

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3 ANNUAL
REPORT TO
TOWN OF CASTLE ROCK
FOR THE PERIOD ENDING DECEMBER 31, 2018

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, 2018, 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 provides facilities and services 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):

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. The District does not expect to incur any capital expenditures in the next 5 years.

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) \$5,595,000 - Capital Pledge Agreement regarding the Castle Pines Commercial MD No. 1 Limited Tax Supported Revenue Bonds, Series 2015

(ii) None

(iii) *Debt was reduced by \$105,000 in 2018.*

(iv) *\$5,946,090*

(v) *40.00*

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 of this Chapter has occurred in 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

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

Financial Statements

December 31, 2018

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

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Dazio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 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.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@daziocpa.com

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Castle Pines Commercial Metropolitan District No. 3, as of December 31, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Castle Pines Commercial Metropolitan District No. 3's basic financial statements. The supplementary information and other information, as listed in the table of contents, are presented for purposes of additional analysis and legal compliance and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate 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.

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

Duggio & Associates, P.C.

July 18, 2019

BASIC FINANCIAL STATEMENTS

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities
Assets	
Cash	\$ 5,160
Cash - Restricted	5,794
Receivable from County Treasurer	3,305
Property Taxes Receivable	<u>338,223</u>
Total Assets	<u>352,482</u>
Liabilities	
Due to CPCMD No. 1	<u>4,958</u>
Deferred Inflows of Resources	
Property Taxes	<u>338,223</u>
Net Position	
Restricted	
Emergency Reserves	3,480
Unrestricted	<u>5,821</u>
Total Net Position	<u><u>\$ 9,301</u></u>

The notes to the financial statements are an integral part of this statement.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Permits, Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Governmental Activities					Governmental Activities
General government	\$ 429,635	\$ -	\$ 44,465	\$ -	\$ (385,170)
	<u>\$ 429,635</u>	<u>\$ -</u>	<u>\$ 44,465</u>	<u>\$ -</u>	<u>(385,170)</u>
			General Revenues		
			Property Taxes		314,296
			Specific Ownership Taxes		34,539
			Miscellaneous		1,690
			Total General Revenues		<u>350,525</u>
			Changes In Net Position		(34,645)
			Net Position - Beginning		43,946
			Net Position - Ending		<u>\$ 9,301</u>

The notes to the financial statements are an integral part of this statement.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash	\$ 5,160	\$ -	\$ 5,160
Cash - Restricted	3,480	2,314	5,794
Receivable from County Treasurer	661	2,644	3,305
Property Taxes Receivable	<u>92,243</u>	<u>245,980</u>	<u>338,223</u>
Total Assets	<u>\$ 101,544</u>	<u>\$ 250,938</u>	<u>\$ 352,482</u>
Liabilities			
Due to CPCMD No. 1	<u>\$ -</u>	<u>\$ 4,958</u>	<u>\$ 4,958</u>
Deferred Inflows of Resources			
Property Taxes	<u>92,243</u>	<u>245,980</u>	<u>338,223</u>
Fund Balances			
Restricted			
Emergency Reserves	3,480	-	3,480
Unassigned	<u>5,821</u>	<u>-</u>	<u>5,821</u>
Total Fund Balances	<u>9,301</u>	<u>-</u>	<u>9,301</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 101,544</u>	<u>\$ 250,938</u>	<u>\$ 352,482</u>

The notes to the financial statements are an integral part of this statement.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Property Taxes	\$ 62,859	\$ 251,437	\$ 314,296
Specific Ownership Tax	6,908	27,631	34,539
Intergovernmental Revenue CPCMD No. 4	44,465	-	44,465
Other Revenue	1,690	-	1,690
Total Revenues	<u>115,922</u>	<u>279,068</u>	<u>394,990</u>
Expenditures			
Current			
Accounting	28,681	-	28,681
Auditing	6,000	-	6,000
County Treasurer Fees	946	-	946
Election	10,488	-	10,488
Dues	961	-	961
Insurance	8,556	-	8,556
District Management	44,302	-	44,302
Legal	43,233	-	43,233
Landscaping	7,400	-	7,400
Debt Service			
Transfer to Castle Pines Com. MD No. 1	-	275,283	275,283
County Treasurer Fees	-	3,785	3,785
Total Expenditures	<u>150,567</u>	<u>279,068</u>	<u>429,635</u>
Net Change in Fund Balances	<u>(34,645)</u>	<u>-</u>	<u>(34,645)</u>
Fund Balances - Beginning	<u>43,946</u>	<u>-</u>	<u>43,946</u>
Fund Balances - Ending	<u>\$ 9,301</u>	<u>\$ -</u>	<u>\$ 9,301</u>

The notes to the financial statements are an integral part of this statement.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Property Taxes	\$ 65,320	\$ 62,859	\$ (2,461)
Specific Ownership Tax	6,532	6,908	376
Net investment income	100	-	(100)
Intergovernmental Revenue CPCMD No. 4	84,344	44,465	(39,879)
Other Revenue	-	1,690	1,690
Total Revenues	156,296	115,922	(40,374)
Expenditures			
Current			
Accounting	25,000	28,681	(3,681)
Auditing	5,000	6,000	(1,000)
County Treasurer Fees	980	946	34
Election	3,000	10,488	(7,488)
Dues	1,000	961	39
Insurance	9,800	8,556	1,244
District Management	20,000	44,302	(24,302)
Legal	60,000	43,233	16,767
Miscellaneous	1,000	-	1,000
Contingency	2,220	-	2,220
Landscaping	30,000	7,400	22,600
Total Expenditures	158,000	150,567	7,433
Net Change in Fund Balance	(1,704)	(34,645)	(32,941)
Fund Balance - Beginning	50,453	43,946	(6,507)
Fund Balance - Ending	\$ 48,749	\$ 9,301	\$ (39,448)

The notes to the financial statements are an integral part of this statement.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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. Effective November 7, 2018, the District ceased its role as the operating District and will operate fully independent from District No. 1 and District No. 4.

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

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

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

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for the governmental funds.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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.

Budgets

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

Pooled Cash

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

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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.

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

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the 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.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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- *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.

NOTE 3 - CASH

Cash as of December 31, 2018, are classified in the follows: accompanying financial statements as follows:

Statement of Net Position:

Cash	\$ 5,160
Cash - Restricted	<u>5,794</u>
Total Cash	<u>\$ 10,954</u>

Cash as of December 31, 2018, consist of the following:

Deposits with financial institutions	<u>\$ 10,954</u>
Total Cash	<u>\$ 10,954</u>

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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, 2018, the District's cash deposits had a bank balance of \$10,888 and a carrying balance of \$10,954.

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 investments 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 PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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, 2018, the District had no investments.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018**

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, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 4, 2014	Authorization Used 2015 Bonds *	Authorized but Unissued at December 31, 2018
Streets	\$ 10,000,000	\$ 4,593,075	\$ 5,406,925
Parks and Recreation	10,000,000	-	10,000,000
Water	10,000,000	17,037	9,982,963
Sanitation/Storm Sewer	10,000,000	1,251,963	8,748,037
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	12,925	9,987,075
Television Relay	10,000,000	-	10,000,000
Security	10,000,000	-	10,000,000
Operations and Maintenance	10,000,000	-	10,000,000
Refundings	10,000,000	-	10,000,000
Intergovernmental Agreements	10,000,000	-	10,000,000
Private Agreements	10,000,000	-	10,000,000
Special Assesment Debt	10,000,000	-	10,000,000
	<u>\$ 150,000,000</u>	<u>\$ 5,875,000</u>	<u>\$ 144,125,000</u>

* Issued by Castle Pines Commercial Metropolitan District No. 1

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, 2018, the calculated maximum debt service mill levy was 50.000 mills of which the District levied 40.000 mills for collection in 2019.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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, 2018, as follows:

Restricted net position:	
Emergency reserves	\$ <u>3,480</u>
Total restricted net position	\$ <u>3,480</u>

NOTE 6 - RELATED PARTY

The Developer of the property which constitutes the District was Promenade at Castle Rock, LLC. Several members of the 2018 Board of Directors were employees, owners, or were otherwise associated with the Developer and its affiliates and may have had conflicts of interest in dealing with the District. These affiliated Board members resigned in November 2018.

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.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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.

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 5, 2015. The parties agreed that Promenade No. 2 will undertake construction administration services on behalf of the CPC Districts, and will be responsible for the construction of the public improvements contemplated in the service plan for the CPC Districts. 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 2017 was \$31,768.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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.

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.

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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.

SUPPLEMENTARY INFORMATION

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Property Taxes	\$ 261,282	\$ 251,437	\$ (9,845)
Specific Ownership Tax	26,128	27,631	1,503
Miscellaneous Income	1,000	-	(1,000)
Total Revenues	288,410	279,068	(9,342)
Expenditures			
Debt Service			
Transfer to Castle Pines Com. MD No. 1	283,491	275,283	8,208
County Treasurer's fees	3,919	3,785	134
Contingency	1,000	-	1,000
Total Expenditures	288,410	279,068	9,342
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -

See the Accompanying Independent Auditor's Report

OTHER INFORMATION

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

**SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED**

Levy Year	Collection Year	Assessed Valuation	Mill Levy			Total Levy	Current Collection	Collection Rate
			General	Debt	Total			
2012	2013	\$ 6,708,220	30.000	0.000	30.000	\$ 201,247	\$ 178,018	88.46%
2013	2014	6,204,190	30.000	0.000	30.000	186,126	186,126	100.00%
2014	2015	6,638,040	10.000	40.000	50.000	331,902	331,874	99.99%
2015	2016	5,827,560	10.000	40.000	50.000	291,378	280,198	96.16%
2016	2017	5,750,710	10.000	40.000	50.000	287,535	287,535	100.00%
2017	2018	6,308,340	10.355	(1) 41.418	(1) 51.773	326,601	314,296	96.23%
Estimated for year ending December 31, 2019		\$ 5,946,090	15.513	(2) 41.368	(2) 56.881	\$ 338,223		

Notes:

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

(1) Includes a levy of 1.773 for collection of refunds and abatements.

(2) Includes a levy of 1.881 for collection of refunds and abatements.

EXHIBIT B

EXHIBIT A (PAGE 1/2)

**Castle Pines Commercial Metropolitan District No.3
General Fund 2019 Budget**

	Actual 2017	Budget 2018	Estimated 2018	Budget 2019
Revenue				
Property taxes	57,507	65,320	65,289	92,243
Specific ownership tax	6,300	6,532	6,752	9,224
Interest income	-	100	-	100
Other revenue	-	-	1,690	-
Intergovernmental revenues - District #4	70,732	84,344	76,578	-
Total Revenue	134,539	156,296	150,309	101,567
Expenditures				
Accounting	27,730	25,000	31,653	25,000
Audit	6,000	5,000	6,000	5,000
County Treasurer's fee	863	980	946	1,384
District management	12,301	20,000	14,341	15,000
District management - litigation	-	-	35,000	-
Intergovernmental transfer - District 34	-	-	26,451	-
Dues & licenses	944	1,000	960	1,000
Election expense	-	3,000	10,487	-
Engineering	455	-	-	-
Insurance & bonds	8,600	9,800	8,456	6,000
Landscaping	2,158	30,000	8,913	2,500
Legal services	52,959	60,000	14,149	30,000
Legal - litigation	-	-	33,000	-
Miscellaneous	3,286	1,000	-	1,000
Contingency	-	2,220	-	2,000
Total expenditures	115,296	158,000	190,356	88,884
Total revenue less expenditures	19,243	(1,704)	(40,047)	12,683
Beginning fund balance	24,703	50,453	43,946	3,899
Ending fund balance	43,946	48,749	3,899	16,582
Property Tax Summary				
Assessed Valuation	5,750,710	6,308,340	6,308,340	5,946,090
Mill Levy	10.000	10.000	10.000	15.000
Abatement mill levy share	-	0.355	0.355	0.513
Calculated property taxes	57,507	65,320	65,320	92,243

EXHIBIT A (PAGE 2/2)

Castle Pines Commercial Metropolitan District No.3
Debt Fund 2019 Budget

	Actual 2017	Budget 2018	Estimated 2018	Budget 2019
Revenue				
Property taxes	230,028	261,282	252,331	245,980
Specific ownership tax	25,198	26,128	27,005	24,598
Interest income	-	-	-	-
Other revenue	-	1,000	-	1,000
Total revenue	255,226	288,410	279,336	271,578
Expenditures				
Intergovernmental transfer	251,776	283,491	275,551	266,888
County Treasurer's fee	3,450	3,919	3,785	3,690
Contingency	-	1,000	-	1,000
Total expenditures	255,226	288,410	279,336	271,578
Total revenues less expenditures	-	-	-	-
Beginning fund balance	-	-	-	-
Ending fund balance	-	-	-	-
Property Tax Summary				
Assessed Valuation	5,750,710	6,308,340	6,308,340	5,946,090
Mill Levy	40.000	40.000	40.000	40.000
Abatement mill levy share	-	1.418	1.418	1.368
Calculated property taxes	230,028	261,281	261,281	245,980

EXHIBIT C

CASTLE PINES COMMERCIAL METROPOLITAN DISTRICT NO. 3

c/o Mulhern MRE, Inc.
188 INVERNESS DRIVE WEST, SUITE 150
ENGLEWOOD, COLORADO 80112
Phone: (303) 649-9857 Fax: (303) 414-0671

BOARD OF DIRECTORS LISTING – 2019

Shawn Batterberry, President

Term Ends: May, 2020, 4 year term

990 Diamond Ridge Circle
Castle Rock, CO 80108
Phone: 303-795-9234
Cell: 303-507-9007
Email: sbatterberry@comcast.net

Linda Batterberry, Director

Term. Ends: May 2020, (2 year term)

8558 New Abbey Lane
Castle Rock, CO 80104
Home: 303-795-9234
Email: director@primrosecastlerock.com

Kelly McCurley, Director

Term Ends: May, 2020, (2 year term)

13525 Woodmoor West Drive
Larkspur, CO 80118
Phone: 719-488-2425
Email: karmccurley@gmail.com

Vacant, Director

Term Ends:

Home:
Cell:
Email:

Vacant, Director

Term. Ends:

Home:
Email:

DISTRICT MANAGER

Randall Warren/Kelly Conover
188 Inverness Drive West, Suite 150
Englewood, CO 80112
Office: 303-649-9857 Fax: 303-414--0671
Email: randy@mulhernmre.com
kelly@mulhernmre.com

ACCOUNTANT

Mulhern MRE, Inc.
188 Inverness Drive West, Suite 150
Englewood, CO 80112
Office: 303-649-9857
Fax: 303-414-0671

ATTORNEY

Norton & Smith, P.C.
Charles E. Norton
1331 17th Street, Suite 500
Denver, CO 80202-1555
Office: 303-292-6400
Fax: 303-292-6401
Email: cnorton@nortonsmithlaw.com

Board Meetings are the first Friday of every month at 11:00 a.m. at the Castle Rock Chamber of Commerce, 420 Jerry Street, Castle Rock, CO, 80104

FEDERAL TAX I.D.: #61-1509152
DATE OF INCEPTION: 01/01/1987
TAX EXEMPT I D.: