

CASTLE OAKS METROPOLITAN DISTRICT NO. 3

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2021

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/22/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 3,076,680	\$ 2,910,123	\$ 887,548
REVENUES			
Property taxes	648,284	1,148,698	1,418,643
Specific ownership tax	65,023	89,450	113,492
Facilities fees	836,000	508,000	672,000
Interest income	64,088	25,050	5,100
Developer advance	-	7,880,118	4,000,000
Developer contribution	-	50,000	-
Bond premium	-	5,285,358	-
Bond proceeds	-	34,250,000	-
Total revenues	<u>1,613,395</u>	<u>49,236,674</u>	<u>6,209,235</u>
TRANSFERS IN	<u>-</u>	<u>5,304,203</u>	<u>-</u>
Total funds available	<u>4,690,075</u>	<u>57,451,000</u>	<u>7,096,783</u>
EXPENDITURES			
General Fund	62,254	85,889	77,000
Debt Service Fund	1,717,698	37,989,039	1,847,000
Capital Projects Fund	-	13,184,321	4,000,000
Total expenditures	<u>1,779,952</u>	<u>51,259,249</u>	<u>5,924,000</u>
TRANSFERS OUT	<u>-</u>	<u>5,304,203</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>1,779,952</u>	<u>56,563,452</u>	<u>5,924,000</u>
ENDING FUND BALANCES	<u>\$ 2,910,123</u>	<u>\$ 887,548</u>	<u>\$ 1,172,783</u>
EMERGENCY RESERVE	\$ 1,800	\$ 3,000	\$ 3,900
DEBT SERVICE RESERVE - Series 2017	1,385,000	-	-
DEBT SERVICE SURPLUS RESERVE - Series 2017 *	1,533,333	-	-
MILL LEVY STABILIZATION FUND - Series 2020**	-	832,548	1,000,000
TOTAL RESERVE	<u>\$ 2,920,133</u>	<u>\$ 835,548</u>	<u>\$ 1,003,900</u>

* Maximum Balance Series 2017: \$5,115,750

** Maximum Balance Series 2020: \$1,000,000

No assurance provided. See summary of significant assumptions.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/22/21

ACTUAL	ESTIMATED	BUDGET
2019	2020	2021

ASSESSED VALUATION

Residential	\$ 5,444,480	\$ 13,284,200	\$ 20,499,810
Commercial	240,420	144,320	132,230
Agricultural	1,690	1,070	1,070
State assessed	146,400	134,800	197,700
Vacant land	5,894,870	7,071,850	5,959,750
Other	20	40	40
Certified Assessed Value	\$ 11,727,880	\$ 20,636,280	\$ 26,790,600

MILL LEVY

General	4.422	4.453	4.453
Debt Service	50.855	51.211	48.500
Total mill levy	55.277	55.664	52.953

PROPERTY TAXES

General	\$ 51,861	\$ 91,893	\$ 119,299
Debt Service	596,421	1,056,805	1,299,344
Levied property taxes	648,282	1,148,698	1,418,643
Adjustments to actual/rounding	2	-	
Budgeted property taxes	\$ 648,284	\$ 1,148,698	\$ 1,418,643

BUDGETED PROPERTY TAXES

General	\$ 51,861	\$ 91,893	\$ 119,299
Debt Service	596,423	1,056,805	1,299,344
	\$ 648,284	\$ 1,148,698	\$ 1,418,643

No assurance provided. See summary of significant assumptions.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/22/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ (3,161)	\$ (8,210)	\$ 55,000
REVENUES			
Property taxes	51,861	91,893	119,299
Specific ownership tax	5,202	7,156	9,544
Interest income	142	50	400
Developer contribution	-	50,000	-
Total revenues	57,205	149,099	129,243
Total funds available	54,044	140,889	184,243
EXPENDITURES			
General and administrative			
Accounting	28,358	30,000	28,500
Auditing	5,950	5,950	5,950
Contingency	-	-	6,261
County Treasurer's fee	778	1,378	1,789
Dues and licenses	306	350	500
Election expense	-	6,771	-
Insurance and bonds	3,388	3,440	4,000
Legal services	23,474	38,000	30,000
Total expenditures	62,254	85,889	77,000
Total expenditures and transfers out requiring appropriation	62,254	85,889	77,000
ENDING FUND BALANCE	\$ (8,210)	\$ 55,000	\$ 107,243
EMERGENCY RESERVE	\$ 1,800	\$ 3,000	\$ 3,900
TOTAL RESERVE	\$ 1,800	\$ 3,000	\$ 3,900

No assurance provided. See summary of significant assumptions.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/22/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 3,079,841	\$ 2,918,333	\$ 832,548
REVENUES			
Property taxes	596,423	1,056,805	1,299,344
Specific ownership tax	59,821	82,294	103,948
Facilities fees	836,000	508,000	672,000
Interest income	63,946	25,000	4,700
Bond premium	-	5,285,358	-
Bond proceeds	-	34,250,000	-
Total revenues	<u>1,556,190</u>	<u>41,207,457</u>	<u>2,079,992</u>
Total funds available	<u>4,636,031</u>	<u>44,125,790</u>	<u>2,912,540</u>
EXPENDITURES			
Debt Service			
Bond interest Series 2020	-	306,627	1,370,000
Bond interest Series 2017	1,705,250	852,625	-
Bond issue costs	-	836,934	-
Contingency	-	-	6,510
County Treasurer's fee	8,948	15,852	19,490
Paying agent fees	3,500	3,500	7,000
Repay developer advance	-	-	444,000
Payment to escrow account	-	35,973,501	-
Total expenditures	<u>1,717,698</u>	<u>37,989,039</u>	<u>1,847,000</u>
TRANSFERS OUT			
Transfers to other fund	-	5,304,203	-
Total expenditures and transfers out requiring appropriation	<u>1,717,698</u>	<u>43,293,242</u>	<u>1,847,000</u>
ENDING FUND BALANCE	<u>\$ 2,918,333</u>	<u>\$ 832,548</u>	<u>\$ 1,065,540</u>
DEBT SERVICE RESERVE - Series 2017	\$ 1,385,000	\$ -	\$ -
DEBT SERVICE SURPLUS RESERVE - Series 2017 *	1,533,333	-	-
MILL LEVY STABILIZATION FUND - Series 2020**	-	832,548	1,000,000
TOTAL RESERVE	<u>\$ 2,918,333</u>	<u>\$ 832,548</u>	<u>\$ 1,000,000</u>

* *Maximum Balance Series 2017: \$5,115,750*

** *Maximum Balance Series 2020: \$1,000,000*

No assurance provided. See summary of significant assumptions.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
 CAPITAL PROJECTS FUND
 2021 BUDGET
 WITH 2019 ACTUAL AND 2020 ESTIMATED
 For the Years Ended and Ending December 31,**

1/22/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Developer advance	-	7,880,118	4,000,000
Total revenues	<u>-</u>	<u>7,880,118</u>	<u>4,000,000</u>
TRANSFERS IN			
Transfers from other funds	<u>-</u>	<u>5,304,203</u>	<u>-</u>
Total funds available	<u>-</u>	<u>13,184,321</u>	<u>4,000,000</u>
EXPENDITURES			
Repay developer advance	-	5,304,203	-
Capital outlay	-	7,880,118	4,000,000
Total expenditures	<u>-</u>	<u>13,184,321</u>	<u>4,000,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>13,184,321</u>	<u>4,000,000</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

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 29, 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.

On November 3, 2015, District voters authorized the District to issue \$504,000,000 of general obligation bonds or other financial obligations for the infrastructure development of the services noted in the preceding paragraph, however, the District's amended Service Plan limits its general obligation debt to \$36,000,000. Additionally the District can levy up to \$10,000,000 annually to pay the administration.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

The method of calculating assessed valuation of residential assessment rates in the State of Colorado changed to 7.15% from 7.20% for property tax years 2019-2020 on April 10, 2019 with a report submitted to the State Board of Equalization. Accordingly, the mill levy has been adjusted upward to reflect the change assessed value calculation. The debt service mill levy increased to 51.211 from 50.855 mills and the operations mill levy increased to 4.453 from 4.422 mills. During 2020, for collection in 2021, the District levied 48.500 mills for debt service and 4.453 mills for operations.

The calculation of taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 8% of the property taxes collected.

Facilities Fees

The District imposes a Facilities Fee of \$4,000 on each single-family, town homes and patio homes, and a Facilities Fee of \$1,500 on apartments or other multifamily residential units. The fees are payable by homebuilders when the building permits are issued. The first \$500,000 of Facilities Fee revenue collected after June 1, 2020 is pledged for debt service payments. The remaining Facilities Fee revenue can be used to pay any other District indebtedness.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.50%.

Expenditures

Administrative Expenditures

Administrative expenditures include the services necessary to maintain the administrative viability such as legal, accounting, insurance, and other administrative expenses of the District.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property tax collections.

Debt Service

Principal and interest payments are provided based on the debt amortization schedules from the Series 2020 General Obligation Limited Tax Refunding Bonds (discussed under Debt and Leases).

Debt and Leases

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 General Obligation Limited Tax Refunding Bonds, Series 2017 (the "2017 Bonds"); (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 issued by Assured Guaranty Municipal Corp. (the "Reserve Policy"); and (iv) pay costs of issuance of the 2020 Bonds.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases - (continued)

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 Bond 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.

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.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases - (continued)

The Reserve Policy guarantees the scheduled payment of principal of 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.

Moneys 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 District has no operating or capital leases.

In 2020 the Developer forgave advances, and the related accrued interest, made for Operations and Maintenance (O&M) under the Funding and Reimbursement Agreement.

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020
G.O Bonds - Series 2017	\$ 34,105,000	\$ -	\$ 34,105,000	\$ -
Bond Premium - Series 2017	268,358	-	268,358	-
G.O Bonds - Series 2020	34,250,000	-	-	34,250,000
Bond Premium - Series 2020	5,285,358	-	57,348	5,228,010
Developer Advance - O&M	100,000	-	100,000	-
Accrued Interest- Developer Advance - O&M	17,291	-	17,291	-
Developer Advance - Capital	-	7,880,118	5,262,752	2,617,366
Accrued Interest- Developer Advance - Capital	-	105,273	41,452	63,821
Total	<u>\$ 74,026,007</u>	<u>\$ 7,985,391</u>	<u>\$ 39,852,201</u>	<u>\$ 42,159,197</u>

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021
G.O Bonds - Series 2020	\$ 34,250,000.00	\$ -	\$ -	\$ 34,250,000.00
Bond Premium - Series 2020	5,228,010	-	254,878	4,973,132
Developer Advance - Capital	2,617,366	4,000,000	275,485	6,341,881
Accrued Interest- Developer Advance - Capital	63,821	358,370	168,515	253,676
Total	<u>\$ 42,159,197</u>	<u>\$ 4,358,370</u>	<u>\$ 698,878</u>	<u>\$ 45,818,689</u>

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserve Funds

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of the fiscal year spending for 2020, as defined under TABOR.

Debt Service Reserves

The District maintains a Mill Levy Stabilization Fund as required with the issuance of the Series 2020 Bonds. The maximum Mill Levy Stabilization Fund amount is \$1,000,000.

This information is an integral part of the accompanying budget.

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
FOR YEAR ENDED DECEMBER 31, 2021**

**\$34,250,000 General Obligation Limited Tax Refunding Bonds
Series 2020
Interest 4.00%
Dated September 10, 2020
Interest Payable June 1 and December 1
Principal Payable December 1**

Bonds and Interest Maturing in the Year Ending December 31,	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
	<u>\$ 34,250,000</u>	<u>\$ 28,101,200</u>	<u>\$ 62,351,200</u>

No assurance provided. See summary of significant assumptions.