

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Castle Oaks Metropolitan District No. 3
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Castle Oaks Metropolitan District No. 3 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Castle Oaks Metropolitan District No. 3, as of December 31, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Fiscal Focus Partners, LLC

Other Matters

Required Supplementary Information

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

Other Information

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

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
July 29, 2021

BASIC FINANCIAL STATEMENTS

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 66,837
Cash and Investments - Restricted	928,433
Receivable from County Treasurer	8,883
Property Taxes Receivable	1,418,643
Accounts Receivable	16,000
Capital Assets, Not Being Depreciated	7,880,118
Total Assets	10,318,914
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Bond Refunding	1,083,337
Cost of Bond Insurance	317,114
Total Deferred Outflows of Resources	1,400,451
LIABILITIES	
Accounts Payable	4,310
Accrued Interest Payable	114,167
Noncurrent Liabilities:	
Due in More Than One Year	42,159,197
Total Liabilities	42,277,674
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	1,418,643
Total Deferred Inflows of Resources	1,418,643
NET POSITION	
Restricted For:	
Emergency Reserves	3,000
Debt Service	603,438
Unrestricted	(32,583,390)
Total Net Position	\$ (31,976,952)

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 75,221	\$ -	\$ -	\$ -	\$ (75,221)
Interest and Related Costs on Long-Term Debt	5,759,167	-	-	632,000	(5,127,167)
Total Governmental Activities	\$ 5,834,388	\$ -	\$ -	\$ 632,000	(5,202,388)
 GENERAL REVENUES					
Property Taxes					1,145,910
Specific Ownership Taxes					99,084
Net Investment Income					18,036
Other Income					2
Special Items:					
Forgiveness of Debt					167,291
Total General Revenues and Special Items					1,430,323
 CHANGE IN NET POSITION					
					(3,772,065)
Net Position - Beginning of Year					(28,204,887)
 NET POSITION - END OF YEAR					 \$ (31,976,952)

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 66,837	\$ -	\$ -	\$ 66,837
Cash and Investments - Restricted	3,000	925,433	-	928,433
Receivable from County Treasurer	711	8,172	-	8,883
Accounts Receivable	-	16,000	-	16,000
Property Taxes Receivable	119,299	1,299,344	-	1,418,643
	<u>\$ 189,847</u>	<u>\$ 2,248,949</u>	<u>\$ -</u>	<u>\$ 2,438,796</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 4,310	\$ -	\$ -	\$ 4,310
Total Liabilities	4,310	-	-	4,310
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	119,299	1,299,344	-	1,418,643
Total Deferred Inflows of Resources	119,299	1,299,344	-	1,418,643
FUND BALANCES				
Nonspendable:				
Prepaid Amounts	-	-	-	-
Restricted For:				
Emergency Reserves	3,000	-	-	3,000
Debt Service	-	949,605	-	949,605
Assigned:				
Subsequent Years Expenditures	-	-	-	-
Unassigned	63,238	-	-	63,238
Total Fund Balances	<u>66,238</u>	<u>949,605</u>	<u>-</u>	<u>1,015,843</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 189,847</u>	<u>\$ 2,248,949</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Not Being Depreciated

7,880,118

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	(34,250,000)
Bond Premium (Net of Amortization)	(5,228,010)
Bond Interest Payable	(114,167)
Deferred Cost of Bond Refunding	1,083,336
Deferred Cost of Bond Insurance	317,114
Developer Advances Payable	(2,617,366)
Accrued Interest on Developer Advances	(63,820)
	<u>(34,250,000)</u>

Net Position of Governmental Activities

\$ (31,976,952)

See accompanying Notes to Basic Financial Statements.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 91,670	\$ 1,054,240	\$ -	\$ 1,145,910
Specific Ownership Taxes	7,927	91,157	-	99,084
Facility Fees	-	632,000	-	632,000
Other Income	-	2	-	2
Net Investment Income	72	17,964	-	18,036
Total Revenues	<u>99,669</u>	<u>1,795,363</u>	<u>-</u>	<u>1,895,032</u>
EXPENDITURES				
Accounting	21,763	-	-	21,763
Audit	5,950	-	-	5,950
County Treasurer's Fees	1,375	15,818	-	17,193
Election Expense	6,771	-	-	6,771
Engineering	5,328	-	-	5,328
Insurance and Bonds	3,440	-	-	3,440
Dues and Licenses	350	-	-	350
Legal	30,244	-	-	30,244
Debt Service:				
Paying Agent Fees	-	3,500	-	3,500
Bond Interest Series 2017	-	852,625	-	852,625
Bond Interest Series 2020	-	308,250	-	308,250
Bond Issue Cost	-	841,552	-	841,552
Capital:				
Capital Outlay	-	-	7,880,118	7,880,118
Total Expenditures	<u>75,221</u>	<u>2,021,745</u>	<u>7,880,118</u>	<u>9,977,084</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,448	(226,382)	(7,880,118)	(8,082,052)
OTHER FINANCING SOURCES (USES)				
Developer Advance	50,000	-	7,880,118	7,930,118
Repay Developer Advance	-	-	(5,304,203)	(5,304,203)
Bond Premium	-	5,285,358	-	5,285,358
Bond Issuance	-	34,250,000	-	34,250,000
Payments to Escrow Account	-	(35,973,501)	-	(35,973,501)
Transfers (to) From Other Funds	-	(5,304,203)	5,304,203	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>(1,742,346)</u>	<u>7,880,118</u>	<u>6,187,772</u>
NET CHANGE IN FUND BALANCES	74,448	(1,968,728)	-	(1,894,280)
Fund Balances(Deficit) - Beginning of Year	<u>(8,210)</u>	<u>2,918,333</u>	<u>-</u>	<u>2,910,123</u>
FUND BALANCES - END OF YEAR	<u>\$ 66,238</u>	<u>\$ 949,605</u>	<u>\$ -</u>	<u>\$ 1,015,843</u>

See accompanying Notes to Basic Financial Statements.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Changes in Fund Balances - Total Governmental Funds \$ (1,894,280)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of any cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay 7,880,118

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

Bond Principal Refunded - Series 2017	34,105,000
Bond Premium Refunded - Series 2017	268,358
Bond Issuance	(34,250,000)
Bond Premium	(5,285,358)
Deferred Costs of Refunding - Series 2017	(3,517,743)
Deferred Costs of Refunding - Series 2020	1,139,744
Deferred Costs of Insurance - Series 2020	327,684
Developer Advances	(7,930,118)
Developer Repayment	5,304,203
Forgiveness of Developer Advances	167,291

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 Developer Advances	(105,272)
Amortization of Bond Premium	57,348
Amortization of Costs of Refunding	(56,407)
Amortization of Costs of Bond Insurance	(10,570)
Accrued Interest on Bonds - Change in Liability	27,937
	27,937

Change in Net Position of Governmental Activities \$ (3,772,065)

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 91,893	\$ 91,893	\$ 91,670	\$ (223)
Specific Ownership Taxes	8,271	8,271	7,927	(344)
Interest Income	74	74	72	(2)
Total Revenues	<u>100,238</u>	<u>100,238</u>	<u>99,669</u>	<u>(569)</u>
EXPENDITURES				
Accounting	27,000	30,000	21,763	8,237
Audit	5,950	5,950	5,950	-
County Treasurer's Fees	1,378	1,378	1,375	3
Dues and Licenses	350	350	350	-
Election Expense	2,000	2,000	6,771	(4,771)
Engineering	-	-	5,328	(5,328)
Insurance and Bonds	3,600	3,600	3,440	160
Legal	30,000	40,000	30,244	9,756
Contingency	5,722	6,722	-	6,722
Total Expenditures	<u>76,000</u>	<u>90,000</u>	<u>75,221</u>	<u>14,779</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,238	10,238	24,448	14,210
OTHER FINANCING SOURCES (USES)				
Developer Contribution	-	50,000	50,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	24,238	60,238	74,448	14,210
Fund Balance (Deficit) - Beginning of Year	<u>(4,689)</u>	<u>(8,210)</u>	<u>(8,210)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,549</u>	<u>\$ 52,028</u>	<u>\$ 66,238</u>	<u>\$ 14,210</u>

See accompanying Notes to Basic Financial Statements.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Castle Oaks Metropolitan District No. 3 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by court order and decree of the District Court for the County of Douglas on June 27, 2006 and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is located within the Town of Castle Rock, Colorado.

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

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

Property Taxes

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

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

Facilities Fees

On March 5, 2015, the District adopted a Resolution regarding the Imposition of Facilities Fees. The Facilities Fees are in the amount of: (i) \$4,000 per Type I residential unit, which includes single-family detached residences, single-family attached residences, townhomes and patio homes; and (ii) \$1,500 per Type II residential unit, which includes apartments or other multi-family residences. The Facilities Fees are payable to the District on or before the issuance of a building permit for the subject property. Real property conveyed to and/or owned by homeowners' associations is exempt from the Facilities Fee. In addition, Facilities Fees are not to be collected from any property within the District that is to be developed for nonresidential purposes, such as the streets and roadways, clubhouse, commercial development, and similar nonresidential property, and shall not be imposed on real properties conveyed to and/or owned by a homeowners association.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include infrastructure assets, 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 at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

Amortization

Original Issue Premium

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

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

Cost of Bond Refunding

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources on the statement of net position.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The government has two items that qualify for reporting in this category, the cost of bond refunding and the cost of bond insurance.

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

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 66,837
Cash and Investments - Restricted	928,433
Total Cash and Investments	\$ 995,270

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

Deposits with Financial Institutions	\$ 33,789
Investments	961,481
Total Cash and Investments	\$ 995,270

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 a bank balance and carrying balance of \$33,789.

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.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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	\$ 728,829
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	232,652
Total		<u>\$ 961,481</u>

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 as amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

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

NOTE 4 CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2020, follows:

	Balance at December 31, 2019	Additions	Deletions	Balance at December 31, 2020
Governmental Type Activities:				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$ -	\$ 7,880,118	\$ -	\$ 7,880,118
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 7,880,118</u>	<u>\$ -</u>	<u>\$ 7,880,118</u>

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2019	Additions	Retirement of Long-Term Obligations	Balance at December 31, 2020	Due Within One Year
Bonds Payable:					
G.O. Bonds - Series 2017	\$ 34,105,000	\$ -	\$ 34,105,000	\$ -	\$ -
G.O. Bonds - Series 2020	-	34,250,000	-	34,250,000	-
Bond Premium - Series 2017	268,358	-	268,358	-	-
Bond Premium - Series 2020	-	5,285,358	57,348	5,228,010	-
Subtotal of Bonds Payable	<u>34,373,358</u>	<u>39,535,358</u>	<u>34,430,706</u>	<u>39,478,010</u>	<u>-</u>
Other Debts:					
Developer Advances - O&M	100,000	50,000	150,000	-	-
Developer Advances - Capital	-	7,880,118	5,262,752	2,617,366	-
Accrued Interest on:					
Developer Advance - O&M	17,291	-	17,291	-	-
Developer Advance - Capital	-	105,272	41,452	63,820	-
Subtotal of Other Debts	<u>117,291</u>	<u>8,035,390</u>	<u>5,471,495</u>	<u>2,681,186</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 34,490,649</u>	<u>\$ 47,570,748</u>	<u>\$ 39,902,201</u>	<u>\$ 42,159,196</u>	<u>\$ -</u>

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

General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020

The District issued the 2020 Bonds on September 10, 2020, in the par amount of \$34,250,000. Proceeds from the sale of the 2020 Bonds were used to: (i) refund the District's outstanding 2017 Bonds (see below); (ii) finance public improvements related to a residential development in the Town of Castle Rock; (iii) purchase a Municipal Bond Debt Service Reserve Fund Insurance Policy; and (iv) pay costs of issuance of the 2020 Bonds.

The 2020 Bonds bear interest at 4.00% per annum (2.357194% yield) and are payable semiannually on June 1 and December 1, beginning on December 1, 2020. The 2020 Bonds issued as serial bonds mature on December 1 of the years 2024 through 2030; thereafter, the 2020 Bonds issued as term bonds have annual mandatory sinking fund principal payments due on December 1, commencing December 1, 2031. The 2020 Bonds mature on December 1, 2050.

To the extent principal of any 2020 Bonds is not paid when due, such principal shall remain outstanding until the earlier of its payment or the Termination Date of December 2, 2060, and shall continue to bear interest at the rate then borne by the 2020 Bonds. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond.

The 2020 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2030, and, on any date thereafter, upon payment of par and accrued interest, without redemption premium.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020
(Continued)**

The 2020 Bonds are secured by Pledged Revenue which means: (i) the Required Mill Levy; (ii) the Refunded Bonds Mill Levy Revenue; (iii) the Capital Fees; (iv) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (v) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

“Refunded Bonds Mill Levy Revenue” means the debt service mill levy revenues derived from the debt service mill levy imposed in 2019 (for collection in 2020) for the payment of the 2017 Bonds.

“Capital Fees” means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District, including the Facility Fees. Facility Fees means the first \$500,000 of fees imposed and collected by the District since June 1, 2020, pursuant to the Facility Fee Resolution adopted on March 5, 2015, including any amendments or supplements.

The District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in an amount, when combined with moneys in the Bond Fund, the Mill Levy Stabilization Fund, and any other legally available moneys held by the District, sufficient to pay the 2020 Bonds when due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but (i) not in excess of 55 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement after January 9, 2001) and (ii) for so long as the Mill Levy Stabilization Fund is less than the Minimum Mill Levy

Stabilization Amount, not less than 35.603 mills (subject to adjustment), or such lesser mill levy which will pay the 2020 Bonds when due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Mill Levy Stabilization Fund up to the Minimum Mill Levy Stabilization Fund Amount. The Required Mill Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

The 2020 Bonds are additionally secured by the Reserve Fund which was funded with the Reserve Policy in the amount of \$2,369,800 (the amount of the Required Reserve) and by amounts in the Mill Levy Stabilization Fund.

The Reserve Policy guarantees the scheduled payment of principal and interest on the 2020 Bonds when due as set forth in the policy.

Subject to the receipt of sufficient Pledged Revenue, the Mill Levy Stabilization Fund is to be maintained until the Mill Levy Stabilization Conversion Date, after which the Mill Levy Stabilization Fund shall be terminated and any moneys therein remitted to the District for application to any lawful purpose of the District. The Mill Levy Stabilization Fund was partially funded at closing from funds on hand related to the 2017 Bonds in the amount of \$232,000 and will be funded in the future solely by deposits of Pledged Revenue up to the Minimum Mill Levy Stabilization Fund Amount of \$1,000,000.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020 (Continued)

Monies in the Mill Levy Stabilization Fund are to be used solely for the purpose of paying the principal of, premium, if any, or interest on the 2020 Bonds. The District may use amounts in the Mill Levy Stabilization Fund to reduce the Required Mill Levy otherwise necessary to pay the 2020 Bonds in accordance with the definition of the Required Mill Levy above.

The Mill Levy Stabilization Fund Conversion Date is the first date on which both of the following conditions are met: (i) the Debt to Assessed Ratio is 50% or less; and (ii) no amounts of principal or interest on the 2020 Bonds are due but unpaid.

The balance in the Mill Levy Stabilization Fund as of December 31, 2020, is \$232,104.

General Obligation Limited Tax Refunding Bonds, Series 2017

On December 28, 2017, the District issued its General Obligation Limited Tax Refunding Bonds, Series 2017 (the Bonds), in the aggregate amount of \$34,105,000, with an original issue premium of \$293,924. The proceeds from the sale of the Bonds were used for purposes of: (i) advance refunding \$17,800,000 of General Obligation Limited Tax Bonds, Series 2015, (ii) advance refunding \$13,370,000 of General Obligation Limited Tax Completion Bonds, Series 2016, (iii) funding the Reserve Fund, (iv) funding an initial deposit to the Surplus Fund, and (v) paying the costs of issuance on the Bonds.

The Bonds include a \$12,325,000 term bond maturing on December 1, 2037, and a \$21,780,000 term bond maturing on December 1, 2047 with an interest rate of 5.00% (a yield of 4.83%), and are payable semi-annually on June 1 and December 1, beginning on June 1, 2018. Annual mandatory sinking fund principal payments are due December 1, beginning on December 1, 2024. The Bonds have the option of early redemption starting on December 1, 2020, depending on the redemption date, the amount redeemed may be subject to a redemption premium. The premium starts at 3% for the first year and decreases by 1% every year thereafter.

The Series 2017 Bonds are secured by and payable solely from Pledged Revenue, net of any costs of collection, including: (i) property taxes derived from the Required Mill Levy; (ii) the Refunded Bonds Mill Levy revenue; (iii) Facilities fees; (iv) specific ownership taxes attributable to the Required Mill Levy; and, (v) any other legally available moneys of the District in its absolute discretion, credited to the Bond Fund.

Refunding of 2017 Bonds

On September 10, 2020 the District currently refunded \$34,105,000 of outstanding principal of its 2017 Bonds with an average interest rate of 5.00% by the issuance of its 2020 Bonds with an average interest rate of 4.00%. Proceeds from the 2020 Bonds and other funds in the combined amount of \$35,973,501 were deposited into an irrevocable escrow account with a trustee which was invested in State and Local Government Securities.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Refunding of 2017 Bonds (Continued)

On the redemption date of December 1, 2020, funds in the escrow account were applied to pay: (i) the \$34,105,000 outstanding principal amount of the 2017 Bonds, (ii) semi-annual interest due of \$852,625, and (iii) a redemption premium of \$1,023,150. The District extended the term of its debt by three years and decreased its total debt service payments by \$5,048,925. The refunding of the 2017 Bonds resulted in an economic gain of \$7,782,523 and a net present value savings of 22.819%, based on the bond yield. The liability for the 2017 Bonds has been removed from the District's financial statements.

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Bonded Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ -	\$ 1,370,000	\$ 1,370,000
2022	-	1,370,000	1,370,000
2023	-	1,370,000	1,370,000
2024	155,000	1,370,000	1,525,000
2025	430,000	1,363,800	1,793,800
2026-2030	3,490,000	6,471,200	9,961,200
2031-2035	4,690,000	5,681,200	10,371,200
2036-2040	6,280,000	4,632,400	10,912,400
2041-2045	8,665,000	3,174,800	11,839,800
2046-2050	10,540,000	1,297,800	11,837,800
Total	\$ 34,250,000	\$ 28,101,200	\$ 62,351,200

At December 31, 2020, the District had authorized but unissued general obligation indebtedness in the following amounts for the following purposes:

	<u>Authorized</u> <u>November 7th,</u> <u>2006 Election</u>	<u>Authorized</u> <u>November 3rd,</u> <u>2015 Election</u>	<u>Authorization</u> <u>Used - Series</u> <u>2010 Note</u>	<u>Authorization</u> <u>Used - Series</u> <u>2015 Bonds</u>	<u>Authorization</u> <u>Used - Series</u> <u>2016 Bonds</u>	<u>Authorization</u> <u>Used - Series</u> <u>2017 Bonds</u>	<u>Authorization</u> <u>Used - Series</u> <u>2020 Bonds</u>	<u>Remaining at</u> <u>December 31,</u> <u>2020</u>
Streets	\$ 5,091,000	\$ 36,000,000	\$ -	\$ 5,091,000	\$ 3,824,000	\$ -	\$ 2,589,954	29,586,046
Parks and Recreation	4,037,000	36,000,000	-	4,037,000	3,032,000	-	-	32,968,000
Water	3,536,000	36,000,000	-	3,536,000	2,656,000	-	652,250	32,691,750
Sewer	4,936,000	36,000,000	-	4,936,000	3,708,000	-	1,518,741	30,773,259
Transportation	1,000,000	36,000,000	-	-	-	-	-	37,000,000
Mosquito Control	200,000	36,000,000	-	-	-	-	-	36,200,000
Safety Protection	200,000	36,000,000	-	200,000	150,000	-	-	35,850,000
Television and Relay	500,000	36,000,000	-	-	-	-	-	36,500,000
Security	-	36,000,000	-	-	-	-	-	36,000,000
Operations	500,000	36,000,000	65,970	-	-	-	-	36,434,030
Refunding	20,000,000	36,000,000	-	-	-	2,935,000	-	53,065,000
IGA Debt	20,000,000	36,000,000	-	-	-	-	-	56,000,000
Total	\$ 60,000,000	\$ 432,000,000	\$ 65,970	\$ 17,800,000	\$ 13,370,000	\$ 2,935,000	\$ 4,760,945	\$ 453,068,085

\$4,760,945 of authorized debt was used in issuing the 2020 Bonds. The rest was refunded at a lower rate, so did not use electoral authorization.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 3, 2015, District voters authorized the District to issue \$432,000,000 of general obligation bonds or other financial obligations for the infrastructure development of the services noted in Note 1; however, the District's amended Service Plan limits its general obligation debt to \$36,000,000.

NOTE 6 NET POSITION

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$3,000 for Emergency Reserves and \$603,438 for Debt Service.

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position. The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 AGREEMENTS

Funding and Reimbursement Agreement

The District, Castle Oaks Metropolitan District, Castle Oaks Metropolitan District No. 2, and SLV Castle Oaks, LLC (the Developer) entered into a reimbursement agreement on October 14, 2010, with the First Amendment and Extension occurring on January 1, 2012, which was amended and restated on December 16, 2015, to provide for the District's reimbursement amounts expended by the Developer on the District permitted costs, not to exceed the aggregate amount of \$450,000, through December 31, 2016 (the Funding and Reimbursement Agreement). The Districts agree to repay the Developer and to pay interest at the rate of 7.0% per annum from the date of any such advance. The agreement further provides, however, that the District's obligations do not constitute a debt of the Districts within the meaning of any constitutional or statutory provision, and all reimbursements to the Developer are subject to annual appropriation by the District.

Effective January 1, 2017, the District and the Developer executed the First Amendment and Extension of the Amended and Restated agreement, whereby the funding period was extended through December 31, 2018. Effective January 1, 2018, the District and the Developer executed the Second Amendment and Extension of the Amended and Restated agreement, whereby the funding period was extended through December 31, 2019. On October 27, 2020, the District and the Developer terminated the Funding and Reimbursement Agreement, and the Developer released the District from obligations to pay \$150,000 of principal and \$17,291 of accrued interest for a total debt forgiveness of \$167,291.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 AGREEMENTS (CONTINUED)

Public Improvements Reimbursement Agreement

The District and the Developer have entered into a Public Improvements Reimbursement Agreement dated as of July 28, 2020, (the Public Improvements Reimbursement Agreement). Pursuant to the Public Improvements Reimbursement Agreement, the Developer agrees to finance, construct, and install (or cause to be financed, constructed, and installed) certain public improvements for the benefit of the District, and the District agrees to reimburse the Developer for certain costs incurred by the Developer since December 29, 2017, with interest, subject to the requirements set forth therein. Only the cost of public improvements which may be lawfully funded by the District under the Special District Act and the Service Plan are subject to reimbursement (District Eligible Costs).

Public Improvements Reimbursement Agreement (Continued)

The Public Improvements Reimbursement Agreement specifies the circumstances under which the District will become obligated to reimburse the Developer. Prior to reimbursement, the Developer is required to provide certain materials to the District for review, including, but not limited to, an application describing the public improvements to be acquired and the proposed District Eligible Costs thereof, a description of the applicable public improvement categories, invoices, and other materials as necessary to substantiate the District Eligible Costs. Following receipt of such materials, the District's accountant and engineer shall review the materials to substantiate the District's Eligible Costs and shall issue an Accountant's Cost Certification and Engineer's Cost Certification, respectively, stating that such costs are reasonable and appropriate and declaring the total amount of District Eligible Costs. Subject to the receipt of a satisfactory Accountant Cost Certification and Engineer's Cost Certification (both as defined in the Public Improvements Reimbursement Agreement), and satisfaction of any other conditions reasonably required by the District, the District shall evidence its acceptance of District Eligible Costs by adopting a resolution declaring satisfaction of the conditions to acceptance (or specifying any applicable variances or waivers that which the District may allow in its sole and absolute discretion), and shall set forth certain findings of the District Board with respect to the reimbursement of District Eligible Costs (the District Acceptance Resolution). No payment is due under the Public Improvements Reimbursement Agreement until the District has adopted a District Acceptance Resolution.

With respect to the District's repayment obligations under the Public Improvements Reimbursement Agreement, the obligation will bear simple interest at a rate of 8.0% per annum from the effective date of the District Acceptance Resolution. The Public Improvement Reimbursement Agreement provides that the District is only obligated to reimburse the Developer for District Eligible Costs from the proceeds of the 2020 Bonds and from revenues received by the District from the Facilities Fee Revenues (as defined therein), up to a Maximum Reimbursement Amount (as defined therein). The Public Improvement Reimbursement Agreement automatically terminates upon the earlier to occur of (1) receipt of all Facilities Fee Revenues by the District and remittance of the Facilities Fee Revenues to the Developer up to the Maximum Reimbursement Amount, or (2) July 28, 2040. Amounts due under the Public Improvements Reimbursement Agreement are subject to annual appropriation and shall not be deemed a multiple fiscal year obligation of the District within the meaning of the Colorado Constitution.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 AGREEMENTS (CONTINUED)

During 2020, the District adopted a District Acceptance Resolution accepting \$7,880,118 in Developer advances under the Public Improvements Reimbursement Agreement. At December 31, 2020, the District owed \$2,617,366 for Developer advances and has accrued \$63,820 in interest.

NOTE 8 RELATED PARTY

The Developer of the property within the District is SLV Castle Oaks, L.L.C. Certain members of the Board of Directors are employees of, owners of, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 9 RISK MANAGEMENT

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

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

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

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

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

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS(CONTINUED)

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 3, 2015, the District's voters approved for an annual increase in taxes of \$10,000,000 for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

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

SUPPLEMENTARY INFORMATION

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,056,805	\$ 1,056,805	\$ 1,054,240	\$ (2,565)
Specific Ownership Taxes	95,112	95,112	91,157	(3,955)
Facility Fees	508,000	508,000	632,000	124,000
Interest Income	27,700	27,700	17,964	(9,736)
Other Revenue	-	-	2	2
Total Revenues	<u>1,687,617</u>	<u>1,687,617</u>	<u>1,795,363</u>	<u>107,746</u>
EXPENDITURES				
County Treasurer's Fees	15,852	15,852	15,818	34
Bond Interest Series 2017	1,705,250	852,625	852,625	-
Bond Interest Series 2020	-	306,627	308,250	(1,623)
Bond Issue Cost	-	836,934	841,552	(4,618)
Contingency	4,898	28,258	-	28,258
Paying Agent Fees	7,000	7,000	3,500	3,500
Total Expenditures	<u>1,733,000</u>	<u>2,047,296</u>	<u>2,021,745</u>	<u>25,551</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,383)	(359,679)	(226,382)	133,297
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	34,250,000	34,250,000	-
Bond Premium	-	5,285,358	5,285,358	-
Transfers (to) From Other Funds	-	(5,304,203)	(5,304,203)	-
Payment to Escrow Account	-	(35,973,501)	(35,973,501)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,742,346)</u>	<u>(1,742,346)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(45,383)	(2,102,025)	(1,968,728)	133,297
Fund Balance - Beginning of Year	<u>2,821,178</u>	<u>2,918,333</u>	<u>2,918,333</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,775,795</u>	<u>\$ 816,308</u>	<u>\$ 949,605</u>	<u>\$ 133,297</u>

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Other Revenue	\$ -	\$ 45,797	\$ -	\$ (45,797)
Total Revenues	-	45,797	-	(45,797)
EXPENDITURES				
Capital Outlay	-	11,500,000	7,880,118	3,619,882
Contingency	-	45,797	-	45,797
Total Expenditures	-	11,545,797	7,880,118	3,665,679
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(11,500,000)	(7,880,118)	3,619,882
OTHER FINANCING SOURCES (USES)				
Transfers (to) From Other Funds	-	5,304,203	5,304,203	-
Developer Advance	-	11,500,000	7,880,118	(3,619,882)
Repay Developer Advances	-	(5,304,203)	(5,304,203)	-
Total Other Financing Sources (Uses)	-	11,500,000	7,880,118	(3,619,882)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

Bonds and Interest Maturing in the Year Ending December 31,	\$34,250,000 General Obligation Refunding Bonds Dated September 10, 2020 Series 2020 Interest Rate of 4.000% Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2021	\$ -	\$ 1,370,000	\$ 1,370,000
2022	-	1,370,000	1,370,000
2023	-	1,370,000	1,370,000
2024	155,000	1,370,000	1,525,000
2025	430,000	1,363,800	1,793,800
2026	620,000	1,346,600	1,966,600
2027	645,000	1,321,800	1,966,800
2028	700,000	1,296,000	1,996,000
2029	730,000	1,268,000	1,998,000
2030	795,000	1,238,800	2,033,800
2031	825,000	1,207,000	2,032,000
2032	895,000	1,174,000	2,069,000
2033	930,000	1,138,200	2,068,200
2034	1,000,000	1,101,000	2,101,000
2035	1,040,000	1,061,000	2,101,000
2036	1,115,000	1,019,400	2,134,400
2037	1,160,000	974,800	2,134,800
2038	1,210,000	928,400	2,138,400
2039	1,255,000	880,000	2,135,000
2040	1,540,000	829,800	2,369,800
2041	1,600,000	768,200	2,368,200
2042	1,665,000	704,200	2,369,200
2043	1,730,000	637,600	2,367,600
2044	1,800,000	568,400	2,368,400
2045	1,870,000	496,400	2,366,400
2046	1,945,000	421,600	2,366,600
2047	2,025,000	343,800	2,368,800
2048	2,105,000	262,800	2,367,800
2049	2,190,000	178,600	2,368,600
2050	2,275,000	91,000	2,366,000
Total	\$ 34,250,000	\$ 28,101,200	\$ 62,351,200

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 1,380,170	4.000	46.000	\$ 69,009	\$ 69,010	100.00 %
2017	2,798,920	4.000	46.000	139,946	139,947	100.00
2018	8,293,230	4.422	50.855	458,425	458,427	100.00
2019	11,727,880	4.422	50.855	648,282	648,284	100.00
2020	20,636,280	4.453	51.211	1,148,698	1,145,910	99.76
Estimated for the Year Ending December 31, 2021	\$ 26,790,600	4.453	48.500	\$ 1,418,643		

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