

**CASTLE PINES COMMERCIAL  
METROPOLITAN DISTRICT NO. 1  
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Castle Pines Commercial Metropolitan District No. 1  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Castle Pines Commercial Metropolitan District No. 1 as of and for the year December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Castle Pines Commercial Metropolitan District No. 1, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 opinions on the financial statements that collectively comprise the Castle Pines Commercial Metropolitan District No. 1's basic financial statements. The Supplementary Information and the Other 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.

The Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Duggio & Associates, P.C.*

September 24, 2021

## **BASIC FINANCIAL STATEMENTS**

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 937,472
Due from Other Districts	236,734
Total Assets	1,174,206
<b>LIABILITIES</b>	
Accrued Interest Payable	22,354
Noncurrent Liabilities:	
Due Within One Year	125,000
Due in More Than One Year	5,240,000
Total Liabilities	5,387,354
<b>NET POSITION</b>	
Restricted for:	
Debt Service	681,602
Unrestricted	(4,894,750)
Total Net Position	\$ (4,213,148)

See accompanying Notes to Basic Financial Statements.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
Primary Government:					
Governmental Activities:					
General Government	\$ 3,880	\$ -	\$ -		\$ (3,880)
Interest and Related Costs on Long-Term Debt	273,750	-	82,928		(190,822)
Total Governmental Activities	\$ 277,630	\$ -	\$ 82,928	\$ -	(194,702)
<b>GENERAL REVENUES</b>					
Net Investment Income					7,576
Total General Revenues					7,576
<b>CHANGE IN NET POSITION</b>					
Net Position - Beginning of Year					(187,126)
<b>NET POSITION - END OF YEAR</b>					
					(4,026,022)
					\$ (4,213,148)

See accompanying Notes to Basic Financial Statements.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Investments - Restricted	\$ 937,472	\$ 937,472
Due from Other Districts	<u>236,734</u>	<u>236,734</u>
Total Assets	<u><u>\$ 1,174,206</u></u>	<u><u>\$ 1,174,206</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Total Liabilities	\$ -	\$ -
<b>FUND BALANCES</b>		
Restricted For:		
Debt Service	<u>1,174,206</u>	<u>1,174,206</u>
Total Fund Balances	<u>1,174,206</u>	<u>1,174,206</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,174,206</u></u>	
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable		(5,365,000)
Accrued Interest on Bonds Payable		<u>(22,354)</u>
Net Position of Governmental Activities		<u><u>\$ (4,213,148)</u></u>

See accompanying Notes to Basic Financial Statements.



**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

	Debt Service	Total Governmental Funds
<b>REVENUES</b>		
Intergovernmental Revenue CPCMD No. 4	\$ 213,649	\$ 213,649
Net Investment Income	7,576	7,576
Total Revenues	221,225	221,225
<b>EXPENDITURES</b>		
Debt Service:		
Bond Interest	274,250	274,250
Paying Agent/Trustee Fees	3,000	3,000
Bond Principal	120,000	120,000
Cash Management Fees	880	880
Total Expenditures	398,130	398,130
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(176,905)	(176,905)
<b>OTHER FINANCING SOURCES (USES)</b>		
Settlement Agreement	(130,721)	(130,721)
Total Other Financing Sources (Uses)	(130,721)	(130,721)
<b>NET CHANGE IN FUND BALANCES</b>	(307,626)	(307,626)
Fund Balances - Beginning of Year	1,481,832	1,481,832
<b>FUND BALANCES - END OF YEAR</b>	\$ 1,174,206	\$ 1,174,206

See accompanying Notes to Basic Financial Statements.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (307,626)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Bond Principal Payment	120,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability	<u>500</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (187,126)</u></u>
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**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

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

Pursuant to a Capital Pledge Agreement, Castle Pines Commercial Metropolitan Districts Nos. 3 and 4 (Taxing Districts) have limited tax general obligations to the District (see Note 9). Property taxes to be generated from the Taxing Districts 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 the District to pay for debt service expenditures. District No. 3 is considered the operating district. Effective November 7, 2018, District No. 3 ceased its role as the operating District and operates fully independent from the District and District No. 4.

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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Government-Wide and Fund Financial Statements (Continued)**

The statement of 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 intergovernmental revenues from Castle Pines Commercial MD Nos. 3 and 4. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**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.

**Equity**

**Net Position**

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

**Fund Balance**

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

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

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

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

*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.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Equity (Continued)**

Fund Balance (Continued)

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

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

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

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments - Restricted	\$ 937,472
Total Cash and Investments	\$ 937,472

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

Investments	\$ 937,472
Total Cash and Investments	\$ 937,472

**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, 2020, the District had no deposits with financial institutions.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 937,472

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**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 is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 LONG-TERM OBLIGATIONS**

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

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Limited Tax Supported Revenue					
Bonds, Series 2015	\$ 5,485,000	\$ -	\$ 120,000	\$ 5,365,000	\$ 125,000
Total	<u>\$ 5,485,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 5,365,000</u>	<u>\$ 125,000</u>

The details of the District's long-term obligations are as follows:

**\$5,875,000 Limited Tax Supported Revenue Bonds, Series 2015, dated January 16, 2015**, with interest of 5.00%, payable semi-annually on June 1 and December 1, beginning on June 1, 2015. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2016. The Bonds mature on December 1, 2039, and are subject to redemption prior to maturity, at the option of the District, on December 1, 2019, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium.

The Bonds were issued for the purpose of financing: (i) the reimbursement and payment of construction costs of public improvements benefitting the District and Castle Pines Commercial Districts No. 3 and 4; (ii) a Reserve Fund and; (iii) the costs of issuing the Bonds.



**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The Bonds are secured by and payable from Pledged Revenue consisting of monies derived by the District from the following sources, net of any costs of collection: (i) Property Tax Revenues derived from the imposition by District Nos. 3 and 4 (the Taxing Districts) of the Required Mill Levy and any other debt service mill levies imposed by the Taxing Districts, and payable to the District in accordance with the Capital Pledge Agreement; (ii) Specific Ownership Tax Revenues collected as a result of the imposition of the mill levies in (i) and; (iii) any other legally available monies which the District determines, in its absolute discretion, to credit to the Bond Fund.

The Indenture requires that a Required Mill Levy be imposed by the Taxing Districts in accordance with the Capital Pledge Agreement. The Required Mill Levy as defined in the Capital Pledge Agreement means a mill levy which, if imposed by the Taxing Districts, will generate property tax revenue equal to the debt requirements for the immediately succeeding calendar year, provided that in no event may the Required Mill levy exceed 50 mills, and further provided that if, on or after January 1, 2015, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; such 50 mill maximum mill levy shall be increased or decreased to reflect such changes so that to the extent possible, the actual tax revenues generated by the maximum mill levy, as adjusted for changes occurring after January 1, 2015, are neither diminished nor enhanced as a result of such changes.

The Bonds are also secured by amounts held in the Reserve Fund funded upon issuance of the Bonds in the Reserve Requirement amount of \$470,250.

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 125,000	\$ 268,250	\$ 393,250
2022	140,000	262,000	402,000
2023	150,000	255,000	405,000
2024	165,000	247,500	412,500
2025	170,000	239,250	409,250
2026-2030	1,080,000	1,052,750	2,132,750
2031-2035	1,490,000	744,250	2,234,250
2036-2039	2,045,000	296,750	2,341,750
Total	<u>\$ 5,365,000</u>	<u>\$ 3,365,750</u>	<u>\$ 8,730,750</u>

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 4, 2014, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$110,000,000. At December 31, 2020, the District had authorized but unissued; indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 4, 2014	Authorization Used 2015 Bonds	Authorized but Unissued at December 31, 2020
Streets	\$ 10,000,000	\$ 4,593,075	\$ 5,406,925
Parks and Recreation	10,000,000	-	10,000,000
Water	10,000,000	17,037	9,982,963
Sanitation/Storm Sewer	10,000,000	1,251,963	8,748,037
Transportation	10,000,000	-	10,000,000
Mosquito Control	10,000,000	-	10,000,000
Traffic/Safety Controls	10,000,000	-	10,000,000
Fire Protection	10,000,000	12,925	9,987,075
TV Relay	10,000,000	-	10,000,000
Security	10,000,000	-	10,000,000
Refundings	10,000,000	-	10,000,000
In-District Special Assessment Debt	10,000,000	-	10,000,000
Operations and Maintenance	10,000,000	-	10,000,000
District Intergovernmental Agreements as Debt	10,000,000	-	10,000,000
District Private Agreements as Debt	10,000,000	-	10,000,000
Mortgages (Principal)	10,000,000	-	10,000,000
Total	<u>\$ 160,000,000</u>	<u>\$ 5,875,000</u>	<u>\$ 154,125,000</u>

Pursuant to the Amended and Restated Consolidated Service Plan, dated January 6, 2015, the Districts can issue bond indebtedness of up to \$12,000,000.

**NOTE 5 NET POSITION**

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

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

Restricted Net Position:

Debt Service	\$ 681,602
Total Restricted Net Position	<u>\$ 681,602</u>

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 5 NET POSITION (CONTINUED)**

The District has a deficit in unrestricted net position. The deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities and the payment of intergovernmental expenses for the construction of public improvements.

**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.

**NOTE 7 AGREEMENTS**

**Capital Pledge Agreement**

On January 1, 2015, the District entered into a Capital Pledge Agreement with Castle Pines Commercial MD Nos 3 and 4 (the Taxing Districts) to provide for the payment of the District's Series 2015 Bonds, and any Refunding Obligations, Parity Obligations and Permitted Subordinate Obligations. The Taxing Districts agree to levy an ad valorem property tax on all taxable property in each Taxing District, in addition to all other taxes, and direct the annual taxes each year to the District so long as the Series 2015 Bonds, any Refunding Obligations, Parity Obligations, or Permitted Subordinate Obligations remain outstanding or any obligation under any Reimbursement Agreement related to such obligations remains unpaid, in the amount of the applicable Required Mill Levy as determined by the District. The Required Mill Levy shall not exceed 50.000 mills.

**Infrastructure Acquisition and Reimbursement Agreement**

On December 1, 2014, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (the Acquisitions Agreement) with Promenade Castle Rock, LLC (the Developer) wherein the District intends to coordinate the financing, construction and operation and maintenance of the Public Infrastructure in connection with the development within the boundaries of the District (the Project). The District has been unable to provide the Public Infrastructure without the assistance of the Developer and therefore, agrees to reimburse the Developer for all District Eligible Costs.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 AGREEMENTS (CONTINUED)**

**Infrastructure Acquisition and Reimbursement Agreement (Continued)**

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

**Intergovernmental Agreement Regarding District Construction Administration**

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

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

**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.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 8 RISK MANAGEMENT (CONTINUED)**

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

**NOTE 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.

On November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 10 LITIGATION**

On May 11, 2021, the District and District No. 3 reached a Settlement Agreement wherein the District stipulates there has been an over collection of ad valorem tax revenue from District No. 3 in the amount of \$453,701 ("Over Collected District 3 Taxes"). District No. 3 will be allowed to retain the Over Collected District 3 taxes and offset that amount against the tax revenue District No. 3 collected in 2019, 2020 and 2021, which is projected to total approximately \$583,701 as of December 31, 2021, and which was collected for debt repayment pursuant to the terms of the Capital Pledge Agreement dated January 1, 2015. The Parties agree that the net amount owed by District No. 3 for repayment of the 2015 Bonds under the Capital Pledge Agreement, after accounting for the Over Collected District 3 Taxes is \$137,000. For the year ended December 31, 2020, and as a result of the Settlement Agreement, the District has adjusted the amount owed by District No. 3 to \$137,000 and recorded a debit to Intergovernmental Revenue of \$130,721 representing excess amounts owed and unpaid at December 31, 2019.

## **SUPPLEMENTARY INFORMATION**

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue CPCMD No. 3	\$ 173,079	\$ (130,721)	\$ (303,800)
Intergovernmental Revenue CPCMD No. 4	213,407	213,649	242
Net Investment Income	14,642	7,576	(7,066)
Total Revenues	<u>401,128</u>	<u>90,504</u>	<u>(310,624)</u>
<b>EXPENDITURES</b>			
Debt Service:			
Paying Agent/Trustee Fees	3,000	3,000	-
Bond Interest	274,250	274,250	-
Bond Principal	120,000	120,000	-
Cash Management Fees	2,000	880	1,120
Contingency	1,750	-	1,750
Total Expenditures	<u>401,000</u>	<u>398,130</u>	<u>2,870</u>
<b>NET CHANGE IN FUND BALANCES</b>	128	(307,626)	(307,754)
Fund Balance - Beginning of Year	<u>1,471,431</u>	<u>1,481,832</u>	<u>10,401</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,471,559</u>	<u>\$ 1,174,206</u>	<u>\$ (297,353)</u>



## **OTHER INFORMATION**

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2020**

\$5,875,000 Limited Tax Supported Revenue Bonds  
Series 2015  
Interest 5.0%  
Dated January 16, 2015  
Interest Payable June 1 and December 1  
Principal Payable December 1

Year Ending December 31,	Principal	Interest	Total
2021	\$ 125,000	\$ 268,250	\$ 393,250
2022	140,000	262,000	402,000
2023	150,000	255,000	405,000
2024	165,000	247,500	412,500
2025	170,000	239,250	409,250
2026	190,000	230,750	420,750
2027	200,000	221,250	421,250
2028	215,000	211,250	426,250
2029	230,000	200,500	430,500
2030	245,000	189,000	434,000
2031	260,000	176,750	436,750
2032	280,000	163,750	443,750
2033	295,000	149,750	444,750
2034	320,000	135,000	455,000
2035	335,000	119,000	454,000
2036	360,000	102,250	462,250
2037	380,000	84,250	464,250
2038	405,000	65,250	470,250
2039	900,000	45,000	945,000
	<u>\$ 5,365,000</u>	<u>\$ 3,365,750</u>	<u>\$ 8,730,750</u>