

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

ANNUAL REPORT

TO

TOWN OF CASTLE ROCK

FOR THE PERIOD ENDING DECEMBER 31, 2016

Pursuant to Section VI of the Amended and Restated Consolidated Service Plan for Castle Pines Commercial Metropolitan District Nos. 1, 3, and 4 (the "Service Plan") dated January 6, 2015, the Castle Pines Commercial Metropolitan District No. 3 is required to submit an annual report to the Town of Castle Rock (the "Town").

For the year ending December 31, 2016, the District made the following report:

- 1. A narrative summary of the progress of the District in implementing its Service Plan in the report year:**

The District continues to operate and maintain the District facilities as contemplated in the Service Plan.

- 2. The audited financial statements of the District, including a statement of financial condition (i.e. balance sheet) as of December 31 of the report year and a statement of operations (i.e. revenues and expenditures):**

A Request for Extension of Time to File Audit has been filed. The Audit will be forwarded once complete. See Exhibit A attached.

- 3. A summary of the capital expenditures incurred by the District in development of public facilities in the report year, as well as any capital improvements or projects proposed to be undertaken in the five (5) years following the report year:**

There were no capital expenditures incurred by the District in development of public facilities in the report year and no capital expenditures are being proposed.

- 4. A summary of the financial obligations of the District at the end of the report year, including (i) the amount of outstanding indebtedness, (ii) the amount and terms of any new District indebtedness or long-term obligations issues in the report year, (iii) the amount of payment or retirement of existing indebtedness of the District in the report year, (iv) the total assessed valuation of all taxable properties within the District as of January 1 of the report year, and (v) the current mill levy of the District pledged to Debt retirement in the report year:**

(i) \$5,875,000 - Capital Pledge Agreement regarding the Castle Pines Commercial MD No. 1 Limited Tax Supported Revenue Bonds, Series 2015

(ii) None

(iii) None

(iv) \$5,750,710

(v) 50.000

5. **The District's budget for the calendar year in which the annual report is submitted:**

See Exhibit B attached.

6. **A summary of residential and commercial development which has occurred within the District for the report year:**

None

7. **A summary of all fees, charges and assessments imposed by the District as of January 1 of the report year:**

None

8. **Certification of the Board that no action, event or condition enumerated in Section 11.02.060 if this Chapter has occurred I the report year:**

No action, event or condition enumerated in Section 11.02.060 has occurred.

9. **The name, business address and telephone number of each member of the Board and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings for the Board:**

See Exhibit C attached.

EXHIBIT A



Request for Extension of Time to File Audit

This request must be submitted no later than six months follow a school districts fiscal year end, 8 months following housing authority's fiscal year end and seven months following all other local government's fiscal year end. All requests submitted after the due date will not be considered.

Requests may be submitted to fax number **303-869-3061** or email osa.lg@state.co.us.

| | |
|---|--|
| Government Name: | Castle Pines Commercial Metro District No. 3 |
| Name of Contact: | Jason Carroll |
| Address: | 8390 E Crescent Parkway Suite 500 |
| City/Zip Code | Greenwood Village CO, 80111 |
| Phone Number: | 303-779-5710 |
| Fax Number: | 303-779-0348 |
| Jas | Jason.carroll@CLAconnect.com |
| Fiscal Year Ending (mm/dd/yyyy): | 12/31/2016 |
| Amount of Time Requested (in days): Not to exceed 60 days | 60 |
| Comments (optional): | |

I understand that if the audit is not submitted within the approved extension of time the government named in the extension request will be considered in noncompliance without further notice, and the State Auditor shall take further action as prescribed by Section 29-1-606(5)(b), C.R.S.

Must be signed by a member of the governing board.

Signature _____
Printed Name: Peter A. Cuddy
Title: _____
Date: _____



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EXHIBIT B



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

Accountant's Compilation Report

Board of Directors
Castle Pines Commercial Metropolitan District No. 3
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Castle Pines Commercial Metropolitan District No. 3 for the year ending December 31, 2016, including the estimate of comparative information for the year ending December 31, 2015 and the actual comparative information for the year ending December 31, 2014, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect Castle Pines Commercial Metropolitan District No. 3.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 22, 2015

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
SUMMARY**

**2016 BUDGET AS ADOPTED
WITH 2014 ACTUAL AND 2015 ESTIMATED
For the Years Ended and Ending December 31,**

12/22/2015

| | ACTUAL 2014 | ESTIMATED 2015 | ADOPTED 2016 |
|---|-----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES | \$ 474,204 | \$ 554,834 | \$ 40,435 |
| REVENUES | | | |
| 1 Property taxes | 186,126 | 331,902 | 291,378 |
| 2 Specific ownership taxes | 16,700 | 26,550 | 26,225 |
| 3 Other income | - | - | 1,000 |
| 4 Interest income | 3,019 | 50 | 100 |
| 5 Intergovernmental transfer - District No. 4 | - | 48,869 | 70,344 |
| Total revenues | <u>205,845</u> | <u>407,371</u> | <u>389,047</u> |
| Total funds available | <u>680,049</u> | <u>962,205</u> | <u>429,482</u> |
| EXPENDITURES | | | |
| 6 General and administration | | | |
| 7 Accounting | 16,815 | 40,000 | 30,000 |
| 8 Audit | - | - | 5,000 |
| 9 Contingency | - | - | 3,126 |
| 10 County Treasurer's fees | 2,825 | 996 | 874 |
| 11 District management | 33,749 | 35,000 | 30,000 |
| 12 Election | - | - | 2,000 |
| 13 Engineering and surveying | 3,540 | 3,875 | - |
| 14 Insurance and dues | 3,197 | 9,037 | 8,000 |
| 15 Intergovernmental transfer - District No. 1 | - | 500,000 | - |
| 16 Legal | 64,132 | 45,000 | 50,000 |
| 17 Miscellaneous | 957 | 1,100 | 1,000 |
| 18 Debt service | | | |
| 19 Contingency | - | - | 1,000 |
| 20 County Treasurer's fees | - | 3,983 | 3,497 |
| 21 Intergovernmental transfer- District No. 1 | - | 282,779 | 250,585 |
| Total expenditures | <u>125,215</u> | <u>921,770</u> | <u>385,082</u> |
| Total expenditures and transfers out requiring appropriation | <u>125,215</u> | <u>921,770</u> | <u>385,082</u> |
| ENDING FUND BALANCES | \$ 554,834 | \$ 40,435 | \$ 44,400 |
| EMERGENCY RESERVE | \$ 6,200 | \$ 3,700 | \$ 4,100 |
| TOTAL RESERVE | <u>\$ 6,200</u> | <u>\$ 3,700</u> | <u>\$ 4,100</u> |

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/22/2015

| | ACTUAL 2014 | ESTIMATED 2015 | ADOPTED 2016 |
|-------------------------------------|---------------------|---------------------|---------------------|
| ASSESSED VALUATION - DOUGLAS | | | |
| Commercial | \$ 4,361,040 | \$ 4,773,070 | \$ 4,653,590 |
| Agricultural | 560 | 980 | - |
| Vacant Land | 1,842,590 | 1,863,990 | 705,570 |
| Personal Property | - | - | 468,400 |
| Certified Assessed Value | <u>\$ 6,204,190</u> | <u>\$ 6,638,040</u> | <u>\$ 5,827,560</u> |
| MILL LEVY | | | |
| GENERAL FUND | 30.000 | 10.000 | 10.000 |
| DEBT SERVICE FUND | - | 40.000 | 40.000 |
| Total Mill Levy | <u>30.000</u> | <u>50.000</u> | <u>50.000</u> |
| PROPERTY TAXES | | | |
| GENERAL FUND | \$ 186,126 | \$ 66,380 | \$ 58,276 |
| DEBT SERVICE FUND | - | 265,522 | 233,102 |
| Levied property taxes | 186,126 | 331,902 | 291,378 |
| Adjustments to actual/rounding | - | - | - |
| Budgeted Property Taxes | <u>\$ 186,126</u> | <u>\$ 331,902</u> | <u>\$ 291,378</u> |
| BUDGETED PROPERTY TAXES | | | |
| GENERAL FUND | \$ 186,126 | \$ 66,380 | \$ 58,276 |
| DEBT SERVICE FUND | - | 265,522 | 233,102 |
| | <u>\$ 186,126</u> | <u>\$ 331,902</u> | <u>\$ 291,378</u> |

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2016 BUDGET AS ADOPTED
WITH 2014 ACTUAL AND 2015 ESTIMATED
For the Years Ended and Ending December 31,

12/22/2015

| | ACTUAL 2014 | ESTIMATED 2015 | ADOPTED 2016 |
|---|-------------------|-------------------|------------------|
| BEGINNING FUND BALANCES | \$ 474,204 | \$ 554,834 | \$ 40,435 |
| REVENUES | | | |
| 1 Property taxes | 186,126 | 66,380 | 58,276 |
| 2 Specific ownership taxes | 16,700 | 5,310 | 5,245 |
| 3 Interest income | 3,019 | 50 | 100 |
| 4 Intergovernmental transfer - District No. 4 | - | 48,869 | 70,344 |
| Total revenues | <u>205,845</u> | <u>120,609</u> | <u>133,965</u> |
| Total funds available | <u>680,049</u> | <u>675,443</u> | <u>174,400</u> |
| EXPENDITURES | | | |
| General and administration | | | |
| 5 Accounting | 16,815 | 40,000 | 30,000 |
| 6 Audit | - | - | 5,000 |
| 7 Contingency | - | - | 3,126 |
| 8 County Treasurer's fees | 2,825 | 996 | 874 |
| 9 District management | 33,749 | 35,000 | 30,000 |
| 10 Election | - | - | 2,000 |
| 11 Engineering and surveying | 3,540 | 3,875 | - |
| 12 Insurance and dues | 3,197 | 9,037 | 8,000 |
| 13 Intergovernmental transfer - District No. 1 | - | 500,000 | - |
| 14 Legal | 64,132 | 45,000 | 50,000 |
| 15 Miscellaneous | 957 | 1,100 | 1,000 |
| Total expenditures | <u>125,215</u> | <u>635,008</u> | <u>130,000</u> |
| Total expenditures and transfers out requiring appropriation | <u>125,215</u> | <u>635,008</u> | <u>130,000</u> |
| ENDING FUND BALANCES | <u>\$ 554,834</u> | <u>\$ 40,435</u> | <u>\$ 44,400</u> |
| EMERGENCY RESERVE | <u>\$ 6,200</u> | <u>\$ 3,700</u> | <u>\$ 4,100</u> |
| TOTAL RESERVE | <u>\$ 6,200</u> | <u>\$ 3,700</u> | <u>\$ 4,100</u> |

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2016 BUDGET AS ADOPTED
WITH 2014 ACTUAL AND 2015 ESTIMATED
For the Years Ended and Ending December 31,

12/22/2015

| | ACTUAL 2014 | ESTIMATED 2015 | ADOPTED 2016 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES | \$ - | \$ - | \$ - |
| REVENUES | | | |
| 1 Property taxes | - | 265,522 | 233,102 |
| 2 Specific ownership taxes | - | 21,240 | 20,980 |
| 3 Other income | - | - | 1,000 |
| Total revenues | - | 286,762 | 255,082 |
| Total funds available | - | 286,762 | 255,082 |
| EXPENDITURES | | | |
| Debt service | | | |
| 4 Contingency | - | - | 1,000 |
| 5 County Treasurer's fees | - | 3,983 | 3,497 |
| 6 Intergovernmental transfer- District No. 1 | - | 282,779 | 250,585 |
| Total expenditures | - | 286,762 | 255,082 |
| Total expenditures and transfers out requiring appropriation | - | 286,762 | 255,082 |
| ENDING FUND BALANCES | \$ - | \$ - | \$ - |

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
2016 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was formed pursuant to an Order and Decree of the Douglas County District Court issued on March 25, 1987. Formation of the District was preceded by the approval by the Town of Castle Rock of a Consolidated Service Plan for Castle Pines Commercial Metropolitan Districts Nos. 1-5 in January 1987, as amended by an Amended and Restated Consolidated Service Plan for Castle Pines Commercial Metropolitan Districts Nos. 1, 3 and 4 which is dated January 6, 2015, and approved by the Town Council on the same date. The District's service area is located entirely in Douglas County, Colorado.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitary sewer, storm sewer, streets and safety, parks and recreation, transportation facilities and fire protection.

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.

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 sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on page 3 of the Budget at the adopted mill levy of 50.000 mills, with 10.000 mills for operations and 40.000 mills for debt service.

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 9% of the property taxes collected.

Net Investment Income

Interest to be earned on the District's available funds has been estimated based on an average interest rate of approximately .015%.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
2016 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Intergovernmental Transfers

The District serves as the Operating District and pays for all operations and administrative expenditures incurred by all Districts. Property taxes to be generated from the operations mill levy imposed by Castle Pines Commercial Metropolitan District No. 4, including specific ownership taxes to be received as a result of such mill levy, are expected to be transferred to the District to help pay for the costs of operations.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, and other administrative expenditures.

County Treasurer's Fees

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

Intergovernmental Transfers

Pursuant to a Capital Pledge Agreement, property taxes to be generated from the District's debt service mill levy, including specific ownership taxes to be received as a result of imposition of the District's debt service mill levy, are expected to be transferred, net of fees, to Castle Pines Commercial Metropolitan No. 1 to pay for debt service expenditures.

Debt and Leases

The District does not have any debt or operating or capital leases.

Reserves

Emergency Reserves

The District has provided for an emergency reserve fund equal to at least 3% of the fiscal year spending for 2016, as defined under TABOR.

This information is an integral part of the accompanying budget.

EXHIBIT C

CASTLE PINES COMMERCIAL METRO DISTRICT 1, 3 & 4 (2 & 5 are inactive)
8390 E CRESCENT PARKWAY, SUITE 500
GREENWOOD VILLAGE, CO 80111
303.779.4525 FAX: 303.773.2050

| | | |
|------------|--|---|
| President: | Peter Cudlip Alberta Development Partners, LLC 5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 303-771-4004 (b) 303-771-4086 (f) pcudlip@albdev.com | Term Exp: 5/2018 Appt. 2014 2 yrs Elected 2016 2 yrs 4 year term seat |
| Secretary | Bryan McFarland Alberta Development Partners, LLC 5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 303-771-4004 (b) 303-771-4086 (f) E-mail: bmf@albdev.com | Term Exp.: 5/2018 Appt. 2014 2 yrs Elected 2016 2 yrs 4 year term seat |
| Treasurer | Vacant | Term Exp: 2020 Elected 2016 4 yrs 4 year term seat |
| Asst. Sec. | Donald G. Provost Alberta Development Partners, LLC 5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 303-771-4004 (b) 303-771-4086 (f) E-mail: dgp@albdev.com | Term Exp.: 5/2018 Appt. 2014 2 yrs Elected 2016 2 yrs 4 year term seat |
| Asst. Sec. | Dr. Shawn Batterberry 990 Diamond Ridge Circle Castle Rock, CO 80108 sbatterberry@comcast.net 303-507-9007 | Term Exp: 5/2020 No. 3 only Appt. 2015 Elected 2016 4 years 4 year term seat |
| Asst. Sec | Nicole Kawulok (f/k/a/ Haselden) Alberta Development Partners, LLC 5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 303-771-4004 (b) 303-771-4086 (f) E-mail: nicole@albdev.com | Term Exp: 5/2020 Appt. 2015 No. 1 & 4 only Elected 2016 4 yrs 4 year term seat |

Clifton Larson Allen LLP
District Manager: Denise Denslow
8390 East Crescent Parkway, Suite 500
Greenwood Village, CO 80111
303.779.4525 303.773.2050 (f)

Kristen Bear
White Bear Ankele Tanaka & Waldron
2154 E. Commons Avenue, Ste. 2000
Centennial, CO 80122
303-858-1800 (b) 303-858-1801 (f)
E-mail: kbear@wbapc.com

**2017 Meetings at 2:15 at Albert Development Partners, 5750 DTC Parkway, Suite 210,
Greenwood Village, CO 80111**

February 6

March 6

April 3

May 1

May 29

July 3

July 31

Sept 4

October 2

November 6

December 4

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



RECEIVED

By the Office of the State Auditor at 2:11 pm, Oct 24, 2017

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Board of Directors
Castle Pines Commercial Metropolitan District No. 3
Douglas County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Castle Pines Commercial Metropolitan District No. 3, as of and for the year ended December 31, 2016, 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the Castle Pines Commercial Metropolitan District No. 3 as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

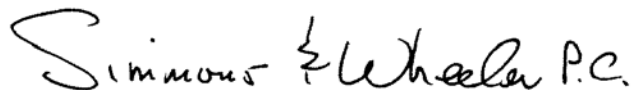
Required Supplementary Information

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 Castle Pines Commercial Metropolitan District No. 3's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Handwritten signature in cursive script that reads "Simmons & Wheeler P.C."

Englewood, CO
September 18, 2017

BASIC FINANCIAL STATEMENTS

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
December 31, 2016

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash | \$ 48,896 |
| Restricted cash | 27,638 |
| Prepaid expenses | 7,500 |
| Receivable from County Treasurer | 369 |
| Property taxes receivable | 287,535 |
| Total assets | 371,938 |
| LIABILITIES | |
| Accounts payable | 35,767 |
| Due to CPCMD No.1 | 23,933 |
| Total liabilities | 59,700 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 287,535 |
| Total deferred inflows of resources | 287,535 |
| NET POSITION | |
| Restricted for: | |
| Emergency reserves | 4,000 |
| Unrestricted | 20,703 |
| Total net position | \$ 24,703 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> | |
|---------------------------|-------------------------|-------------------------------------|---|---|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Revenue and Changes in Net Position</u> |
| | | | | <u>Governmental Activities</u> | |
| Primary government: | | | | | |
| Government activities: | | | | | |
| General government | \$ 414,407 | \$ - | \$ 69,942 | \$ - | \$ (344,465) |
| | <u>\$ 414,407</u> | <u>\$ -</u> | <u>\$ 69,942</u> | <u>\$ -</u> | <u>(344,465)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 280,198 |
| Specific Ownership Taxes | | | | | 26,808 |
| Net investment income | | | | | 2 |
| Total general revenues | | | | | <u>307,008</u> |
| Change in net position | | | | | (37,457) |
| Net position - Beginning | | | | | 62,160 |
| Net position - Ending | | | | | <u>\$ 24,703</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

| | <u>General</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|-------------------|-------------------------|---|
| ASSETS | | | |
| Cash | \$ 48,896 | \$ - | \$ 48,896 |
| Restricted cash | 4,000 | 23,638 | 27,638 |
| Prepaid expenses | 7,500 | - | 7,500 |
| Receivable from County Treasurer | 74 | 295 | 369 |
| Property taxes receivable | 57,507 | 230,028 | 287,535 |
| TOTAL ASSETS | <u>\$ 117,977</u> | <u>\$ 253,961</u> | <u>\$ 371,938</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 35,767 | \$ - | \$ 35,767 |
| Due to CPCMD No. 1 | - | 23,933 | 23,933 |
| Total liabilities | <u>35,767</u> | <u>23,933</u> | <u>59,700</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax revenue | 57,507 | 230,028 | 287,535 |
| Total deferred inflows of resources | <u>57,507</u> | <u>230,028</u> | <u>287,535</u> |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepaid expenses | 7,500 | - | 7,500 |
| Restricted for: | | | |
| Emergency reserve | 4,000 | - | 4,000 |
| Assigned to: | | | |
| Subsequent year's expenditures | 13,203 | - | 13,203 |
| Total fund balances | <u>24,703</u> | <u>-</u> | <u>24,703</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 117,977</u> | <u>\$ 253,961</u> | <u>\$ 371,938</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

| | General | Debt Service | Total Governmental Funds |
|--|----------------|-------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 56,040 | \$ 224,158 | \$ 280,198 |
| Specific Ownership Taxes | 5,362 | 21,446 | 26,808 |
| Net investment income | - | 2 | 2 |
| Intergovernmental Revenue CPCMD No. 4 | 69,942 | - | 69,942 |
| Total revenues | 131,344 | 245,606 | 376,950 |
| EXPENDITURES | | | |
| Current | | | |
| Accounting | 37,574 | - | 37,574 |
| Audit | 6,000 | - | 6,000 |
| County Treasurer's Fees | 841 | 3,364 | 4,205 |
| District management | 18,865 | - | 18,865 |
| Election | 2,855 | - | 2,855 |
| Engineering and surveying | 1,170 | - | 1,170 |
| Insurance | 9,587 | - | 9,587 |
| Interest abatement expense | 108 | 434 | 542 |
| Legal | 68,062 | - | 68,062 |
| Landscaping / snow removal | 20,179 | - | 20,179 |
| Miscellaneous | 3,560 | - | 3,560 |
| Debt service | | | |
| Intergovernmental expense - CPCMD No. 1 | - | 241,808 | 241,808 |
| Total expenditures | 168,801 | 245,606 | 414,407 |
| NET CHANGE IN FUND BALANCES | (37,457) | - | (37,457) |
| FUND BALANCES - BEGINNING OF YEAR | 62,160 | - | 62,160 |
| FUND BALANCES - END OF YEAR | \$ 24,703 | \$ - | \$ 24,703 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|-----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 58,276 | \$ 58,276 | \$ 56,040 | \$ (2,236) |
| Specific Ownership Taxes | 5,245 | 5,245 | 5,362 | 117 |
| Net investment income | 100 | 100 | - | (100) |
| Intergovernmental Revenue CPCMD No. 4 | 70,344 | 70,344 | 69,942 | (402) |
| Total revenues | <u>133,965</u> | <u>133,965</u> | <u>131,344</u> | <u>(2,621)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Accounting | 30,000 | 38,000 | 37,574 | 426 |
| Audit | 5,000 | 6,000 | 6,000 | - |
| County Treasurer's Fees | 874 | 874 | 841 | 33 |
| District management | 30,000 | 19,000 | 18,865 | 135 |
| Election | 2,000 | 2,855 | 2,855 | - |
| Engineering and surveying | - | 1,170 | 1,170 | - |
| Insurance | 8,000 | 9,600 | 9,587 | 13 |
| Interest abatement expense | - | - | 108 | (108) |
| Legal | 50,000 | 69,000 | 68,062 | 938 |
| Landscaping / snow removal | - | 20,000 | 20,179 | (179) |
| Miscellaneous | 1,000 | 3,601 | 3,560 | 41 |
| Contingency | 3,126 | - | - | - |
| Total expenditures | <u>130,000</u> | <u>170,100</u> | <u>168,801</u> | <u>1,299</u> |
| NET CHANGE IN FUND BALANCES | <u>3,965</u> | <u>(36,135)</u> | <u>(37,457)</u> | <u>(1,322)</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>40,435</u> | <u>40,435</u> | <u>62,160</u> | <u>21,725</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 44,400</u> | <u>\$ 4,300</u> | <u>\$ 24,703</u> | <u>\$ 20,403</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Castle Pines Commercial Metropolitan District No. 3 (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 Castle Pines Commercial Metropolitan District No. 1. 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 District No. 1 to pay for debt service expenditures. The District is considered the operating district.

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 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. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 property taxes, specific ownership taxes and intergovernmental revenue. 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 transfers made to District No. 1 for payments made for principal and interest on long-term debt.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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.

The District has amended its annual budget for the year ended December 31, 2016.

Pooled Cash

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 sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is also reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

Cash as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

| | |
|-------------------|------------------|
| Cash | \$ 48,896 |
| Cash - Restricted | <u>27,638</u> |
| Total cash | <u>\$ 76,534</u> |

Cash as of December 31, 2016, consist of the following:

| | |
|--------------------------------------|------------------|
| Deposits with financial institutions | \$ 76,534 |
| Total cash | <u>\$ 76,534</u> |

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, 2016, the District’s cash deposits had a bank balance of \$77,959 and a carrying balance of \$76,534.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH (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, 2016, the District had no investments.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - 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 \$120,000,000 for infrastructure improvements and operations and maintenance and \$30,000,000 for refunding the District's debt and other obligations at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Amount Authorized on November 4, 2014 | Authorized but Unissued at December 31, 2016 |
|-------------------------------|--|---|
| Streets | \$ 10,000,000 | \$ 10,000,000 |
| Park and recreation | 10,000,000 | 10,000,000 |
| Water | 10,000,000 | 10,000,000 |
| Sanitation and storm drainage | 10,000,000 | 10,000,000 |
| Public transportation | 10,000,000 | 10,000,000 |
| Mosquito control | 10,000,000 | 10,000,000 |
| Safety protection | 10,000,000 | 10,000,000 |
| Fire protection | 10,000,000 | 10,000,000 |
| Television relay | 10,000,000 | 10,000,000 |
| Security | 10,000,000 | 10,000,000 |
| Operations and maintenance | 10,000,000 | 10,000,000 |
| Special assessment debt | 10,000,000 | 10,000,000 |
| Repayment of debt | 30,000,000 | 30,000,000 |
| | <u>\$ 150,000,000</u> | <u>\$ 150,000,000</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. The District has a maximum debt service mill levy of 50.000 mills and a maximum operations mill levy of 15.000 mills, as adjusted for changes in the ratio of actual to assessed value of property within the District. As of December 31, 2016, the calculated maximum debt service mill levy was 50.000 mills of which the District levied 40.000 mills for collection in 2017.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, as follows:

| | <u>Governmental Activities</u> |
|-------------------------------|---|
| Restricted net position: | |
| Emergency reserves | \$ <u>4,000</u> |
| Total restricted net position | \$ <u><u>4,000</u></u> |

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 and Castle Pines Commercial MD No. 4 (the Taxing Districts) entered into a Capital Pledge Agreement with Castle Pines Commercial MD No. 1 to provide for the payment of the Series 2015 Bonds, and any Refunding Obligations, Parity Obligations and Permitted Subordinate Obligations issued by District No. 1. 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 19, 2014, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (Acquisitions Agreement) with Promenade Castle Rock, LLC (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 Districts ("the Project"). The Districts have 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, including a construction management fee not to exceed 5% and costs related to the formation of the District.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - AGREEMENTS (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 & 4 (each a "CPC District" and collectively "CPC Districts") and Promenade at Castle Rock Metropolitan District No. 2 (Promenade No. 2) on March 5th, 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. CPC District No. 1 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 amount requisitioned by Promenade No. 2 from CPC District No. 1 during 2016 was \$-0-.

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 District No. 1'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 (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. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

| | <u>Original and Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|--|---------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 233,102 | \$ 224,158 | \$ (8,944) |
| Specific Ownership Taxes | 20,980 | 21,446 | 466 |
| Net Investment Income | - | 2 | 2 |
| Other income | 1,000 | - | (1,000) |
| Total revenues | <u>255,082</u> | <u>245,606</u> | <u>(9,476)</u> |
| EXPENDITURES | | | |
| Debt service | | | |
| Transfer to Castle Pines Com. MD No. 1 | 250,585 | 241,808 | 8,777 |
| County Treasurer's fees | 3,497 | 3,364 | 133 |
| Interest abatement expense | - | 434 | (434) |
| Contingency | 1,000 | - | 1,000 |
| Total expenditures | <u>255,082</u> | <u>245,606</u> | <u>9,476</u> |
| NET CHANGE IN FUND BALANCES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
December 31, 2016

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u> | <u>Mills Levied</u> | | <u>Total Property Taxes</u> | | <u>Percentage Collected to Levied</u> |
|--|---|---------------------|-------------------------|-----------------------------|------------------|---|
| | | <u>Operations</u> | <u>Debt Service</u> | <u>Levied</u> | <u>Collected</u> | |
| 2012 | \$ 6,772,340 | 30.000 | 0.000 | \$ 203,170 | \$ 166,712 | 82.06% |
| 2013 | \$ 6,708,220 | 30.000 | 0.000 | \$ 201,247 | \$ 178,018 | 88.46% |
| 2014 | \$ 6,204,190 | 30.000 | 0.000 | \$ 186,126 | \$ 186,126 | 100.00% |
| 2015 | \$ 6,638,040 | 10.000 | 40.000 | \$ 331,902 | \$ 331,874 | 99.99% |
| 2016 | \$ 5,827,560 | 10.000 | 40.000 | \$ 291,378 | \$ 280,198 | 96.16% |
| Estimated for the year ending December 31, 2017 | \$ 5,750,710 | 10.000 | 40.000 | \$ 287,535 | | |

Note: Property taxes collected in any one year include collection of delinquent taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.