

**Promenade at Castle Rock Metropolitan  
District Nos. 1-3**

**2017 Consolidated Annual Report**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NOS. 1-3**

**2017 CONSOLIDATED ANNUAL REPORT  
TO  
THE TOWN OF CASTLE ROCK, COLORADO**

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Pursuant to the Consolidated Service Plan for Promenade at Castle Rock Metropolitan District Nos. 1-3 (individually, "District No. 1," "District No. 2" and "District No. 3" and collectively, the "Districts") dated January 7, 2014, the Districts are required to submit an annual report to the Town of Castle Rock, Colorado (the "Town") which reflects activity and financial events of the Districts through the preceding December 31 (the "report year") and includes the following:

**For the year ending December 31, 2017, the Districts make the following report:**

**A. A narrative summary of the progress of the District in implementing their service plan for the report year:**

The Districts continue to implement the development schedule as contemplated in the Consolidated Service Plan dated January 7, 2014.

**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:**

The 2017 Audits for District Nos. 1 & 2 are attached as **Exhibit A**. District No. 3 applied for an exemption from audit for 2017 under the Local Government Audit Law, and a copy of the application is attached also as **Exhibit A**.

**C. Unless disclosed within a separate schedule to the financial statements, 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:**

Consistent with the representations made in the Districts' Consolidated Service Plan and financial plan attached thereto, the Districts anticipate undertaking substantial work toward the development of public facilities, capital improvements and projects in the near term. Development of public facilities is ongoing and during the report year District No. 2 filed requisitions with the Town as required, each of which includes a summary of capital expenditures with the Engineer's Certifications. Additional information on capital expenditures for the report year will be included with the District Nos. 1 and 2 2017 Audits.

Copies of the Districts' 2017 budgets are attached as **Exhibit C**.

**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:**

For a summary of the financial obligations of the Districts as of December 31, 2017, see attached **Exhibit A** for District No. 3 and the 2017 Audits for District Nos. 1 & 2, which will be sent to the town upon completion.

|                 | <u>Assessed Valuation</u> | <u>Debt Service Obligation Mill Levy</u> |
|-----------------|---------------------------|--|
| District No. 1: | \$713,330                 | 44.222 mills                             |
| District No. 2: | 0                         | 0.000 mills                              |
| District No. 3: | \$30,954,210              | 40.000 mills                             |

**E. The Districts’ budgets for the calendar year in which the annual report is submitted:**

Copies of the Districts’ 2018 budgets are attached as **Exhibit D**.

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

During the report year District No. 2 undertook responsibility, on behalf of and for the benefit of the Districts, to provide certain public infrastructure as required for residential and commercial construction within and without the Districts. Construction is ongoing and requisitions are periodically filed with the Town by District No. 2 detailing that requisition period’s construction, and identifying construction of public improvements for review and authorization by the Town. Such public improvements include, but are not limited to, street, water and sanitary sewer infrastructure, over lot grading, retaining walls and landscape improvements.

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

There are no fees, charges or assessments imposed by the Districts as of January 1 of the report year.

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

The Boards of Directors of the Districts hereby certify that no action, event or condition has taken place constituting a material modification of the Service Plan as of December 31, 2017 since the Consolidated Service Plan was approved by the Town on January 7, 2014.

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

Peter M. Cudlip, President  
5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 Telephone: (303) 771-4004

Robert L. Walter, Assistant Secretary  
5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 Telephone: (303) 771-4004

Bryan C. McFarland, Assistant Secretary  
5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 Telephone: (303) 771-4004

Donald G. Provost, Assistant Secretary  
5750 DTC Parkway, Suite 210 Greenwood Village, CO 80111 Telephone: (303) 771-4004

General Counsel:

Kristen D. Bear, Esq.  
White Bear Ankele Tanaka and Waldron, Attorneys at Law  
2154 E. Commons Ave., Suite 2000  
Centennial, CO 80122  
Telephone: (303) 858-1800

Regular Meetings:

Date: February 5<sup>th</sup>, March 5<sup>th</sup>, April 2<sup>nd</sup>, May 7<sup>th</sup>, May 28<sup>th</sup>, July 2<sup>nd</sup>, July 30<sup>th</sup>, September 3<sup>rd</sup>, October 1<sup>st</sup>, November 5<sup>th</sup>, and December 3<sup>rd</sup>  
Place: 5750 DTC Parkway, Suite 210, Greenwood Village, Colorado  
Time: 2:15 p.m.

**EXHIBIT A**  
**2017 Audit (Nos. 1 & 2 Only)**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**Douglas County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2017**

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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 1  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Promenade at Castle Rock Metropolitan District No. 1 as of and for the year December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112  
303-905-0809 • [info@dazziocpa.com](mailto:info@dazziocpa.com)

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •



## 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 Promenade at Castle Rock Metropolitan District No. 1, as of December 31, 2017, 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Promenade at Castle Rock Metropolitan District No. 1's basic financial statements. The budget to actual schedules for the debt service and capital projects funds (the Supplementary Information) and the schedule of debt service requirements to maturity and the summary of assessed valuation, mill levy and property taxes collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic 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.

*Duzzio & Associates, P.C.*

July 9, 2018

## **BASIC FINANCIAL STATEMENTS**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**Year ended December 31, 2017**

|                                      | <b>Governmental<br/>Activities</b> |
|--------------------------------------|------------------------------------|
| <b>ASSETS</b>                        |                                    |
| Cash and investments - Restricted    | \$ 6,851,792                       |
| Escrowed Funds                       | 1,423,015                          |
| PIF receivable                       | 213,292                            |
| Receivable from County Treasurer     | 774                                |
| Property taxes receivable            | 39,431                             |
| Due from Promenade No. 3             | 2,682                              |
| Total assets                         | 8,530,986                          |
| <b>LIABILITIES</b>                   |                                    |
| Restricted escrow - (sureties)       | 937,626                            |
| Escrow - Developer (private costs)   | 485,389                            |
| Accrued interest payable             | 162,848                            |
| Noncurrent liabilities:              |                                    |
| Due within one year                  | 220,000                            |
| Due in more than one year            | 37,253,060                         |
| Total liabilities                    | 39,059,078                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |                                    |
| Deferred property tax revenue        | 39,431                             |
| Total deferred inflows of resources  | 39,431                             |
| <b>NET POSITION</b>                  |                                    |
| Restricted for:                      |                                    |
| Debt service                         | 30,626                             |
| Unrestricted                         | (30,598,149)                       |
| Total net position                   | \$ (30,567,523)                    |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2017

| <u>Functions/Programs</u>                    | <u>Expenses</u>     | <u>Program Revenues</u>             |   | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</u> |
|--|---------------------|-------------------------------------|---|---|--|
|  |                     | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |   | <u>Governmental<br/>Activities</u>                                   |
| Primary government:                          |                     |                                     |   |   |  |
| Government activities:                       |                     |                                     |   |   |  |
| General government                           | \$ 5,186,951        | \$ -                                | \$ -  | \$ -  | \$ (5,186,951)   |
| Interest and related costs on long-term debt | 2,242,186           | 1,135,906                           | 414,559   | -   | (691,721)  |
|  | <u>\$ 7,429,137</u> | <u>\$ 1,135,906</u>                 | <u>\$ 414,559</u>                                 | <u>\$ -</u>                                     | <u>(5,878,672)</u>   |
| General revenues:                            |                     |                                     |   |   |  |
| Property taxes                               |                     |                                     |   |   | 15,435   |
| Specific ownership                           |                     |                                     |   |   | 2,029  |
| Net investment income                        |                     |                                     |   |   | 76,242   |
| Total general revenues                       |                     |                                     |   |   | <u>93,706</u>  |
| Change in net position                       |                     |                                     |   |   | (5,784,966)  |
| Net position - Beginning                     |                     |                                     |   |   | (24,782,557)   |
| Net position - Ending                        |                     |                                     |   |   | <u>\$ (30,567,523)</u>   |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
Year ended December 31, 2017

|   | <u>General</u>  | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-----------------|-------------------------|-----------------------------|---|
| <b>ASSETS</b>   |                 |                         |                             |   |
| Cash and investments - Restricted   | \$ -            | \$ 3,514,100            | \$ 3,337,692                | \$ 6,851,792                            |
| Escrowed Funds  | -               | -                       | 1,423,015                   | 1,423,015                               |
| Public improvement fee receivable   | -               | 213,292                 | -                           | 213,292                                 |
| Receivable from County Treasurer  | 155             | 619                     | -                           | 774                                     |
| Property taxes receivable   | 7,886           | 31,545                  | -                           | 39,431                                  |
| Due from Promenade No. 3  | -               | 2,682                   | -                           | 2,682                                   |
| <b>TOTAL ASSETS</b>   | <u>\$ 8,041</u> | <u>\$ 3,762,238</u>     | <u>\$ 4,760,707</u>         | <u>\$ 8,530,986</u>                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>       |                 |                         |                             |   |
| <b>LIABILITIES</b>  |                 |                         |                             |   |
| Due to Promenade No. 2  | \$ 155          | \$ -                    | \$ -                        | \$ 155                                  |
| Restricted Escrow - (sureties)  | -               | -                       | 937,626                     | 937,626                                 |
| Escrow - Developer (private costs)  | -               | -                       | 485,389                     | 485,389                                 |
| Total liabilities   | <u>155</u>      | <u>-</u>                | <u>1,423,015</u>            | <u>1,423,170</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                 |                         |                             |   |
| Deferred property tax revenue   | <u>7,886</u>    | <u>31,545</u>           | <u>-</u>                    | <u>39,431</u>                           |
| Total deferred inflows of resources                                       | <u>7,886</u>    | <u>31,545</u>           | <u>-</u>                    | <u>39,431</u>                           |
| <b>FUND BALANCES</b>  |                 |                         |                             |   |
| Restricted for:   |                 |                         |                             |   |
| Debt service  | -               | 3,730,693               | -                           | 3,730,693                               |
| Capital projects  | -               | -                       | 3,337,692                   | 3,337,692                               |
| Total fund balances   | <u>-</u>        | <u>3,730,693</u>        | <u>3,337,692</u>            | <u>7,068,385</u>                        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <u>\$ 8,041</u> | <u>\$ 3,762,238</u>     | <u>\$ 4,760,707</u>         |   |

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

|  |                        |
|--|------------------------|
| 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 - Series 2015A   | (34,615,000)           |
| Bonds payable - Series 2015B   | (2,825,000)            |
| Accrued interest - Series 2015A  | (162,848)              |
| Accrued interest - Series 2015B  | (439,331)              |
| Original Issue Discount  | 406,271                |
| Net position of governmental activities  | <u>\$ (30,567,523)</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended December 31, 2017

|  | <u>General</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------|-------------------------|-----------------------------|---|
| <b>REVENUES</b>                          |                |                         |                             |   |
| Property taxes                           | \$ 3,087       | \$ 12,348               | \$ -                        | \$ 15,435                               |
| Specific Ownership Taxes                 | 406            | 1,623                   | -                           | 2,029                                   |
| Public Improvement Fees                  | -              | 1,135,906               | -                           | 1,135,906                               |
| Transfer from Promenade No. 3            | -              | 414,559                 | -                           | 414,559                                 |
| Net investment income                    | -              | 37,539                  | 38,703                      | 76,242                                  |
| Total revenues                           | <u>3,493</u>   | <u>1,601,975</u>        | <u>38,703</u>               | <u>1,644,171</u>                        |
| <b>EXPENDITURES</b>                      |                |                         |                             |   |
| Current                                  |                |                         |                             |   |
| County Treasurer's Fees                  | 46             | 185                     | -                           | 231                                     |
| PIF Collection fee                       | -              | 25,000                  | -                           | 25,000                                  |
| Transfer to Promenade No. 2              | 3,447          | -                       | -                           | 3,447                                   |
| Debt service                             |                |                         |                             |   |
| Bond interest                            | -              | 2,108,955               | -                           | 2,108,955                               |
| Trustee fees                             | -              | 3,500                   | -                           | 3,500                                   |
| Capital outlay                           |                |                         |                             |   |
| Transfer to Promenade No. 2              | -              | -                       | 5,154,773                   | 5,154,773                               |
| Total expenditures                       | <u>3,493</u>   | <u>2,137,640</u>        | <u>5,154,773</u>            | <u>7,295,906</u>                        |
| <b>NET CHANGE IN FUND BALANCES</b>       | -              | (535,665)               | (5,116,070)                 | (5,651,735)                             |
| <b>FUND BALANCES - BEGINNING OF YEAR</b> | -              | 4,266,358               | 8,453,762                   | 12,720,120                              |
| <b>FUND BALANCES - END OF YEAR</b>       | <u>\$ -</u>    | <u>\$ 3,730,693</u>     | <u>\$ 3,337,692</u>         | <u>\$ 7,068,385</u>                     |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year ended December 31, 2017**

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

|  |    |             |
|--|----|-------------|
| Net change in fund balances - Total governmental funds | \$ | (5,651,735) |
|--|----|-------------|

The issuance of long-term debt (e.g., bonds, leases) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|  |  |          |
|--|--|----------|
| Current year amortization of bond discount |  | (26,395) |
|--|--|----------|

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 bonds - Change in liability    |    | <u>(126,627)</u>          |
| Changes in net position of governmental activities | \$ | <u><u>(5,804,757)</u></u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year ended December 31, 2017**

|  | <u>Original<br/>and<br/>Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------------|---|
| <b>REVENUES</b>                          |  |                           |   |
| Property taxes                           | \$ 3,076                                     | \$ 3,087                  | \$ 11   |
| Other income                             | 500  | -                         | (500)   |
| Specific Ownership Taxes                 | 280  | 406                       | 126   |
| Total revenues                           | <u>3,856</u>                                 | <u>3,493</u>              | <u>(363)</u>  |
| <b>EXPENDITURES</b>                      |  |                           |   |
| Current                                  |  |                           |   |
| County Treasurer's Fees                  | 46   | 46                        | -   |
| Contingency                              | 500  | -                         | 500   |
| Transfer to Promenade No. 2              | 3,310  | 3,447                     | (137)   |
| Total expenditures                       | <u>3,856</u>                                 | <u>3,493</u>              | <u>363</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>       | -  | -                         | -   |
| <b>FUND BALANCES - BEGINNING OF YEAR</b> | -  | -                         | -   |
| <b>FUND BALANCES - END OF YEAR</b>       | <u>\$ -</u>                                  | <u>\$ -</u>               | <u>\$ -</u>   |

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



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Promenade at Castle Rock Metropolitan District No. 1 (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 May 28, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan for the District, Promenade at Castle Rock Metropolitan District No. 2, and Promenade at Castle Rock Metropolitan District No. 3 (collectively the "Districts"), approved by the Town of Castle Rock, Colorado on January 7, 2014. The District's service area is located entirely within the Town of Castle Rock, Douglas County, Colorado. The District was established for the purpose of financing and providing public improvements and related operations and maintenance services within and outside of the boundaries of the District. The public improvements include water, streets, sanitation, parks and recreation, traffic and safety controls, transportation, mosquito and pest control, and television relay and translator.

Pursuant to a Capital Pledge Agreement, Promenade at Castle Rock Metropolitan District No.3 ("Taxing District") has limited tax general obligations to the District (see Note 8). Property taxes to be generated from the Taxing District 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 the District to pay for debt service expenditures. District No. 2 is considered the operating district.

The District's service plan allows for the ability to pay for administration, operations, and maintenance associated with the Public Improvements as necessary from the District Operating Revenue. The General Fund Mill Levy at December 31, 2017 was 10.000 mills and the Property taxes generated, net of fees, were transferred to District No. 2, the Operating District, pursuant to the District Administrative Services Agreement which pays all administrative expenditures for the District.

For the year 2017, the maximum debt mill levy allowed by the service plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Maximum Debt Mill Levy at December 31, 2017, was 40.000 mills.

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 primary governmental entity.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 susceptible to accrual are property taxes, specific ownership taxes intergovernmental revenues from District Nos. 2 and 3 and public improvement fees. 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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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 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 and investments.

**Property Taxes**

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

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Amortization**

***Original Issue Discount***

In the government-wide financial statements, bond discounts 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 discounts during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses.

**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 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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *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 AND INVESTMENTS**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

|                                   |                     |
|-----------------------------------|---------------------|
| Escrowed Funds                    | \$ 1,423,015        |
| Cash and investments - Restricted | <u>6,851,792</u>    |
| Total cash and investments        | <u>\$ 8,274,807</u> |

Cash and investments as of December 31, 2017, consist of the following:

|   |                     |
|---|---------------------|
| Escrow - Deposits with financial institutions | \$ 1,423,015        |
| Investments                                   | <u>6,851,792</u>    |
| Total cash and investments                    | <u>\$ 8,274,807</u> |

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**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, 2017, the District had escrow deposits in the amount of \$1,423,015.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2017, the District had the following investments:

| <b>Investment</b>                         | <b>Maturity</b>                   | <b>Amount</b>       |
|---|-----------------------------------|---------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under<br>60 days | <u>\$ 6,851,792</u> |

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

|   | <u>Balance at<br/>December 31,<br/>2016</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balance at<br/>December 31,<br/>2017</u> | <u>Due<br/>Within<br/>One Year</u> |
|---|---|-------------------|-------------------|---|------------------------------------|
| Limited Tax General Obligation Bonds,<br>Series 2015A | \$ 34,615,000                               | \$ -              | \$ -              | \$ 34,615,000                               | \$ 220,000                         |
| Original Issue Discount, Series 2015A                 | (412,875)                                   | -                 | (6,604)           | (406,271)                                   | -                                  |
| Taxable Special Revenue Bonds,<br>Series 2015B        | 2,825,000                                   | -                 | -                 | 2,825,000                                   | -                                  |
| Accrued Interest Series 2015B Bond                    | 312,704                                     | 281,408           | 154,780           | 439,332                                     | -                                  |
|   | <u>\$ 37,339,829</u>                        | <u>\$ 281,408</u> | <u>\$ 148,176</u> | <u>\$ 37,473,061</u>                        | <u>\$ 220,000</u>                  |

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

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

On August 25, 2015, the District issued \$34,615,000 in Limited Tax General Obligation Bonds, Series 2015A (the Series 2015A Bonds). The interest rate ranges from 5.125% to 5.750%. Interest is payable semi-annually on June 1 and December 1, beginning on December 1, 2015. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2018. The Series 2015A Bonds mature on December 1, 2039, and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 1, as follows:

| <b>Date of Redemption</b>                            | <b>Redemption Premium</b> |
|--|---------------------------|
| December 1, 2020, to and including November 30, 2021 | 3.00%                     |
| December 1, 2021, to and including November 30, 2022 | 2.00%                     |
| December 1, 2022, to and including November 30, 2023 | 1.00%                     |
| December 1, 2023, and thereafter                     | 0.00%                     |

If the redemption will be in whole, or if the redemption price is to be paid from the proceeds of bonds or other obligations issued to refund all or a portion of the Bonds, then on any date thereafter, or if the redemption is in part, and the redemption price will be paid from Pledged Revenue, then on any December 1 thereafter, upon payment of par, and accrued interest thereon, without redemption premium.

The proceeds from the sale of the Series 2015A Bonds were used for the purposes of (i) paying a portion of the costs of public improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; (ii) providing capitalized interest; (iii) providing the Series 2015A Reserve Fund; and (iv) paying costs of issuance of the Series 2015A Bonds.

Pursuant to the Indenture, the District is obligated to impose a limited debt service mill levy. Pursuant to a Capital Pledge Agreement, Promenade at Castle Rock Metropolitan District No. 2 (under certain, limited circumstances which are not expected to occur) and Promenade at Castle Rock Metropolitan District No. 3 are obligated to impose a limited debt service mill levy. Revenue produced from such mill levies (collectively, the “District Debt Service Mill Levy”), including specific ownership taxes as a result of the District’s Debt Service Mill Levy, are pledged to the payment of the Series 2015A Bonds. The Indenture and the Pledge Agreement generally define the District Debt Service Mill Levy as a mill levy imposed upon all taxable property of the Districts each year in an amount calculated as follows:

- a) for any Mill Levy Certification Date occurring prior to the date on which no Series B Bonds remain outstanding (“Add-On PIF Limitation Date”), 40 mills (subject to adjustment); and



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

- b) for any Mill Levy Certification Date occurring on and after the Add-On PIF Limitation Date, the lesser of (A) 40 mills (subject to adjustment) plus the number of mills which, if imposed by the Districts, would generate revenue (net of the costs of collection) equal to the amount of Remaining Add-On PIF Revenue generated in the year of such Mill Levy Certification Date or (B) up to 47 mills; in no event shall the District Debt Service Mill Levy be set at more than 47 mills (subject to adjustment).

The District Debt Service Mill Levy is subject to adjustment per the Gallagher Amendment after January 1, 2014.

The Series 2015A Bonds are secured by and payable solely from the Series 2015A Pledged Revenue consisting of the following, net of costs of collection:

- a) Property Tax Revenue generated from the imposition of the District Debt Service Mill Levy by the Districts;
- b) Specific Ownership Tax Revenue generated from the imposition of the District Debt Service Mill Levy by the Districts;
- c) Credit PIF Revenue;
- d) Incremental Target Store Sales Tax;
- e) PILOT Revenue derived from a covenant recorded against the subject property imposing a payment in lieu of taxes against any portion of such property that is exempt from ad valorem property taxation;
- f) After the Series 2015B Bonds are no longer outstanding, Add-On PIF Revenue in any year, in an amount not to exceed the Maximum Add-On PIF Revenue Limit; and
- g) Any other legally available moneys which the District determines, in its absolute discretion, to credit to the Series 2015A Bond Fund.

The Series 2015A Bonds are further secured by the Series 2015A Reserve Fund which was funded upon issuance of the Series 2015A Bonds in the amount of the Series 2015A Reserve Requirement equal to \$3,097,888, by capitalized interest which was funded with proceeds of the Series 2015A Bonds in the amount of \$3,726,487, and by the Series 2015A Surplus Fund up to a maximum amount of \$2,848,484 which was not funded upon issuance of the Series 2015A Bonds. Amounts on deposit in the Series 2015A Reserve Fund on the maturity date of the Series 2015A Bonds shall be applied to the payment of the Series 2015A Bonds on such date.

On August 25, 2015, the District also issued \$2,825,000 Taxable Special Revenue Bonds, Series 2015B, (the Series 2015B Bonds). The interest rate is 9.00% and is payable annually on December 1, beginning on December 1, 2015. Annual mandatory sinking fund principal payments on the Series 2015B Bonds are due on December 1, to the extent of moneys on deposit, if any, in the Series 2015B Mandatory Redemption Account of the Series 2015B Bond Fund. The Series 2015B Bonds mature on December 1, 2039.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Series 2015A Bond is not paid when due, such interest shall compound semiannually on each interest payment date for the Series 2015A Bonds, at the rate then borne by the Series 2015A Bond and to the extent interest on any Series 2015B Bond is not paid when due, such interest shall compound annually on each interest payment date for the Series 2015B Bonds, at the rate then borne by the Series 2015B Bonds.

Proceeds from the sale of the Series 2015B Bonds were used to (i) pay a portion of the costs of public improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; and (ii) pay costs of issuance of the Series 2015B Bonds.

The Series 2015B Bonds are secured by and payable solely from the Series 2015B Pledged Revenue consisting of the following, net of costs of collection:

- a) Add-On PIF Revenue;
- b) At any time that the balance of the Series 2015A Surplus Fund is equal to the Series 2015A Surplus Target Amount, and on a basis subordinate to the Series 2015A Bond Year Requirements in every year, the Property Tax Revenue, Specific Ownership Tax Revenue, Credit PIF Revenue, PILOT Revenue, and Target Store Revenue, if any; and
- c) Any other legally available moneys which the District determines, in its absolute discretion, to credit to the Series 2015B Bond Fund.

The District's Series 2015A Bonds will mature as follows:

|           | <b>Governmental Activities</b> |                      | <b>Total</b>         |
|-----------|--------------------------------|----------------------|----------------------|
|           | <b>Principal</b>               | <b>Interest</b>      |                      |
| 2018      | \$ 220,000                     | \$ 1,954,175         | \$ 2,174,175         |
| 2019      | 575,000                        | 1,942,900            | 2,517,900            |
| 2020      | 675,000                        | 1,913,431            | 2,588,431            |
| 2021      | 725,000                        | 1,878,838            | 2,603,838            |
| 2022      | 800,000                        | 1,841,681            | 2,641,681            |
| 2023-2027 | 5,060,000                      | 8,518,145            | 13,578,145           |
| 2028-2032 | 7,435,000                      | 6,844,226            | 14,279,226           |
| 2033-2037 | 10,640,000                     | 4,359,651            | 14,999,651           |
| 2038-2039 | 8,485,000                      | 825,701              | 9,310,701            |
|           | <u>\$ 34,615,000</u>           | <u>\$ 30,078,748</u> | <u>\$ 64,693,748</u> |

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The Series 2015B Bonds are cash flow bonds and principal and interest are payable to the extent of Series 2015B Pledged Revenues, therefore there are no scheduled payments of principal and interest on the Series 2015B Bonds.

**Authorized Debt**

On May 6, 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 \$600,000,000. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

|                            | <b>Amount<br/>Authorized on<br/>May 6,<br/>2014</b> | <b>Authorization<br/>Used<br/>2015 Bonds</b> | <b>Authorized<br/>but Unissued at<br/>December 31,<br/>2017</b> |
|----------------------------|---|--|---|
| Streets                    | \$ 40,000,000                                       | \$ 17,222,400                                | \$ 22,777,600   |
| Park and recreation        | 40,000,000  | 5,616,000                                    | 34,384,000  |
| Water                      | 40,000,000  | 1,677,312                                    | 38,322,688  |
| Sanitation/Storm Sewer     | 40,000,000  | 3,564,288                                    | 36,435,712  |
| Transportation             | 40,000,000  | 9,360,000                                    | 30,640,000  |
| Mosquito control           | 20,000,000  | -  | 20,000,000  |
| Traffic/safety controls    | 40,000,000  | -  | 40,000,000  |
| Fire protection            | 40,000,000  | -  | 40,000,000  |
| TV relay                   | 40,000,000  | -  | 40,000,000  |
| Security                   | 40,000,000  | -  | 40,000,000  |
| Operations and maintenance | 40,000,000  | -  | 40,000,000  |
| Refundings                 | 200,000,000   | -  | 200,000,000   |
|                            | <u>\$ 620,000,000</u>                               | <u>\$ 37,440,000</u>                         | <u>\$ 582,560,000</u>   |

**NOTE 5 - NET POSITION**

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

Restricted net position includes 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 restricted net position as of December 31, 2017 of debt service in the amount of \$7,268.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were constructed by District No. 2.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 - RELATED PARTY**

The Developer of the property which constitutes the District is Promenade at Castle Rock, LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest in dealing with the District.

**NOTE 7 - AGREEMENTS**

**Development Agreement**

In 2015, the District entered into the Promenade at Castle Rock Development Agreement with the Town of Castle Rock, Promenade Castle Rock, LLC and District Nos. 2 and 3. The Development Agreement generally governs, without limitation, the development of the property in and facilities for the Development, the provision of municipal services by the Town, and water rights relating to property in the Development. Additionally, the Development Agreement establishes a cash construction escrow (the "Escrow") as surety for the construction of public improvements in the Development.

**Master Intergovernmental Agreement**

On September 25, 2014, the District, District Nos. 2 and 3 and the Town entered into the Town of Castle Rock/Promenade at Castle Rock Metropolitan District Nos. 1 – 3 Master Intergovernmental Agreement (the "Master Intergovernmental Agreement"), which generally governs the relationship between the Town and the Districts and sets the parameters of the Districts' authority to finance and construct public improvements. The Master Intergovernmental Agreement states that the Districts have the authority to construct and finance public improvements in accordance with the standards and procedures set forth in the Service Plan, Public Finance Agreement, and the Town Requirements (generally defined as the rules and regulations of the Town, including those relating to zoning and land use). Pursuant to the Master Intergovernmental Agreement, the Districts agree to convey public facilities to the Town, and the Town agrees to operate, maintain, repair, and replace the facilities. The Master Intergovernmental Agreement further provides that the Districts shall only issue bonds in accordance with the Public Finance Agreement, the Service Plan, the Special District Act, and other laws of the State of Colorado.

**Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee**

On August 17, 2015, Promenade Castle Rock, LLC ("the Declarant") entered into the Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee, which replaced the Original PIF Covenant dated April 16, 2015. The Declaration of Covenants is imposed in consideration of the benefits to be provided to the Property with respect to construction, installation, operation and maintenance of Project Improvements, (i) Declarant has agreed to impose a public improvement fee on the Property and (ii) the Town has agreed to credit a portion of the total Sales Tax due on PIF Sales occurring within the Property on which the Credit PIF is collected. The Declarant has pledged the PIF Revenues to the District for repayment of the Districts Series 2015 Bonds. The Add-On PIF initial amount is .25% and it will not exceed .50% of PIF Sales. The Credit PIF amount is 1.10% of PIF Sales.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - AGREEMENTS (CONTINUED)**

**Infrastructure Acquisition and Reimbursement Agreement**

On May 28, 2014 the District entered into an infrastructure acquisition and reimbursement agreement with Promenade Castle Rock, LLC (Developer), whereby the parties acknowledge and agree that construction of the Public Infrastructure by the Developer for the benefit of the District is necessary due to lack of funding currently available to the District.

The Developer has incurred costs related to the Public Infrastructure for the benefit of the District and expects to incur additional costs on the condition that the District agrees to: (i) reimburse the Developer for all District Eligible Costs; (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.

On March 30, 2015, the Infrastructure Acquisition and Reimbursement Agreement was terminated and no obligations have been recognized or undertaken pursuant to the Agreement.

**Public Finance Agreement**

On January 7, 2014, the District, the Developer, and the Town entered into the Public Finance Agreement, which agreement was amended and restated as the Amended and Restated Public Finance Agreement dated as of February 17, 2015, as amended by a First Amendment dated August 4, 2015 (as amended, the "Public Finance Agreement"). The Public Finance Agreement governs certain aspects of the Development, financing for the Development including the issuance of the Bonds, and regulatory approvals issued by the Town for the Development.

The Public Finance Agreement permits the issuance of "District Bonds", which is defined as one or more series of bonds issued or incurred by any of the Districts to finance or refinance the Eligible Costs in accordance with the terms and provisions of the Public Finance Agreement, including any bonds, other financial obligations or securities issued by any of the Districts to refund the District Bonds, but specifically exclusive of any Reimbursement Agreement entered into between the Developer and any of the Districts. Notwithstanding the foregoing, or any other provision to the contrary, District Bonds shall not be refinanced without the written consent of the Town.

The Public Finance Agreement provides that District Bonds shall be issued in an amount not exceeding \$28,800,000 of Net Proceeds to pay Eligible Costs, subject to adjustment as provided in the Pledge Agreement. "Net Proceeds" is generally defined as net proceeds of one or more series of District Bonds in an amount not exceeding \$28,800,000 used to pay or reimburse Eligible Costs.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - AGREEMENTS (CONTINUED)**

The District and District No. 3 (and to the extent hereinafter provided, District No. 2), covenant to impose the District Debt Service Mill Levy in the amount of not less than 40 mills and not more than 47 mills, as hereinafter provided, for so long as any District Bonds remain outstanding, and further covenant to pledge and cause remittance of the District Debt Service Mill Levy to the District Bond Trustee for such outstanding District Bonds. To the extent that the Add-On PIF Revenues are pledged 100% to the payment of outstanding District Bonds, the District Debt Service Mill Levy imposed by such Districts shall be no less than 40 mills. To the extent that less than 100% of the Add-On PIF Revenue is pledged to the payment of outstanding District Bonds, the District Debt Service Mill Levy imposed by such Districts shall be increased above 40 mills, up to a maximum of 47 mills. Each such District further covenants that so long as any District Bonds remain outstanding, that each such District will remit all District Specific Ownership Taxes to the District Bond Trustee for payment of outstanding District Bonds.

The Developer agrees to impose the Credit PIF and the Add-On PIF and to irrevocably assign the Pledged PIF Revenue and any amount of Remaining Add-On PIF Revenue that may be included in District Operating Revenue to the District designated in the District Bond Documents, through and until the payment in full of the District Bonds. The Add-On PIF means the public improvement fee in the amount of not less than .25% and not more than .50% of PIF Sales. The Credit PIF means the public improvement fee in the amount of 1.10% of PIF Sales. The District Operating Revenue will be used to pay the normal and reasonable operating and maintenance expenses of the Districts or for any other lawful purpose. District Operating Revenue means revenue produced by the Districts' imposition of a mill levy to pay the operations and maintenance expenses of any of the Districts, and certain Add-On PIF Revenue not pledged to pay District Bonds, as allowed under the District Bond Documents from time to time.

**District Administrative Services Agreement**

On March 5, 2015 the District entered into the District Administrative Services Agreement which provides that District No. 2 shall be solely responsible for the management, execution, and administration of the construction of the Public Improvements on behalf of the Districts. For the purpose of completing all or a portion of the Project, District No. 2 has entered into and anticipates entering into multiple contracts.

In order to fund the Administrative Costs, The District and District No. 3 (the Financing Districts) agree to levy on all of the taxable property of the Financing Districts, in addition to all other taxes, direct annual taxes to the extent necessary to provide for payment of the Administrative Costs, in the amount of the Required Mill Levy, or a lesser amount as determined by District No. 2. In addition, the Financing Districts agree to remit any available PIF Revenues, fees or other Revenues to District No. 2 to fund the Administrative Costs.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - AGREEMENTS (CONTINUED)**

**Capital Pledge Agreement**

On August 25, 2015, the Districts and the Trustee entered into a Capital Pledge Agreement in order to generate additional revenue pledged to payment of the Series 2015A Bonds. Pursuant to the agreement, District No. 3 has agreed to pay its 2015 Property Tax Revenue generated by the debt service mill levy to the Trustee, and District No. 2 (under certain limited conditions) and District No. 3 are obligated to impose ad valorem property taxes in an amount equal to the District Debt Service Mill Levy, and pay the proceeds and Specific Ownership Tax Revenues as a result of the District Service Mill Levy to the Trustee.

**Master Escrow Agreement**

The Master Escrow Agreement was entered into on August 25, 2015 by the Districts, Town of Castle Rock, Land title Guarantee Company, and Promenade Castle Rock, LLC. The District and the Town of Castle Rock appointed an Escrow Agent that established two accounts: (1) the Promenade 2015 Bond Proceeds Account; and (2) the Developer Advances Account.

The District will deposit all amounts permitted to be released from the Bond Project Fund under the terms of the Indenture with the Escrow Agent from the net proceeds of the Limited Tax General Obligation Bonds, Series 2015A and Taxable Special Revenue Bonds 2015B.

The Developer will deposit additional monies with the Escrow Agent for purposes of advancing monies for the benefit of the District as required by the Town of Castle Rock that are not otherwise available from the Districts or able to be released from the Project Fund, or to fund costs that do not constitute Eligible Costs. Both accounts combined must have a continuing balance at least equal to the Minimum Surety Balance required by the Town of Castle Rock. Funds in excess of the minimum balance may be used for project costs.

District No. 2 shall be entitled to make written requests for the payment of invoices related to the Construction Contracts from the Escrow on a monthly basis (each, a "Requisition") to the Developer, Escrow Agent and the Town. Each Requisition shall include, (i) reference to the underlying Construction Contract and a description of the work performed for which payment is being requested; (ii) the total amount of such Requisition; (iii) an accounting detailing the total amount of Construction Contracts issued by District No. 2, all payments made toward the same prior to the date of the Requisition, including copies of lien waivers and the amount that will be outstanding after payment of the Requisition; (iv) the Account from which payment should be made; and (v) to the extent the Requisition is for payments of Eligible Costs to be made from the Promenade Bond Account, certification by the Districts' independent engineer that all costs to be paid from the Requisition constitute Eligible Costs. Upon submission of the Requisition to the Town, the Town shall consider the same for administrative approval and verification that funds, being requisitioned from the Escrow under the Promenade Bond Account are to be spent on Eligible Costs and that the Minimum Surety Balance is maintained subsequent to any proposed disbursement. The Town's approval of the Requisition shall be granted within five business days of receipt of the Requisition. In the event that the Town takes no action within the allotted five business days the Requisition shall be deemed approved. Any objection of the Town as to Requisition request shall be provided to District No. 2 in writing and shall specify all or the specific portions of the Requisition to which there is an objection and the specific reasons.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - AGREEMENTS (CONTINUED)**

The Parties shall work in good faith to resolve any Town objections consistent with the intent of the Development Agreement and applicable SIA. The Escrow Agent shall make disbursement to District No. 2 within two business days of approval of the Requisition by the Town. Requisitioned funds for Eligible Costs shall be disbursed by the Escrow Agent from the Promenade Bond Account. The Minimum Surety Balance at December 31, 2017, was \$1,423,015. The Escrow Agent held account balances in the amount of \$1,423,015 at December 31, 2017.

**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. The District transfers its net operating revenue to District No. 2. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 2.



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On May 6, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

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

## **SUPPLEMENTARY INFORMATION**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
Year ended December 31, 2017

|  | <b>Original<br/>and<br/>Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--|---------------------------|---|
| <b>REVENUES</b>                          |  |                           |   |
| Property taxes                           | \$ 12,305                                    | \$ 12,348                 | \$ 43   |
| Other income                             | 1,000  | -                         | (1,000)   |
| Specific Ownership Taxes                 | 1,110  | 1,623                     | 513   |
| Public Improvement Fees                  | 1,292,299                                    | 1,135,906                 | (156,393)   |
| Transfer from Promenade No. 3            | 392,951                                      | 414,559                   | 21,608  |
| Net investment income                    | 17,270                                       | 37,539                    | 20,269  |
| Total revenues                           | <u>1,716,935</u>                             | <u>1,601,975</u>          | <u>(114,960)</u>  |
| <b>EXPENDITURES</b>                      |  |                           |   |
| Debt service                             |  |                           |   |
| Bond interest                            | 2,210,284                                    | 2,108,955                 | 101,329   |
| Paying agent fees                        | 10,000                                       | 3,500                     | 6,500   |
| Contingency                              | 1,000  | -                         | 1,000   |
| PIF collection fee                       | 35,000                                       | 25,000                    | 10,000  |
| County Treasurer's fees                  | 185  | 185                       | -   |
| Total expenditures                       | <u>2,256,469</u>                             | <u>2,137,640</u>          | <u>118,829</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>       | (539,534)                                    | (535,665)                 | 3,869   |
| <b>FUND BALANCES - BEGINNING OF YEAR</b> | 4,179,868                                    | 4,266,358                 | 86,490  |
| <b>FUND BALANCES - END OF YEAR</b>       | <u>\$ 3,640,334</u>                          | <u>\$ 3,730,693</u>       | <u>\$ 90,359</u>  |

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
 Year ended December 31, 2017

|  | Original<br>and<br>Final<br>Budget | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------------------------|---------------------|---|
| <b>REVENUES</b>                          |                                    |                     |   |
| Net investment income                    | \$ -                               | \$ 38,703           | \$ 38,703   |
| Total revenues                           | <u>-</u>                           | <u>38,703</u>       | <u>38,703</u>   |
| <b>EXPENDITURES</b>                      |                                    |                     |   |
| Capital outlay                           |                                    |                     |   |
| Transfer to Promenade No. 2              | 7,500,000                          | 5,154,773           | 2,345,227   |
| Total expenditures                       | <u>7,500,000</u>                   | <u>5,154,773</u>    | <u>2,345,227</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>       | (7,500,000)                        | (5,116,070)         | 2,383,930   |
| <b>FUND BALANCES - BEGINNING OF YEAR</b> | 7,500,000                          | 8,453,762           | 953,762   |
| <b>FUND BALANCES - END OF YEAR</b>       | <u>\$ -</u>                        | <u>\$ 3,337,692</u> | <u>\$ 3,337,692</u>                                     |

## **OTHER INFORMATION**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
Year ended December 31, 2017**

**Limited Tax General Obligation Bonds  
Series 2015A  
Dated August 25, 2015  
Interest Rate from 5.125% to 5.750%  
Interest Payable June 1 and December 1  
Principal Payable December 1**

| <u>Bonds and Interest<br/>Maturing in the Year<br/>Ending December 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--|----------------------|----------------------|----------------------|
| 2018   | \$ 220,000           | \$ 1,954,175         | \$ 2,174,175         |
| 2019   | 575,000              | 1,942,900            | 2,517,900            |
| 2020   | 675,000              | 1,913,431            | 2,588,431            |
| 2021   | 725,000              | 1,878,838            | 2,603,838            |
| 2022   | 800,000              | 1,841,681            | 2,641,681            |
| 2023   | 855,000              | 1,800,681            | 2,655,681            |
| 2024   | 940,000              | 1,756,863            | 2,696,863            |
| 2025   | 1,000,000            | 1,708,688            | 2,708,688            |
| 2026   | 1,095,000            | 1,657,438            | 2,752,438            |
| 2027   | 1,170,000            | 1,594,475            | 2,764,475            |
| 2028   | 1,280,000            | 1,527,200            | 2,807,200            |
| 2029   | 1,365,000            | 1,453,600            | 2,818,600            |
| 2030   | 1,485,000            | 1,375,113            | 2,860,113            |
| 2031   | 1,585,000            | 1,289,725            | 2,874,725            |
| 2032   | 1,720,000            | 1,198,588            | 2,918,588            |
| 2033   | 1,835,000            | 1,099,688            | 2,934,688            |
| 2034   | 1,985,000            | 994,175              | 2,979,175            |
| 2035   | 2,115,000            | 880,038              | 2,995,038            |
| 2036   | 2,280,000            | 758,425              | 3,038,425            |
| 2037   | 2,425,000            | 627,325              | 3,052,325            |
| 2038   | 2,610,000            | 487,888              | 3,097,888            |
| 2039   | 5,875,000            | 337,813              | 6,212,813            |
|  | <u>\$ 34,615,000</u> | <u>\$ 30,078,748</u> | <u>\$ 64,693,748</u> |

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED  
Year ended December 31, 2017**

| <u>Year Ended<br/>December 31,</u>                       | <u>Prior Year<br/>Assessed<br/>Valuation<br/>for Current<br/>Year Property<br/>Tax Levy</u> | <u>Mills Levied</u> |                         | <u>Total Property Taxes</u> |                  | <u>Percentage<br/>Collected<br/>to Levied</u> |
|--|---|---------------------|-------------------------|-----------------------------|------------------|---|
|  |   | <u>Operations</u>   | <u>Debt<br/>Service</u> | <u>Levied</u>               | <u>Collected</u> |   |
| 2015   | \$ 2,040,960  | 10.000              | 40.000                  | \$ 102,048                  | \$ 102,048       | 100.00%                                       |
| 2016   | \$ 45,830   | 10.000              | 40.000                  | \$ 2,291                    | \$ 2,291         | 100.00%                                       |
| 2017   | \$ 307,620  | 10.000              | 40.000                  | \$ 15,381                   | \$ 15,435        | 100.35%                                       |
| Estimated for<br>the year ending<br>December 31,<br>2018 | \$ 713,330  | 11.055              | 44.222                  | \$ 39,431                   |                  |   |

**NOTE:**

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments. Information received from the County Treasurer does not permit identification of specific year of levy.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**Douglas County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2017**



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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 2  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Promenade at Castle Rock Metropolitan District No. 2 as of and for the year December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112  
303-905-0809 • [info@dazziocpa.com](mailto:info@dazziocpa.com)

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

## **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 Promenade at Castle Rock Metropolitan District No. 2, as of December 31, 2017, 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Promenade at Castle Rock Metropolitan District No. 2's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, for the Capital Projects Fund (the Supplementary Information) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Dassio & Associates, P.C.*

July 13, 2018

## **BASIC FINANCIAL STATEMENTS**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

|                                       | <b>Governmental<br/>Activities</b> |
|---------------------------------------|------------------------------------|
| <b>ASSETS</b>                         |                                    |
| Cash and investments                  | \$ 254                             |
| Cash and investments - Restricted     | 27,832                             |
| Prepaid expenses                      | 10,598                             |
| Accounts receivable - Developer       | 900,604                            |
| Accounts receivable - CAM             | 40,894                             |
| Intergovernmental receivable          | 826                                |
| Capital assets not being depreciated: |                                    |
| Construction in progress              | 45,062,518                         |
| Total assets                          | 46,043,526                         |
| <b>LIABILITIES</b>                    |                                    |
| Accounts payable                      | 2,324,058                          |
| Retainage payable                     | 1,215,689                          |
| Noncurrent liabilities:               |                                    |
| Due in more than one year             | 17,195,891                         |
| Total liabilities                     | 20,735,638                         |
| <b>NET POSITION</b>                   |                                    |
| Restricted for:                       |                                    |
| Emergency reserves                    | 3,300                              |
| Unrestricted                          | 25,304,588                         |
| Total net position                    | \$ 25,307,888                      |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

| <u>Functions/Programs</u>                    | <u>Expenses</u>     | <u>Program Revenues</u>                         |   |   | <u>Net (Expense)</u><br><u>Revenue and</u><br><u>Changes in</u><br><u>Net Position</u> |
|--|---------------------|---|---|---|--|
|  |                     | <u>Charges</u><br><u>for</u><br><u>Services</u> | <u>Operating</u><br><u>Grants and</u><br><u>Contributions</u> | <u>Capital</u><br><u>Grants and</u><br><u>Contributions</u> | <u>Governmental</u><br><u>Activities</u>   |
| Primary government:                          |                     |   |   |   |  |
| Government activities:                       |                     |   |   |   |  |
| General government                           | \$ 643,194          | \$ 154,908                                      | \$ 107,091  | \$ 5,198,906  | \$ 4,817,711   |
| Interest and related costs on long-term debt | 1,016,285           | -   | -   | -   | (1,016,285)  |
|  | <u>\$ 1,659,479</u> | <u>\$ 154,908</u>                               | <u>\$ 107,091</u>   | <u>\$ 5,198,906</u>   | <u>3,801,426</u>   |
| General revenues:                            |                     |   |   |   |  |
| Net investment income                        |                     |   |   |   | 113  |
| Total general revenues                       |                     |   |   |   | <u>113</u>   |
| Change in net position                       |                     |   |   |   | 3,801,539  |
| Net position - Beginning                     |                     |   |   |   | 21,506,349   |
| Net position - Ending                        |                     |   |   |   | <u>\$ 25,307,888</u>   |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

|  | <b>General</b>   | <b>Capital<br/>Projects</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|------------------|-----------------------------|---|
| <b>ASSETS</b>  |                  |                             |   |
| Cash and investments                                     | \$ 254           | \$ -                        | \$ 254                                  |
| Cash and investments - Restricted                        | 9,386            | 18,446                      | 27,832                                  |
| Accounts receivable - CAM                                | 40,894           | -                           | 40,894                                  |
| Accounts receivable - Developer                          | -                | 900,604                     | 900,604                                 |
| Prepaid expenses   | 10,598           | -                           | 10,598                                  |
| Intergovernmental receivable                             | 826              | -                           | 826                                     |
| <b>TOTAL ASSETS</b>                                      | <b>\$ 61,958</b> | <b>\$ 919,050</b>           | <b>\$ 981,008</b>                       |
| <b>LIABILITIES<br/>AND FUND BALANCES</b>                 |                  |                             |   |
| <b>LIABILITIES</b>                                       |                  |                             |   |
| Accounts payable   | \$ 49,673        | \$ 2,274,385                | \$ 2,324,058                            |
| Retainage payable  | -                | 1,215,689                   | 1,215,689                               |
| Total liabilities  | 49,673           | 3,490,074                   | 3,539,747                               |
| <b>FUND BALANCES (DEFICIT)</b>                           |                  |                             |   |
| Nonspendable:  |                  |                             |   |
| Prepaid expenses   | 10,598           | -                           | 10,598                                  |
| Restricted for:  |                  |                             |   |
| Emergency reserve  | 3,300            | -                           | 3,300                                   |
| Capital projects   | -                | (2,571,024)                 | (2,571,024)                             |
| Committed for:   |                  |                             |   |
| Common area maintenance                                  | 68,317           | -                           | 68,317                                  |
| Unassigned   | (69,930)         | -                           | (69,930)                                |
| Total fund balances (deficit)                            | 12,285           | (2,571,024)                 | (2,558,739)                             |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES (DEFICIT)</b> | <b>\$ 61,958</b> | <b>\$ 919,050</b>           |   |

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   | 45,062,518           |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. |                      |
| Developer advance payable  | (15,869,581)         |
| Developer advance interest payable   | (1,326,310)          |
| Net position of governmental activities  | <b>\$ 25,307,888</b> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

|   | <u>General</u>   | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|------------------|-----------------------------|---|
| <b>REVENUES</b>   |                  |                             |   |
| Intergovernmental revenue Promenade No. 1               | \$ 3,447         | \$ 5,154,773                | \$ 5,158,220                            |
| Intergovernmental revenue Promenade No. 3               | 103,644          | -                           | 103,644                                 |
| Intergovernmental revenue                               | -                | 31,768                      | 31,768                                  |
| Reimbursed expenditures - capital outlay (private)      | -                | 159,397                     | 159,397                                 |
| CAM Revenue   | 154,908          | -                           | 154,908                                 |
| Other revenue   | -                | 12,365                      | 12,365                                  |
| Net investment income                                   | 113              | -                           | 113                                     |
| Total revenues  | <u>262,112</u>   | <u>5,358,303</u>            | <u>5,620,415</u>                        |
| <b>EXPENDITURES</b>                                     |                  |                             |   |
| Current   |                  |                             |   |
| Accounting  | 76,274           | 79,648                      | 155,922                                 |
| Audit   | 7,000            | -                           | 7,000                                   |
| District management                                     | 29,092           | 36,950                      | 66,042                                  |
| Dues and membership                                     | 1,434            | -                           | 1,434                                   |
| Insurance   | 24,512           | -                           | 24,512                                  |
| Legal   | 105,593          | 50,137                      | 155,730                                 |
| Miscellaneous   | 20,559           | 57,087                      | 77,646                                  |
| CAM expenditures  | 154,908          | -                           | 154,908                                 |
| Capital outlay  | -                | 5,060,196                   | 5,060,196                               |
| Capital Outlay - Private                                | -                | 159,397                     | 159,397                                 |
| Total expenditures                                      | <u>419,372</u>   | <u>5,443,415</u>            | <u>5,862,787</u>                        |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(157,260)</u> | <u>(85,112)</u>             | <u>(242,372)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                  |                             |   |
| Developer advance                                       | <u>228,317</u>   | <u>3,205,617</u>            | <u>3,433,934</u>                        |
| Total other financing sources (uses)                    | <u>228,317</u>   | <u>3,205,617</u>            | <u>3,433,934</u>                        |
| <b>NET CHANGE IN FUND BALANCES</b>                      | 71,057           | 3,120,505                   | 3,191,562                               |
| <b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>      | <u>(58,772)</u>  | <u>(5,691,529)</u>          | <u>(5,750,301)</u>                      |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>            | <u>\$ 12,285</u> | <u>\$ (2,571,024)</u>       | <u>\$ (2,558,739)</u>                   |

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



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

|  |              |
|--|--------------|
| Net change in fund balances - Total governmental funds | \$ 3,191,562 |
|--|--------------|

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/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation/amortization, in the current period.

|                                 |           |
|---------------------------------|-----------|
| Expenditures for capital assets | 5,060,196 |
|---------------------------------|-----------|

The issuance of long-term debt (e.g., bonds, leases) 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                |             |
|--------------------------------|-------------|
| Current year Developer advance | (3,433,934) |
|--------------------------------|-------------|

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.

|  |                     |
|--|---------------------|
| Interest on Developer advance                      | (1,016,285)         |
| Changes in net position of governmental activities | <u>\$ 3,801,539</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

|   | <b>Original<br/>and<br/>Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|--|---------------------------|---|
| <b>REVENUES</b>   |  |                           |   |
| Intergovernmental revenue Promenade No. 1               | \$ 3,310                                     | \$ 3,447                  | \$ 137  |
| Intergovernmental revenue Promenade No. 3               | 98,233                                       | 103,644                   | 5,411   |
| CAM Revenue   | 300,000                                      | 154,908                   | (145,092)   |
| Net investment income                                   | -  | 113                       | 113   |
| Total revenues  | <u>401,543</u>                               | <u>262,112</u>            | <u>(139,431)</u>  |
| <b>EXPENDITURES</b>                                     |  |                           |   |
| Current   |  |                           |   |
| Accounting  | 65,000                                       | 76,274                    | (11,274)  |
| Audit   | 8,000  | 7,000                     | 1,000   |
| District management                                     | 45,000                                       | 29,092                    | 15,908  |
| Dues and membership                                     | 500  | 1,434                     | (934)   |
| Insurance and bonds                                     | 9,771  | 24,512                    | (14,741)  |
| Legal   | 50,000                                       | 105,593                   | (55,593)  |
| Landscaping   | 200,000                                      | -                         | 200,000   |
| Irrigation  | 35,000                                       | -                         | 35,000  |
| Utilities   | 30,000                                       | 20,559                    | 9,441   |
| Snow removal  | 100,000                                      | -                         | 100,000   |
| Detention pond  | 20,000                                       | -                         | 20,000  |
| Miscellaneous   | 2,000  | -                         | 2,000   |
| Contingency   | 6,729  | -                         | 6,729   |
| CAM expenditures  |  |                           |   |
| Accounting  | -  | 24,409                    | (24,409)  |
| Legal   | -  | 450                       | (450)   |
| Water   | 75,000                                       | 16,898                    | 58,102  |
| Electricity   | -  | 4,472                     | (4,472)   |
| Landscaping   | 175,000                                      | 102,529                   | 72,471  |
| Portering   | -  | 1,080                     | (1,080)   |
| Snow removal  | 50,000                                       | 100                       | 49,900  |
| Other CAM expenses                                      | -  | 4,970                     | (4,970)   |
| Total expenditures                                      | <u>872,000</u>                               | <u>419,372</u>            | <u>452,628</u>  |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(470,457)</u>                             | <u>(157,260)</u>          | <u>313,197</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |  |                           |   |
| Developer advance                                       | <u>481,757</u>                               | <u>228,317</u>            | <u>(253,440)</u>  |
| Total other financing sources (uses)                    | <u>481,757</u>                               | <u>228,317</u>            | <u>(253,440)</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                      | 11,300                                       | 71,057                    | 59,757  |
| <b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>      | <u>800</u>                                   | <u>(58,772)</u>           | <u>(59,572)</u>   |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ 12,100</u>                             | <u>\$ 12,285</u>          | <u>\$ 185</u>   |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Promenade at Castle Rock Metropolitan District No. 2 (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 May 28, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan for the District, Promenade at Castle Rock Metropolitan District No. 1, and Promenade at Castle Rock Metropolitan District No. 3 (collectively "the Districts"), approved by the Town of Castle Rock, Colorado on January 7, 2014. The District's service area is located entirely within the Town of Castle Rock, Douglas County, Colorado. The District was established for the purpose of financing and providing public improvements and related operations and maintenance services within and outside of the boundaries of the District. The public improvements include water, streets, sanitation, parks and recreation, traffic and safety controls, transportation, mosquito and pest control, and television relay and translator.

The District's service plan allows for the ability to pay for administration, operations and maintenance associated with the Public Improvements as necessary from the District Operating Revenue. The General Fund Mill Levy at December 31, 2017 was 10.000 mills for Promenade at Castle Rock No. 1 and No. 3. The Property taxes generated, net of fees were transferred to the District, the Operating District, which pays all administrative expenditures for the Districts pursuant to the District Administrative Services Agreement.

The maximum debt mill levy allowed by the service plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Maximum Debt Mill Levy at December 31, 2017, was 40.000 mills for Promenade at Castle Rock Metropolitan District No. 1 and No. 3. The Property taxes generated, net of fees by Promenade at Castle Rock Metropolitan District No. 3 were transferred to District No. 1, the Financing District, which pays all debt service payments.

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 primary governmental entity.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 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 susceptible to accrual are intergovernmental revenues and developer advances for reimbursed expenditures. 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, except Developer Advances for reimbursed expenditures. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 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 and investments.

**Capital Assets**

Capital assets, which include property and equipment, easements and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity**

***Net Position***

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

***Deficit***

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2017. The deficit will be eliminated with the receipt of funds from escrow in 2018.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

|                                   |                  |
|-----------------------------------|------------------|
| Cash and investments              | \$ 254           |
| Cash and investments - Restricted | <u>27,832</u>    |
| Total cash and investments        | <u>\$ 28,086</u> |

Cash and investments as of December 31, 2017, consist of the following:

|                                      |                  |
|--------------------------------------|------------------|
| Deposits with financial institutions | \$ 28,026        |
| Investments                          | <u>60</u>        |
| Total cash and investments           | <u>\$ 28,086</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, 2017, the District's cash deposits had a bank balance of \$91,823 and a carrying balance of \$28,026.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2017, the District had the following investments:

| <b>Investment</b>                         | <b>Maturity</b>                   | <b>Amount</b> |
|---|-----------------------------------|---------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under<br>60 days | <u>\$ 60</u>  |

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the change in capital assets for the year ended December 31, 2017, follows:

|  | <u>Balance at<br/>December 31,<br/>2016</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Balance at<br/>December 31,<br/>2017</u> |
|--|---|---------------------|------------------|---|
| <b>Governmental Activities:</b>                |   |                     |                  |   |
| Capital assets, not being depreciated          |   |                     |                  |   |
| Construction in progress                       | \$ 40,002,322                               | \$ 5,060,196        | \$ -             | \$ 45,062,518                               |
| Total capital assets, not being depreciated    | <u>40,002,322</u>                           | <u>5,060,196</u>    | <u>-</u>         | <u>45,062,518</u>                           |
| Total capital assets, net                      | <u>40,002,322</u>                           | <u>5,060,196</u>    | <u>-</u>         | <u>45,062,518</u>                           |
| Governmental activities<br>capital assets, net | <u>\$ 40,002,322</u>                        | <u>\$ 5,060,196</u> | <u>\$ -</u>      | <u>\$ 45,062,518</u>                        |

Upon completion and acceptance, a significant portion of capital assets will be conveyed by the District to other local governments. The District will not be responsible for the maintenance of those assets. Upon acceptance of the improvements, the District will remove the cost of construction from its capital assets.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

|                                      | <u>Balance at<br/>December 31,<br/>2016</u> | <u>Additions</u>    | <u>Reductions</u> | <u>Balance at<br/>December 31,<br/>2017</u> | <u>Due<br/>Within<br/>One Year</u> |
|--------------------------------------|---|---------------------|-------------------|---|------------------------------------|
| Developer advances - O&M             | \$ 296,041                                  | \$ 228,317          | \$ -              | \$ 524,358                                  | \$ -                               |
| Developer advances - Capital         | 12,139,606                                  | 3,205,617           | -                 | 15,345,223                                  | -                                  |
| Developer advance interest - O&M     | 21,820                                      | 34,025              | -                 | 55,845                                      | -                                  |
| Developer advance interest - Capital | 288,205                                     | 982,260             | -                 | 1,270,465                                   | -                                  |
|                                      | <u>\$ 12,745,672</u>                        | <u>\$ 4,450,219</u> | <u>\$ -</u>       | <u>\$ 17,195,891</u>                        | <u>\$ -</u>                        |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advances**

The District has entered into a Funding and Reimbursement Agreement with the Developer as follows:

**Funding and Reimbursement Agreement (Capital and O&M)**

The funding and reimbursement agreement (capital and operations & maintenance) was entered into on March 5, 2015, as amended February 6, 2017, with Promenade Castle Rock, LLC (Developer) wherein the Developer or District has the right to construct improvements known as the Promenade at Castle Rock project (Project). The District has incurred and will continue to incur costs related to the Project and for general operating, administrative and maintenance costs (O&M) necessary to maintain the District. The Developer has agreed to loan the District money (Developer Advances) on the condition that the District agrees to repay the Developer Advances based on the terms set forth in the agreement. Advances shall bear interest per annum at prime plus 3% on all unpaid amounts. As of December 31, 2017, outstanding advances under this agreement totaled \$15,869,581 and accrued interest totaled \$1,326,310.

**Authorized Debt**

On May 6, 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 \$620,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2017, the District had authorized but unissued debt in the following amounts allocated for the following purposes:

|                            | <b>Amount<br/>Authorized on<br/>May 6,<br/>2014</b> | <b>Authorized<br/>but Unissued at<br/>December 31,<br/>2017</b> |
|----------------------------|---|---|
| Streets                    | \$ 40,000,000                                       | \$ 40,000,000   |
| Park and recreation        | 40,000,000  | 40,000,000  |
| Water                      | 40,000,000  | 40,000,000  |
| Sanitation                 | 40,000,000  | 40,000,000  |
| Transportation             | 40,000,000  | 40,000,000  |
| Mosquito control           | 20,000,000  | 20,000,000  |
| Traffic/safety controls    | 40,000,000  | 40,000,000  |
| Fire protection            | 40,000,000  | 40,000,000  |
| TV relay                   | 40,000,000  | 40,000,000  |
| Security                   | 40,000,000  | 40,000,000  |
| Operations and Maintenance | 40,000,000  | 40,000,000  |
| Private agreements         | 40,000,000  | 40,000,000  |
| Special assessment debt    | 40,000,000  | 40,000,000  |
| IGA                        | 200,000,000   | 200,000,000   |
| Refundings                 | 200,000,000   | 200,000,000   |
|                            | <u>\$ 900,000,000</u>                               | <u>\$ 900,000,000</u>   |

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 - NET POSITION**

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

Restricted assets include net position 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, 2017, as follows:

|                               | <u><b>Governmental<br/>Activities</b></u> |
|-------------------------------|---|
| Restricted net position:      |   |
| Emergency reserves            | \$ 3,300                                  |
| Total restricted net position | <u>\$ 3,300</u>                           |

The District's unrestricted net position as of December 31, 2017, is \$25,304,588.

**NOTE 7 - RELATED PARTY**

The Developer of the property which constitutes the District is Promenade Castle Rock, LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest in dealing with the District. See Note 5 for transactions related to advances made by the Developer to the District and Note 9 for transactions related to construction and reimbursed expenditures.

**NOTE 8 - ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer pursuant to the Funding and Reimbursement Agreement (Capital and O&M) as discussed in Note 5.

**NOTE 9 - AGREEMENTS**

**Development Agreement**

In 2015, the District entered into the Promenade at Castle Rock Development Agreement with the Town of Castle Rock, Promenade Castle Rock, LLC and District Nos. 1 and 3. The Development Agreement generally governs, without limitation, the development of the property in and facilities for the Development, the provision of municipal services by the Town, and water rights relating to property in the Development. Additionally, the Development Agreement establishes a cash construction escrow (the "Escrow") as surety for the construction of public improvements in the Development.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - AGREEMENTS (CONTINUED)**

**Master Intergovernmental Agreement**

On September 25, 2014, the District, District Nos. 1 and 3 and the Town entered into the Town of Castle Rock/Promenade at Castle Rock Metropolitan District Nos 1 – 3 Master Intergovernmental Agreement (the “Master Intergovernmental Agreement”), which generally governs the relationship between the Town and the Districts and sets the parameters of the Districts’ authority to finance and construct public improvements. The Master Intergovernmental Agreement states that the Districts have the authority to construct and finance public improvements in accordance with the standards and procedures set forth in the Service Plan, Public Finance Agreement, and the Town Requirements (generally defined as the rules and regulations of the Town, including those relating to zoning and land use). Pursuant to the Master Intergovernmental Agreement, the Districts agree to convey public facilities to the Town, and the Town agrees to operate, maintain, repair, and replace the facilities. The Master Intergovernmental Agreement further provides that the Districts shall only issue bonds in accordance with the Public Finance Agreement, the Service Plan, the Special District Act, and other laws of the State of Colorado.

**Public Finance Agreement**

On January 7, 2014, the Districts, the Developer, and the Town entered into the Public Finance Agreement, which agreement was amended and restated as the Amended and Restated Public Finance Agreement dated as of February 17, 2015, as amended by a First Amendment dated August 4, 2015 (as amended, the “Public Finance Agreement”). The Public Finance Agreement governs certain aspects of the Development, financing for the Development, including the issuance of the Bonds, and regulatory approvals issued by the Town for the Development.

The Public Finance Agreement permits the issuance of “District Bonds”, which is defined as one or more series of bonds issued or incurred by any of the Districts to finance or refinance the Eligible Costs in accordance with the terms and provisions of the Public Finance Agreement, including any bonds, other financial obligations or securities issued by any of the Districts to refund the District Bonds, but specifically exclusive of any Reimbursement Agreement entered into between the Developer and any of the Districts. Notwithstanding the foregoing, or any other provision to the contrary, District Bonds shall not be refinanced without the written consent of the Town.

The Public Finance Agreement provides that District Bonds shall be issued in an amount not exceeding \$28,800,000 of Net Proceeds to pay Eligible Costs, subject to adjustment as provided in the Pledge Agreement. “Net Proceeds” is generally defined as net proceeds of one or more series of District Bonds in an amount not exceeding \$28,800,000 used to pay or reimburse Eligible Costs.

District Nos. 1 and 3 (and to the extent hereinafter provided, the District), covenant to impose the District Debt Service Mill Levy in the amount of not less than 40 mills and not more than 47 mills, as hereinafter provided, for so long as any District Bonds remain outstanding, and further covenant to pledge and cause remittance of the District Debt Service Mill Levy to the District Bonds Trustee for such outstanding District Bonds. To the extent that the Add-On PIF

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - AGREEMENTS (CONTINUED)**

Revenues are pledged 100% to the payment of outstanding District Bonds, the District Debt Service Mill Levy imposed by such Districts shall be no less than 40 mills. To the extent that less than 100% of the Add-On PIF Revenue is pledged to the payment of outstanding District Bonds, the District Debt Service Mill Levy imposed by such Districts shall be increased above 40 mills, up to a maximum of 47 mills. Each such District further covenants that so long as any District Bonds remain outstanding, that each such District will remit all District Specific Ownership Taxes to the District Bond Trustee for payment of outstanding District Bonds.

The Developer agrees to impose the Credit PIF and the Add-On PIF and to irrevocably assign the Pledged PIF Revenue and any amount of Remaining Add-On PIF Revenue that may be included in District Operating Revenue to the District designated in the District Bond Documents, through and until the payment in full of the District Bonds. The Add-On PIF means the public improvement fee in the amount of not less than 0.25% and not more than 0.50% of PIF Sales. The Credit PIF means the public improvement fee in the amount of 1.10% of PIF Sales.

The District Operating Revenue will be used to pay the normal and reasonable operating and maintenance expenses of the Districts or for any other lawful purpose. District Operating

Revenue means revenue produced by the Districts' imposition of a mill levy to pay the operations and maintenance expenses of any of the Districts, and certain Add-On PIF Revenue not pledged to pay District Bonds, as allowed under the District Bond Documents from time to time.

**District Administrative Services Agreement**

On March 5, 2015 the District entered into the District Administrative Services Agreement which provides that the District shall be solely responsible for the management, execution and administration of the construction of the Public Improvements on behalf of the Districts. For the purpose of completing all or a portion of the Project, the District has entered into and anticipates entering into multiple contracts. In order to fund the Administrative Costs, District Nos. 1 and 3 (the Financing Districts) agree to levy on all of the taxable property of the Financing Districts, in addition to all other taxes, direct annual taxes to the extent necessary to provide for payment of the Administrative Costs, in the amount of the Required Mill Levy, or a lesser amount as determined by the District. In addition, the Financing Districts agree to remit any available PIF Revenues, fees or other Revenues to the District to fund the Administrative Costs.

**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 the District on March 5<sup>th</sup>, 2015. The parties agreed that the District 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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - AGREEMENTS (CONTINUED)**

submit a project fund requisition for all eligible project costs upon request by the District 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 the District may utilize such funds for any eligible project costs in its discretion. The amount requisitioned by the District from CPC District No. 1 during 2017 was \$31,768.

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 CPC District No. 1's Bond Issuance Project Fund.

**Capital Pledge Agreement**

On August 25, 2015, the Districts and the Trustee entered into a Capital Pledge Agreement in order to generate additional revenue pledged to payment of the Series 2015A Bonds. Pursuant to the agreement, District No. 3 has agreed to pay its 2015 Property Tax Revenue generated by the debt service mill levy to the Trustee, and the District (under certain limited conditions) and District No. 3 are obligated to impose ad valorem property taxes in an amount equal to the District Debt Service Mill Levy, and pay the proceeds and Specific Ownership Tax Revenues as a result of the District Debt Service Mill Levy to the Trustee.

**Master Escrow Agreement**

The Master Escrow Agreement was entered into on August 25, 2015 by the Districts, Town of Castle Rock, Land Title Guarantee Company, and Promenade Castle Rock, LLC. The District and the Town of Castle Rock appointed an Escrow Agent that established two accounts (1) the Promenade 2015 Bond Proceeds Account and (2) the Developer Advances Account.

The District will deposit all amounts permitted to be released from the Bond Project Fund under the terms of the Indenture with the Escrow Agent from the net proceeds of the Limited Tax General Obligation Bonds, Series 2015A and Taxable Special Revenue Bonds Series 2015B.

The Developer will deposit additional monies with the Escrow Agent for purposes of advancing monies for the benefit of the District as required by the Town of Castle Rock that are not otherwise available from the Districts or able to be released from the Project Fund, or to fund costs that do not constitute Eligible Costs. Both accounts combined must have a continuing balance at least equal to the Minimum Surety Balance required by the Town of Castle Rock. Funds in excess of the minimum balance may be used for project costs. The Escrow accounts held by the Escrow Agent are recorded in District No. 1's financial statements.

During 2017, the District incurred Developer related construction costs in the amount of \$186,774. As of December, 31, 2017, a total of \$900,604 was due from the Developer.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - AGREEMENTS (CONTINUED)**

**Site Development Agreement – Japanese Tree Lilac, LLC and Ledges Promenade at Castle Rock, LLC**

On April 6, 2016, the District entered into the Site Development Agreement with Japanese Tree Lilac, LLC (“Developer”) and Ledges Promenade at Castle Rock, LLC (“Ledges”), for the purpose of allowing the Developer and/or Ledges to have a Takeover Right to provide for the site work that is not completed (i) by the site work completion dated of September 30, 2016 or (ii) upon completion, any portion of the site work is not certified by the Engineers or is not accepted by the Town and/or the County, as applicable, Ledges may give written notice of default to the Developer and the District. If the Developer and/or the District fail to cure the default, Ledges shall have the right (the “Takeover Right”), but not the obligation, to assume control of the construction of all or any designated portion of the incomplete site work and have the ability to seek reimbursement under the Infrastructure Reimbursement Agreement. As of December 31, 2017, the District has received no notice of default.

**Infrastructure Reimbursement Agreement – Ledges Promenade at Castle Rock, LLC**

On April 6, 2016, the District entered into the Infrastructure Reimbursement Agreement with Ledges Promenade at Castle Rock, LLC (“Property Owner”) for the purpose of providing the Property Owner the ability to be reimbursed for any site work that may be completed by the Property Owner under the terms of the Site Development Agreement. As of December 31, 2017, there have been no requests for reimbursement.

**Infrastructure Reimbursement Agreement – Sam’s West, Inc.**

During 2016, the District entered into the Infrastructure Reimbursement Agreement with Sam’s West, Inc. (“Sam’s”) for the purpose of providing Sam’s the ability to be reimbursed for any site work that may be completed by Sam’s to the extent the District does not complete the same pursuant to the terms of the Development Agreement. As of December 31, 2017, there have been no requests for reimbursement.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of December 31, 2017, the District had unexpended construction related contract commitments of approximately \$706,345.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Litigation**

On April 12, 2018, the District filed a complaint and jury demand related to a certain construction related contract in the Douglas County District Court. The other party filed an answer and counterclaim on June 6, 2018, alleging that the District owed sums in the amount of \$237,292.60, plus accrued interest, plus additional damages in amounts to be proved at trial. The District filed a reply to the Counterclaim on June 13, 2018. Unless otherwise settled, it is expected that a trial on the lawsuit may be scheduled to occur in late 2018 or 2019. If the other party is successful, the District may be liable for paying damages in amounts to be proven at trial and such amounts will not cause the District to default on any obligations or impair the District's operational capacity.

The District has been named in legal action related to an unpaid invoice from a supplier to the current land owner. The supplier has claimed a mechanics lien to property adjacent to the Tracts owned by the District and does not appear to impact the District or have the potential to become a liability. Based upon counsel and management's opinion, the outcome of this matters is not expected to have a material adverse effect on the District' financial position or changes in net position. The District is filing a Stipulation of Dismissal and anticipates the dismissal from the case.

**NOTE 11 - 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 12 - 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.



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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 May 6, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

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

**SUPPLEMENTARY INFORMATION**

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

|   | <b>Original<br/>and<br/>Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|--|---------------------------|---|
| <b>REVENUES</b>   |  |                           |   |
| Intergovernmental revenue Promenade No. 1               | \$ 7,500,000                                 | \$ 5,154,773              | \$ (2,345,227)  |
| Intergovernmental revenue - Castle Pines Commercial     | 31,533                                       | 31,768                    | 235   |
| Reimbursed expenditures - capital outlay (private)      | -  | 159,397                   | 159,397   |
| Other revenue   | -  | 12,365                    | 12,365  |
| Total revenues  | <u>7,531,533</u>                             | <u>5,358,303</u>          | <u>(2,173,230)</u>  |
| <b>EXPENDITURES</b>                                     |  |                           |   |
| Capital outlay - Current                                |  |                           |   |
| Accounting  | -  | 79,648                    | (79,648)  |
| District management                                     | -  | 36,950                    | (36,950)  |
| Legal   | -  | 50,137                    | (50,137)  |
| Engineering   | -  | 57,087                    | (57,087)  |
| Capital Outlay - Private                                | -  | 159,397                   | (159,397)   |
| Capital Outlay  | <u>7,531,533</u>                             | <u>5,060,196</u>          | <u>2,471,337</u>  |
| Total expenditures                                      | <u>7,531,533</u>                             | <u>5,443,415</u>          | <u>2,088,118</u>  |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>-</u>                                     | <u>(85,112)</u>           | <u>(85,112)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |  |                           |   |
| Developer advance                                       | -  | 3,205,617                 | 3,205,617   |
| Total other financing sources (uses)                    | <u>-</u>                                     | <u>3,205,617</u>          | <u>3,205,617</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <u>-</u>                                     | <u>3,120,505</u>          | <u>3,120,505</u>  |
| <b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>      | <u>-</u>                                     | <u>(5,691,529)</u>        | <u>(5,691,529)</u>  |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>            | <u>\$ -</u>                                  | <u>\$ (2,571,024)</u>     | <u>\$ (2,571,024)</u>   |

**EXHIBIT B**  
**2017 Audit Exemption (No. 3 Only)**

# APPLICATION FOR EXEMPTION FROM AUDIT LONG FORM

NAME OF GOVERNMENT  
ADDRESS

Promenade at Castle Rock Metropolitan District No. 3  
8390 E Crescent Parkway  
Suite 500  
Greenwood Village, CO 80111  
Carrie Bartow  
303-779-5710  
Carrie.Bartow@claconnect.com  
303-779-0348

For the Year Ended  
12/31/2017  
or fiscal year ended:

CONTACT PERSON  
PHONE  
EMAIL  
FAX

## CERTIFICATION OF PREPARER

I certify that I am an independent accountant with knowledge of governmental accounting and that the information in the Application is complete and accurate to the best of my knowledge. I am aware that the Audit Law requires that a person independent of the entity complete the application if revenues or expenditure are at least \$100,000 but not more than \$750,000, and that independent means someone who is separate from the entity.

NAME:

Carrie Bartow

TITLE

Accountant for the District

FIRM NAME (if applicable)

CliftonLarsonAllen LLP

ADDRESS

8390 E Crescent Parkway, Suite 500, Greenwood Village, CO 80111

PHONE

303-779-5710

DATE PREPARED

2/15/2018

(Must be completed prior to board approval)

RELATIONSHIP TO ENTITY

CPA Firm providing accounting services to the District

**PREPARER (SIGNATURE REQUIRED)**

## SEE ATTACHED ACCOUNTANT'S COMPILATION REPORT

Has the entity filed for, or has the district filed, a Title 32, Article 1 Special District Notice of Inactive Status during the year? [Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.]

YES

NO

If Yes, date filed:

# PART 1 - FINANCIAL STATEMENTS - BALANCE SHEET

\* Indicate Name of Fund

NOTE: Attach additional sheets as necessary.

| Line #              | Description  | Governmental Funds |                   | Proprietary/Fiduciary Funds |       | Please use this space to provide explanation of any items on this page |
|---------------------|--|--------------------|-------------------|-----------------------------|-------|--|
|                     |  | General Fund       | Debt/Service Fund | Fund*                       | Fund* |  |
| <b>Assets</b>       |  |                    |                   |                             |       |  |
| 1-1                 | Cash & Cash Equivalents                                      | 127                | 508               |                             |       |  |
| 1-2                 | Investments  | -                  | -                 |                             |       |  |
| 1-3                 | Receivables  | -                  | -                 |                             |       |  |
| 1-4                 | Due from Other Entities or Funds                             | -                  | -                 |                             |       |  |
|                     | All Other Assets (specify)                                   | -                  | -                 |                             |       |  |
| 1-5                 | Property Tax Receivable                                      | 309,542            | 1,238,168         |                             |       |  |
| 1-6                 | Receivable from County treasurer                             | 671                | 2,682             |                             |       |  |
| 1-7                 |  | -                  | -                 |                             |       |  |
| 1-8                 |  | -                  | -                 |                             |       |  |
| 1-9                 |  | -                  | -                 |                             |       |  |
| 1-10                |  | -                  | -                 |                             |       |  |
| 1-11                |  | -                  | -                 |                             |       |  |
| 1-12                | <b>TOTAL ASSETS</b>  | 310,340            | 1,241,358         |                             |       |  |
| 1-13                | <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                  | -                  | -                 |                             |       |  |
|                     | <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                    | 310,340            | 1,241,358         |                             |       |  |
| <b>Liabilities</b>  |  |                    |                   |                             |       |  |
| 1-14                | Accounts Payable   | -                  | -                 |                             |       |  |
| 1-15                | Accrued Payroll and Related Liabilities                      | -                  | -                 |                             |       |  |
| 1-16                | Accrued Interest Payable                                     | -                  | -                 |                             |       |  |
| 1-17                | Due to Other Entities or Funds                               | -                  | -                 |                             |       |  |
| 1-18                | All Other Current Liabilities                                | -                  | -                 |                             |       |  |
| 1-19                | <b>TOTAL CURRENT LIABILITIES</b>                             | -                  | -                 |                             |       |  |
| 1-20                | All Other Liabilities (specify)                              | -                  | -                 |                             |       |  |
| 1-21                | Due to Promenade at Castle Rock MD No. 1                     | -                  | -                 |                             |       |  |
| 1-22                | Due to Promenade at Castle Rock MD No. 2                     | 671                | 2,682             |                             |       |  |
| 1-23                |  | -                  | -                 |                             |       |  |
| 1-24                |  | -                  | -                 |                             |       |  |
| 1-25                |  | -                  | -                 |                             |       |  |
| 1-26                |  | -                  | -                 |                             |       |  |
| 1-27                |  | -                  | -                 |                             |       |  |
| 1-28                |  | -                  | -                 |                             |       |  |
| 1-29                | <b>TOTAL LIABILITIES</b>                                     | 671                | 2,682             |                             |       |  |
|                     | <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                   | -                  | -                 |                             |       |  |
|                     | <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                   | -                  | -                 |                             |       |  |
| <b>Fund Balance</b> |  |                    |                   |                             |       |  |
| 1-30                | Nonspendable Prepaid   | -                  | -                 |                             |       |  |
| 1-31                | Nonspendable Inventory                                       | -                  | -                 |                             |       |  |
| 1-32                | Restricted (specify): Pursuant Master IGA                    | 127                | 508               |                             |       |  |
| 1-33                | Committed (specify)  | -                  | -                 |                             |       |  |
| 1-34                | Assigned (specify)   | -                  | -                 |                             |       |  |
| 1-35                | Unassigned:  | -                  | -                 |                             |       |  |
| 1-36                |  | -                  | -                 |                             |       |  |
|                     | <b>TOTAL FUND BALANCE</b>                                    | 127                | 508               |                             |       |  |
| 1-37                | <b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b> | 310,340            | 1,241,358         |                             |       |  |

# PART 2 - FINANCIAL STATEMENTS - OPERATING STATEMENT - REVENUES

| Line #  | Description                                       | Governmental Funds |                   | Proprietary/Fiduciary Funds |      |
|---|---|--------------------|-------------------|-----------------------------|------|
|   |   | General Fund       | Debt Service Fund | Fund                        | Fund |
| <b>Tax Revenue</b>  |   |                    |                   |                             |      |
| 2-1   | Property  | \$ 94,020          | \$ 376,077        | \$ -                        | \$ - |
| 2-2   | Specific Ownership                                | \$ 10,011          | \$ 40,044         | \$ -                        | \$ - |
| 2-3   | Sales and Use Tax                                 | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-4   | Other Tax Revenue (specify):                      | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-5   | Property Tax Interest Income                      | \$ 1,053           | \$ 4,147          | \$ -                        | \$ - |
| 2-6   | Interest Income                                   | \$ 127             | \$ 508            | \$ -                        | \$ - |
| 2-7   |   | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-8   | <b>Add lines 2-1 through 2-7</b>                  | \$ 105,211         | \$ 420,776        | \$ -                        | \$ - |
|   | <b>TOTAL TAX REVENUE</b>                          |                    |                   |                             |      |
| <b>Licenses and Permits</b>   |   |                    |                   |                             |      |
| 2-9   | Highway Users Tax Funds (HUTF)                    | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-10  | Conservation Trust Funds (Lottery)                | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-11  | Community Development Block Grant                 | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-12  | Fire & Police Pension                             | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-13  | Grants  | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-14  | Donations   | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-15  | Charges for Sales and Services                    | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-16  | Rental Income                                     | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-17  | Fines and Forfeits                                | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-18  | Interest/Investment Income                        | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-19  | Tap Fees  | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-20  | Developer Advances                                | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-21  | All Other (specify):                              | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-22  |   | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-23  |   | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-24  | <b>Add lines 2-8 through 2-23</b>                 | \$ 105,211         | \$ 420,776        | \$ -                        | \$ - |
|   | <b>TOTAL REVENUES</b>                             |                    |                   |                             |      |
| <b>Other Financing Sources</b>  |   |                    |                   |                             |      |
| 2-25  | Debt Proceeds                                     | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-26  | Proceeds from Sale of Capital Assets              | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-27  | Other (specify):                                  | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-28  |   | \$ -               | \$ -              | \$ -                        | \$ - |
| 2-29  | <b>Add lines 2-25 through 2-27</b>                | \$ -               | \$ -              | \$ -                        | \$ - |
|   | <b>TOTAL OTHER FINANCING SOURCES</b>              |                    |                   |                             |      |
|   | <b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b> | \$ 105,211         | \$ 420,776        | \$ -                        | \$ - |
| <b>IF GRAND TOTAL REVENUES AND OTHER FINANCING SOURCES for all funds (Line 2-29) are GREATER than \$750,000 - STOP. You may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or contact the OSA Local Government Division at (303) 869-3000 for assistance.</b> |   |                    |                   |                             |      |

Please use this space to provide explanation of any items on this page

**GRAND TOTALS**  
\$ 525,987

# PART 3 - FINANCIAL STATEMENTS - OPERATING STATEMENT - EXPENDITURES

| Line #              | Governmental Funds |                   | Description   | Proprietary/Fiduciary Funds |            |
|---------------------|--------------------|-------------------|---|-----------------------------|------------|
|                     | General Fund       | Debt Service Fund |   | Fund                        | Fund       |
| <b>Expenditures</b> |                    |                   |   |                             |            |
| 3-1                 | \$ -               | \$ -              | General Government  | \$ -                        | \$ -       |
| 3-2                 | \$ -               | \$ -              | Judicial  | \$ -                        | \$ -       |
| 3-3                 | \$ -               | \$ -              | Law Enforcement   | \$ -                        | \$ -       |
| 3-4                 | \$ -               | \$ -              | Fire  | \$ -                        | \$ -       |
| 3-5                 | \$ -               | \$ -              | Highways & Streets  | \$ -                        | \$ -       |
| 3-6                 | \$ -               | \$ -              | Solid Waste   | \$ -                        | \$ -       |
| 3-7                 | \$ -               | \$ -              | Contributions to Fire & Police Pension Assoc.   | \$ -                        | \$ -       |
| 3-8                 | \$ -               | \$ -              | Health  | \$ -                        | \$ -       |
| 3-9                 | \$ -               | \$ -              | Culture and Recreation  | \$ -                        | \$ -       |
| 3-10                | \$ -               | \$ -              | Other (specify):  | \$ -                        | \$ -       |
| 3-11                | \$ 1,427           | \$ 5,708          | County Treasurer's Fees   | \$ -                        | \$ -       |
| 3-12                | \$ -               | \$ -              | Transfers to Promenade at Castle Rock MD No. 2  | \$ -                        | \$ -       |
| 3-13                | \$ -               | \$ -              |   | \$ -                        | \$ -       |
| 3-14                | \$ -               | \$ -              | Capital Outlay  | \$ -                        | \$ -       |
|                     | \$ -               | \$ -              | Debt Service  | \$ -                        | \$ -       |
| 3-15                | \$ -               | \$ -              | Principal   | \$ -                        | \$ -       |
| 3-16                | \$ -               | \$ -              | Interest  | \$ -                        | \$ -       |
| 3-17                | \$ -               | \$ -              | Bond Issuance Costs   | \$ -                        | \$ -       |
| 3-18                | \$ -               | \$ -              | Developer Principal Repayments  | \$ -                        | \$ -       |
| 3-19                | \$ -               | \$ -              | Developer Interest Repayments   | \$ -                        | \$ -       |
| 3-20                | \$ -               | \$ 414,558        | All Other: Transfers to Promenade at Castle Rock MD No. 1                             | \$ -                        | \$ -       |
| 3-21                | \$ 103,657         | \$ -              | Transfers to Promenade at Castle Rock MD No. 2  | \$ -                        | \$ -       |
| 3-22                | \$ 105,084         | \$ 420,268        | <b>ADD LINES 3-1 THROUGH 3-21</b>   | \$ -                        | \$ -       |
|                     |                    |                   | <b>TOTAL EXPENDITURES</b>   | \$ -                        | \$ 525,352 |
| 3-23                | \$ -               | \$ -              | Interfund Transfers (in)  | \$ -                        | \$ -       |
| 3-24                | \$ -               | \$ -              | Interfund Transfers out   | \$ -                        | \$ -       |
| 3-25                | \$ -               | \$ -              | Other Expenditures (Revenues):  | \$ -                        | \$ -       |
| 3-26                | \$ -               | \$ -              | Depreciation  | \$ -                        | \$ -       |
| 3-27                | \$ -               | \$ -              | Other Financing Sources (Uses) (from line 3-14)                                       | \$ -                        | \$ -       |
| 3-28                | \$ -               | \$ -              | Capital Outlay  | \$ -                        | \$ -       |
| 3-29                | \$ -               | \$ -              | Debt Principal  | \$ -                        | \$ -       |
|                     |                    |                   | <b>(Line 3-26, plus line 3-27, less line 3-24, less line 3-25)</b>                    | \$ -                        | \$ -       |
| 3-30                | \$ -               | \$ -              | <b>TOTAL TRANSFERS AND OTHER EXPENDITURES</b>   | \$ -                        | \$ -       |
|                     |                    |                   | Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures | \$ -                        | \$ -       |
|                     | \$ 127             | \$ 508            | Line 2-29, less line 3-22, plus line 3-29, plus line 3-23, less line 3-24             | \$ -                        | \$ -       |
| 3-31                | \$ -               | \$ -              | Fund Balance, January 1 from December 31 prior year report                            | \$ -                        | \$ -       |
| 3-32                | \$ -               | \$ -              | Prior Period Adjustment (MUST explain)  | \$ -                        | \$ -       |
| 3-33                | \$ -               | \$ -              | Fund Balance, December 31   | \$ -                        | \$ -       |
|                     | \$ 127             | \$ 508            | Sum of Line 3-30, 3-31, and 3-32  | \$ -                        | \$ -       |
|                     |                    |                   | This total should be the same as line 1-36.   | \$ -                        | \$ -       |

IF GRAND TOTAL EXPENDITURES for all funds (Line 3-22) are GREATER than \$750,000 - STOP. You may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or contact the OSA Local Government Division at (303) 869-3000 for assistance.



**PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED**

Please answer the following questions by marking the appropriate boxes.

Please use this space to provide any explanations or comments:  
 4-2: "N/A Entity does not have outstanding debt"  
 4-3: "N/A Entity does not have outstanding debt"

|                          | Outstanding at beginning of year | Issued during year | Retired during year | Outstanding at year-end |
|--------------------------|----------------------------------|--------------------|---------------------|-------------------------|
| General obligation bonds | \$ -                             | \$ -               | \$ -                | \$ -                    |
| Revenue bonds            | \$ -                             | \$ -               | \$ -                | \$ -                    |
| Notes/Loans              | \$ -                             | \$ -               | \$ -                | \$ -                    |
| Leases                   | \$ -                             | \$ -               | \$ -                | \$ -                    |
| Developer Advances       | \$ -                             | \$ -               | \$ -                | \$ -                    |
| Other (specify):         | \$ -                             | \$ -               | \$ -                | \$ -                    |
| <b>TOTAL</b>             | <b>\$ -</b>                      | <b>\$ -</b>        | <b>\$ -</b>         | <b>\$ -</b>             |

YES  NO

YES  NO

YES  NO

4-4 Please complete the following debt schedule, if applicable: (please only include principal amounts)

| Outstanding at beginning of year | Issued during year | Retired during year | Outstanding at year-end |
|----------------------------------|--------------------|---------------------|-------------------------|
| \$ 940,000.000                   |                    |                     |                         |
| 5/6/2014                         |                    |                     |                         |

\*Must agree to prior year ending balance

4-5 Please answer the following questions by marking the appropriate boxes.

4-5 Does the entity have any authorized, but unissued, debt? YES  NO

If yes: How much? \$ 940,000.000

Date the debt was authorized: 5/6/2014

4-6 Does the entity intend to issue debt within the next calendar year? YES  NO

If yes: How much? \$ -

4-7 Does the entity have debt that has been refinanced that is still responsible for? YES  NO

If yes: What is the amount outstanding? \$ -

4-8 Does the entity have any lease agreements? YES  NO

If yes: What is being leased? \_\_\_\_\_

What is the original date of the lease? \_\_\_\_\_

Number of years of lease? \_\_\_\_\_

Is the lease subject to annual appropriation? YES  NO

What are the annual lease payments? \_\_\_\_\_

4-9 Does the entity have a certified mill levy? YES  NO

If yes: Please provide the following mills levied for the year reported (do not enter \$ amounts):

|                 |               |
|-----------------|---------------|
| Bond Redemption | 40.000        |
| General/Other   | 10.000        |
| <b>TOTAL</b>    | <b>50.000</b> |

**PART 5 - CASH AND INVESTMENTS**

Please use this space to provide any explanations or comments:

5-1 YEAR-END Total of ALL Checking and Savings accounts. AMOUNT TOTAL

5-2 Certificates of deposit. AMOUNT TOTAL

Investments (if investment is a mutual fund, please list underlying investments):

|                            |             |
|----------------------------|-------------|
| CSAFE                      | \$ 635      |
|                            | \$ -        |
|                            | \$ -        |
|                            | \$ -        |
| <b>TOTAL CASH DEPOSITS</b> | <b>\$ -</b> |

5-3 TOTAL INVESTMENTS

|                                   |               |
|-----------------------------------|---------------|
|                                   | \$ 635        |
|                                   | \$ -          |
|                                   | \$ -          |
|                                   | \$ -          |
| <b>TOTAL CASH AND INVESTMENTS</b> | <b>\$ 635</b> |

5-4 Are the entity's investments legal in accordance with Section 24-75-601, et seq., C.R.S.? YES  NO  N/A

5-5 Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)? if no, MUST explain: YES  NO

## PART 6 - CAPITAL ASSETS

Please answer the following question by marking in the appropriate box

6-1 Does the entity have capitalized assets? YES  NO   
 6-2 Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.? If no, MUST explain: YES  NO

6-2: n/a no capital assets

| Complete the following Capital Assets table for GOVERNMENTAL FUNDS:       | Balance - beginning of the year | Additions | Deletions | Year-End Balance |
|---|---------------------------------|-----------|-----------|------------------|
| Land  | \$ -                            | -         | -         | \$ -             |
| Buildings   | \$ -                            | -         | -         | \$ -             |
| Machinery and equipment   | \$ -                            | -         | -         | \$ -             |
| Furniture and fixtures  | \$ -                            | -         | -         | \$ -             |
| Infrastructure  | \$ -                            | -         | -         | \$ -             |
| Construction In Progress (CIP)  | \$ -                            | -         | -         | \$ -             |
| Other (explain):  | \$ -                            | -         | -         | \$ -             |
| Accumulated Depreciation (Enter a negative, or credit, balance)           | \$ -                            | -         | -         | \$ -             |
| <b>TOTAL</b>  | <b>\$ -</b>                     | <b>-</b>  | <b>-</b>  | <b>\$ -</b>      |
| <b>Complete the following Capital Assets table for PROPRIETARY FUNDS:</b> |                                 |           |           |                  |
| Land  | \$ -                            | -         | -         | \$ -             |
| Buildings   | \$ -                            | -         | -         | \$ -             |
| Machinery and equipment   | \$ -                            | -         | -         | \$ -             |
| Furniture and fixtures  | \$ -                            | -         | -         | \$ -             |
| Infrastructure  | \$ -                            | -         | -         | \$ -             |
| Construction In Progress (CIP)  | \$ -                            | -         | -         | \$ -             |
| Other (explain):  | \$ -                            | -         | -         | \$ -             |
| Accumulated Depreciation (Enter a negative, or credit, balance)           | \$ -                            | -         | -         | \$ -             |
| <b>TOTAL</b>  | <b>\$ -</b>                     | <b>-</b>  | <b>-</b>  | <b>\$ -</b>      |

\*Trust agree to prior year ending balance

## PART 7 - PENSION INFORMATION

Please answer the following question by marking in the appropriate box

7-1 Does the entity have an "old hire" fireman's pension plan? YES  NO   
 7-2 Does the entity have a volunteer firemen's pension plan? YES  NO   
 If yes: Who administers the plan? Indicate the contributions from:

- Tax (property, SO, sales, etc.):
- State contribution amount:
- Other (gifts, donations, etc.):

|              |  |
|--------------|--|
|              |  |
|              |  |
|              |  |
|              |  |
| <b>TOTAL</b> |  |

What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?

**PART 8 - BUDGET INFORMATION**

Please answer the following question by marking in the appropriate box

YES NO N/A

- 8-1 Did the entity file a current year budget with the Department of Local Affairs, in accordance with Section 29-1-113 C.R.S.? If no, MUST explain:  YES  NO  N/A
- 8-2 Did the entity pass an appropriations resolution in accordance with Section 29-1-108 C.R.S.? If no, MUST explain:  YES  NO  N/A

If yes: Please indicate the amount appropriated for each fund for the year reported

| Fund Name                 | Budgeted Expenditures |
|---------------------------|-----------------------|
| Amended General Fund      | \$ 105,000            |
| Amended Debt Service Fund | \$ 420,000            |
|                           | \$ -                  |
|                           | \$ -                  |

Please use this space to provide any explanations or comments: The District received more specific ownership taxes than budgeted which caused the transfer to Promenade at Castle Rock MD No. 1 and No. 2 to exceed budget. The District will formally amend the budget at a future meeting.

**PART 9 - TAX-PAYER'S BILL OF RIGHTS (TABOR)**

Please answer the following question by marking in the appropriate box

YES NO

- 9-1 Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]?  YES  NO

Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.

Please use this space to provide any explanations or comments:

**PART 10 - GENERAL INFORMATION**

Please answer the following question by marking in the appropriate box

YES NO

- 10-1 Is this application for a newly formed governmental entity?  YES  NO
- If yes: Date of formation: \_\_\_\_\_
- 10-2 Has the entity changed its name in the past or current year?  YES  NO
- If Yes: NEW name \_\_\_\_\_
- PRIOR name \_\_\_\_\_
- 10-3 Is the entity a metropolitan district?  YES  NO
- 10-4 Please indicate what services the entity provides: \_\_\_\_\_
- 10-5 Does the entity have an agreement with another government to provide services?  YES  NO
- If yes: List the name of the other governmental entity and the services provided: \_\_\_\_\_

Please use this space to provide any explanations or comments: 10-4: The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. 10-5: Pursuant to the Master ISA, the district was formed in conjunction with Promenade at Castle Rock Metropolitan District No. 1 and No. 2 to provide financing to the districts.

Please use this space to provide any additional explanations or comments not previously included:

**OSA USE ONLY**

| Entity Wide:                    | General Fund | Governmental Funds                   | Notes          |
|---------------------------------|--------------|--------------------------------------|----------------|
| Unrestricted Cash & Investments | \$ 635       | Total Tax Revenue                    | \$ 525,887     |
| Current Liabilities             | \$ -         | 127 Revenue Paying Debt Service      | \$ -           |
| Deferred Inflow                 | \$ 1,547,710 | Total Revenue                        | \$ 525,887     |
|                                 |              | 105,211 Total Debt Service Principal | \$ -           |
|                                 |              | 105,084 Total Debt Service Interest  | \$ -           |
|                                 |              |                                      | \$ -           |
| Governmental                    |              | Enterprise Funds                     |                |
| Total Cash & Investments        | \$ -         | Net Position                         | \$ -           |
| Transfers In                    | \$ -         | - PY Net Position                    | \$ -           |
| Transfers Out                   | \$ -         | - Governments-Wide                   | \$ -           |
| Property Tax                    | \$ 470,097   | - Total Outstanding Debt             | \$ -           |
| Debt Service Principal          | \$ -         | - Authorized but Unissued            | \$ 940,000,000 |
| Total Expenditures              | \$ 525,352   | - Year Authorized                    | \$ 41,765      |
| Total Developer Advances        | \$ -         |                                      |                |
| Total Developer Repayments      | \$ -         |                                      |                |

**PART 12 - GOVERNING BODY APPROVAL**

YES  NO

12-1 Please answer the following question by marking in the appropriate box  
Have you read the new Electronic Signature Policy and do you plan on submitting signatures in accordance with this policy?

**Office of the State Auditor — Local Government Division - Exemption Form Electronic Signatures Policy and Procedures**

Policy - Requirements




The Office of the State Auditor Local Government Audit Division may accept an electronic submission of an application for exemption from audit that includes governing board signatures obtained through a program such as DocuSign or Echosign. Required elements and safeguards are as follows:  
 • The preparer of the application is responsible for obtaining board signatures that comply with the requirement in Section 29-1-604 (3), C.R.S., that states the application shall be personally reviewed, approved, and signed by a majority of the members of the governing body.  
 • The application must be accompanied by the signature history document created by the electronic signature software. The signature history document must show when the document was created and when the document was emailed to the various parties, and include the dates the individual board members signed the document. The signature history must also show the individuals' email addresses and IP address.  
 • Office of the State Auditor staff will not coordinate obtaining signatures.

The application for exemption from audit form created by our office includes a section for governing body approval. Local governing boards note their approval and submit the application through one of the following three methods:

- 1) Submit the application in hard copy via the US Mail including original signatures.
- 2) Submit the application electronically via email and either,
  - a. Include a copy of an adopted resolution that documents formal approval by the Board, or
  - b. Include electronic signatures obtained through a software program such as DocuSign or Echosign in accordance with the requirements noted above.

Below is the certification and approval of the governing board. By signing the board member is certifying they are a duly elected or appointed officer of the local government. Governing board members may be verified. Also by signing, the board member certifies that this Application for Exemption from Audit has been prepared consistent with Section 29-1-604, C.R.S., which states that a governmental agency with revenue and expenditures of \$750,000 or less must have an application prepared by an independent accountant with knowledge of governmental accounting, completed to the best of their knowledge and is accurate and true. Use additional pages if needed.

**Print the names of all current governing board members below.**

| Board Member | Print Board Member's Name | A MAJORITY of the governing board members must complete and sign in the column below.   |
|--------------|---------------------------|---|
| 1            | Peter Cudlip              | I, Peter Cudlip, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: <br>Date: <u>5/21/18</u><br>My term Expires: May 2018    |
| 2            | Bryan McFarland           | I, Bryan McFarland, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: <br>Date: <u>5/21/18</u><br>My term Expires: May 2018 |
| 3            | Robert Walter             | I, Robert Walter, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: <br>Date: <u>5/21/18</u><br>My term Expires: May, 2020  |
| 4            | Donald Provost            | I, Donald Provost, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: _____<br>Date: _____<br>My term Expires: May, 2018   |
| 5            |                           | I, _____, attest that I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: _____<br>Date: _____<br>My term Expires: _____   |
| 6            |                           | I, _____, attest that I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: _____<br>Date: _____<br>My term Expires: _____   |
| 7            |                           | I, _____, attest that I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit.<br>Signed: _____<br>Date: _____<br>My term Expires: _____   |



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
www.CLACONnect.com

**Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 3  
Douglas County, Colorado

Management is responsible for the accompanying Application for Exemption from Audit of Promenade at Castle Rock Metropolitan District No. 3 as of and for the year ended December 31, 2017, included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements included in the accompanying prescribed form 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 financial statements included in the accompanying prescribed form.

The Application for Exemption from Audit is presented in accordance with the requirements of the Colorado Office of the State Auditor, which differ from accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Colorado Office of the State Auditor and is not intended to be and should not be used by anyone other than this specified party.

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 3.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
February 15, 2018

**EXHIBIT C**  
**2017 Budgets**



**CliftonLarsonAllen**

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**Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 1  
Douglas County, Colorado

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

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

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 1.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 11, 2017

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
SUMMARY**

**2017 BUDGET AS ADOPTED  
WITH 2015 ACTUAL AND 2016 ESTIMATED  
For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015       | ESTIMATED<br>2016    | ADOPTED<br>2017     |
|---|----------------------|----------------------|---------------------|
| BEGINNING FUND BALANCES   | \$ (23,876)          | \$ 23,882,015        | \$ 11,679,868       |
| REVENUES  |                      |                      |                     |
| 1 Property taxes  | 16,637               | 2,291                | 15,381              |
| 2 Specific ownership taxes                                      | 9,811                | 206                  | 1,390               |
| 3 Public improvement fees                                       | 22,424               | -                    | -                   |
| 4 Net investment income   | 19,914               | 69,015               | 17,270              |
| 5 Other income  | -                    | 20,859               | 1,500               |
| 6 Bond issuance   | 37,440,000           | -                    | -                   |
| 7 Intergovernmental transfer - District No. 3                   | 5                    | 96,144               | 392,951             |
| 8 Credit - PIF  | -                    | 158,504              | 1,036,190           |
| 9 Add-On PIF  | -                    | 40,982               | 256,109             |
| Total revenues  | <u>37,508,791</u>    | <u>388,001</u>       | <u>1,720,791</u>    |
| TRANSFERS IN  | <u>6,374,375</u>     | -                    | -                   |
| Total funds available   | <u>43,859,290</u>    | <u>24,270,016</u>    | <u>13,400,659</u>   |
| EXPENDITURES  |                      |                      |                     |
| 10 General and administration                                   |                      |                      |                     |
| 11 Contingency  | -                    | 499                  | 500                 |
| 12 County Treasurer's fees                                      | 306                  | 7                    | 46                  |
| 13 Intergovernmental transfer - District #2                     | 4,984                | 492                  | 3,310               |
| 14 Debt service   |                      |                      |                     |
| 15 Bond interest - Series 2015 A                                | 521,113              | 1,954,175            | 1,954,175           |
| 16 Bond interest - Series 2015 B                                | -                    | 40,982               | 256,109             |
| 17 Contingency  | -                    | 1,000                | 1,000               |
| 18 County Treasurer's fees                                      | 1,224                | 27                   | 185                 |
| 19 Paying agent fees  | -                    | 10,000               | 10,000              |
| 20 PIF Collection Fee   | -                    | 35,000               | 35,000              |
| 21 Capital projects   |                      |                      |                     |
| 22 Bond Discount  | 466,100              | -                    | -                   |
| 23 Bond Issue Costs   | 1,472,123            | -                    | -                   |
| 24 Intergovernmental expense                                    | 26,236               | -                    | -                   |
| 25 Intergovernmental transfer - District No. 2                  | 11,029,751           | 10,547,966           | 7,500,000           |
| 26 Legal  | 81,063               | -                    | -                   |
| Total expenditures  | <u>13,602,900</u>    | <u>12,590,148</u>    | <u>9,760,325</u>    |
| TRANSFERS OUT   | <u>6,374,375</u>     | -                    | -                   |
| Total expenditures and transfers out<br>requiring appropriation | <u>19,977,275</u>    | <u>12,590,148</u>    | <u>9,760,325</u>    |
| ENDING FUND BALANCES  | <u>\$ 23,882,015</u> | <u>\$ 11,679,868</u> | <u>\$ 3,640,334</u> |
| DEBT SERVICE RESERVE  | <u>\$ 3,097,888</u>  | <u>\$ 3,097,888</u>  | <u>\$ 3,097,888</u> |
| TOTAL RESERVE   | <u>\$ 3,097,888</u>  | <u>\$ 3,097,888</u>  | <u>\$ 3,097,888</u> |

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



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/11/2017

|                                     | ACTUAL<br>2015      | ESTIMATED<br>2016 | ADOPTED<br>2017   |
|-------------------------------------|---------------------|-------------------|-------------------|
| <b>ASSESSED VALUATION - DOUGLAS</b> |                     |                   |                   |
| Commercial                          | \$ 21,160           | \$ -              | \$ -              |
| Agricultural                        | 1,540               | -                 | -                 |
| Vacant Land                         | 2,018,260           | 45,830            | 307,620           |
| Certified Assessed Value            | <u>\$ 2,040,960</u> | <u>\$ 45,830</u>  | <u>\$ 307,620</u> |
| <b>MILL LEVY</b>                    |                     |                   |                   |
| GENERAL FUND                        | 10.000              | 10.000            | 10.000            |
| DEBT SERVICE FUND                   | 40.000              | 40.000            | 40.000            |
| Total Mill Levy                     | <u>50.000</u>       | <u>50.000</u>     | <u>50.000</u>     |
| <b>PROPERTY TAXES</b>               |                     |                   |                   |
| GENERAL FUND                        | \$ 20,410           | \$ 458            | \$ 3,076          |
| DEBT SERVICE FUND                   | 81,638              | 1,833             | 12,305            |
| Levied property taxes               | <u>102,048</u>      | <u>2,291</u>      | <u>15,381</u>     |
| Adjustments to actual/rounding      | (85,411)            | -                 | -                 |
| Budgeted Property Taxes             | <u>\$ 16,637</u>    | <u>\$ 2,291</u>   | <u>\$ 15,381</u>  |
| <b>BUDGETED PROPERTY TAXES</b>      |                     |                   |                   |
| GENERAL FUND                        | \$ 3,328            | \$ 458            | \$ 3,076          |
| DEBT SERVICE FUND                   | 13,309              | 1,833             | 12,305            |
|                                     | <u>\$ 16,637</u>    | <u>\$ 2,291</u>   | <u>\$ 15,381</u>  |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 3,328          | 458               | 3,076           |
| 2 Specific ownership taxes                                      | 1,962          | 41                | 280             |
| 3 Other income  | -              | 499               | 500             |
| Total revenues  | 5,290          | 998               | 3,856           |
| Total funds available   | 5,290          | 998               | 3,856           |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 4 Contingency   | -              | 499               | 500             |
| 5 County Treasurer's fees                                       | 306            | 7                 | 46              |
| 6 Intergovernmental transfer - District #2                      | 4,984          | 492               | 3,310           |
| Total expenditures  | 5,290          | 998               | 3,856           |
| Total expenditures and transfers out<br>requiring appropriation | 5,290          | 998               | 3,856           |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015      | ESTIMATED<br>2016   | ADOPTED<br>2017     |
|---|---------------------|---------------------|---------------------|
| BEGINNING FUND BALANCES   | \$ -                | \$ 5,899,746        | \$ 4,179,868        |
| REVENUES  |                     |                     |                     |
| 1 Property taxes  | 13,309              | 1,833               | 12,305              |
| 2 Specific ownership taxes                                      | 7,849               | 165                 | 1,110               |
| 3 Public improvement fees                                       | 22,424              | -                   | -                   |
| 4 Net investment income   | 4,121               | 23,678              | 17,270              |
| 5 Other income  | -                   | -                   | 1,000               |
| 6 Intergovernmental transfer - District No. 3                   | 5                   | 96,144              | 392,951             |
| 7 Credit - PIF  | -                   | 158,504             | 1,036,190           |
| 8 Add-On PIF  | -                   | 40,982              | 256,109             |
| Total revenues  | <u>47,708</u>       | <u>321,306</u>      | <u>1,716,935</u>    |
| TRANSFERS IN  |                     |                     |                     |
| CAPITAL PROJECTS FUND   | 6,374,375           | -                   | -                   |
| Total transfers in  | <u>6,374,375</u>    | <u>-</u>            | <u>-</u>            |
| Total funds available   | <u>6,422,083</u>    | <u>6,221,052</u>    | <u>5,896,803</u>    |
| EXPENDITURES  |                     |                     |                     |
| Debt service  |                     |                     |                     |
| 9 Bond interest - Series 2015 A                                 | 521,113             | 1,954,175           | 1,954,175           |
| 10 Bond interest - Series 2015 B                                | -                   | 40,982              | 256,109             |
| 11 Contingency  | -                   | 1,000               | 1,000               |
| 12 County Treasurer's fees                                      | 1,224               | 27                  | 185                 |
| 13 Paying agent fees  | -                   | 10,000              | 10,000              |
| 14 PIF Collection fee   | -                   | 35,000              | 35,000              |
| Total expenditures  | <u>522,337</u>      | <u>2,041,184</u>    | <u>2,256,469</u>    |
| Total expenditures and transfers out<br>requiring appropriation | <u>522,337</u>      | <u>2,041,184</u>    | <u>2,256,469</u>    |
| ENDING FUND BALANCES  | <u>\$ 5,899,746</u> | <u>\$ 4,179,868</u> | <u>\$ 3,640,334</u> |
| DEBT SERVICE RESERVE  | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> |
| TOTAL RESERVE   | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015       | ESTIMATED<br>2016   | ADOPTED<br>2017  |
|---|----------------------|---------------------|------------------|
| BEGINNING FUND BALANCES   | \$ (23,876)          | \$ 17,982,269       | \$ 7,500,000     |
| REVENUES  |                      |                     |                  |
| 1 Net investment income   | 15,793               | 45,337              | -                |
| 2 Other income  | -                    | 20,360              | -                |
| 3 Bond issuance   | 37,440,000           | -                   | -                |
| Total revenues  | <u>37,455,793</u>    | <u>65,697</u>       | <u>-</u>         |
| Total funds available   | <u>37,431,917</u>    | <u>18,047,966</u>   | <u>7,500,000</u> |
| EXPENDITURES  |                      |                     |                  |
| Capital projects  |                      |                     |                  |
| 4 Bond Discount   | 466,100              | -                   | -                |
| 5 Bond Issue Costs  | 1,472,123            | -                   | -                |
| 6 Intergovernmental expense                                     | 26,236               | -                   | -                |
| 7 Intergovernmental transfer - District No. 2                   | 11,029,751           | 10,547,966          | 7,500,000        |
| 8 Legal   | 81,063               | -                   | -                |
| Total expenditures  | <u>13,075,273</u>    | <u>10,547,966</u>   | <u>7,500,000</u> |
| TRANSFERS OUT   |                      |                     |                  |
| DEBT SERVICE FUND   | 6,374,375            | -                   | -                |
| Total transfers out   | <u>6,374,375</u>     | <u>-</u>            | <u>-</u>         |
| Total expenditures and transfers out<br>requiring appropriation | <u>19,449,648</u>    | <u>10,547,966</u>   | <u>7,500,000</u> |
| ENDING FUND BALANCES  | <u>\$ 17,982,269</u> | <u>\$ 7,500,000</u> | <u>\$ -</u>      |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The Promenade at Castle Rock Metropolitan District No. 1 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock, Douglas County, Colorado on May 28, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized for the purpose of financing and providing public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. When appropriate, these improvements will be dedicated to the Town of Castle Rock, Douglas County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District, organized in conjunction with two other related Districts – Promenade at Castle Rock Metropolitan District Nos. 2-3. The District's service area is located within the Town of Castle Rock, Douglas County, Colorado.

On May 6, 2014, District voters approved general obligation indebtedness of \$40,000,000 for street improvements, \$40,000,000 for parks and recreation, \$40,000,000 for water facilities, \$40,000,000 for sanitation and storm drainage system, \$40,000,000 for transportation, \$40,000,000 for fire protection facilities or services, \$40,000,000 for television relay and translation services, \$40,000,000 for security services, \$20,000,000 for mosquito control, \$40,000,000 for traffic and safety, \$40,000,000 for operations and maintenance, \$200,000,000 for intergovernmental contracts, \$40,000,000 for private agreements, \$40,000,000 for mortgages, \$40,000,000 for special assessments, and \$200,000,000 for debt refunding. The election also approved an increase in ad valorem property taxes of up to \$5,000,000 annually and allows the District to collect fees of up to \$5,000,000 annually for operations and maintenance, \$40,000,000 in taxes for intergovernmental agreements, \$40,000,000 for private agreements and \$40,000,000 in sales taxes not to exceed 3%. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

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

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 10.000 for operations and 40.000 for debt service. The calculation is reflected on page 3 of the Budget.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues - (continued)**

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 9% of the property taxes collected.

**Credit Public Improvement Fees**

The Credit PIF is a public improvement fee in the amount of 1.10% of taxable retail sales within the Districts which will be imposed in lieu of, or as a credit against, a corresponding amount of the Town Sales Tax. Credit PIF revenue is pledged first to the payment of the Series A Bonds, and on a subordinate basis to the Series B Bonds.

**Add-On Public Improvement Fees**

The Add-On PIF is a public improvement fee in the amount of .25% of taxable retail sales within the Districts. Unlike the Credit PIF, the Add-On PIF does not constitute a fee imposed in lieu of, or as a credit against, any part of the Town Sales Tax. Instead, the Add-On PIF constitutes an additional fee imposed upon PIF Sales. The Add-On PIF is initially pledged solely to the Series B Bonds until no longer outstanding.

**Intergovernmental Revenue – District No. 3**

District No. 3, the Financing District, levied 40.000 mills for debt service. It is anticipated that District No. 3 will transfer property taxes generated from the 40.000 mills, net of collection costs, into District No. 1 to pay for debt service expenditures.

**Expenditures**

**County Treasurer's Fees**

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

**Intergovernmental Transfers - District No. 2**

Property taxes generated from the 10.000 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to District No. 2, the Operating District, which pays all administrative expenditures of the District.

The available monies in the Capital Projects Fund are expected to be transferred to District No. 2 which contracts for and pays all capital improvement expenditures of the District.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Expenditures - (continued)**

**Debt Service**

Interest payments in 2017 are provided based on the attached debt amortization schedule for the Series 2015A Bonds (discussed under Debt and Leases). The Series 2015B Bonds are paid based on available funds, as such a debt amortization schedule has not been included.

**Debt and Leases**

**Series 2015 Special Revenue Bonds**

The District issued Bonds on August 25, 2015, in the amounts of \$34,615,000 in General Obligation Bonds Series 2015A and \$2,825,000 in Taxable Special Revenue Bonds Series 2015B. The proceeds from the sale of the Series A Bonds will be used for the purposes of: (i) paying a portion of the costs of public improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; (ii) providing capitalized interest; (iii) providing the Series A Reserve Fund; and (iv) paying costs of issuance of the Series A Bonds. Proceeds from the sale of the Series B Bonds will be used to: (i) pay a portion of the costs of public improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; and (ii) paying costs of issuance of the Series B Bonds.

The Series A Bonds bear interest at rates ranging from 5.125% to 5.750% payable semi-annually on June 1 and December 1, beginning on December 1, 2015. Annual mandatory sinking fund principal payments on the Series A Bonds are due on December 1, beginning on December 1, 2018. The Series A Bonds mature on December 1, 2039.

The Series B Bonds are assumed to bear interest at 9.0% payable annually on December 1, beginning on December 1, 2015. Annual mandatory sinking fund principal payments on the Series A Bonds are due on December 1, to the extent of moneys on deposit, if any, in the Series B Mandatory Redemption Account of the Series B Bond Fund. The Series B Bonds mature on December 1, 2039.

The District has no operating or capital leases.

**Reserve Funds**

**Emergency Reserve**

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 2, which pays for all Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2017 Budget. The Emergency Reserve for these revenues is reflected in District No. 2.

**Debt Service Reserve**

The District has a \$3,097,888 Debt Service Reserve as required with the issuance of the Series 2015 bonds.

**This information is an integral part of the accompanying budget.**

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

**Promenade at Castle Rock Metropolitan District #1**  
**\$34,615,000 General Obligation Bonds**  
**Dated August 25, 2015**  
**Principal Due Annually December 1**  
**Interest from 5.125 to 5.75%, Due June and December 1**

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-------------|----------------------|----------------------|----------------------|
| 2017        | \$ -                 | \$ 1,954,175         | \$ 1,954,175         |
| 2018        | 220,000              | 1,954,175            | 2,174,175            |
| 2019        | 575,000              | 1,942,900            | 2,517,900            |
| 2020        | 675,000              | 1,913,431            | 2,588,431            |
| 2021        | 2,030,000            | 1,878,838            | 3,908,838            |
| 2022        | 2,690,000            | 1,774,800            | 4,464,800            |
| 2023        | 2,855,000            | 1,634,438            | 4,489,438            |
| 2024        | 3,085,000            | 1,470,275            | 4,555,275            |
| 2025        | 3,285,000            | 1,292,888            | 4,577,888            |
| 2026        | 3,540,000            | 1,104,000            | 4,644,000            |
| 2027        | 3,705,000            | 900,450              | 4,605,450            |
| 2028        | 3,870,000            | 687,413              | 4,557,413            |
| 2029        | 4,115,000            | 464,888              | 4,579,888            |
| 2030        | 3,970,000            | 228,275              | 4,198,275            |
| Total       | <u>\$ 34,615,000</u> | <u>\$ 19,200,944</u> | <u>\$ 53,815,944</u> |

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





**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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## **Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 2  
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Promenade at Castle Rock Metropolitan District No. 2 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, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

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

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 2.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 30, 2017

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**SUMMARY**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/30/2017

|   | ACTUAL<br>2015        | ESTIMATED<br>2016 | ADOPTED<br>2017  |
|---|-----------------------|-------------------|------------------|
| BEGINNING FUND BALANCES   | \$ (12,720)           | \$ (2,625,467)    | \$ 800           |
| <b>REVENUES</b>   |                       |                   |                  |
| 1 Developer advance   | 425,836               | 14,209,558        | 481,757          |
| 2 Net investment income   | 719                   | 2,033             | -                |
| 3 Reimbursed expenditures                                       | 1,252,857             | 1,016,000         | -                |
| 4 Intergovernmental transfer - District No. 1                   | 11,034,735            | 10,548,458        | 7,503,310        |
| 5 Intergovernmental transfer - District No. 3                   | 1                     | 24,037            | 98,233           |
| 6 Intergovernmental Revenue                                     | 1,997,284             | -                 | 31,533           |
| 7 CAM revenue   | -                     | -                 | 300,000          |
| Total revenues  | <u>14,711,432</u>     | <u>25,800,086</u> | <u>8,414,833</u> |
| Total funds available   | <u>14,698,712</u>     | <u>23,174,619</u> | <u>8,415,633</u> |
| <b>EXPENDITURES</b>   |                       |                   |                  |
| 8 General and administration                                    |                       |                   |                  |
| 9 Accounting  | 62,721                | 69,800            | 65,000           |
| 10 Audit  | -                     | 8,000             | 8,000            |
| 11 Contingency  | -                     | -                 | 6,729            |
| 12 District management  | 39,590                | 16,100            | 45,000           |
| 13 Dues and membership  | 450                   | 450               | 500              |
| 14 Election   | -                     | 974               | -                |
| 15 Insurance  | 6,934                 | 9,306             | 9,771            |
| 16 Legal  | 16,501                | 37,400            | 50,000           |
| 17 Miscellaneous  | 1,785                 | 1,800             | 2,000            |
| 18 Operations and maintenance                                   |                       |                   |                  |
| 19 Detention pond   | -                     | -                 | 20,000           |
| 20 Irrigation   | -                     | -                 | 35,000           |
| 21 Landscaping  | -                     | -                 | 375,000          |
| 22 Snow removal   | -                     | 50,000            | 150,000          |
| 23 Utilities  | -                     | -                 | 105,000          |
| 24 Capital projects   |                       |                   |                  |
| 25 Accounting   | 33,674                | 57,700            | -                |
| 26 Capital Outlay   | 17,068,156            | 22,836,389        | 7,531,533        |
| 27 District management  | 9,719                 | 43,100            | -                |
| 28 Legal  | 84,649                | 42,800            | -                |
| Total expenditures  | <u>17,324,179</u>     | <u>23,173,819</u> | <u>8,403,533</u> |
| Total expenditures and transfers out<br>requiring appropriation | <u>17,324,179</u>     | <u>23,173,819</u> | <u>8,403,533</u> |
| ENDING FUND BALANCES  | <u>\$ (2,625,467)</u> | <u>\$ 800</u>     | <u>\$ 12,100</u> |
| EMERGENCY RESERVE   | <u>\$ -</u>           | <u>\$ 800</u>     | <u>\$ 12,100</u> |
| TOTAL RESERVE   | <u>\$ -</u>           | <u>\$ 800</u>     | <u>\$ 12,100</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/30/2017

|                                     | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|-------------------------------------|----------------|-------------------|-----------------|
| <b>ASSESSED VALUATION - DOUGLAS</b> |                |                   |                 |
| Vacant Land                         | \$ 120         | \$ -              | \$ -            |
| Certified Assessed Value            | \$ 120         | \$ -              | \$ -            |
| <b>MILL LEVY</b>                    |                |                   |                 |
| <b>PROPERTY TAXES</b>               |                |                   |                 |
| Budgeted Property Taxes             | \$ -           | \$ -              | \$ -            |
| <b>BUDGETED PROPERTY TAXES</b>      |                |                   |                 |
|                                     | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/30/2017

|   | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ (12,720)    | \$ (11,990)       | \$ 800          |
| REVENUES  |                |                   |                 |
| 1 Developer advance   | 96,771         | 180,058           | 481,757         |
| 2 Net investment income   | 719            | 2,033             | -               |
| 3 Intergovernmental transfer - District No. 1                   | 4,984          | 492               | 3,310           |
| 4 Intergovernmental transfer - District No. 3                   | 1              | 24,037            | 98,233          |
| 5 Intergovernmental Revenue                                     | 26,236         | -                 | -               |
| 6 CAM revenue   | -              | -                 | 300,000         |
| Total revenues  | 128,711        | 206,620           | 883,300         |
| Total funds available   | 115,991        | 194,630           | 884,100         |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 7 Accounting  | 62,721         | 69,800            | 65,000          |
| 8 Audit   | -              | 8,000             | 8,000           |
| 9 Contingency   | -              | -                 | 6,729           |
| 10 District management  | 39,590         | 16,100            | 45,000          |
| 11 Dues and membership  | 450            | 450               | 500             |
| 12 Election   | -              | 974               | -               |
| 13 Insurance  | 6,934          | 9,306             | 9,771           |
| 14 Legal  | 16,501         | 37,400            | 50,000          |
| 15 Miscellaneous  | 1,785          | 1,800             | 2,000           |
| Operations and maintenance                                      |                |                   |                 |
| 16 Detention pond   | -              | -                 | 20,000          |
| 17 Irrigation   | -              | -                 | 35,000          |
| 18 Landscaping  | -              | -                 | 375,000         |
| 19 Snow removal   | -              | 50,000            | 150,000         |
| 20 Utilities  | -              | -                 | 105,000         |
| Total expenditures  | 127,981        | 193,830           | 872,000         |
| Total expenditures and transfers out<br>requiring appropriation | 127,981        | 193,830           | 872,000         |
| ENDING FUND BALANCES  | \$ (11,990)    | \$ 800            | \$ 12,100       |
| EMERGENCY RESERVE   | \$ -           | \$ 800            | \$ 12,100       |
| TOTAL RESERVE   | \$ -           | \$ 800            | \$ 12,100       |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**CAPITAL PROJECTS FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/30/2017

|   | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ (2,613,477)    | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Developer advance   | 329,065        | 14,029,500        | -               |
| 2 Reimbursed expenditures                                       | 1,252,857      | 1,016,000         | -               |
| 3 Intergovernmental transfer - District No. 1                   | 11,029,751     | 10,547,966        | 7,500,000       |
| 4 Intergovernmental Revenue                                     | 1,971,048      | -                 | 31,533          |
| Total revenues  | 14,582,721     | 25,593,466        | 7,531,533       |
| Total funds available   | 14,582,721     | 22,979,989        | 7,531,533       |
| EXPENDITURES  |                |                   |                 |
| Capital projects  |                |                   |                 |
| 5 Accounting  | 33,674         | 57,700            | -               |
| 6 Capital Outlay  | 17,068,156     | 22,836,389        | 7,531,533       |
| 7 District management   | 9,719          | 43,100            | -               |
| 8 Legal   | 84,649         | 42,800            | -               |
| Total expenditures  | 17,196,198     | 22,979,989        | 7,531,533       |
| Total expenditures and transfers out<br>requiring appropriation | 17,196,198     | 22,979,989        | 7,531,533       |
| ENDING FUND BALANCES  | \$ (2,613,477) | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The Promenade at Castle Rock Metropolitan District No. 2 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock, Douglas County, Colorado on June 23, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized for the purpose of financing and providing public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. When appropriate, these improvements will be dedicated to the Town of Castle Rock, Douglas County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District, organized in conjunction with two other related Districts – Promenade at Castle Rock Metropolitan District Nos. 1-3. The District's service area is located within the Town of Castle Rock, Douglas County, Colorado.

On May 6, 2014, District voters approved general obligation indebtedness of \$40,000,000 for street improvements, \$40,000,000 for parks and recreation, \$40,000,000 for water facilities, \$40,000,000 for sanitation and storm drainage system, \$40,000,000 for transportation, \$40,000,000 for fire protection facilities or services, \$40,000,000 for television relay and translation services, \$40,000,000 for security services, \$20,000,000 for mosquito control, \$40,000,000 for traffic and safety, \$40,000,000 for operations and maintenance, \$200,000,000 for intergovernmental contracts, \$40,000,000 for private agreements, \$40,000,000 for mortgages, \$40,000,000 for special assessments and \$200,000,000 for debt refunding. The election also approved an increase in ad valorem property taxes of up to \$5,000,000 annually and allows the District to collect fees of up to \$5,000,000 annually for operations and maintenance, \$40,000,000 in taxes for intergovernmental agreements, \$40,000,000 for private agreements and \$40,000,000 in sales taxes not to exceed 3%. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

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

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**

**Developer Advance**

The District is in the development stage. As such, the operating and administrative expenditures will be mainly funded by the Developer. 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 from bond proceeds and other legally available revenue.

**Transfer from Other Districts**

Pursuant to an Intergovernmental Agreement with the Castle Pines Commercial Metropolitan Districts, the District contracts and pays for construction and capital outlay related to the project which jointly benefits the Districts.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues – (continued)**

**Intergovernmental Transfers**

The District anticipates the collection of taxes in Districts Nos. 1 and 3, which will be transferred to fund administrative and operating expenditures of the District. During 2017, it is anticipated that District No. 2 will receive nominal funds from District No. 1. The District receives transfers of bond proceeds from District No.1 to fund capital expenditures.

**Common Area Maintenance**

The District anticipates the collection of CAM revenue to offset additional operations and maintenance expenses in the General Fund in 2017.

**Expenses**

**Administrative and Operating Expenditures**

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

**Capital Outlay**

The District anticipates infrastructure improvements during 2017 as displayed on page 5.

**Debt and Leases**

The District has no outstanding debt. It has no operating or capital leases.

**Reserves**

**Emergency Reserve**

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

**This information is an integral part of the accompanying budget.**



**CliftonLarsonAllen**

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**Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 3  
Douglas County, Colorado

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

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

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 3.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 11, 2017



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**SUMMARY**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 6              | 111,743           | 456,918         |
| 2 Specific ownership taxes                                      | -              | 10,114            | 41,120          |
| 3 Other income  | -              | -                 | 1,000           |
| Total revenues  | 6              | 121,857           | 499,038         |
| Total funds available   | 6              | 121,857           | 499,038         |
| EXPENDITURES  |                |                   |                 |
| 4 General and administration                                    |                |                   |                 |
| 5 Contingency   | -              | -                 | 500             |
| 6 County Treasurer's fees                                       | -              | 335               | 1,371           |
| 7 Intergovernmental transfer District No. 2                     | 1              | 24,037            | 98,233          |
| 8 Debt service  |                |                   |                 |
| 9 Contingency   | -              | -                 | 500             |
| 10 County Treasurer's fees                                      | -              | 1,341             | 5,483           |
| 11 Intergovernmental Transfer District No. 1                    | 5              | 96,144            | 392,951         |
| Total expenditures  | 6              | 121,857           | 499,038         |
| Total expenditures and transfers out<br>requiring appropriation | 6              | 121,857           | 499,038         |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/11/2017

|                                     | ACTUAL<br>2015 | ESTIMATED<br>2016   | ADOPTED<br>2017     |
|-------------------------------------|----------------|---------------------|---------------------|
| <b>ASSESSED VALUATION - DOUGLAS</b> |                |                     |                     |
| Commercial                          | \$ -           | \$ 21,010           | \$ 2,787,270        |
| Vacant Land                         | 120            | 2,213,850           | 5,951,120           |
| Personal Property                   | -              | -                   | 399,960             |
| Certified Assessed Value            | <u>\$ 120</u>  | <u>\$ 2,234,860</u> | <u>\$ 9,138,350</u> |
| <b>MILL LEVY</b>                    |                |                     |                     |
| GENERAL FUND                        | 10.000         | 10.000              | 10.000              |
| DEBT SERVICE FUND                   | 40.000         | 40.000              | 40.000              |
| Total Mill Levy                     | <u>50.000</u>  | <u>50.000</u>       | <u>50.000</u>       |
| <b>PROPERTY TAXES</b>               |                |                     |                     |
| GENERAL FUND                        | \$ 1           | \$ 22,349           | \$ 91,384           |
| DEBT SERVICE FUND                   | 5              | 89,394              | 365,534             |
| Levied property taxes               | <u>6</u>       | <u>111,743</u>      | <u>456,918</u>      |
| Adjustments to actual/rounding      | -              | -                   | -                   |
| Budgeted Property Taxes             | <u>\$ 6</u>    | <u>\$ 111,743</u>   | <u>\$ 456,918</u>   |
| <b>BUDGETED PROPERTY TAXES</b>      |                |                     |                     |
| GENERAL FUND                        | \$ 1           | \$ 22,349           | \$ 91,384           |
| DEBT SERVICE FUND                   | 5              | 89,394              | 365,534             |
|                                     | <u>\$ 6</u>    | <u>\$ 111,743</u>   | <u>\$ 456,918</u>   |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**GENERAL FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 1              | 22,349            | 91,384          |
| 2 Specific ownership taxes                                      | -              | 2,023             | 8,220           |
| 3 Other income  | -              | -                 | 500             |
| Total revenues  | 1              | 24,372            | 100,104         |
| Total funds available   | 1              | 24,372            | 100,104         |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 4 Contingency   | -              | -                 | 500             |
| 5 County Treasurer's fees                                       | -              | 335               | 1,371           |
| 6 Intergovernmental transfer District No. 2                     | 1              | 24,037            | 98,233          |
| Total expenditures  | 1              | 24,372            | 100,104         |
| Total expenditures and transfers out<br>requiring appropriation | 1              | 24,372            | 100,104         |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**DEBT SERVICE FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2017

|   | ACTUAL<br>2015 | ESTIMATED<br>2016 | ADOPTED<br>2017 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 5              | 89,394            | 365,534         |
| 2 Specific ownership taxes                                      | -              | 8,091             | 32,900          |
| 3 Other income  | -              | -                 | 500             |
| Total revenues  | <u>5</u>       | <u>97,485</u>     | <u>398,934</u>  |
| Total funds available   | <u>5</u>       | <u>97,485</u>     | <u>398,934</u>  |
| EXPENDITURES  |                |                   |                 |
| Debt service  |                |                   |                 |
| 4 Contingency   | -              | -                 | 500             |
| 5 County Treasurer's fees                                       | -              | 1,341             | 5,483           |
| 6 Intergovernmental Transfer District No. 1                     | 5              | 96,144            | 392,951         |
| Total expenditures  | <u>5</u>       | <u>97,485</u>     | <u>398,934</u>  |
| Total expenditures and transfers out<br>requiring appropriation | <u>5</u>       | <u>97,485</u>     | <u>398,934</u>  |
| ENDING FUND BALANCES  | <u>\$ -</u>    | <u>\$ -</u>       | <u>\$ -</u>     |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The Promenade at Castle Rock Metropolitan District No. 3 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock, Douglas County, Colorado on June 23, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized for the purpose of financing and providing public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. When appropriate, these improvements will be dedicated to the Town of Castle Rock, Douglas County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District, organized in conjunction with two other related Districts – Promenade at Castle Rock Metropolitan District Nos. 1-2. The District's service area is located within the Town of Castle Rock, Douglas County, Colorado.

On May 6, 2014, District voters approved general obligation indebtedness of \$40,000,000 for special assessment debt, \$40,000,000 for street improvements, \$40,000,000 for parks and recreation, \$40,000,000 for water facilities, \$40,000,000 for sanitation and storm drainage system, \$40,000,000 for transportation, \$40,000,000 for fire protection facilities or services, \$40,000,000 for television relay and translation services, \$40,000,000 for security services, \$20,000,000 for mosquito control, \$40,000,000 for traffic and safety, \$40,000,000 for operations and maintenance, \$200,000,000 for intergovernmental contracts, \$40,000,000 for private agreements, \$40,000,000 for mortgages and \$200,000,000 for debt refunding. The election also approved an increase in ad valorem property taxes of up to \$5,000,000 annually and allows the District to collect fees of up to \$5,000,000 annually for operations and maintenance, \$40,000,000 in taxes for intergovernmental agreements, \$40,000,000 in taxes for private agreements, and \$40,000,000 in sales taxes not to exceed 3%. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

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

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 10.000 for operations and 40.000 for debt service. The calculation is reflected on page 3 of the Budget.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues – (continued)**

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 9% of the property taxes collected.

**Expenditures**

**County Treasurer's Fees**

County Treasurer's collection fees have been computed at 1.5% of property taxes.

**Intergovernmental Transfers**

The District's debt service mill levy of 40.000 mills, net of collection fees, is transferred to District No. 1 to help fund debt service expenses.

The District's general fund mill levy of 10.000 mills, net of collection fees, is transferred to No. 2 to help fund administrative expenses.

**Debt and Leases**

The District has no outstanding debt, nor any operating or capital leases.

**Reserves**

**Emergency Reserve**

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 2, which pays for all Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2017 Budget.

**This information is an integral part of the accompanying budget.**

**EXHIBIT D**  
**2018 Budgets**



**CliftonLarsonAllen**

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**Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 1  
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Promenade at Castle Rock Metropolitan District No. 1 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

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

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 1.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 5, 2018



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**SUMMARY**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/5/2018

|   | ACTUAL<br>2016       | ESTIMATED<br>2017   | ADOPTED<br>2018     |
|---|----------------------|---------------------|---------------------|
| BEGINNING FUND BALANCES   | \$ 23,882,016        | \$ 12,720,120       | \$ 6,547,516        |
| REVENUES  |                      |                     |                     |
| 1 Property taxes  | 2,291                | 15,435              | 39,431              |
| 2 Specific ownership taxes                                      | 157                  | 1,389               | 3,940               |
| 3 Public improvement fees                                       | 295,432              | -                   | -                   |
| 4 Net investment income   | 68,190               | 74,489              | 31,246              |
| 5 Other income  | 20,360               | -                   | 1,500               |
| 6 Intergovernmental transfer - District No. 3                   | 74,925               | 413,028             | 1,343,415           |
| 7 Credit - PIF  | -                    | 737,505             | 1,036,190           |
| 8 Add-On PIF  | -                    | 163,698             | 256,109             |
| Total revenues  | <u>461,355</u>       | <u>1,405,544</u>    | <u>2,711,831</u>    |
| TRANSFERS IN  | <u>1,973</u>         | <u>-</u>            | <u>-</u>            |
| Total funds available   | <u>24,345,344</u>    | <u>14,125,664</u>   | <u>9,259,347</u>    |
| EXPENDITURES  |                      |                     |                     |
| General and administration                                      |                      |                     |                     |
| 9 Contingency   | -                    | -                   | 500                 |
| 10 County Treasurer's fees                                      | 6                    | 46                  | 118                 |
| 11 Intergovernmental transfer - District No. 2                  | 483                  | 3,319               | 8,558               |
| Debt service  |                      |                     |                     |
| 12 Bond interest - Series 2015 A                                | 1,954,175            | 1,954,175           | 1,954,175           |
| 13 Bond interest - Series 2015 B                                | 38,806               | 256,109             | 256,109             |
| 14 Bond principal - Series 2015 A                               | -                    | -                   | 220,000             |
| 15 Contingency  | -                    | -                   | 1,000               |
| 16 County Treasurer's fees                                      | 27                   | 185                 | 473                 |
| 17 Paying agent fees  | 3,500                | 3,500               | 3,500               |
| 18 PIF Collection Fee   | 35,000               | 35,000              | 35,000              |
| Capital projects  |                      |                     |                     |
| 19 Bond Issue Costs   | 195,199              | -                   | -                   |
| 20 Intergovernmental transfer - District No. 2                  | 9,396,055            | 5,325,814           | 3,168,223           |
| Total expenditures  | <u>11,623,251</u>    | <u>7,578,148</u>    | <u>5,647,656</u>    |
| TRANSFERS OUT   | <u>1,973</u>         | <u>-</u>            | <u>-</u>            |
| Total expenditures and transfers out<br>requiring appropriation | <u>11,625,224</u>    | <u>7,578,148</u>    | <u>5,647,656</u>    |
| ENDING FUND BALANCES  | <u>\$ 12,720,120</u> | <u>\$ 6,547,516</u> | <u>\$ 3,611,691</u> |
| DEBT SERVICE RESERVE  | <u>\$ 3,097,888</u>  | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> |
| TOTAL RESERVE   | <u>\$ 3,097,888</u>  | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/5/2018

|                                     | ACTUAL<br>2016   | ESTIMATED<br>2017 | ADOPTED<br>2018   |
|-------------------------------------|------------------|-------------------|-------------------|
| <b>ASSESSED VALUATION - DOUGLAS</b> |                  |                   |                   |
| Residential                         | \$ -             | \$ -              | \$ 713,330        |
| Vacant Land                         | 45,830           | 307,620           | -                 |
| Certified Assessed Value            | <u>\$ 45,830</u> | <u>\$ 307,620</u> | <u>\$ 713,330</u> |
| <b>MILL LEVY</b>                    |                  |                   |                   |
| GENERAL FUND                        | 10.000           | 10.000            | 11.055            |
| DEBT SERVICE FUND                   | 40.000           | 40.000            | 44.222            |
| Total Mill Levy                     | <u>50.000</u>    | <u>50.000</u>     | <u>55.277</u>     |
| <b>PROPERTY TAXES</b>               |                  |                   |                   |
| GENERAL FUND                        | \$ 458           | \$ 3,076          | \$ 7,886          |
| DEBT SERVICE FUND                   | 1,833            | 12,305            | 31,545            |
| Levied property taxes               | <u>2,291</u>     | <u>15,381</u>     | <u>39,431</u>     |
| Adjustments to actual/rounding      | -                | 54                | -                 |
| Budgeted Property Taxes             | <u>\$ 2,291</u>  | <u>\$ 15,435</u>  | <u>\$ 39,431</u>  |
| <b>BUDGETED PROPERTY TAXES</b>      |                  |                   |                   |
| GENERAL FUND                        | \$ 458           | \$ 3,087          | \$ 7,886          |
| DEBT SERVICE FUND                   | 1,833            | 12,348            | 31,545            |
|                                     | <u>\$ 2,291</u>  | <u>\$ 15,435</u>  | <u>\$ 39,431</u>  |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/5/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 458            | 3,087             | 7,886           |
| 2 Specific ownership taxes                                      | 31             | 278               | 790             |
| 3 Other income  | -              | -                 | 500             |
| Total revenues  | 489            | 3,365             | 9,176           |
| Total funds available   | 489            | 3,365             | 9,176           |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 4 Contingency   | -              | -                 | 500             |
| 5 County Treasurer's fees                                       | 6              | 46                | 118             |
| 6 Intergovernmental transfer - District No. 2                   | 483            | 3,319             | 8,558           |
| Total expenditures  | 489            | 3,365             | 9,176           |
| Total expenditures and transfers out<br>requiring appropriation | 489            | 3,365             | 9,176           |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/5/2018

|   | ACTUAL<br>2016      | ESTIMATED<br>2017   | ADOPTED<br>2018     |
|---|---------------------|---------------------|---------------------|
| BEGINNING FUND BALANCES   | \$ 5,899,746        | \$ 4,266,358        | \$ 3,379,293        |
| REVENUES  |                     |                     |                     |
| 1 Property taxes  | 1,833               | 12,348              | 31,545              |
| 2 Specific ownership taxes                                      | 126                 | 1,111               | 3,150               |
| 3 Public improvement fees                                       | 295,432             | -                   | -                   |
| 4 Net investment income   | 23,831              | 34,214              | 31,246              |
| 5 Other income  | -                   | -                   | 1,000               |
| 6 Intergovernmental transfer - District No. 3                   | 74,925              | 413,028             | 1,343,415           |
| 7 Credit - PIF  | -                   | 737,505             | 1,036,190           |
| 8 Add-On PIF  | -                   | 163,698             | 256,109             |
| Total revenues  | <u>396,147</u>      | <u>1,361,904</u>    | <u>2,702,655</u>    |
| TRANSFERS IN  |                     |                     |                     |
| CAPITAL PROJECTS FUND   | 1,973               | -                   | -                   |
| Total transfers in  | <u>1,973</u>        | <u>-</u>            | <u>-</u>            |
| Total funds available   | <u>6,297,866</u>    | <u>5,628,262</u>    | <u>6,081,948</u>    |
| EXPENDITURES  |                     |                     |                     |
| Debt service  |                     |                     |                     |
| 9 Bond interest - Series 2015 A                                 | 1,954,175           | 1,954,175           | 1,954,175           |
| 10 Bond interest - Series 2015 B                                | 38,806              | 256,109             | 256,109             |
| 11 Bond principal - Series 2015 A                               | -                   | -                   | 220,000             |
| 12 Contingency  | -                   | -                   | 1,000               |
| 13 County Treasurer's fees                                      | 27                  | 185                 | 473                 |
| 14 Paying agent fees  | 3,500               | 3,500               | 3,500               |
| 15 PIF Collection fee   | 35,000              | 35,000              | 35,000              |
| Total expenditures  | <u>2,031,508</u>    | <u>2,248,969</u>    | <u>2,470,257</u>    |
| Total expenditures and transfers out<br>requiring appropriation | <u>2,031,508</u>    | <u>2,248,969</u>    | <u>2,470,257</u>    |
| ENDING FUND BALANCES  | <u>\$ 4,266,358</u> | <u>\$ 3,379,293</u> | <u>\$ 3,611,691</u> |
| DEBT SERVICE RESERVE  | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> |
| TOTAL RESERVE   | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> | <u>\$ 3,097,888</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/5/2018

|   | ACTUAL<br>2016      | ESTIMATED<br>2017   | ADOPTED<br>2018  |
|---|---------------------|---------------------|------------------|
| BEGINNING FUND BALANCES   | \$ 17,982,270       | \$ 8,453,762        | \$ 3,168,223     |
| REVENUES  |                     |                     |                  |
| 1 Net investment income   | 44,359              | 40,275              | -                |
| 2 Other income  | 20,360              | -                   | -                |
| Total revenues  | <u>64,719</u>       | <u>40,275</u>       | <u>-</u>         |
| Total funds available   | <u>18,046,989</u>   | <u>8,494,037</u>    | <u>3,168,223</u> |
| EXPENDITURES  |                     |                     |                  |
| Capital projects  |                     |                     |                  |
| 3 Bond Issue Costs  | 195,199             | -                   | -                |
| 4 Intergovernmental transfer - District No. 2                   | 9,396,055           | 5,325,814           | 3,168,223        |
| Total expenditures  | <u>9,591,254</u>    | <u>5,325,814</u>    | <u>3,168,223</u> |
| TRANSFERS OUT   |                     |                     |                  |
| DEBT SERVICE FUND   | 1,973               | -                   | -                |
| Total transfers out   | <u>1,973</u>        | <u>-</u>            | <u>-</u>         |
| Total expenditures and transfers out<br>requiring appropriation | <u>9,593,227</u>    | <u>5,325,814</u>    | <u>3,168,223</u> |
| ENDING FUND BALANCES  | <u>\$ 8,453,762</u> | <u>\$ 3,168,223</u> | <u>\$ -</u>      |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The Promenade at Castle Rock Metropolitan District No. 1 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock, Douglas County, Colorado on May 28, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized for the purpose of financing and providing public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. When appropriate, these improvements will be dedicated to the Town of Castle Rock, Douglas County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District, organized in conjunction with two other related Districts – Promenade at Castle Rock Metropolitan District Nos. 2-3. The District's service area is located within the Town of Castle Rock, Douglas County, Colorado.

On May 6, 2014, District voters approved general obligation indebtedness of \$40,000,000 for street improvements, \$40,000,000 for parks and recreation, \$40,000,000 for water facilities, \$40,000,000 for sanitation and storm drainage system, \$40,000,000 for transportation, \$40,000,000 for fire protection facilities or services, \$40,000,000 for television relay and translation services, \$40,000,000 for security services, \$20,000,000 for mosquito control, \$40,000,000 for traffic and safety, \$40,000,000 for operations and maintenance, \$200,000,000 for intergovernmental contracts, \$40,000,000 for private agreements, \$40,000,000 for mortgages, \$40,000,000 for special assessments, and \$200,000,000 for debt refunding. The election also approved an increase in ad valorem property taxes of up to \$5,000,000 annually and allows the District to collect fees of up to \$5,000,000 annually for operations and maintenance, \$40,000,000 in taxes for intergovernmental agreements, \$40,000,000 for private agreements and \$40,000,000 in sales taxes not to exceed 3%. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

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

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.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues - (continued)**

The method of calculating assessed valuation of residential assessment rates in the State of Colorado changed to 7.20% from 7.96% for property tax years 2017-2018 on April 17, 2017 with a report submitted to the State Board of Equalization. Accordingly, the mill levy has been adjusted upward to reflect the change assessed value calculation. The debt service mill levy increased to 44.222 from 40.000 mills and the general fund mill levy increased to 11.055 from 10.000 mills.

The calculation of the taxes levied is displayed on page 3 of the Budget at the adopted total mill levy.

**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 10% of the property taxes collected.

**Credit Public Improvement Fees**

The Credit PIF is a public improvement fee in the amount of 1.10% of taxable retail sales within the Districts which will be imposed in lieu of, or as a credit against, a corresponding amount of the Town Sales Tax. Credit PIF revenue is pledged first to the payment of the Series A Bonds, and on a subordinate basis to the Series B Bonds.

**Add-On Public Improvement Fees**

The Add-On PIF is a public improvement fee in the amount of .25% of taxable retail sales within the Districts. Unlike the Credit PIF, the Add-On PIF does not constitute a fee imposed in lieu of, or as a credit against, any part of the Town Sales Tax. Instead, the Add-On PIF constitutes an additional fee imposed upon PIF Sales. The Add-On PIF is initially pledged solely to the Series B Bonds until no longer outstanding.

**Intergovernmental Revenue – District No. 3**

District No. 3, the Financing District, levied 44.222 mills for debt service. It is anticipated that District No. 3 will transfer property taxes generated from the 44.222 mills, net of collection costs, into District No. 1 to pay for debt service expenditures.

**Expenditures**

**County Treasurer's Fees**

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

**Intergovernmental Transfers - District No. 2**

Property taxes generated from the 11.055 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to District No. 2, the Operating District, which pays all administrative expenditures of the District.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Expenditures - (continued)**

The available monies in the Capital Projects Fund are expected to be transferred to District No. 2 which contracts for and pays all capital improvement expenditures of the District.

**Debt Service**

Interest payments in 2018 are provided based on the attached debt amortization schedule for the Series 2015A Bonds (discussed under Debt and Leases). The Series 2015B Bonds are paid based on available funds, as such a debt amortization schedule has not been included.

**Debt and Leases**

**Series 2015 Special Revenue Bonds**

The District issued Bonds on August 25, 2015, in the amounts of \$34,615,000 in General Obligation Bonds Series 2015A and \$2,825,000 in Taxable Special Revenue Bonds Series 2015B. The proceeds from the sale of the Series A Bonds will be used for the purposes of: (i) paying a portion of the costs of public improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; (ii) providing capitalized interest; (iii) providing the Series A Reserve Fund; and (iv) paying costs of issuance of the Series A Bonds. Proceeds from the sale of the Series B Bonds will be used to: (i) pay a portion of the costs of public improvements or reimbursing the Developer for the advancement of those costs, to the extent of available proceeds; and (ii) paying costs of issuance of the Series B Bonds.

The Series A Bonds bear interest at rates ranging from 5.125% to 5.750% payable semi-annually on June 1 and December 1, beginning on December 1, 2015. Annual mandatory sinking fund principal payments on the Series A Bonds are due on December 1, beginning on December 1, 2018. The Series A Bonds mature on December 1, 2039.

The Series B Bonds are assumed to bear interest at 9.0% payable annually on December 1, beginning on December 1, 2015. Annual mandatory sinking fund principal payments on the Series A Bonds are due on December 1, to the extent of moneys on deposit, if any, in the Series B Mandatory Redemption Account of the Series B Bond Fund. The Series B Bonds mature on December 1, 2039.

The District has no operating or capital leases.

**Reserve Funds**

**Emergency Reserve**

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 2, which pays for all Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2018 Budget. The Emergency Reserve for these revenues is reflected in District No. 2.



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Reserve Funds (continued)**

**Debt Service Reserve**

The District has a \$3,097,888 Debt Service Reserve as required with the issuance of the Series 2015 bonds.

**This information is an integral part of the accompanying budget.**

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

**Promenade at Castle Rock Metropolitan District #1**  
**\$34,615,000 General Obligation Bonds**  
**Dated August 25, 2015**  
**Principal Due Annually December 1**  
**Interest from 5.125 to 5.75%, Due June and December 1**

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-------------|----------------------|----------------------|----------------------|
| 2018        | \$ 220,000           | \$ 1,954,175         | \$ 2,174,175         |
| 2019        | 575,000              | 1,942,900            | 2,517,900            |
| 2020        | 675,000              | 1,913,431            | 2,588,431            |
| 2021        | 2,030,000            | 1,878,838            | 3,908,838            |
| 2022        | 2,690,000            | 1,774,800            | 4,464,800            |
| 2023        | 2,855,000            | 1,634,438            | 4,489,438            |
| 2024        | 3,085,000            | 1,470,275            | 4,555,275            |
| 2025        | 3,285,000            | 1,292,888            | 4,577,888            |
| 2026        | 3,540,000            | 1,104,000            | 4,644,000            |
| 2027        | 3,705,000            | 900,450              | 4,605,450            |
| 2028        | 3,870,000            | 687,413              | 4,557,413            |
| 2029        | 4,115,000            | 464,888              | 4,579,888            |
| 2030        | 3,970,000            | 228,275              | 4,198,275            |
| Total       | <u>\$ 34,615,000</u> | <u>\$ 17,246,769</u> | <u>\$ 51,861,769</u> |

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



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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## **Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 2  
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Promenade at Castle Rock Metropolitan District No. 2 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

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

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 2.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 11, 2018

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**SUMMARY**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ (2,625,467) | \$ (5,935,849)    | \$ 172,090      |
| REVENUES  |                |                   |                 |
| 1 Developer advance   | 11,905,541     | 3,209,400         | 220,000         |
| 2 Net investment income   | 1,820          | 168               | -               |
| 3 Reimbursed expenditures                                       | 1,228,740      | -                 | -               |
| 4 Other income  | -              | 18,548            | -               |
| 5 Intergovernmental transfer - District No. 1                   | 9,396,538      | 5,329,133         | 3,176,781       |
| 6 Intergovernmental transfer - District No. 3                   | 18,732         | 103,286           | 335,849         |
| 7 CAM revenue   | -              | 137,750           | 240,118         |
| Total revenues  | 22,551,371     | 8,798,285         | 3,972,748       |
| Total funds available   | 19,925,904     | 2,862,436         | 4,144,838       |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 8 Accounting  | 73,058         | 65,000            | 95,000          |
| 9 Audit   | 7,000          | 8,000             | 8,000           |
| 10 Contingency  | -              | -                 | 7,550           |
| 11 District management  | 17,011         | 30,000            | 55,000          |
| 12 Dues and membership  | -              | 1,434             | 1,500           |
| 13 Election   | 974            | -                 | -               |
| 14 Insurance  | 9,306          | 23,762            | 24,950          |
| 15 Legal  | 47,066         | 110,000           | 115,000         |
| 16 Miscellaneous  | 8,402          | 8,900             | 10,000          |
| Operations and maintenance                                      |                |                   |                 |
| 17 Accounting   | -              | 25,000            | 30,000          |
| 18 Contingency  | -              | -                 | 3,118           |
| 19 Detention pond   | -              | -                 | 27,000          |
| 20 Irrigation   | -              | -                 | 35,000          |
| 21 Landscaping  | -              | 68,000            | 250,000         |
| 22 Legal  | -              | -                 | 5,000           |
| 23 Miscellaneous  | -              | 5,250             | 10,000          |
| 24 Repairs and maintenance                                      | -              | -                 | -               |
| 25 Signage maintenance  | -              | -                 | 5,000           |
| 26 Snow removal   | -              | 30,000            | 100,000         |
| 27 Utilities  | -              | 15,000            | 60,000          |
| Capital projects  |                |                   |                 |
| 28 Accounting   | 45,184         | 93,900            | -               |
| 29 Capital outlay   | 24,372,571     | 2,082,400         | 3,284,908       |
| 30 Capital outlay - Private                                     | 1,228,740      | -                 | -               |
| 31 District management  | 24,974         | 43,100            | -               |
| 32 Legal  | 27,467         | 80,600            | -               |
| Total expenditures  | 25,861,753     | 2,690,346         | 4,127,026       |
| Total expenditures and transfers out<br>requiring appropriation | 25,861,753     | 2,690,346         | 4,127,026       |
| ENDING FUND BALANCES  | \$ (5,935,849) | \$ 172,090        | \$ 17,812       |
| EMERGENCY RESERVE   | \$ -           | \$ 3,300          | \$ 10,400       |
| TOTAL RESERVE   | \$ -           | \$ 3,300          | \$ 10,400       |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/11/2018

|                               | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|-------------------------------|----------------|-------------------|-----------------|
| ASSESSSED VALUATION - DOUGLAS |                |                   |                 |
| Certified Assessed Value      | \$ -           | \$ -              | \$ -            |
| MILL LEVY                     |                |                   |                 |
| PROPERTY TAXES                |                |                   |                 |
| Budgeted Property Taxes       | \$ -           | \$ -              | \$ -            |
| BUDGETED PROPERTY TAXES       |                |                   |                 |
|                               | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
GENERAL FUND**

**2018 BUDGET AS ADOPTED  
WITH 2016 ACTUAL AND 2017 ESTIMATED  
For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016     | ESTIMATED<br>2017 | ADOPTED<br>2018  |
|---|--------------------|-------------------|------------------|
| BEGINNING FUND BALANCES   | \$ (11,990)        | \$ (58,772)       | \$ 5,405         |
| REVENUES  |                    |                   |                  |
| 1 Developer advance   | 95,000             | 210,000           | 220,000          |
| 2 Net investment income   | 1,820              | 168               | -                |
| 3 Intergovernmental transfer - District No. 1                   | 483                | 3,319             | 8,558            |
| 4 Intergovernmental transfer - District No. 3                   | 18,732             | 103,286           | 335,849          |
| Total revenues  | <u>116,035</u>     | <u>316,773</u>    | <u>564,407</u>   |
| Total funds available   | <u>104,045</u>     | <u>258,001</u>    | <u>569,812</u>   |
| EXPENDITURES  |                    |                   |                  |
| General and administration                                      |                    |                   |                  |
| 5 Accounting  | 73,058             | 65,000            | 70,000           |
| 6 Audit   | 7,000              | 8,000             | 8,000            |
| 7 Contingency   | -                  | -                 | 7,550            |
| 8 District management   | 17,011             | 30,000            | 45,000           |
| 9 Dues and membership   | -                  | 1,434             | 1,500            |
| 10 Election   | 974                | -                 | -                |
| 11 Insurance  | 9,306              | 23,762            | 24,950           |
| 12 Legal  | 47,066             | 110,000           | 100,000          |
| 13 Miscellaneous  | 8,402              | 8,900             | 10,000           |
| Operations and maintenance                                      |                    |                   |                  |
| 14 Detention pond   | -                  | -                 | 20,000           |
| 15 Irrigation   | -                  | -                 | 35,000           |
| 16 Landscaping  | -                  | -                 | 150,000          |
| 17 Repairs and maintenance                                      | -                  | -                 | -                |
| 18 Snow removal   | -                  | -                 | 50,000           |
| 19 Utilities  | -                  | 5,500             | 30,000           |
| Total expenditures  | <u>162,817</u>     | <u>252,596</u>    | <u>552,000</u>   |
| Total expenditures and transfers out<br>requiring appropriation | <u>162,817</u>     | <u>252,596</u>    | <u>552,000</u>   |
| ENDING FUND BALANCES  | <u>\$ (58,772)</u> | <u>\$ 5,405</u>   | <u>\$ 17,812</u> |
| EMERGENCY RESERVE   | <u>\$ -</u>        | <u>\$ 3,300</u>   | <u>\$ 10,400</u> |
| TOTAL RESERVE   | <u>\$ -</u>        | <u>\$ 3,300</u>   | <u>\$ 10,400</u> |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**CAPITAL PROJECTS FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ (2,613,477) | \$ (5,877,077)    | \$ 166,685      |
| REVENUES  |                |                   |                 |
| 1 Developer advance   | 11,810,541     | 2,999,400         | -               |
| 2 Reimbursed expenditures                                       | 1,228,740      | -                 | -               |
| 3 Other income  | -              | 18,548            | -               |
| 4 Intergovernmental transfer - District No. 1                   | 9,396,055      | 5,325,814         | 3,168,223       |
| 5 Intergovernmental Revenue                                     | -              | -                 | -               |
| Total revenues  | 22,435,336     | 8,343,762         | 3,168,223       |
| Total funds available   | 19,821,859     | 2,466,685         | 3,334,908       |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 6 Accounting  | -              | -                 | 25,000          |
| 7 District management   | -              | -                 | 10,000          |
| 8 Legal   | -              | -                 | 15,000          |
| Capital projects  |                |                   |                 |
| 9 Accounting  | 45,184         | 93,900            | -               |
| 10 Capital outlay   | 24,372,571     | 2,082,400         | 3,284,908       |
| 11 Capital outlay - Private                                     | 1,228,740      | -                 | -               |
| 12 District management  | 24,974         | 43,100            | -               |
| 13 Engineering  | -              | -                 | -               |
| 14 Legal  | 27,467         | 80,600            | -               |
| Total expenditures  | 25,698,936     | 2,300,000         | 3,334,908       |
| Total expenditures and transfers out<br>requiring appropriation | 25,698,936     | 2,300,000         | 3,334,908       |
| ENDING FUND BALANCES  | \$ (5,877,077) | \$ 166,685        | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2**  
**COMMON AREA MAINTENANCE**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 CAM revenue   | -              | 137,750           | 240,118         |
| Total revenues  | <u>-</u>       | <u>137,750</u>    | <u>240,118</u>  |
| Total funds available   | <u>-</u>       | <u>137,750</u>    | <u>240,118</u>  |
| EXPENDITURES  |                |                   |                 |
| Operations and maintenance                                      |                |                   |                 |
| 2 Accounting  | -              | 25,000            | 30,000          |
| 3 Contingency   | -              | -                 | 3,118           |
| 4 Detention pond  | -              | -                 | 7,000           |
| 5 Landscaping   | -              | 68,000            | 100,000         |
| 6 Legal   | -              | -                 | 5,000           |
| 7 Miscellaneous   | -              | 5,250             | 10,000          |
| 8 Signage maintenance   | -              | -                 | 5,000           |
| 9 Snow removal  | -              | 30,000            | 50,000          |
| 10 Utilities  | -              | 9,500             | 30,000          |
| Total expenditures  | <u>-</u>       | <u>137,750</u>    | <u>240,118</u>  |
| Total expenditures and transfers out<br>requiring appropriation | <u>-</u>       | <u>137,750</u>    | <u>240,118</u>  |
| ENDING FUND BALANCES  | <u>\$ -</u>    | <u>\$ -</u>       | <u>\$ -</u>     |

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



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The Promenade at Castle Rock Metropolitan District No. 2 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock, Douglas County, Colorado on June 23, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized for the purpose of financing and providing public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. When appropriate, these improvements will be dedicated to the Town of Castle Rock, Douglas County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District, organized in conjunction with two other related Districts – Promenade at Castle Rock Metropolitan District Nos. 1-3. The District's service area is located within the Town of Castle Rock, Douglas County, Colorado.

On May 6, 2014, District voters approved general obligation indebtedness of \$40,000,000 for street improvements, \$40,000,000 for parks and recreation, \$40,000,000 for water facilities, \$40,000,000 for sanitation and storm drainage system, \$40,000,000 for transportation, \$40,000,000 for fire protection facilities or services, \$40,000,000 for television relay and translation services, \$40,000,000 for security services, \$20,000,000 for mosquito control, \$40,000,000 for traffic and safety, \$40,000,000 for operations and maintenance, \$200,000,000 for intergovernmental contracts, \$40,000,000 for private agreements, \$40,000,000 for mortgages, \$40,000,000 for special assessments and \$200,000,000 for debt refunding. The election also approved an increase in ad valorem property taxes of up to \$5,000,000 annually and allows the District to collect fees of up to \$5,000,000 annually for operations and maintenance, \$40,000,000 in taxes for intergovernmental agreements, \$40,000,000 for private agreements and \$40,000,000 in sales taxes not to exceed 3%. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

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

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**

**Developer Advance**

The District is in the development stage. As such, the operating and administrative expenditures will be mainly funded by the Developer. 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 from bond proceeds and other legally available revenue.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 2  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues – (continued)**

**Intergovernmental Transfers**

The District anticipates the collection of taxes in Districts Nos. 1 and 3, which will be transferred to fund administrative and operating expenditures of the District. During 2018, it is anticipated that District No. 2 will receive nominal funds from District No. 1. The District receives transfers of bond proceeds from District No.1 to fund capital expenditures.

**Common Area Maintenance**

The District anticipates the collection of CAM revenue to offset additional operations and maintenance expenses in 2018.

**Expenses**

**Administrative and Operating Expenditures**

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

**Capital Outlay**

The District anticipates infrastructure improvements during 2018 as displayed on page 5.

**Debt and Leases**

The District has no outstanding debt. It has no operating or capital leases.

**Reserves**

**Emergency Reserve**

The District has provided for an Emergency Reserve to at least 3% of the fiscal year spending for 2018, as defined under TABOR.

**This information is an integral part of the accompanying budget.**



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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**Accountant's Compilation Report**

Board of Directors  
Promenade at Castle Rock Metropolitan District No. 3  
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Promenade at Castle Rock Metropolitan District No. 3 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

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

We are not independent with respect to Promenade at Castle Rock Metropolitan District No. 3.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 11, 2018

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**SUMMARY**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 83,764         | 470,097           | 1,547,710       |
| 2 Specific ownership taxes                                      | 10,281         | 47,966            | 154,770         |
| 3 Net investment income   | 882            | 5,400             | -               |
| 4 Other income  | -              | -                 | 1,000           |
| Total revenues  | 94,927         | 523,463           | 1,703,480       |
| Total funds available   | 94,927         | 523,463           | 1,703,480       |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 5 Contingency   | -              | -                 | 500             |
| 6 County Treasurer's fees                                       | 1,270          | 1,427             | 4,643           |
| 7 Intergovernmental transfer District No. 2                     | 18,732         | 103,286           | 335,849         |
| Debt service  |                |                   |                 |
| 8 Contingency   | -              | -                 | 500             |
| 9 County Treasurer's fees                                       | -              | 5,722             | 18,573          |
| 10 Intergovernmental Transfer District No. 1                    | 74,925         | 413,028           | 1,343,415       |
| Total expenditures  | 94,927         | 523,463           | 1,703,480       |
| Total expenditures and transfers out<br>requiring appropriation | 94,927         | 523,463           | 1,703,480       |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/11/2018

|                                     | ACTUAL<br>2016      | ESTIMATED<br>2017   | ADOPTED<br>2018      |
|-------------------------------------|---------------------|---------------------|----------------------|
| <b>ASSESSED VALUATION - DOUGLAS</b> |                     |                     |                      |
| Commercial                          | \$ 21,010           | \$ 2,787,270        | \$ 22,688,050        |
| Vacant Land                         | 2,213,850           | 5,951,120           | 7,986,460            |
| Personal Property                   | -                   | 399,960             | -                    |
| State Assessed                      | -                   | -                   | 279,700              |
| Certified Assessed Value            | <u>\$ 2,234,860</u> | <u>\$ 9,138,350</u> | <u>\$ 30,954,210</u> |
| <b>MILL LEVY</b>                    |                     |                     |                      |
| GENERAL FUND                        | 10.000              | 10.000              | 10.000               |
| DEBT SERVICE FUND                   | 40.000              | 40.000              | 40.000               |
| Total Mill Levy                     | <u>50.000</u>       | <u>50.000</u>       | <u>50.000</u>        |
| <b>PROPERTY TAXES</b>               |                     |                     |                      |
| GENERAL FUND                        | \$ 22,349           | \$ 91,384           | \$ 309,542           |
| DEBT SERVICE FUND                   | 89,394              | 365,534             | 1,238,168            |
| Levied property taxes               | 111,743             | 456,918             | 1,547,710            |
| Adjustments to actual/rounding      | (27,979)            | 13,179              | -                    |
| Budgeted Property Taxes             | <u>\$ 83,764</u>    | <u>\$ 470,097</u>   | <u>\$ 1,547,710</u>  |
| <b>BUDGETED PROPERTY TAXES</b>      |                     |                     |                      |
| GENERAL FUND                        | \$ 16,753           | \$ 94,020           | \$ 309,542           |
| DEBT SERVICE FUND                   | 67,011              | 376,077             | 1,238,168            |
|                                     | <u>\$ 83,764</u>    | <u>\$ 470,097</u>   | <u>\$ 1,547,710</u>  |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**GENERAL FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| <b>REVENUES</b>   |                |                   |                 |
| 1 Property taxes  | 16,753         | 94,020            | 309,542         |
| 2 Specific ownership taxes                                      | 2,056          | 9,593             | 30,950          |
| 3 Net investment income   | 177            | 1,100             | -               |
| 4 Other income  | -              | -                 | 500             |
| Total revenues  | 18,986         | 104,713           | 340,992         |
| Total funds available   | 18,986         | 104,713           | 340,992         |
| <b>EXPENDITURES</b>   |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 5 Contingency   | -              | -                 | 500             |
| 6 County Treasurer's fees                                       | 254            | 1,427             | 4,643           |
| 7 Intergovernmental transfer District No. 2                     | 18,732         | 103,286           | 335,849         |
| Total expenditures  | 18,986         | 104,713           | 340,992         |
| Total expenditures and transfers out<br>requiring appropriation | 18,986         | 104,713           | 340,992         |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3**  
**DEBT SERVICE FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

|   | ACTUAL<br>2016 | ESTIMATED<br>2017 | ADOPTED<br>2018 |
|---|----------------|-------------------|-----------------|
| BEGINNING FUND BALANCES   | \$ -           | \$ -              | \$ -            |
| REVENUES  |                |                   |                 |
| 1 Property taxes  | 67,011         | 376,077           | 1,238,168       |
| 2 Specific ownership taxes                                      | 8,225          | 38,373            | 123,820         |
| 3 Net investment income   | 705            | 4,300             | -               |
| 4 Other income  | -              | -                 | 500             |
| Total revenues  | 75,941         | 418,750           | 1,362,488       |
| Total funds available   | 75,941         | 418,750           | 1,362,488       |
| EXPENDITURES  |                |                   |                 |
| General and administration                                      |                |                   |                 |
| 5 County Treasurer's fees                                       | 1,016          | -                 | -               |
| Debt service  |                |                   |                 |
| 6 Contingency   | -              | -                 | 500             |
| 7 County Treasurer's fees                                       | -              | 5,722             | 18,573          |
| 8 Intergovernmental Transfer District No. 1                     | 74,925         | 413,028           | 1,343,415       |
| Total expenditures  | 75,941         | 418,750           | 1,362,488       |
| Total expenditures and transfers out<br>requiring appropriation | 75,941         | 418,750           | 1,362,488       |
| ENDING FUND BALANCES  | \$ -           | \$ -              | \$ -            |

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The Promenade at Castle Rock Metropolitan District No. 3 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock, Douglas County, Colorado on June 23, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized for the purpose of financing and providing public improvements and related operation and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services, mosquito control and operations and maintenance. When appropriate, these improvements will be dedicated to the Town of Castle Rock, Douglas County, or other such entities as appropriate for the use and benefit of the District taxpayers and service users. The District, organized in conjunction with two other related Districts – Promenade at Castle Rock Metropolitan District Nos. 1-2. The District's service area is located within the Town of Castle Rock, Douglas County, Colorado.

On May 6, 2014, District voters approved general obligation indebtedness of \$40,000,000 for special assessment debt, \$40,000,000 for street improvements, \$40,000,000 for parks and recreation, \$40,000,000 for water facilities, \$40,000,000 for sanitation and storm drainage system, \$40,000,000 for transportation, \$40,000,000 for fire protection facilities or services, \$40,000,000 for television relay and translation services, \$40,000,000 for security services, \$20,000,000 for mosquito control, \$40,000,000 for traffic and safety, \$40,000,000 for operations and maintenance, \$200,000,000 for intergovernmental contracts, \$40,000,000 for private agreements, \$40,000,000 for mortgages and \$200,000,000 for debt refunding. The election also approved an increase in ad valorem property taxes of up to \$5,000,000 annually and allows the District to collect fees of up to \$5,000,000 annually for operations and maintenance, \$40,000,000 in taxes for intergovernmental agreements, \$40,000,000 in taxes for private agreements, and \$40,000,000 in sales taxes not to exceed 3%. The election also allows the District to retain all revenues without regard to the limitation contained in Article X, Section 20 of the Colorado constitution or any other law.

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

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

**Revenues**

**Property Taxes**

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

The calculation of the taxes levied is displayed on page 3 of the Budget at the adopted total mill levy.



**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 3  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues – (continued)**

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the property taxes collected.

**Expenditures**

**County Treasurer's Fees**

County Treasurer's collection fees have been computed at 1.5% of property taxes.

**Intergovernmental Transfers**

The District's debt service mill levy of 40.000 mills, net of collection fees, is transferred to District No. 1 to help fund debt service expenses.

The District's general fund mill levy of 10.000 mills, net of collection fees, is transferred to No. 2 to help fund administrative expenses.

**Debt and Leases**

The District has no outstanding debt, nor any operating or capital leases.

**Reserves**

**Emergency Reserve**

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 2, which pays for all Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2018 Budget.

**This information is an integral part of the accompanying budget.**