**

In accordance with Local Government Budget Law of Colorado, 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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The budget includes each fund presented on the modified accrual basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. The budget was amended for 2021.

### **Fair Value of Financial Instruments**

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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## 2. Summary of Significant Accounting Policies (continued)

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### Property Taxes

Property taxes are levied by the District 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 for 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 deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected. For the year ended December 31 2021, the District had a deferred property tax of \$137,946.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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## 2. Summary of Significant Accounting Policies (continued)

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### **Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks and similar items), are reported in the applicable governmental 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. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress. The District currently holds \$5,216,419 in completed assets recorded as construction in progress and will be held until transferred to the Town.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

### **Fund Equity**

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. The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,246 of the General Fund balance has been restricted in compliance with this requirement.

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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## 2. Summary of Significant Accounting Policies (continued)

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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 policy to use the most restrictive classification first.

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## 3. Cash and Investments

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As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 37,902
Cash and investments – restricted	<u>486,458</u>
Total	<u>\$ 524,360</u>

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

Deposits with financial institutions	\$ 36,560
Investments – investment pools	<u>487,800</u>
Total	<u>\$ 524,360</u>

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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### 3. Cash and Investments (continued)

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#### **Deposits**

##### **Custodial Credit Risk**

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

#### **Investments**

##### **Credit Risk**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

##### **Investment Valuation**

Certain investments are measured at fair value 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. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

As of December 31, 2021, the District had the following investments: (see next page)

# **Castleview Metropolitan District No. 2**

## **Notes to Financial Statements**

### **December 31, 2021**

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### **3. Cash and Investments (continued)**

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#### **COLOTRUST**

As of December 31, 2021, the District invested in the Colorado Local Governmental Liquid Asset Trust (“COLOTRUST”), a local governmental investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (“NAV”) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. COLOTRUST Plus+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the next asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less and is rated AAAM by Standard & Poor’s. At December 31, 2021, the District had \$1,342 invested in COLOTRUST PLUS+.

#### **CSAFE**

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated by AAAM by Standard and Poor’s with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE 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 custodian agreements. 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 custodians’ internal records identify the investments owned by CSAFE. At December 31, 2021, the District had \$486,458 invested in CSAFE.

#### **Custodial and Concentration of Credit Risk**

None of the District’s investments are subject to custodial or concentration of credit risk.

#### **Interest Rate Risk**

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

#### 4. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2021 follows:

	(Restated) Balance December 31, 2020	Increases	Decreases	Balance December 31, 2021
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 5,216,419	\$ -	\$ 5,216,419
	<u>\$ -</u>	<u>\$ 5,216,419</u>	<u>\$ -</u>	<u>\$ 5,216,419</u>

#### 5. Long-Term Liabilities

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2021:

	(Restated) December 31, 2020	Additions	Retirements	December 31, 2021	Due Within One Year
<b>General Obligation Bonds:</b>					
Series 2020A Bonds	\$ 3,435,000	\$ -	-	\$ 3,435,000	\$ -
<b>Total General Obligation Bonds</b>	<u>3,435,000</u>	<u>-</u>	<u>-</u>	<u>3,435,000</u>	<u>-</u>
<b>Other:</b>					
Developer Advance - Operations	-	39,100	-	39,100	-
Developer Advance - Capital	-	5,216,419	(2,272,669)	2,943,750	-
Total Developer Advances	<u>-</u>	<u>5,255,519</u>	<u>(2,272,669)</u>	<u>2,982,850</u>	<u>-</u>
Developer Advance - Operations	-	1,509	-	1,509	-
Developer Advance - Capital	-	152,269	-	152,269	-
Total Accrued Interest	<u>-</u>	<u>153,778</u>	<u>-</u>	<u>153,778</u>	<u>-</u>
<b>Total Developer Advances and Accrued Interest</b>	<u>-</u>	<u>5,409,297</u>	<u>(2,272,669)</u>	<u>3,136,628</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,435,000</u>	<u>\$ 5,409,297</u>	<u>(2,272,669)</u>	<u>\$ 6,571,628</u>	<u>\$ -</u>

#### **\$3,435,000 Limited Tax General Obligation Bonds, Series 2020A**

On September 23, 2020, the District issued \$3,435,000 Limited Tax General Obligation Bonds, Series 2020A. The bonds, maturing December 1, 2050, bear an interest rate of 5.00% per annum, calculated on a basis of a 360 day year of twelve 30-day months, payable semi-annually on June 1 and December 1, commencing December 1, 2020.

## Castleview Metropolitan District No. 2

### Notes to Financial Statements

#### December 31, 2021

#### 5. Long-Term Liabilities (continued)

The 2020A Senior Bonds 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, on September 1, 2025 and on any date thereafter, upon payment of par plus accrued interest to the date of redemption, with a redemption premium as follows:

Date of Redemption	Redemption Premium
September 1, 2025 through August 31, 2026	3.00%
September 1, 2026 through August 31, 2027	2.00
September 1, 2027 through August 31, 2028	1.00
September 1, 2028 and thereafter	0.00

Further, the 2020A Senior Bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2024, and on each December 1 thereafter prior to the maturity date of such bonds, upon payment of par and accrued interest, with redemption premium.

Events of default for the Series 2020A Senior Bonds include: (i) failure by the District to impose the required mill levy or to apply the pledged revenue as required by the indenture; (ii) default by the District in the performance of any other of the covenants, agreements, or conditions in the indenture and failure by the District to remedy; or (iii) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2020A Senior Bonds.

Below is a summary of the future maturities of the Series 2020A Bonds:

	Principal	Interest	Total
2022	\$ -	\$ 171,750	\$ 171,750
2023	-	\$ 171,750	171,750
2024	-	\$ 171,750	171,750
2025	-	\$ 171,750	171,750
2026	5,000	171,750	176,750
2027-2031	105,000	850,000	955,000
2032-2036	310,000	805,000	1,115,000
2037-2041	580,000	702,250	1,282,250
2042-2046	970,000	520,500	1,490,500
2047-2050	1,465,000	213,500	1,678,500
Total	\$ 3,435,000	\$ 3,950,000	\$ 7,385,000

# **Castleview Metropolitan District No. 2**

## **Notes to Financial Statements**

### **December 31, 2021**

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#### **5. Long-Term Liabilities (continued)**

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On September 23, 2020, the District issued but never funded \$258,000 Subordinate Limited Tax General Obligations Bonds, Series 2020B. As a result, the bonds were subsequently canceled. See also Note 11.

On November 6, 2018, District electors authorized total debt issuance of \$1,080,000,000. Per the District's Service Plan and in accordance with the Intergovernmental Agreement entered into with the Town on August 21<sup>st</sup>, 2018, the total aggregate debt limit for the District and the Castleview Metropolitan District No. 1 ("District No. 1," with the District, collectively, the "Districts"), combined, is restricted to \$45,000,000. As of December 31, 2021, the Districts have \$22,420,000 in authorized but unissued indebtedness.

As of December 31, 2021, the District has no lines of credit.

#### **6. Agreements**

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##### **Infrastructure Acquisition and Reimbursement Agreement**

The District entered into that certain Infrastructure Acquisition and Reimbursement Agreement with Castleview LLC (the "Developer") dated December 9<sup>th</sup>, 2019. This Agreement provides a means by which the District may reimburse the Developer for the Certified District Eligible Costs financed and constructed by the Developer. The Developer is to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. The District agrees to repay the Developer, along with accrued interest, at a rate of 8% compounded interest. As of December 31, 2021, no advances had been submitted to the District for acceptance.

##### **Public Improvement Acquisition and Reimbursement Agreement**

The District entered into that certain Public Improvements Acquisition and Reimbursement Agreement with Richmond American Homes of Colorado, Inc. ("Richmond") and Castleview LLC ("Original Landowner") (collectively "the Builder") dated April 26<sup>th</sup>, 2021. This Agreement provides a means by which the District may reimburse the Original Landowner for the Certified District Eligible Costs financed and constructed by Richmond. Richmond is to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. The District agrees to repay the Original Landowner, along with accrued interest, at a rate of 8% compounded interest.

As of December 31, 2021, \$3,136,628 of developer advances have been accepted by the District under this agreement, including principal of \$2,982,850 and interest of \$153,778.

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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#### 6. Agreements (continued)

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##### **Town of Castle Rock Intergovernmental Agreement**

The Districts entered into that certain intergovernmental agreement (the “Town IGA”) with the Town of Castle Rock, Colorado (the “Town”) dated August 21<sup>st</sup>, 2018. The Town IGA describes the rights and responsibilities of the Districts regarding operation and ownership of public facilities, agreements relative to certain regional improvements and continued oversight by the Town. The Districts are to finance such activities through fees and levies imposed by the Districts. The mill levy of the Districts is limited to 63.6 mills, as may be adjusted, and the total debt issued by the Districts, collectively, may not exceed \$45,000,000.

##### **Funding and Reimbursement Agreement**

The District entered into that certain Funding and Reimbursement Agreement with Castleview LLC (the “Developer”) dated February 4<sup>th</sup>, 2019. This Agreement shall provide a means by which the District may reimburse the Developer for the costs advanced for operations and maintenance expenses by the Developer. The Developer is to provide for the advancement of certain monies to the District for general operating, administrative, and maintenance costs. The District agrees to repay the Developer, along with accrued interest, at a rate of 8% compounded interest. As of December 31, 2021, \$40,609 of developer advances have been made including principal of \$39,100 and interest of \$1,509.

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#### 7. Net Position

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The District has net position consisting of three components – Committed – capital projects, restricted – debt service, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted assets include net position 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:

Debt service	\$ 529,382
Emergencies	<u>2,246</u>
	<u>\$ 531,628</u>

The District’s unrestricted net position as of December 31, 2021 was \$(45,853).

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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#### **8. Risk Management**

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Except as provided in the Colorado Government Immunity Act, sections 24-10-101, et seq., C.R.S., as may be amended, 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") as of December 31, 2021. 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.

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#### **9. Tax Spending and Debt Limitations**

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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 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.

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.

# Castleview Metropolitan District No. 2

## Notes to Financial Statements

### December 31, 2021

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#### 10. Related Parties

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All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. District management believes that all potential conflicts, if any, have been properly disclosed.

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#### 11. Restatement

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An error was identified in the presentation of the December 31, 2020 financial statements that required a restatement of certain beginning balances that are presented in these financial statements.

At December 31, 2020, a \$258,000 bond issuance was reported that was not completed and subsequently canceled. This also resulted in an overstatement of capital assets. The overall adjustment to net position at December 31, 2020 is disclosed below:

December 31, 2020 Net Position	\$(500,044)
Capital Assets overstatement correction	(258,000)
Bonds Payable overstatement correction	258,000
Accrued interest correction	<u>4,701</u>
December 31, 2020 Net Position - restated	<u><u>\$(495,343)</u></u>

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#### 12. Subsequent Events

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On February 25, 2022, the District issued \$900,000 (original issue amount) Subordinate Limited Tax General Obligations Bonds, Series 2022B(3). The bonds, maturing December 15, 2050, bear an interest rate of 7.00% per annum, calculated on a basis of a 360 day year of twelve 30-day months, payable annually on December 15, commencing December 15, 2022.

## **Supplementary Information**

**Castleview Metropolitan District No. 2**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—Capital Projects Fund**  
**For the Year Ended December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>				
Interest Income	\$ -	\$ 500	\$ 518	\$ 18
Total Revenue	<u>-</u>	<u>500</u>	<u>518</u>	<u>18</u>
<b>Expenditures</b>				
Bond Issuance Costs	-	10,000	9,000	1,000
Developer Repayments		2,300,000	2,272,669	27,331
Certification Costs	-	20,000	16,896	3,104
Capital Outlay	<u>-</u>	<u>5,270,000</u>	<u>5,216,419</u>	<u>53,581</u>
Total Expenditures	<u>-</u>	<u>7,600,000</u>	<u>7,514,984</u>	<u>85,016</u>
<b>Excess of Revenue Over/(Under) Expenditures</b>	<u>-</u>	<u>(7,599,500)</u>	<u>(7,514,466)</u>	<u>(85,034)</u>
<b>Other financing sources (uses)</b>				
Developer Advances	<u>-</u>	<u>7,599,500</u>	<u>5,218,426</u>	<u>(2,381,074)</u>
Total other financing sources (uses)	<u>-</u>	<u>7,599,500</u>	<u>5,218,426</u>	<u>(2,381,074)</u>
<b>Change in fund balance</b>	-	-	(2,296,040)	(2,296,040)
<b>Fund Balance—Beginning of year</b>	<u>-</u>	<u>-</u>	<u>2,296,040</u>	<u>2,296,040</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Castleview Metropolitan District No. 2**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—Debt Service Fund**  
**For the Year Ended December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>				
Property Taxes	\$ 46,246	\$ 46,246	\$ 46,246	\$ -
Specific Ownership Taxes	4,625	4,870	4,460	(410)
Interest Income	<u>-</u>	<u>500</u>	<u>222</u>	<u>(278)</u>
Total Revenue	<u>50,871</u>	<u>51,616</u>	<u>50,928</u>	<u>(688)</u>
<b>Expenditures</b>				
Interest Expense	171,750	171,750	171,750	-
Treasurer's Fees	694	750	694	56
Paying Agent Fees	<u>4,000</u>	<u>7,500</u>	<u>7,000</u>	<u>500</u>
Total Expenditures	<u>176,444</u>	<u>180,000</u>	<u>179,444</u>	<u>556</u>
<b>Excess of Revenue Over/(Under) Expenditures</b>	<u>(125,573)</u>	<u>(128,384)</u>	<u>(128,516)</u>	<u>132</u>
<b>Change in fund balance</b>	(125,573)	(128,384)	(128,516)	(132)
<b>Fund Balance—Beginning of year</b>	<u>157,766</u>	<u>657,898</u>	<u>657,898</u>	<u>-</u>
<b>Fund Balance—End of Year</b>	<u>\$ 32,193</u>	<u>\$ 529,514</u>	<u>\$ 529,382</u>	<u>\$ (132)</u>

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