

Castleview Metropolitan District No. 1

Annual Financial Report

December 31, 2021





Table of Contents


	Page
INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position	3
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—General Fund	6
Notes to Basic Financial Statements.....	7-18
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Capital Projects Fund	19
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Debt Service Fund	20



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

Independent Auditor's Report

To the Board of Directors
Castleview Metropolitan District No. 1
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Castleview Metropolitan District No. 1 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Castleview Metropolitan District No. 1, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Castleview Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Castleview Metropolitan District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Castleview Metropolitan District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Castleview Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted management 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 made for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the District's basic financial statements taken as a whole.

Haynie & Company

Littleton, Colorado
July 20, 2022

Basic Financial Statements

Castleview Metropolitan District No. 1
Statement of Net Position
December 31, 2021

Assets	Governmental Activities
Cash and investments	\$ 8,200
Cash and investments - restricted	18,227,795
Property Taxes Receivable	1,140
Due from County Treasurer	4
Prepaid expenses	2,527
Total assets	<u>\$ 18,239,666</u>
Liabilities	
Accrued interest payable	\$ 207,768
Accounts payable	1,605
Due to District No. 2	3,303
Non-current liabilities	
Due in more than one year	<u>18,929,420</u>
Total liabilities	<u>19,142,096</u>
Deferred Inflows of Resources	
Deferred property tax revenue	<u>1,140</u>
Total deferred inflows of resources	<u>1,140</u>
Net Position	
Restricted for:	
Emergency	1,118
Capital Projects	18,227,795
Unrestricted	<u>(19,132,483)</u>
Total Net Position	<u>(903,570)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 18,239,666</u>

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 37,250	\$ -	\$ -	\$ -	\$ (37,250)
Interest and related costs on long-term debt	<u>869,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(869,683)</u>
	<u>906,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(906,933)</u>
General revenues:					
Property taxes					585
Specific ownership taxes					55
Interest income					<u>1,291</u>
Total general revenues					<u>1,931</u>
Change in net position					(905,002)
Net position - beginning of year					<u>1,432</u>
Net position - end of year					<u><u>\$ (903,570)</u></u>

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2021

Assets	General Fund	Capital Projects Fund	Debt Service Fund	Total
Cash and investments	\$ 8,200	\$ -	\$ -	\$ 8,200
Cash and investments - restricted	-	18,227,795	-	18,227,795
Property Taxes Receivable	168	-	972	1,140
Due from County Treasurer	4	-	-	4
Prepaid expenses	2,527	-	-	2,527
Total assets	\$ 10,899	\$ 18,227,795	\$ 972	\$ 18,239,666
 Liabilities				
Accounts Payable	1,605	-	-	1,605
Due to District No. 2	3,303	-	-	3,303
Total liabilities	4,908	-	-	4,908
 Deferred Inflows of Resources				
Deferred property tax revenue	168	-	972	1,140
Total deferred inflows of resources	168	-	972	1,140
 Fund Balances				
Nonspendable	2,527	-	-	2,527
Restricted:				
Capital Projects	-	18,227,795	-	18,227,795
Emergency reserve	1,118	-	-	1,118
Unassigned	2,179	-	-	2,179
Total Fund Balances	5,823	18,227,795	-	18,233,618
 Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	\$ 10,899	\$ 18,227,795	\$ 972	\$ 18,239,666

Total governmental fund balance per above \$ 18,233,618

Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Bonds payable	(18,887,000)
Developer advances payable	(42,420)
Accrued interest on bonds	(207,768)
	(190,988)

Net position of governmental activities	\$ (903,570)
---	--------------

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues				
Property taxes	\$ 585	\$ -	\$ -	\$ 585
Specific ownership taxes	55	-	-	55
Interest income	1	1,290	-	1,291
Total General Revenues	<u>641</u>	<u>1,290</u>	<u>-</u>	<u>1,931</u>
Expenditures				
General government:				
Accounting	6,072	-	-	6,072
Insurance	525	-	-	525
Legal	21,670	-	-	21,670
Miscellaneous	8,983	-	-	8,983
Bond issuance costs	-	660,495	-	660,495
Total Expenditures	<u>37,250</u>	<u>660,495</u>	<u>-</u>	<u>697,745</u>
Other financing sources (uses)				
Bond Proceeds	-	18,887,000	-	18,887,000
Developer advances	40,000	-	-	40,000
Total other financing sources (uses)	<u>40,000</u>	<u>18,887,000</u>	<u>-</u>	<u>18,927,000</u>
Net change in fund balances	3,391	18,227,795	-	18,231,186
Fund balances:				
Beginning of the year	<u>2,432</u>	<u>-</u>	<u>-</u>	<u>2,432</u>
End of the year	<u>\$ 5,823</u>	<u>\$ 18,227,795</u>	<u>\$ -</u>	<u>\$ 18,233,618</u>

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

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

Net change in fund balance—total governmental funds	\$ 18,231,186
<p>Long-term debt 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. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.</p>	
Bond proceeds, net of discount	(18,887,000)
Developer advances	(40,000)
Accrued interest on developer advances - change in liability	(1,420)
Accrued interest on bonds - change in liability	<u>(207,768)</u>
Change in net position of governmental activities	<u>\$ (905,002)</u>

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue			
Property taxes	\$ 585	\$ 585	\$ -
Specific ownership taxes	29	55	26
Interest income	-	1	1
Total Revenue	<u>614</u>	<u>641</u>	<u>27</u>
Expenditures			
Accounting	5,000	6,072	(1,072)
Insurance	2,500	525	1,975
Legal	25,000	21,670	3,330
Miscellaneous	500	8,983	(8,483)
Treasurer fees	8	-	8
Contingency	6,616	-	6,616
Emergency reserve	990	-	990
Total Expenditures	<u>40,614</u>	<u>37,250</u>	<u>3,364</u>
Other financing sources (uses)			
Developer advances	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Change in fund balance	-	3,391	3,391
Fund Balance—Beginning of year	<u>-</u>	<u>2,432</u>	<u>2,432</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ 5,823</u>	<u>\$ 5,823</u>

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1

Notes to Financial Statements

December 31, 2021

1. Definition of Reporting Entity

Castleview Metropolitan District No. 1 (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on March 23, 2007 as the Castleview Metropolitan District, pursuant to a Service Plan approved by the Town of Castle Rock, Douglas County, Colorado (the "Town") on July 11, 2006. The District is governed by its Service Plan and the applicable provisions of the Colorado Special District Act (Title 32). On September 26, 2018, the Douglas County District Court entered an order officially changing the name of the District to the Castleview Metropolitan District No. 1. The District's Service Plan was later replaced and superseded by the Consolidated Amended and Restated Service Plan for the Castleview Metropolitan District No. 1 and Service Plan for the Castleview Metropolitan District No. 2, which was approved by the Town on August 21, 2018. The District's boundaries are located in the Town of Castle Rock, Douglas County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, development and financing of the public improvements from the proceeds of debt to be issued by the District. The District is governed by an elected Board of Directors.

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.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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

The statement of activities demonstrates the degree to which the direct 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 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

The Capital Projects Fund is the District's fund to account for the financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with Local Government Budget Law of Colorado, 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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The budget includes each fund presented on the modified accrual basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. The budget was amended for 2021.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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 minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District 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 for 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 revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected. For the year ended December 31, the District had a deferred property tax of \$1,140.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress.

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.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

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.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

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. The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$11,357 of the General Fund balance has been restricted in compliance with this requirement.
- *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 policy to use the most restrictive classification first.

3. Cash and Investments

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 8,200
Cash and investments - restricted	<u>18,227,795</u>
Total cash and investments	<u>\$ 18,235,995</u>

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 equal to 102% of the aggregate uninsured deposits.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

3. Cash and Investments (continued)

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.

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are not required to be categorized within the fair value hierarchy. The COLOTRUST investment's value is calculated using the net asset value method.

As of December 31, 2021, the District had the following investments:

COLOTRUST

As of December 31, 2021, the District invested in the Colorado Local Governmental Liquid Asset Trust ("COLOTRUST"), a local governmental investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value ("NAV") of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the next asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less and is rated AAAM by Standard & Poor's. At December 31, 2021, the District had \$18,227,795 invested in COLOTRUST PLUS+.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

4. Long-Term Liabilities

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Payments	Balance December 31, 2021	Due Within One Year
<u>General Obligation Bonds:</u>					
Series 2021A(3) Limited Tax					
General Obligation Bonds	\$ -	\$18,887,000	\$ -	\$18,887,000	\$ -
<u>Other:</u>					
Developer advances	1,000	40,000	-	41,000	-
Accrued interest	-	1,420	-	1,420	-
	<u>1,000</u>	<u>41,420</u>	<u>-</u>	<u>42,420</u>	<u>-</u>
	<u>\$ 1,000</u>	<u>\$ 18,928,420</u>	<u>\$ -</u>	<u>\$ 18,929,420</u>	<u>\$ -</u>

\$18,887,000 Limited Tax General Obligation Bonds, Series 2021A(3)

On October 12, 2021, the District issued \$18,887,000 Limited Tax General Obligation Bonds, Series 2021A(3). The bonds, maturing December 1, 2050, bear an interest rate of 5.00% per annum, calculated on a basis of a 360 day year of twelve 30-day months, payable from available cash flows.

The 2021A(3) bonds 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, on December 1, 2026 and on any date thereafter, upon payment of par plus accrued interest to the date of redemption, with a redemption premium as follows:

Date of Redemption	Redemption Premium
December 1, 2026 through November 30, 2027	3.00%
December 1, 2027 through November 30, 2028	2.00
December 1, 2028 through November 30, 2029	1.00
December 1, 2029 through November 30, 2030	0.00

Further, the 2020A(3) bonds are subject to mandatory redemption, from amounts on deposit from the bond fund that exceed required interest payments, beginning December 1, 2022, and on each December 1 thereafter prior to the maturity date of such bonds, upon payment of par and accrued interest, with redemption premium.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

4. Long-Term Liabilities (continued)

Events of default for the Series 2021A(3) bonds include: (i) failure by the District to impose the required mill levy or to apply the pledged revenue as required by the indenture; (ii) default by the District in the performance of any other of the covenants, agreements, or conditions in the indenture and failure by the District to remedy; or (iii) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2021A(3) bonds.

As the future payments of principal and interest are subject to available cash, a schedule of future maturities is not presented.

On November 6, 2018, District's electors authorized total debt issuance of \$450,000,000. Per the District's Service Plan and the Town of Castle Rock Intergovernmental Agreement, entered into on August 21st, 2018, the total debt limit for the District and the Castleview Metropolitan District No. 2 ("District No. 2," with the District, the "Districts"), combined, is restricted to \$45,000,000. As of December 31, 2021, the Districts have \$22,420,000 in authorized but unissued indebtedness remaining under the Service Plan.

As of December 31, 2021, the District has no lines of credit.

5. Agreements

Infrastructure Acquisition Agreement and Funding and Reimbursement Agreement with Castleview L.L.C.

The District entered into that certain Infrastructure Acquisition Agreement dated June 24th, 2013 and that certain Funding and Reimbursement Agreement dated October 8th, 2018 (collectively, the "Agreements") with Castleview L.L.C. (the "Developer"). The Agreements were mutually terminated on September 17th, 2021, and the District and Developer are released from any and all liabilities, obligations and duties set forth thereunder.

Infrastructure Acquisition and Reimbursement Agreement

The District entered into that certain Infrastructure Acquisition and Reimbursement Agreement with HB ALP Family, LLLP (the "Developer") dated September 28th, 2021. The Developer is to provide for the advancement of certain monies to the District for District Eligible Costs. The District is to repay the District Eligible Costs in an agreed upon form of reimbursement obligation(s). As of December 31, 2021, no advances had been submitted to the District for acceptance.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

5. Agreements (continued)

Funding and Reimbursement Agreement – Operations and Maintenance

The District entered into that certain Funding and Reimbursement Agreement (Operations and Maintenance) with the District’s developer HB ALP Family, LLLP (the “Developer”), dated September 28, 2021. The Developer is to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. The Developer is to loan the District one or more sums, not to exceed aggregate of \$50,000 per annum for four years, up to a total of \$200,000. The District agrees to repay the loans, along with accrued interest, at a rate of 6.5% interest, through ad valorem taxes, fees, and other legally available revenues. Repayment for this Agreement shall have priority over any portion of payment under the Funding and Reimbursement Agreement (Operations and Maintenance).

As of December 31, 2021, \$41,000 of principal and \$1,420 of related interest is payable under these agreements.

Town of Castle Rock Intergovernmental Agreement

The Districts entered into that certain intergovernmental agreement (the “Town IGA”) with the Town of Castle Rock, Colorado (the “Town”) dated August 21st, 2018. The Town IGA describes the rights and responsibilities of the Districts regarding operation and ownership of public facilities, agreements relative to certain regional improvements and continued oversight by the City of Castle Rock. The Districts are to finance such activities through fees and levies imposed by the Districts. The mill levy of each of the Districts for debt is limited to 63.6 mills and total debt issued may not exceed \$45,000,000 in the aggregate.

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, 2021 as follows:

Restricted net position:

Capital Projects	\$18,227,795
Emergencies	1,118
	<u>\$18,228,913</u>

The District’s unrestricted net position as of December 31, 2021 was a deficit of \$(19,132,483), due to the District’s issuance of debt that is restricted for capital projects.

Castleview Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2021

7. Related Parties

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. District management believes that all potential conflicts, if any, have been properly disclosed.

8. Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool") as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

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 which apply to the State of Colorado and all local governments.

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

Castleview Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

9. Tax, Spending and Debt Limitations (continued)

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'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.

Other Supplementary Information

Castleview Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue				
Interest Income	\$ -	\$ -	\$ 1,290	\$ 1,290
Total Revenue	<u>-</u>	<u>-</u>	<u>1,290</u>	<u>1,290</u>
Expenditures				
Capital project costs	-	22,300,000	-	22,300,000
Bond Issuance Costs	-	700,000	660,495	39,505
Total Expenditures	<u>-</u>	<u>23,000,000</u>	<u>660,495</u>	<u>22,339,505</u>
Excess of Revenue Over/(Under) Expenditures	<u>-</u>	<u>(23,000,000)</u>	<u>(659,205)</u>	<u>(22,340,795)</u>
Other financing sources (uses)				
Bond proceeds	-	23,000,000	18,887,000	(4,113,000)
Total other financing sources (uses)	<u>-</u>	<u>23,000,000</u>	<u>18,887,000</u>	<u>(4,113,000)</u>
Change in fund balance	-	-	18,227,795	18,227,795
Fund Balance—Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,227,795</u>	<u>\$18,227,795</u>

The accompanying notes are an integral part of these financial statements.

Castleview Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue			
Property taxes	\$ -	\$ -	\$ -
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Debt service	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	-	-	-
Fund Balance—Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.