

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

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Dazzio & Associates, PC

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 3  
Douglas County, Colorado

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Promenade at Castle Rock Metropolitan District No. 3 (the District), as of and for the year ended December 31, 2022, 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, 2022, 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.

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.

*Duggio & Associates, P.C.*

June 30, 2023

## **BASIC FINANCIAL STATEMENTS**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 8
Cash and Investments - Restricted	34
Receivable from County Treasurer	3,314
Property Taxes Receivable	3,290,338
Total Assets	3,293,694
<b>LIABILITIES</b>	
Intergovernmental Payable - District No. 1	2,685
Intergovernmental Payable - District No. 2	671
Total Liabilities	3,356
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	3,290,338
Total Deferred Inflows of Resources	3,290,338
<b>NET POSITION</b>	
Unrestricted	-
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Change in Net Position
	Expenses		Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>				
Primary Government:				
Government Activities:				
General Government	\$ 3,564,414	\$ -	\$ -	\$ (3,564,414)
Total Government Activities	\$ 3,564,414	\$ -	\$ -	(3,564,414)
<b>GENERAL REVENUES</b>				
Property Taxes				3,265,025
Specific Ownership				297,367
Net Investment Income				2,022
Total General Revenues				3,564,414
<b>CHANGE IN NET POSITION</b>				-
Net Position - Beginning of Year				-
<b>NET POSITION - END OF YEAR</b>				\$ -

See accompanying Notes to Basic Financial Statements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 8	\$ -	\$ 8
Cash and Investments - Restricted	-	34	34
Receivable from County Treasurer	663	2,651	3,314
Property Taxes Receivable	658,068	2,632,270	3,290,338
Total Assets	\$ 658,739	\$ 2,634,955	\$ 3,293,694
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Intergovernmental Payable - District No. 1	\$ -	\$ 2,685	\$ 2,685
Intergovernmental Payable - District No. 2	671	-	671
Total Liabilities	671	2,685	3,356
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax Revenue	658,068	2,632,270	3,290,338
Total Deferred Inflows of Resources	658,068	2,632,270	3,290,338
<b>FUND BALANCES</b>			
Unassigned	-	-	-
Total Fund Balances	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 658,739	\$ 2,634,955	\$ 3,293,694

Amounts reported for governmental activities in the statement of net position are the same as above.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 653,005	\$ 2,612,020	\$ 3,265,025
Specific Ownership Taxes	59,473	237,894	297,367
Net Investment Income	405	1,617	2,022
Total Revenues	712,883	2,851,531	3,564,414
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	9,801	39,202	49,003
Intergovernmental Expenditures - District No. 1	-	2,812,329	2,812,329
Intergovernmental Expenditures - District No. 2	703,082	-	703,082
Total Expenditures	712,883	2,851,531	3,564,414
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balances - Beginning of Year	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ -

Amounts reported for governmental activities in the statement of activities are the same as above.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 672,545	\$ 653,005	\$ (19,540)
Specific Ownership Taxes	53,804	59,473	5,669
Net Investment Income	5,756	405	(5,351)
Total Revenues	732,105	712,883	(19,222)
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	10,088	9,801	287
Contingency	5,756	-	5,756
Intergovernmental Expenditures - District No. 2	716,261	703,082	13,179
Total Expenditures	732,105	712,883	19,222
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Promenade at Castle Rock Metropolitan District No 3 (the 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 June 23, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan for the District, Promenade at Castle Rock Metropolitan District No. 1, and Promenade at Castle Rock Metropolitan District No. 2 (collectively, the Districts), approved by the Town of Castle Rock, Colorado on January 7, 2014. The Service Plan was amended and approved March 2, 2021. The District's service area is located entirely within the Town of Castle Rock, Douglas County, Colorado (the Town). The District was established for the purpose of financing and providing public improvements and related operations and maintenance services within and outside of the boundaries of the District. The public improvements include water, streets, sanitation, parks and recreation, traffic and safety controls, transportation, mosquito and pest control, and television relay and translator.

Pursuant to a Capital Pledge Agreement, the District (the Taxing District) has limited tax general obligations to Promenade at Castle Rock Metropolitan District No. 1 (see Note 7). Property taxes to be generated from the Taxing District debt service mill levies, including specific ownership taxes to be received as a result of imposition of such mill levies, are expected to be transferred, net of fees, to Promenade at Castle Rock Metropolitan District No. 1 to pay for debt service expenditures. District No. 2 is considered the Operating District.

The District's Service Plan allows for the ability to pay for administration, operations, and maintenance associated with the Public Improvements as necessary from the District Operating Revenue. The General Fund Mill Levy at December 31, 2022, was 10.000 mills and the property taxes generated, net of fees, were transferred to District No. 2, the Operating District, pursuant to the District Administrative Services Agreement which pays all administrative expenditures for the District.

For the year 2022, the maximum debt mill levy allowed by the Service Plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Maximum Debt Mill Levy at December 31, 2022, was 40.000 mills.

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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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

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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

The District reports the following major governmental funds:

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

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

**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.

**Pooled Cash and Investments**

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

**Property Taxes**

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as 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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

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

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

*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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance (Continued)**

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

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

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 8
Cash and Investments - Restricted	34
Total Cash and Investments	\$ 42

Cash and investments as of December 31, 2022, consist of the following:

Investments	\$ 42
Total Cash and Investments	\$ 42

**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, 2022, the District had no deposits with financial institutions.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

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

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

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

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

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

As of December 31, 2022, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 42

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations 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, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 LONG-TERM OBLIGATIONS**

**Authorized Debt**

On May 6, 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 \$900,000,000 at an interest rate not to exceed 18% per annum. In addition, on November 2, 2021, a majority of the qualified electors of the District who voted in the election authorized the additional issuance of indebtedness in an amount not to exceed \$1,680,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2022, the District had authorized but unissued debt in the following amounts allocated for the following purposes:

	Amount Authorized on May 6, 2014	Authorization Used 2015 Bonds <sup>(1)</sup>	Amount Authorized on November 2, 2021	Authorization Used 2021 Loan <sup>(1)</sup>	Authorized but Unissued at December 31, 2022
Streets	\$ 40,000,000	\$ 16,679,509	\$ 70,000,000	\$ 12,881,963	\$ 80,438,529
Park and Recreation	40,000,000	11,965,174	70,000,000	10,599,210	87,435,616
Water	40,000,000	1,737,333	70,000,000	2,364,831	105,897,836
Sanitation and Storm Sewer	40,000,000	6,468,994	70,000,000	5,025,942	98,505,064
Transportation	40,000,000	-	70,000,000	-	110,000,000
Mosquito Control	20,000,000	-	70,000,000	-	90,000,000
Traffic and Safety Controls	40,000,000	588,990	70,000,000	600,960	108,810,050
Fire Protection	40,000,000	-	70,000,000	-	110,000,000
TV Relay	40,000,000	-	70,000,000	-	110,000,000
Security	40,000,000	-	70,000,000	-	110,000,000
Operations and Maintenance	40,000,000	-	70,000,000	-	110,000,000
Private Agreements	40,000,000	-	70,000,000	-	110,000,000
Special Assessment Debt	40,000,000	-	70,000,000	-	110,000,000
IGA	200,000,000	-	70,000,000	-	270,000,000
Refunding	200,000,000	-	700,000,000	32,763,874	867,236,126
<b>Total</b>	<b>\$ 900,000,000</b>	<b>\$ 37,440,000</b>	<b>\$ 1,680,000,000</b>	<b>\$ 64,236,780</b>	<b>\$ 2,478,323,220</b>

<sup>(1)</sup> Debt issued by Promenade at Castle Rock Metropolitan District No. 1

Pursuant to the Service Plan, the Districts are permitted to issue bonds indebtedness of up to \$32,000,000 as may be required by the Public Finance Agreement.

The Service Plan provides that, exclusive of refundings of District Bonds (as defined in the Public Finance Agreement) outstanding as of March 2, 2021 (which would include the Refunded Bonds), the net proceeds of further District Bonds that the Financing Districts shall be permitted to issue shall not exceed \$32,000,000, specifically exclusive of Costs of Issuance (as defined in the Service Plan), Pre-Financing Costs (as defined in the Service Plan), and any required reserves and capitalized interest.

**NOTE 5 NET POSITION**

The District has net position consisting of one component – unrestricted.

The District's unrestricted net position as of December 31, 2022, is \$-0-.

**NOTE 6 RELATED PARTY**

The Developer of the property which constitutes the District is Promenade at Castle Rock, LLC. The members of the Board of Directors are employees, owners, or are otherwise associated with the Developer and its affiliates and may have conflicts of interest in dealing with the District.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS**

**Development Agreement**

In 2015, the District entered into the Promenade at Castle Rock Development Agreement with the Town of Castle Rock, Promenade Castle Rock, LLC and District Nos. 1 and 2. The Development Agreement generally governs, without limitation, the development of the property in and facilities for the Development, the provision of municipal services by the Town, and water rights relating to property in the Development. Additionally, the Development Agreement establishes a cash construction escrow (the Escrow) as surety for the construction of public improvements in the Development.

**Master Intergovernmental Agreement**

On September 25, 2014, the District, District Nos. 1 and 2 and the Town entered into the Town of Castle Rock/Promenade at Castle Rock Metropolitan District Nos. 1 – 3 Master Intergovernmental Agreement (the Master Intergovernmental Agreement), which generally governs the relationship between the Town and the Districts and sets the parameters of the Districts' authority to finance and construct public improvements. The Master Intergovernmental Agreement states that the Districts have the authority to construct and finance public improvements in accordance with the standards and procedures set forth in the Service Plan, Public Finance Agreement, and the Town Requirements (generally defined as the rules and regulations of the Town, including those relating to zoning and land use). Pursuant to the Master Intergovernmental Agreement, the Districts agree to convey public facilities to the Town, and the Town agrees to operate, maintain, repair, and replace the facilities. The Master Intergovernmental Agreement further provides that the Districts shall only issue bonds in accordance with the Public Finance Agreement, the Service Plan, the Special District Act, and other laws of the state of Colorado.

**Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee**

On August 17, 2015, Promenade Castle Rock, LLC (the Declarant) entered into the Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee, which replaced the Original PIF Covenant dated April 16, 2015. The Declaration of Covenants is imposed in consideration of the benefits to be provided to the Property with respect to construction, installation, operation, and maintenance of Project Improvements, (i) Declarant has agreed to impose a public improvement fee on the Property and (ii) the Town has agreed to credit a portion of the total Sales Tax due on PIF Sales occurring within the Property on which the Credit PIF is collected. The Declarant has pledged the PIF Revenues to the District for repayment of the Districts Series 2015 Bonds. The Add-On PIF initial amount is 0.25% and it will not exceed 0.50% of PIF Sales. The Credit PIF amount is 0.55% of PIF Sales.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS (CONTINUED)**

**Public Finance Agreement**

On January 7, 2014, District No. 1, the Developer, and the Town entered into the Public Finance Agreement, which agreement was amended and restated as the Amended and Restated Public Finance Agreement dated as of February 17, 2015 to include District No. 2 and the District, as amended by a First Amendment dated August 4, 2015 and as amended by a Second Amendment dated March 2, 2021 (as amended, the Public Finance Agreement). The Public Finance Agreement governs certain aspects of the Development, financing for the Development including the issuance of the Bonds, and regulatory approvals issued by the Town for the Development.

The Public Finance Agreement permits the issuance of “District Bonds”, which is defined as one or more series of bonds issued or incurred by any of the Districts to finance or refinance the Eligible Costs in accordance with the terms and provisions of the Public Finance Agreement, including any bonds, other financial obligations, or securities issued by any of the Districts to refund the District Bonds, but specifically exclusive of any Reimbursement Agreement entered into between the Developer and any of the Districts. Notwithstanding the foregoing, or any other provision to the contrary, District Bonds shall not be refinanced without the written consent of the Town.

The Public Finance Agreement provides that District Bonds shall be issued in an amount not exceeding \$30,000,000 of Net Proceeds to pay Eligible Costs, subject to adjustment as provided in the Pledge Agreement. “Net Proceeds” is generally defined as net proceeds of one or more series of District Bonds in an amount not exceeding \$30,000,000 used to pay or reimburse Eligible Costs.

The District and District No. 1 (and to the extent hereinafter provided, District No. 2), covenant to impose the District Debt Service Mill Levy in the amount of not less than 40 mills and not more than 50 mills, as hereinafter provided, for so long as any District Bonds remain outstanding, and further covenant to pledge and cause remittance of the District Debt Service Mill Levy to the District Bond Trustee for such outstanding District Bonds. Each such District further covenants that so long as any District Bonds remain outstanding, that each such District will remit all District Specific Ownership Taxes to the District Bond Trustee for payment of outstanding District Bonds

The Developer agrees to impose the Credit PIF and the Add-On PIF and to irrevocably assign the Pledged PIF Revenue and any amount of Remaining Add-On PIF Revenue that may be included in District Operating Revenue to the District designated in the District Bond Documents, through and until the payment in full of the District Bonds. The Add-On PIF means the public improvement fee in the amount of not less than 0.25% and not more than 0.50% of PIF Sales. The Credit PIF means the public improvement fee in the amount of 0.55% of PIF Sales. The District Operating Revenue will be used to pay the normal and reasonable operating and maintenance expenses of the Districts or for any other lawful purpose. District Operating Revenue means revenue produced by the Districts’ imposition of a mill levy to pay the operations and maintenance expenses of any of the Districts, and certain Add-On PIF Revenue not pledged to pay District Bonds, as allowed under the District Bond Documents from time to time.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS (CONTINUED)**

**District Administrative Services Agreement**

On March 5, 2015, the District entered into the District Administrative Services Agreement which provides that District No. 2 shall be solely responsible for the management, execution, and administration of the construction of the Public Improvements on behalf of the Districts. For the purpose of completing all or a portion of the Project, District No. 2 has entered into and anticipates entering into multiple contracts.

In order to fund the Administrative Costs, The District and District No. 1 (the Financing Districts) agree to levy on all of the taxable property of the Financing Districts, in addition to all other taxes, direct annual taxes to the extent necessary to provide for payment of the Administrative Costs, in the amount of the Required Mill Levy, or a lesser amount as determined by District No.2. In addition, the Financing Districts agree to remit any available PIF Revenues, fees or other Revenues to District No. 2 to fund the Administrative Costs.

**Capital Pledge Agreement**

On April 15, 2021, the Districts and the Trustee entered into a Capital Pledge Agreement in order to generate additional revenue pledged to payment of the Series 2021 Loan, issued by District No. 1. Pursuant to the agreement, the District has agreed to pay its Property Tax Revenue generated by the debt service mill levy to the Trustee, and District No. 2 (under certain limited conditions) and the District are obligated to impose ad valorem property taxes in an amount equal to the District Debt Service Mill Levy and pay the proceeds and Specific Ownership Tax Revenues as a result of the District Service Mill Levy to the Trustee.

**NOTE 8 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 (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in 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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 9 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. The District transfers its net operating revenue to District No. 2. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 2.

On November 2, 2021, a majority of the District's electors authorized the District to collect, 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**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 2,690,180	\$ 2,612,020	\$ (78,160)
Specific Ownership Taxes	215,214	237,894	22,680
Net Investment Income	22,500	1,617	(20,883)
Total Revenues	2,927,894	2,851,531	(76,363)
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	40,353	39,202	1,151
Contingency	6,500	-	6,500
Intergovernmental Expenditures - District No. 1	2,881,041	2,812,329	68,712
Total Expenditures	2,927,894	2,851,531	76,363
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -

## **OTHER INFORMATION**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 3  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
2018	\$ 30,954,210	10.000	40.000	\$ 1,547,710	\$ 1,513,970	97.82 %
2019	39,964,940	10.000	40.000	1,998,247	1,917,418	95.96
2020	57,579,540	10.000	40.000	2,878,977	2,817,328	97.86
2021	60,695,110	10.000	40.000	3,034,755	3,037,962	100.11
2022	67,254,490	10.000	40.000	3,362,725	3,265,025	97.09
Estimated for the Year Ending December 31, 2023	\$ 65,806,760	10.000	40.000	\$ 3,290,338		

**NOTE:** Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments. Information received from the County Treasurer does not permit identification of specific year of levy.