

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
TOWN OF CASTLE ROCK, COLORADO**

2016 ANNUAL REPORT

Pursuant to the Service Plan for Castle Oaks Metropolitan District No. 3 (the "District"), the District is required to submit an annual report to the Town of Castle Rock, Colorado (the "Town") which reflects activity and financial events of the District through the preceding December 31 (the "report year") and includes the following:

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

A. A narrative summary of the progress of the District in implementing its service plan for the report year.

The District issued bonds in 2015 and 2016, and is using the proceeds to construct public improvements necessary for the project. See C. below.

B. Except when an exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year including a statement of financial condition (i.e. balance sheet) as of December 31 of the report year and the statement of operations (i.e. revenues and expenditures) for the report year.

An audit filing extension was granted by the Colorado Office of the State Auditor. A draft copy of the audit for the District for the year ending December 31, 2016 is attached hereto as **Exhibit A**. A final version will be supplemented when available.

C. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by or on behalf of the District in development of public facilities in the report year, as well as any capital improvements or projects currently estimated to be undertaken in the five (5) years following the report year.

The following is a summary of the planned improvements in the report year and for the next five (5) years:

Valley View Phase 3 (Includes Rocky View Road and High Point Access, as well as Green Zone and Red Zone Waterlines) - Construction to begin March 2016 and complete July 2017. Estimated budget is \$4,632,500.

Ravenwood Park - Construction to begin Third Quarter 2017 and complete Fourth Quarter 2017. Estimated budget is \$664,800.

Castle Oaks Drive South - Construction to begin Second Quarter 2018 and complete Fourth Quarter 2018. Estimated budget is \$4,009,000.

Castle Oaks Drive North (Includes Rocky View North Section) - Construction to begin Second Quarter 2018 and complete Fourth Quarter 2018. Estimated budget is \$5,400,000.

Highway 86 (South Side) - Construction to begin Third Quarter 2017 and complete Fourth Quarter 2017. Estimated budget is \$1,172,000.

Traffic Signal (Autumn Sage/Hwy 86) - Construction Fourth Quarter 2017. Estimated budget is \$298,000.

South Sewer Outfall - Construction to begin Third Quarter 2017 and complete Fourth Quarter 2017. Estimated budget is \$370,000.

D. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the report year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the report year, the amount of payment or retirement of existing indebtedness or long-term obligations issued in the report year, the total assessed valuation of all taxable properties within the District as of January 1 of the report year, and the current mill levy of the District pledged to debt retirement in the report year.

A summary of the financial obligations of the District can be found in the 2017 budget attached hereto as **Exhibit B**.

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

A copy of the District's 2017 budget is attached hereto as **Exhibit B**.

F. A summary of residential and commercial development that has occurred within the District for the report year.

Autumn Sage Drive to Highway 86 (Includes Phase 1 of Valley View Road and a portion of Castle Oaks Drive) –Project started October 2014 and was completed about September 2016. Project budget was \$3,581,000.

Highway 86 (North Side) – The District began construction on improvements August 2015 and was completed March 2016. Project budget was \$1,577,000.

Dog Park – The District started construction on the Dog Park July 2015 and was completed June 2016. Project budget was \$854,000.

Community Trails (Phase 1 and Phase 2) – The District awarded the Phase 1 Trail installation with construction to begin September 2015 and was completed June 2016. The phase 2 Trail began March 2016. The estimated budget for the Trails is \$848,000.

Valley View Phase 2 – Construction began November 2015 and is estimated to be completed the Third Quarter of 2017. Estimated budget is \$875,000.

McMurdo Drainage - Construction began November 2015 and was complete Fourth Quarter 2016. Project budget was \$1,500,000.

Development of the following Planning Area, which were complete in 2016

- PA 30 – 88 Single Family Detached Lots
- PA 33 – 55 Single Family Detached Lots

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

The District imposes a facilities development fee on the property within the District in the amount of \$4,000.

H. Certification of the Board that no action, event, or condition of Section 11.02.060 (Material Modification of Service Plan) has occurred in the report year.

The Certificate is attached hereto as **Exhibit C**.

I. The names, business addresses and phone numbers of all members of the Boards and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the board.

Board of Directors:

Craig Campbell
Starwood Land Ventures, LLC
385 Inverness Parkway, Suite 310
Englewood, CO 80112
303-858-9992

Christian Matthew Janke
E5X Management
7353 South Alton Way
Centennial, CO 80112
303-770-9111

Thomas Morton
9033 E. Easter Place, Suite 201
Centennial, CO 80112
303-888-4280

Regular Meetings:

Date: The fourth Tuesday of each month

Place: 385 Inverness Parkway, Suite 310, Englewood, Colorado, 80112

Time: 9:00 a.m.

General Counsel:

Kristin Tompkins, Esq.

WHITE BEAR ANKELE TANAKA & WALDRON

Attorneys at Law

2154 E Commons Ave, Suite 2000

Centennial, CO 80122

EXHIBIT A

Audit the Year Ending December 31, 2016

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
 BASIC FINANCIAL STATEMENTS	
 Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
 Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	6
Notes to Financial Statements.....	7
 SUPPLEMENTARY INFORMATION	 21
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	22
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	23
 OTHER INFORMATION	 24
Schedule of Debt Service Requirements to Maturity	25
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	27

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 7,536
Cash and investments - Restricted	13,203,437
Prepaid expense	3,061
Receivable from County Treasurer	537
Property taxes receivable	69,009
Construction in progress	17,107,241
Total assets	<u>30,390,821</u>
LIABILITIES	
Accounts payable	24,320
Retainage payable	82,364
Accrued interest payable	153,988
Noncurrent liabilities	
Due in more than one year	33,227,263
Total liabilities	<u>33,487,935</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	69,009
Total deferred inflows of resources	<u>69,009</u>
NET POSITION	
Restricted for:	
Emergency reserves	200
Debt service	1,618,924
Unrestricted	(4,785,247)
Total net position	<u><u>\$ (3,166,123)</u></u>

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

CASTLE OAKS 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>
Government activities:					
General government	\$ 59,186	\$ -	\$ -	\$ -	\$ (59,186)
Interest and related costs on long-term debt	<u>2,057,502</u>	-	-	<u>172,000</u>	<u>(1,885,502)</u>
	<u>\$ 2,116,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,944,688)</u>
General revenues:					
Property taxes					69,010
Specific ownership taxes					6,349
Net investment income					68,702
Total general revenues					<u>144,061</u>
Change in net position					<u>(1,800,627)</u>
Net position - Beginning					<u>(1,365,496)</u>
Net position - Ending					<u>\$ (3,166,123)</u>

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

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 7,536	\$ -	\$ -	\$ 7,536
Cash and investments - Restricted	200	7,926,491	5,276,746	13,203,437
Receivable from County Treasurer	43	494	-	537
Prepaid expenses	3,061	-	-	3,061
Property taxes receivable	5,521	63,488	-	69,009
Total assets	\$ 16,361	\$ 7,990,473	\$ 5,276,746	\$ 13,283,580
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 837	\$ -	\$ 23,483	\$ 24,320
Retainage payable	-	-	82,364	82,364
Total liabilities	837	-	105,847	106,684
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	5,521	63,488	-	69,009
Total deferred inflows of resources	5,521	63,488	-	69,009
FUND BALANCES				
Nonspendable:				
Prepaid amounts	3,061	-	-	3,061
Restricted for:				
Emergency reserves	200	-	-	200
Debt service	-	7,926,985	-	7,926,985
Capital projects	-	-	5,170,899	5,170,899
Assigned:				
Subsequent years expenditures	6,742	-	-	6,742
Total fund balances	10,003	7,926,985	5,170,899	13,107,887
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,361	\$ 7,990,473	\$ 5,276,746	

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

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

Capital assets 17,107,241

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (31,170,000)

Bond premium (net of amortization) (511,212)

Bond interest payable (153,988)

Developer advances payable (1,545,000)

\$ (3,166,123)

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

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

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	\$ 5,521	\$ 63,489	\$ -	\$ 69,010
Specific ownership taxes	563	5,786	-	6,349
Facility fees	-	172,000	-	172,000
Interest income	-	36,836	31,866	68,702
Total revenues	6,084	278,111	31,866	316,061
EXPENDITURES				
Current				
Accounting	20,726	-	25,970	46,696
Audit	5,900	-	-	5,900
County Treasurer's fees	83	952	-	1,035
Castle Oaks #2 Costs	1,774	-	-	1,774
Insurance and bonds	3,422	-	-	3,422
Legal	27,108	-	32,112	59,220
Debt service				
Bond interest	-	1,435,237	-	1,435,237
Capital				
Capital Outlay	-	-	9,129,080	9,129,080
Engineering	-	-	4,375	4,375
Bond issue costs	-	-	510,176	510,176
Total expenditures	59,186	1,439,689	9,701,713	11,200,588
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(53,102)	(1,161,578)	(9,669,847)	(10,884,527)
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	-	13,370,000	13,370,000
Bond premium	-	-	410,459	410,459
Developer advance	45,000	1,500,000	6,401,472	7,946,472
Transfers from other funds	9,521	3,262,738	-	3,272,259
Developer Repayment	-	-	(6,763,393)	(6,763,393)
Transfers to other fund	-	(9,521)	(3,262,738)	(3,272,259)
Total other financing sources (uses)	54,521	4,753,217	10,155,800	14,963,538
NET CHANGE IN FUND BALANCES				
	1,419	3,591,639	485,953	4,079,011
FUND BALANCES - BEGINNING OF YEAR				
	8,584	4,335,346	4,684,946	9,028,876
FUND BALANCES - END OF YEAR				
	\$ 10,003	\$ 7,926,985	\$ 5,170,899	\$13,107,887

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

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net changes in fund balances - Total governmental funds	\$ 4,079,011
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of any cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	9,133,455
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Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer advances	(7,946,472)
Developer advance repayment	6,763,393
Bond issuance	(13,370,000)
Bond premium	(410,459)

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

Accrued interest on Developer advances - Change in liability	(1,051)
Amortization of bond premium	12,776
Accrued interest on bonds - Change in liability	<u>(61,280)</u>

Change in net position of governmental activities	<u><u>\$ (1,800,627)</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 5,521	\$ 5,521	\$ 5,521	\$ -
Specific ownership taxes	500	500	563	63
Total revenues	<u>6,021</u>	<u>6,021</u>	<u>6,084</u>	<u>63</u>
EXPENDITURES				
Current				
Accounting	20,000	21,000	20,726	(726)
Audit	-	6,000	5,900	(5,900)
County Treasurer's fees	80	80	83	(3)
Election	5,000	5,000	173	4,827
Castle Oaks #2 Costs	-	-	1,774	(1,774)
Insurance and bonds	2,842	2,842	3,422	(580)
Legal	30,000	30,000	27,108	2,892
Contingency	1,978	1,978	-	1,978
Total expenditures	<u>59,900</u>	<u>66,900</u>	<u>59,186</u>	<u>714</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(53,879)</u>	<u>(60,879)</u>	<u>(53,102)</u>	<u>777</u>
OTHER FINANCING SOURCES (USES)				
Developer advance	45,000	45,000	45,000	-
Transfers from other funds	-	9,521	9,521	9,521
Total other financing sources (uses)	<u>45,000</u>	<u>54,521</u>	<u>54,521</u>	<u>9,521</u>
NET CHANGE IN FUND BALANCES	(8,879)	(6,358)	1,419	10,298
FUND BALANCES - BEGINNING OF YEAR	<u>17,434</u>	<u>8,584</u>	<u>8,584</u>	<u>(8,850)</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,555</u>	<u>\$ 2,226</u>	<u>\$ 10,003</u>	<u>\$ 1,448</u>

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

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

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

Pooled Cash and Investments

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

Investments are carried at fair value.

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 a deferred inflow of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Facilities Fees

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

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Amortization

Original Issue Premium

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

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

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has no items that qualify for reporting in this category.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only 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 District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 7,536
Cash and investments - Restricted	13,203,437
Total cash and investments	<u>\$ 13,210,973</u>

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

Deposits with financial institutions	\$ 277,252
Investments	12,933,721
Total cash and investments	<u>\$ 13,210,973</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 had a bank balance of \$296,727 and carrying balance of \$277,252.

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.

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 12,933,721</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2016</u>
Governmental Type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 7,973,786	\$9,133,455	\$ -	\$ 17,107,241
Total capital assets, not being depreciated	<u>\$ 7,973,786</u>	<u>\$9,133,455</u>	<u>\$ -</u>	<u>\$ 17,107,241</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirement of Long-Term Obligations</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
G.O. Bonds - Series 2015	\$ 17,800,000	\$ -	\$ -	\$ 17,800,000	\$ -
G.O. Bonds - Series 2016	-	13,370,000	-	13,370,000	-
Developer advances	361,921	7,946,472	6,763,393	1,545,000	-
Accrued interest -					
Developer advances - operations	-	1,051	-	1,051	-
Bond Premium	113,529	410,459	12,776	511,212	-
	<u>\$ 18,161,921</u>	<u>\$21,727,982</u>	<u>\$ 6,776,169</u>	<u>\$ 33,227,263</u>	<u>\$ -</u>

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

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Limited Tax Bonds

On April 16, 2015, the District issued \$17,800,000 in General Obligation Limited Tax Bonds, Series 2015. The bonds carry a coupon rate of 6.25% and mature on December 1, 2044. The bonds are secured by property taxes generated from a limited mill levy imposed on taxable property within the District of no more than 67.299 mills in the Debt Service Fund (55.000 mills adjusted for changes in the ratio of assessed values to market values), a portion of specific ownership taxes attributable to the Debt Service Fund mill levy, and a guaranty by Starwood Land Ventures, LLC which includes \$1,500,000 in escrowed funds which is recorded as a non-interest accruing payable back to the Developer so long as no amounts are drawn on the escrowed funds. The guaranty shall fund any shortfall between the pledged revenue and the debt service payments after the Surplus Fund (maximum amount is \$2,000,000) is depleted but before a draw to the Reserve Fund, but not in excess of the then applicable guaranty amount. The guaranty amount shall be lesser of \$17,800,000 or the outstanding debt, less the reserve fund and less 65% of the most recent Adjusted Assessed Value. Adjusted Assessed Value is defined as 100% of the assessed valuation of residential, commercial, personal property, and state assessed property plus 50% of the assessed value of vacant land, vacant lots, oil and gas property, and any other type of property not described above. The Surplus Fund can be released when the ratio of outstanding debt to the District's total adjusted assessed valuation is less than 55%.

The District is required to impose a minimum mill levy of 37.5934 mills (subject to adjustment) until the Surplus Fund is filled. Principal is payable annually on December 1, and interest is payable semiannually on June 1 and December 1, beginning June 1, 2015. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest and redemption premium.

The District issued its Series 2016 Bonds on June 23, 2016, in the amount of \$13,370,000. The proceeds from the sale of the Series 2016 Bonds will be used for the purposes of: (i) paying a portion of the costs of capital infrastructure improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; (ii) providing capitalized interest; (iii) funding additional deposits to the Reserve Fund; and, (iv) paying costs of issuance of the Series 2016 Bonds.

The Series 2016 Bonds bear interest at 5.50%, payable semi-annually on June 1 and December 1, beginning on December 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2023. The Series 2016 Bonds mature on December 1, 2045.

The Series 2016 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Series 2016 Bonds are secured by and payable solely from Pledged Revenue, net of any costs of collection, including: (i) property taxes derived from the Required Mill Levy; (ii) Facilities Fees; (iii) specific ownership taxes attributable to the Required Mill Levy; and, (iv) any other legally available moneys of the District credited to the Bond Fund. The Series 2016 Bonds are also secured by a Debt Service Guaranty and by amounts held in the Reserve Fund and amounts accumulated in the Surplus Fund, if any, on parity with the District's outstanding Series 2015 Bonds.

The Indenture provides a Required Mill Levy (same for both issuances) be imposed in an amount sufficient, when combined with moneys held in the Bond Fund and moneys in the Surplus Fund, if any, in excess of the Minimum Surplus Amount (\$500,000), to pay the principal of and interest on the Bonds, to fund the Reserve Fund up to the Required Reserve, and to fully repay any Guaranty Reimbursement Obligation, but not in excess of 55 mills (as adjusted) and for so long as the Surplus Fund is less than the Maximum Surplus Amount of \$2,000,000, not less than 37.5934 mills (as adjusted). Such maximum and minimum mill levies are subject to adjustment per the Gallagher Amendment (defined below) from January 9, 2001 and are currently 67.299 and 46.000, respectively.

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

Series 2015 and 2016:	Governmental Activities		
	Principal	Interest	Total
2017	-	1,847,850	\$ 1,847,850
2018	-	1,847,850	1,847,850
2019	-	1,847,850	1,847,850
2020	-	1,847,850	1,847,850
2021	-	1,847,850	
2022-2026	1,675,000	9,124,463	10,799,463
2027-2031	3,690,000	8,340,702	12,030,702
2032-2036	5,635,000	7,021,862	12,656,862
2037-2041	8,220,000	5,050,273	13,270,273
2042-2045	11,950,000	1,932,462	13,882,462
	<u>\$ 31,170,000</u>	<u>\$ 40,709,012</u>	<u>\$ 70,031,162</u>

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2016, the District had authorized but unissued general obligation indebtedness in the following amounts for the following purposes:

	Authorized November 3rd, 2015 Election	Authorization Used - Series 2015 Bonds	Authorization Used - Series 2016 Bonds	Remaining at December 31, 2015
Streets	\$ 36,000,000	\$ 5,091,000	\$ 3,824,000	\$ 27,085,000
Parks and Recreation	36,000,000	4,037,000	3,032,000	28,931,000
Water	36,000,000	3,536,000	2,656,000	29,808,000
Sewer	36,000,000	4,936,000	3,708,000	27,356,000
Transportation	36,000,000	-	-	36,000,000
Mosquito Control	36,000,000	-	-	36,000,000
Safety Protection	36,000,000	200,000	150,000	35,650,000
Television & Relay	36,000,000	-	-	36,000,000
Security	36,000,000	-	-	36,000,000
Operations	36,000,000	-	-	36,000,000
Refunding	36,000,000	-	-	36,000,000
IGA Debt	36,000,000	-	-	36,000,000
	<u>\$ 432,000,000</u>	<u>\$ 17,800,000</u>	<u>\$ 13,370,000</u>	<u>\$ 400,830,000</u>

Debt Authorization

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

NOTE 6 - NET POSITION

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$200 for Emergency Reserves and \$1,618,924 for Debt Service as of December 31, 2016.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, which will be conveyed or were conveyed to other governmental entities.

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

NOTE 7- AGREEMENTS

Funding and Reimbursement Agreement

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

During 2016, the District received \$45,000 in Developer advances and accumulated interest of \$1,051.

Acquisition and Reimbursement Agreement

The District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement dated November 21, 2014 (the "Acquisition and Reimbursement Agreement"), whereby the Developer agreed to advance funds to the District for construction of Public Infrastructure (as defined therein) and/or construct Public Infrastructure for acquisition or payment by the District. The District agrees to: (i) reimburse the Developer for all District eligible costs for which the District receives advances; (ii) acquire any Public Infrastructure constructed for the benefit of the District from the Developer that is not being dedicated to other governmental entities and to pay all reasonable costs related thereto; and (iii) to reimburse the Developer for any costs incurred by the Developer for Public Infrastructure that is being dedicated to third parties.

Prior to the reimbursement by the District, the Developer must provide the District with, among other things, a description of the Public Infrastructure, copies of all invoices, statements and evidence of payment thereof; evidence of any and all real property interests to permit the Districts' use and occupancy; as built drawing of the Public Infrastructure certified by a professional engineer or licensed land surveyor; a form of bill of sale or other instrument of conveyance; and such additional information as the District may reasonably require. Under the Acquisition and Reimbursement Agreement, the District agrees to reimburse all District eligible costs of the Developer in financing, constructing or installing such Public Infrastructure together with interest thereon at the rate of 8% per annum, accruing from the date the Developer deposits funds with the District, when the Developer has paid such funds, and such infrastructure is conveyed to the District until paid.

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

NOTE 7- AGREEMENTS (CONTINUED)

Melody Homes Agreements

Completion Guaranty Agreement – Pursuant to the Acquisition and Reimbursement Agreement discussed above, the Developer had previously agreed to construct certain public improvements, including certain street and sanitary sewer public improvements, in connection with the purchase by Melody Homes of single-family detached lots within the development (the “Melody Improvements”). With regard to such Melody Improvements, the Developer and Melody Homes entered into a Completion Guaranty Agreement dated May 14, 2015 (the “MH Completion Agreement”), whereby the Developer agreed to construct the Melody Improvements by November 1, 2015 (as such date has been extended due to force majeure); provided that in the event the Developer does not construct such improvements, Melody Homes is authorized to construct such improvements subject to reimbursement from the Developer plus interest at an annual rate of 6%. Because all Melody Improvements have been commenced by the Developer or the District (as described below), the Developer does not anticipate making any payments under the MH Completion Agreement.

Infrastructure Acquisition and Reimbursement Agreement – In the event that the Developer fails to complete the Melody Improvements or failed to reimburse Melody Homes for construction of such improvements, the District and Melody Homes have entered into an Infrastructure Acquisition and Reimbursement Agreement, dated as of May 14, 2015 (the “Melody Homes Agreement”), whereby the District has agreed to (a) reimburse Melody Homes for all costs of any kind related to the provision of the Melody Improvements that may be lawfully funded by the District (the “District Eligible Costs”), (b) acquire those Melody Improvements that are not being dedicated to other governmental entities, and (c) reimburse Melody Homes for any costs incurred for Melody Improvements being dedicated to third parties.

NOTE 8 – RELATED PARTY

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

NOTE 9 – INTERFUND AND OPERATING TRANSFERS

During 2016, the District transferred \$3,262,738 from the Capital Projects Fund to the Debt Service Fund to establish the required reserves related to the bond issuance.

The District transferred \$9,521 from the Debt Service Fund to the General Fund in order to use the funds for any lawful purpose as they were not pledged to the Series 2015 bonds nor to any other obligation.

NOTE 10 - CONSTRUCTION COMMITMENTS

As of December 31, 2016, the District had unexpended construction related contract commitments of approximately \$105,974.

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

NOTE 11 - RISK MANAGEMENT

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

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

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

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

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

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

SUPPLEMENTARY INFORMATION

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

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 63,488	\$ 63,489	\$ 1
Specific ownership taxes	5,710	5,786	76
Facility fees	-	172,000	172,000
Interest income	1,500	36,836	35,336
Total revenues	<u>70,698</u>	<u>278,111</u>	<u>207,413</u>
EXPENDITURES			
Paying agent fees	-	3,500	(3,500)
County Treasurer's fees	974	952	22
Interest expense - bonds	1,945,993	1,435,237	510,756
Total expenditures	<u>1,946,967</u>	<u>1,439,689</u>	<u>507,278</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,876,269)</u>	<u>(1,161,578)</u>	<u>714,691</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	-	1,500,000	1,500,000
Transfers from other funds	-	3,262,738	3,262,738
Transfers to other funds	-	(9,521)	(9,521)
Total other financing sources (uses)	<u>-</u>	<u>4,753,217</u>	<u>4,753,217</u>
NET CHANGE IN FUND BALANCES	(1,876,269)	3,591,639	5,467,908
FUND BALANCES - BEGINNING OF YEAR	<u>8,029,586</u>	<u>4,335,346</u>	<u>(3,694,240)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 6,153,317</u></u>	<u><u>\$ 7,926,985</u></u>	<u><u>\$ 1,773,668</u></u>

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Net investment income	\$ 5,800	\$ 5,800	\$ 31,866	\$ 26,066
Total revenues	<u>5,800</u>	<u>5,800</u>	<u>31,866</u>	<u>26,066</u>
EXPENDITURES				
Accounting	10,000	10,000	25,970	(15,970)
Engineering	-	-	4,375	(4,375)
Legal	30,000	30,000	32,112	(2,112)
Bond issue costs	-	500,000	510,176	(10,176)
Capital Outlay	8,940,398	54,460,000	9,129,080	45,330,920
Total expenditures	<u>8,980,398</u>	<u>55,000,000</u>	<u>9,701,713</u>	<u>45,298,287</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,974,598)</u>	<u>(54,994,200)</u>	<u>(9,669,847)</u>	<u>45,324,353</u>
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	13,370,000	13,370,000	-
Bond premium	-	-	410,459	410,459
Developer advance	-	41,939,254	6,401,472	(35,537,782)
Developer repayment	-	(5,000,000)	(6,763,393)	(1,763,393)
Transfers to other fund	-	-	(3,262,738)	(3,262,738)
Total other financing sources (uses)	<u>-</u>	<u>50,309,254</u>	<u>10,155,800</u>	<u>(40,153,454)</u>
NET CHANGE IN FUND BALANCES	(8,974,598)	(4,684,946)	485,953	5,170,899
FUND BALANCES - BEGINNING OF YEAR	<u>8,974,598</u>	<u>4,684,946</u>	<u>4,684,946</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,170,899</u>	<u>\$ 5,170,899</u>

OTHER INFORMATION

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	\$17,800,000 General Obligation Refunding Bonds Series 2015 Interest 6.25% Dated April 16, 2015 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
	Principal	Interest	Total
2017	\$ -	\$ 1,112,500	\$ 1,112,500
2018	-	1,112,500	1,112,500
2019	-	1,112,500	1,112,500
2020	-	1,112,500	1,112,500
2021	-	1,112,500	1,112,500
2022	-	1,112,500	1,112,500
2023	115,000	1,112,500	1,227,500
2024	235,000	1,105,313	1,340,313
2025	300,000	1,090,625	1,390,625
2026	345,000	1,071,875	1,416,875
2027	370,000	1,050,313	1,420,313
2028	420,000	1,027,188	1,447,188
2029	445,000	1,000,938	1,445,938
2030	505,000	973,125	1,478,125
2031	535,000	941,563	1,476,563
2032	600,000	908,125	1,508,125
2033	635,000	870,625	1,505,625
2034	705,000	830,937	1,535,937
2035	750,000	786,875	1,536,875
2036	825,000	740,000	1,565,000
2037	880,000	688,437	1,568,437
2038	965,000	633,437	1,598,437
2039	1,025,000	573,125	1,598,125
2040	1,120,000	509,062	1,629,062
2041	1,190,000	439,062	1,629,062
2042	1,295,000	364,687	1,659,687
2043	1,380,000	283,750	1,663,750
2044	3,160,000	197,500	3,357,500
	<u>\$ 17,800,000</u>	<u>\$ 23,874,062</u>	<u>\$ 41,674,062</u>

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	\$13,370,000 General Obligation Refunding Bonds			TOTALS		
	Series 2016					
	Interest 5.5%					
	Dated June 23, 2016					
	Interest Payable June 1 and December 1					
	Principal Payable December 1					
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 735,350	\$ 735,350	\$ -	\$ 1,847,850	
2018	-	735,350	735,350	-	1,847,850	
2019	-	735,350	735,350	-	1,847,850	
2020	-	735,350	735,350	-	1,847,850	
2021	-	735,350	735,350	-	1,847,850	
2022	-	735,350	735,350	-	1,847,850	
2023	90,000	735,350	825,350	205,000	1,847,850	
2024	180,000	730,400	910,400	415,000	1,835,713	
2025	190,000	720,500	910,500	490,000	1,811,125	
2026	220,000	710,050	930,050	565,000	1,781,925	
2027	230,000	697,950	927,950	600,000	1,748,263	
2028	265,000	685,300	950,300	685,000	1,712,488	
2029	280,000	670,725	950,725	725,000	1,671,663	
2030	310,000	655,325	965,325	815,000	1,628,450	
2031	330,000	638,275	968,275	865,000	1,579,838	
2032	365,000	620,125	985,125	965,000	1,528,250	
2033	385,000	600,050	985,050	1,020,000	1,470,675	
2034	425,000	578,875	1,003,875	1,130,000	1,409,812	
2035	450,000	555,500	1,005,500	1,200,000	1,342,375	
2036	495,000	530,750	1,025,750	1,320,000	1,270,750	
2037	520,000	503,525	1,023,525	1,400,000	1,191,962	
2038	570,000	474,925	1,044,925	1,535,000	1,108,362	
2039	600,000	443,575	1,043,575	1,625,000	1,016,700	
2040	655,000	410,575	1,065,575	1,775,000	919,637	
2041	695,000	374,550	1,069,550	1,885,000	813,612	
2042	755,000	336,325	1,091,325	2,050,000	701,012	
2043	790,000	294,800	1,084,800	2,170,000	578,550	
2044	860,000	251,350	1,111,350	4,020,000	448,850	
2045	3,710,000	204,050	3,914,050	3,710,000	204,050	
	<u>\$ 13,370,000</u>	<u>\$ 16,834,950</u>	<u>\$30,204,950</u>	<u>\$ 31,170,000</u>	<u>\$ 40,709,012</u>	<u>\$ -</u>

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE 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>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 1,627,230	40.000	4.000	\$ 71,598	\$ 71,613	100.02%
2013	\$ 1,579,000	40.000	4.000	\$ 69,476	\$ 69,477	100.00%
2014	\$ 961,100	4.000	40.000	\$ 42,288	\$ 42,288	100.00%
2015	\$ 751,030	10.000	46.000	\$ 42,058	\$ 42,058	100.00%
2016	\$ 1,380,170	4.000	46.000	\$ 69,009	\$ 69,010	100.00%
Estimated for the year ending December 31, 2017	\$ 2,798,920	4.000	46.000	\$ 139,946		

NOTE:

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

EXHIBIT B

2017 Budget



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

Accountant's Compilation Report

Board of Directors
Castle Oaks Metropolitan District #3
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Castle Oaks Metropolitan District #3 for the year ending December 31, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015. 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. A compilation is limited to presenting, in the form prescribed by CRS 29-1-105, information that is the representation of management. 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 to Castle Oaks Metropolitan District #3.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 04, 2017

CASTLE OAKS METROPOLITAN DISTRICT #3
SUMMARY
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 91,865	\$ 9,028,876	\$ 15,589,095
REVENUES			
1 Property taxes	42,058	69,009	139,946
2 Specific ownership taxes	4,042	6,210	12,600
3 System development fees	-	176,000	756,000
4 Developer advance	5,677,123	5,786,522	1,040,000
5 Net investment income	17,383	28,250	26,500
6 Bond issuance	17,800,000	13,370,000	-
7 Bond Premium	116,056	410,459	-
8 Intergovernmental revenue - Castle Oaks #2	16,209	-	-
Total revenues	<u>23,672,871</u>	<u>19,846,450</u>	<u>1,975,046</u>
TRANSFERS IN	<u>5,023,472</u>	<u>3,272,259</u>	<u>-</u>
Total funds available	<u>28,788,208</u>	<u>32,147,585</u>	<u>17,564,141</u>
EXPENDITURES			
9 General and administration			
10 Accounting	15,892	25,000	20,000
11 Audit	-	5,900	5,900
12 Castle Oaks #2 Costs	15,869	3,000	1,000
13 Contingency	-	-	3,337
14 County Treasurer's fees	113	83	170
15 Election	-	-	-
16 Insurance	2,731	3,422	3,593
17 Legal	63,496	22,000	25,000
18 Debt service			
19 Bond interest Series 2015	695,313	1,112,500	1,112,500
20 Bond interest Series 2016	-	322,727	735,350
21 Contingency	-	-	2,220
22 County Treasurer's fees	517	974	1,930
23 Developer note repayment	8,000	-	-
24 Paying agent fees	-	7,000	7,000
25 Capital projects			
26 Accounting	5,264	15,000	15,000
27 Capital Outlay	7,965,446	6,976,927	7,630,314
28 Cost of Issuance	573,768	242,776	-
29 Developer Repayment	5,315,202	4,241,522	1,000,000
30 Engineering	7,840	5,000	-
31 Legal	65,909	35,000	30,000
32 Permits	500	-	-
33 Underwriter's discount	-	267,400	-
Total expenditures	<u>14,735,860</u>	<u>13,286,231</u>	<u>10,593,314</u>
TRANSFERS OUT	<u>5,023,472</u>	<u>3,272,259</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>19,759,332</u>	<u>16,558,490</u>	<u>10,593,314</u>
ENDING FUND BALANCES	<u>\$ 9,028,876</u>	<u>\$ 15,589,095</u>	<u>\$ 6,970,827</u>
EMERGENCY RESERVE	\$ 800	\$ 200	\$ 400
DEBT SERVICE RESERVE	-	2,959,981	2,959,981
TOTAL RESERVE	<u>\$ 800</u>	<u>\$ 2,960,181</u>	<u>\$ 2,960,381</u>

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

CASTLE OAKS METROPOLITAN DISTRICT #3
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
ASSESSED VALUATION - Douglas			
Commercial	\$ 15,270	\$ -	\$ -
Agricultural	2,770	2,720	2,330
Vacant Land	584,790	1,231,050	2,655,070
State Assessed	148,200	146,400	141,500
Natural Resources	-	-	20
Certified Assessed Value	<u>\$ 751,030</u>	<u>\$ 1,380,170</u>	<u>\$ 2,798,920</u>
MILL LEVY			
GENERAL FUND	10.000	4.000	4.000
DEBT SERVICE FUND	46.000	46.000	46.000
Total Mill Levy	<u>56.000</u>	<u>50.000</u>	<u>50.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 7,510	\$ 5,521	\$ 11,196
DEBT SERVICE FUND	34,547	63,488	128,750
Levied property taxes	42,057	69,009	139,946
Adjustments to actual/rounding	1	-	-
Budgeted Property Taxes	<u>\$ 42,058</u>	<u>\$ 69,009</u>	<u>\$ 139,946</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 7,510	\$ 5,521	\$ 11,196
DEBT SERVICE FUND	34,548	63,488	128,750
	<u>\$ 42,058</u>	<u>\$ 69,009</u>	<u>\$ 139,946</u>

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

CASTLE OAKS METROPOLITAN DISTRICT #3
GENERAL FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 43,809	\$ 8,584	\$ 9,721
REVENUES			
1 Property taxes	7,510	5,521	11,196
2 Specific ownership taxes	722	500	1,010
3 Developer advance	-	45,000	40,000
4 Intergovernmental revenue - Castle Oaks #2	16,209	-	-
Total revenues	24,441	51,021	52,206
TRANSFERS IN			
DEBT SERVICE FUND	38,435	9,521	-
Total transfers in	38,435	9,521	-
Total funds available	106,685	69,126	61,927
EXPENDITURES			
General and administration			
5 Accounting	15,892	25,000	20,000
6 Audit	-	5,900	5,900
7 Castle Oaks #2 Costs	15,869	3,000	1,000
8 Contingency	-	-	3,337
9 County Treasurer's fees	113	83	170
10 Election	-	-	-
11 Insurance	2,731	3,422	3,593
12 Legal	63,496	22,000	25,000
Total expenditures	98,101	59,405	59,000
Total expenditures and transfers out requiring appropriation	98,101	59,405	59,000
ENDING FUND BALANCES	\$ 8,584	\$ 9,721	\$ 2,927
EMERGENCY RESERVE	\$ 800	\$ 200	\$ 400
TOTAL RESERVE	\$ 800	\$ 200	\$ 400

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

CASTLE OAKS METROPOLITAN DISTRICT #3
DEBT SERVICE FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 48,056	\$ 4,335,346	\$ 7,910,560
REVENUES			
1 Property taxes	34,548	63,488	128,750
2 Specific ownership taxes	3,320	5,710	11,590
3 System development fees	-	176,000	756,000
4 Developer advance	-	1,500,000	-
5 Net investment income	6,650	20,000	20,000
Total revenues	44,518	1,765,198	916,340
TRANSFERS IN			
CAPITAL PROJECTS FUND	4,985,037	3,262,738	-
Total transfers in	4,985,037	3,262,738	-
Total funds available	5,077,611	9,363,282	8,826,900
EXPENDITURES			
Debt service			
6 Bond interest Series 2015	695,313	1,112,500	1,112,500
7 Bond interest Series 2016	-	322,727	735,350
8 Contingency	-	-	2,220
9 County Treasurer's fees	517	974	1,930
10 Developer note repayment	8,000	-	-
11 Paying agent fees	-	7,000	7,000
Total expenditures	703,830	1,443,201	1,859,000
TRANSFERS OUT			
GENERAL FUND	38,435	9,521	-
Total transfers out	38,435	9,521	-
Total expenditures and transfers out requiring appropriation	742,265	1,452,722	1,859,000
ENDING FUND BALANCES	\$ 4,335,346	\$ 7,910,560	\$ 6,967,900
DEBT SERVICE RESERVE	\$ -	\$ 2,959,981	\$ 2,959,981
TOTAL RESERVE	\$ -	\$ 2,959,981	\$ 2,959,981

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

CASTLE OAKS METROPOLITAN DISTRICT #3
CAPITAL PROJECTS FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ 4,684,946	\$ 7,668,814
REVENUES			
1 Developer advance	5,677,123	4,241,522	1,000,000
2 Net investment income	10,733	8,250	6,500
3 Bond issuance	17,800,000	13,370,000	-
4 Bond Premium	116,056	410,459	-
Total revenues	23,603,912	18,030,231	1,006,500
Total funds available	23,603,912	22,715,177	8,675,314
EXPENDITURES			
Capital projects			
5 Accounting	5,264	15,000	15,000
6 Capital Outlay	7,965,446	6,976,927	7,630,314
7 Cost of Issuance	573,768	242,776	-
8 Developer Repayment	5,315,202	4,241,522	1,000,000
9 Engineering	7,840	5,000	-
10 Legal	65,909	35,000	30,000
11 Permits	500	-	-
12 Underwriter's discount	-	267,400	-
Total expenditures	13,933,929	11,783,625	8,675,314
TRANSFERS OUT			
DEBT SERVICE FUND			
Total transfers out	4,985,037	3,262,738	-
Total expenditures and transfers out requiring appropriation	18,918,966	15,046,363	8,675,314
ENDING FUND BALANCES	\$ 4,684,946	\$ 7,668,814	\$ -

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

CASTLE OAKS METROPOLITAN DISTRICT #3
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by court order and decree of the District Court for the County of Douglas on June 29, 2006, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is located within the Town of Castle Rock, Colorado.

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

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

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105.

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.

For collection year 2017, the District adopted a mill levy of 4.000 for operations and 46.000 for debt service. The calculation is reflected on page 3 of the Budget.

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

**CASTLE OAKS METROPOLITAN DISTRICT #3
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Developer Advances

The District is in the development stage. As such, the Developer is expected to fund a portion of the District's operational expenditures in 2017. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer.

Expenditures

Administrative Expenditures

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

County Treasurer's Fees

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

Capital Outlay

Anticipated expenditures for capital outlay in 2017 are detailed on page 6 of the budget.

Debt Service

Principal and interest payments in 2017 are provided based on the debt amortization schedules from the Series 2015 Bonds and the Series 2016 Bonds.

Debt and Leases

On April 16, 2015, the District issued \$17,800,000 in General Obligation Limited Tax Bonds, Series 2015. The bonds carry a coupon rate of 6.25% and mature on December 1, 2044. The bonds are secured by property taxes generated from a limited mill levy imposed on taxable property within the District of no more than 67.299 mills in the Debt Service Fund (55.000 mills adjusted for changes in the ratio of assessed values to market values), a portion of specific ownership taxes attributable to the Debt Service Fund mill levy, and a guaranty by Starwood Land Ventures, LLC which includes \$1,500,000 in escrowed funds.. The guaranty shall fund any shortfall between the pledged revenue and the debt service payments after the Surplus Fund (maximum amount is \$2,000,000) is depleted but before a draw to the Reserve Fund, but not in excess of the then applicable guaranty amount. The guaranty amount shall be lesser of \$17,800,000 or the outstanding debt, less the reserve fund and less 65% of the most recent Adjusted Assessed Value. Adjusted Assessed Value is defined as 100% of the assessed valuation of residential, commercial, personal property, and state assessed property plus 50% of the assessed value of vacant land, vacant lots, oil and gas property, and any other type of property not described above. The Surplus Fund can be released when the ratio of outstanding debt to the District's total adjusted assessed valuation is less than 55%.

**CASTLE OAKS METROPOLITAN DISTRICT #3
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases - (continued)

The District is required to impose a minimum mill levy of 37.5934 mills (subject to adjustment) until the Surplus Fund is filled. Principal is payable annually on December 1, and interest is payable semiannually on June 1 and December 1, beginning June 1, 2015. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest and redemption premium.

The District issued its Series 2016 Bonds on June 23, 2016, in the amount of \$13,370,000. The proceeds from the sale of the Series 2016 Bonds will be used for the purposes of: (i) paying a portion of the costs of capital infrastructure improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; (ii) providing capitalized interest; (iii) funding additional deposits to the Reserve Fund; and, (iv) paying costs of issuance of the Series 2016 Bonds.

The Series 2016 Bonds bear interest at 5.50%, payable semi-annually on June 1 and December 1, beginning on December 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2023. The Series 2016 Bonds mature on December 1, 2045.

The Series 2016 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest.

The Series 2016 Bonds are secured by and payable solely from Pledged Revenue, net of any costs of collection, including: (i) property taxes derived from the Required Mill Levy; (ii) Facilities Fees; (iii) specific ownership taxes attributable to the Required Mill Levy; and, (iv) any other legally available moneys of the District credited to the Bond Fund. The Series 2016 Bonds are also secured by a Debt Service Guaranty and by amounts held in the Reserve Fund and amounts accumulated in the Surplus Fund, if any, on parity with the District's outstanding Series 2015 Bonds.

The Indenture provides a Required Mill Levy (same for both issuances) be imposed in an amount sufficient, when combined with moneys held in the Bond Fund and moneys in the Surplus Fund, if any, in excess of the Minimum Surplus Amount (\$500,000), to pay the principal of and interest on the Bonds, to fund the Reserve Fund up to the Required Reserve, and to fully repay any Guaranty Reimbursement Obligation, but not in excess of 55 mills (as adjusted) and for so long as the Surplus Fund is less than the Maximum Surplus Amount of \$2,000,000, not less than 37.5934 mills (as adjusted). Such maximum and minimum mill levies are subject to adjustment per the Gallagher Amendment (defined below) from January 9, 2001 and are currently 67.299 and 46.000, respectively.

The District has no operating or capital leases.

Reserve Funds

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of the fiscal year spending for 2017, as defined under TABOR.

Debt Service Reserves

The District maintains a Debt Service Reserve as required with the issuance of the Series 2015 Bonds and Series 2016 Bonds in the amount of \$2,959,981.

This information is an integral part of the accompanying budget.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	\$17,800,000 General Obligation Refunding Bonds		
	Series 2015		
	Interest 6.25%		
	Dated April 16, 2015		
	Interest Payable June 1 and December 1		
	Principal Payable December 1		
	Principal	Interest	Total
2017	\$ -	\$ 1,112,500	\$ 1,112,500
2018	-	1,112,500	1,112,500
2019	-	1,112,500	1,112,500
2020	-	1,112,500	1,112,500
2021	-	1,112,500	1,112,500
2022	-	1,112,500	1,112,500
2023	115,000	1,112,500	1,227,500
2024	235,000	1,105,313	1,340,313
2025	300,000	1,090,625	1,390,625
2026	345,000	1,071,875	1,416,875
2027	370,000	1,050,313	1,420,313
2028	420,000	1,027,188	1,447,188
2029	445,000	1,000,938	1,445,938
2030	505,000	973,125	1,478,125
2031	535,000	941,563	1,476,563
2032	600,000	908,125	1,508,125
2033	635,000	870,625	1,505,625
2034	705,000	830,937	1,535,937
2035	750,000	786,875	1,536,875
2036	825,000	740,000	1,565,000
2037	880,000	688,437	1,568,437
2038	965,000	633,437	1,598,437
2039	1,025,000	573,125	1,598,125
2040	1,120,000	509,062	1,629,062
2041	1,190,000	439,062	1,629,062
2042	1,295,000	364,687	1,659,687
2043	1,380,000	283,750	1,663,750
2044	3,160,000	197,500	3,357,500
	\$ 17,800,000	\$ 23,874,062	\$ 41,674,062


CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31,	\$13,370,000 General Obligation Refunding Bonds		
	Series 2016		
	Interest 5.5%		
	Dated June 23, 2016		
	Interest Payable June 1 and December 1		
	Principal Payable December 1		
	Principal	Interest	Total
2017	\$ -	\$ 735,350	\$ 735,350
2018	-	735,350	735,350
2019	-	735,350	735,350
2020	-	735,350	735,350
2021	-	735,350	735,350
2022	-	735,350	735,350
2023	90,000	735,350	825,350
2024	180,000	730,400	910,400
2025	190,000	720,500	910,500
2026	220,000	710,050	930,050
2027	230,000	697,950	927,950
2028	265,000	685,300	950,300
2029	280,000	670,725	950,725
2030	310,000	655,325	965,325
2031	330,000	638,275	968,275
2032	365,000	620,125	985,125
2033	385,000	600,050	985,050
2034	425,000	578,875	1,003,875
2035	450,000	555,500	1,005,500
2036	495,000	530,750	1,025,750
2037	520,000	503,525	1,023,525
2038	570,000	474,925	1,044,925
2039	600,000	443,575	1,043,575
2040	655,000	410,575	1,065,575
2041	695,000	374,550	1,069,550
2042	755,000	336,325	1,091,325
2043	790,000	294,800	1,084,800
2044	860,000	251,350	1,111,350
2045	3,710,000	204,050	3,914,050
	\$ 13,370,000	\$ 16,834,950	\$ 30,204,950

EXHIBIT C

Certification

On behalf of the Board of Directors of the Castle Oaks Metropolitan District No. 3, I hereby certify that with the exception of Section 11.02.060.D, no action, event or condition set forth in Section 11.02.060 of the Intergovernmental Affairs Chapter of the Town of Castle Rock Code has occurred in the report year.



Craig Campbell, President