
**CASTLE PINES NORTH
METROPOLITAN DISTRICT**
FINANCIAL STATEMENTS
DECEMBER 31, 2022

Open Items:

- Representation Letter
- Report Date

DRAFT FOR DISCUSSION PURPOSES ONLY

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Independent Auditors' Report

Board of Directors
Castle Pines North Metropolitan District
Castle Pines, Colorado

Report On The Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Castle Pines North Metropolitan District (the District), as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the District and to meet our other 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 opinions.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. 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 auditing standards generally accepted in the United States of America 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 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 auditing standards generally accepted in the United States of America, 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 the District'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 the District'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.

Report On Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated July 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent in all material respects, with the audited financial statements from which it has been derived.

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, which 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund on page 45, the schedule of the District's proportionate share of the net pension liability - cost-sharing defined benefit plans on page 46 and the schedule of the District's contributions - cost-sharing defined benefit plans on page 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial schedules on pages 48 through 50 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 individual fund financial schedules are fairly stated in all material respects in relation to the financial statements as a whole.

DATE

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

(With Comparative Totals For December 31, 2021)

	Governmental Activities	Business-Type Activities	2022 Total	2021 Total
Assets				
Cash and cash equivalents	\$ 8,018,960	\$ 52,212,288	\$ 60,231,248	\$ 53,129,799
Cash and cash equivalents - restricted	419,370	—	419,370	363,625
Property taxes receivable	3,308,191	—	3,308,191	3,324,308
Accounts receivable - services	—	731,095	731,095	741,006
Accounts receivable - other	—	—	—	10,599
Prepaid items	27,511	4,571	32,082	94,593
Capital assets, not being depreciated	59,584,127	103,115	59,687,242	70,591,941
Capital assets, net of accumulated depreciation	2,099,890	61,803,294	63,903,184	57,024,106
Net pension asset	29,054	33,602	62,656	—
Total Assets	73,487,103	114,887,965	188,375,068	185,279,977
Deferred Outflows Of Resources				
Deferred loss on refunding	—	—	—	115,338
Deferred outflows relating to pensions	40,033	46,298	86,331	207,783
Total Deferred Outflows Of Resources	40,033	46,298	86,331	323,121
Liabilities				
Accounts payable	196,981	302,982	499,963	1,059,233
Accrued compensated absences	41,444	19,149	60,593	43,612
Accrued expenses	—	—	—	9,997
Unearned revenue	—	—	—	806
Accrued interest payable on long-term debt	—	—	—	61,946
Long-term debt payable - less than one year	—	250,000	250,000	756,283
Long-term debt payable - greater than one year	—	2,944,750	2,944,750	21,908,200
Net pension liability	—	—	—	468,970
Total Liabilities	238,425	3,516,881	3,755,306	24,309,047
Deferred Inflows Of Resources				
Deferred property taxes	3,308,191	—	3,308,191	3,324,308
Deferred inflows of resources relating to pensions	295,309	341,525	636,834	558,269
Total Deferred Inflows Of Resources	3,603,500	341,525	3,945,025	3,882,577
Net Position				
Net investment in capital assets	61,684,017	58,711,659	120,395,676	105,066,902
Restricted for:				
Emergency reserve	116,356	—	116,356	130,000
Conservation Trust Fund	419,370	—	419,370	363,625
Unrestricted	7,465,468	52,364,198	59,829,666	51,850,947
Total Net Position	\$ 69,685,211	\$ 111,075,857	\$ 180,761,068	\$ 157,411,474

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

Functions/Programs	Total Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		2022 Total	2021 Total
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities		
Governmental Activities								
General government	\$ 1,045,845	\$ 165,926	\$ —	\$ —	\$ (879,919)	\$ —	\$ (879,919)	\$ (1,104,739)
Parks and open space	1,042,603	—	48,663	—	(993,940)	—	(993,940)	(904,469)
Interest and related costs on long-term debt	(40,710)	—	—	—	40,710	—	40,710	(737,646)
Total Governmental Activities	2,047,738	165,926	48,663	—	(1,833,149)	—	(1,833,149)	(2,746,854)
Business-Type Activities								
Water	6,378,333	13,734,608	—	1,714,634	—	9,070,909	9,070,909	6,980,098
Wastewater	2,306,026	3,782,528	—	—	—	1,476,502	1,476,502	1,327,209
Storm drainage	54,128	252,000	—	—	—	197,872	197,872	225,678
Total Business-Type Activities	8,738,487	17,769,136	—	1,714,634	—	10,745,283	10,745,283	8,532,985
Total	\$ 10,786,225	\$ 17,935,062	\$ 48,663	\$ 1,714,634	(1,833,149)	10,745,283	8,912,134	5,786,131
General Revenues								
Taxes:								
Property taxes					3,320,757	—	3,320,757	3,665,464
Specific ownership taxes					293,970	—	293,970	353,672
Miscellaneous income					36,203	30,202	66,405	81,891
Earnings on investments					61,696	568,782	630,478	27,483
Gain on sale of water rights					5,132,071	4,984,673	10,116,744	—
Gain on sale of assets					—	9,106	9,106	—
Transfers					9,289,899	(9,289,899)	—	—
Total General Revenues					18,134,596	(3,697,136)	14,437,460	4,128,510
Changes In Net Position					16,301,447	7,048,147	23,349,594	9,914,641
Net Position At Beginning Of Year					53,383,764	104,027,710	157,411,474	147,496,833
Net Position At End Of Year					\$ 69,685,211	\$ 111,075,857	\$ 180,761,068	\$ 157,411,474

CASTLE PINES NORTH METROPOLITAN DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022

(With Comparative Totals For December 31, 2021)

	General	2015 COPs	2022 Total	2021 Total
Assets				
Cash and cash equivalents	\$ 8,018,960	\$ —	\$ 8,018,960	\$ 7,159,310
Cash and cash equivalents - restricted	419,370	—	419,370	363,625
Property taxes receivable	3,308,191	—	3,308,191	3,324,308
Prepaid items	27,511	—	27,511	46,751
Total Assets	\$ 11,774,032	\$ —	\$ 11,774,032	\$ 10,893,994
Liabilities				
Accounts payable	\$ 196,981	\$ —	\$ 196,981	\$ 110,851
Deferred Inflows Of Resources				
Deferred property taxes	3,308,191	—	3,308,191	3,324,308
Fund Balances				
Nonspendable:				
Prepaid items	27,511	—	27,511	46,751
Restricted for:				
Emergency reserve	116,356	—	116,356	130,000
Conservation Trust Fund	419,370	—	419,370	363,625
Unassigned	7,705,623	—	7,705,623	6,918,459
Total Fund Balance	8,268,860	—	8,268,860	7,458,835
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$ 11,774,032	\$ —	\$ 11,774,032	\$ 10,893,994

CASTLE PINES NORTH METROPOLITAN DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

December 31, 2022
(With Comparative Totals For December 31, 2021)

	2022	2021
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance - governmental funds	\$ 8,268,860	\$ 7,458,835
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		
Capital assets	\$ 66,173,304	
Accumulated depreciation	(4,489,287)	61,684,017
		65,611,909
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund financial statements.		
Accrued compensated absences	(41,444)	(41,444)
		(19,209,542)
Net pension liability and related deferred inflows and deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial statements.		
Net pension asset	29,054	
Deferred outflows of resources relating to pensions	40,033	
Deferred inflows of resources relating to pensions	(295,309)	(226,222)
		(477,438)
Total Net Position - Governmental Activities	\$ 69,685,211	\$ 53,383,764

CASTLE PINES NORTH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended December 31, 2022
(With Comparative Totals For The Year Ended December 31, 2021)

	General	2015 COPs	2022 Total	2021 Total
Revenues				
Property taxes	\$ 3,320,757	\$ —	\$ 3,320,757	\$ 3,665,464
Specific ownership taxes	293,970	—	293,970	353,672
Conservation Trust Fund	48,663	—	48,663	56,349
Farm land revenue	22,872	—	22,872	35,472
Lease income	99,397	—	99,397	79,137
Oil royalty income	43,657	—	43,657	33,201
Earnings on investments	61,669	27	61,696	6,684
Miscellaneous income	36,203	—	36,203	40,338
Total Revenues	3,927,188	27	3,927,215	4,270,317
Expenditures				
Current:				
General government	1,143,244	—	1,143,244	1,110,521
Parks and open space	1,042,603	—	1,042,603	960,818
Capital outlay	315,225	—	315,225	448,928
Debt service:				
Principal	—	18,805,000	18,805,000	470,000
Interest and fees	—	330,381	330,381	762,304
Total Expenditures	2,501,072	19,135,381	21,636,453	3,752,571
Excess (Deficiency) Of Revenues Over Expenditures	1,426,116	(19,135,354)	(17,709,238)	517,746
Other Financing Sources (Uses)				
Transfers out/in, base rental	(9,845,455)	19,135,354	9,289,899	—
Proceeds on disposal of capital assets	9,229,364	—	9,229,364	—
Total Other Financing Sources (Uses)	(616,091)	19,135,354	18,519,263	—
Net Change In Fund Balances	810,025	—	810,025	517,746
Fund Balance At Beginning Of Year	7,458,835	—	7,458,835	6,941,089
Fund Balance At End Of Year	\$ 8,268,860	\$ —	\$ 8,268,860	\$ 7,458,835

CASTLE PINES NORTH METROPOLITAN DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

	2022	2021
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - governmental funds	\$ 810,025	\$ 517,746
Capital outlay to purchase or build capital assets is reported in governmental funds as expenditures. However, for governmental activities, these costs are capitalized on the statement of net position and depreciated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay	\$ 315,225	
Net book value of capital assets disposed	(4,097,293)	
Depreciation expense	(145,824)	292,725
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.		
Change in accrued interest payable	61,946	
Change in compensated absences	(7,993)	
Amortization of loss on refunding	(115,338)	
Amortization of bond premium	424,483	363,098
16,862		
Repayment of bond and COP principal are expenditures in the governmental funds but are shown as reductions in long-term liabilities in the statement of net position and do not affect the statement of activities.	18,805,000	470,000
Pension income relating to the District's defined benefit retirement plan is recognized on the statement of activities and, therefore, not included in the fund financial statements.	251,216	21,971
Change In Net Position Of Governmental Activities	\$ 16,301,447	\$ 1,319,304

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

December 31, 2022

(With Comparative Totals For December 31, 2021)

	Water	Wastewater	Storm Drainage	2022 Total	2021 Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 45,318,105	\$ 5,555,194	\$ 1,338,989	\$ 52,212,288	\$ 45,970,489
Accounts receivable - services	480,054	224,503	26,538	731,095	741,006
Accounts receivable - other	—	—	—	—	10,599
Prepaid expenses	2,286	1,828	457	4,571	47,842
Total Current Assets	45,800,445	5,781,525	1,365,984	52,947,954	46,769,936
Capital Assets					
Property, plant and equipment	70,531,505	17,036,947	36,440	87,604,892	86,166,392
Accumulated depreciation	(21,722,052)	(3,944,934)	(31,497)	(25,698,483)	(24,162,254)
Total Capital Assets	48,809,453	13,092,013	4,943	61,906,409	62,004,138
Long-Term Assets					
Net pension asset	16,171	15,428	2,003	33,602	—
Total Assets	94,626,069	18,888,966	1,372,930	114,887,965	108,774,074
Deferred Outflows Of Resources					
Deferred outflows of resources relating to pensions	22,280	21,258	2,760	46,298	86,722
Liabilities					
Current Liabilities					
Accounts payable	233,446	68,727	809	302,982	948,382
Accrued expenses	—	—	—	—	9,997
Unearned revenue	—	—	—	—	806
Long-term debt payable - less than one year	—	250,000	—	250,000	240,000
Accrued compensated absences	7,894	7,894	3,361	19,149	10,161
Total Current Liabilities	241,340	326,621	4,170	572,131	1,209,346
Long-Term Liabilities					
Net pension liability	—	—	—	—	195,734
Long-term debt payable - greater than one year	—	2,944,750	—	2,944,750	3,195,000
Total Long-Term Liabilities	—	2,944,750	—	2,944,750	3,390,734
Total Liabilities	241,340	3,271,371	4,170	3,516,881	4,600,080
Deferred Inflows Of Resources					
Deferred inflows of resources relating to pensions	164,356	156,808	20,361	341,525	233,006
Net Position					
Net investment in capital assets	48,809,453	9,897,263	4,943	58,711,659	58,569,138
Unrestricted	45,433,200	5,584,782	1,346,216	52,364,198	45,458,572
Total Net Position	\$ 94,242,653	\$ 15,482,045	\$ 1,351,159	\$ 111,075,857	\$ 104,027,710

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

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	Water	Wastewater	Storm Drainage	2022 Total	2021 Total
Operating Revenues					
Water charges	\$ 10,515,268	\$ —	\$ —	\$ 10,515,268	\$ 8,579,329
Wastewater charges	—	3,782,528	—	3,782,528	3,335,332
Storm drainage charges	—	—	252,000	252,000	253,599
Total Operating Revenues	10,515,268	3,782,528	252,000	14,549,796	12,168,260
Operating Expenses					
Water Operations					
General overhead	378,089	—	—	378,089	384,302
Salaries and wages	178,367	—	—	178,367	119,203
Employee benefits and taxes	12,427	—	—	12,427	12,879
Memberships, training and subscriptions	8,956	—	—	8,956	4,919
Engineering	336,015	—	—	336,015	124,737
Repairs and maintenance	3,222,167	—	—	3,222,167	2,625,741
Utilities	916,082	—	—	916,082	883,057
Equipment and supplies	169,159	—	—	169,159	114,007
Treatment costs	8,023	—	—	8,023	9,978
Other projects	13,331	—	—	13,331	35,263
Total Water Operations	5,242,616	—	—	5,242,616	4,314,086
Wastewater Operations					
General overhead	—	242,118	—	242,118	229,171
Salaries and wages	—	170,636	—	170,636	111,472
Employee benefits, taxes and pension credit	—	16,274	—	16,274	(1,328)
Memberships, training and subscriptions	—	4,448	—	4,448	1,170
Engineering	—	210,794	—	210,794	326,685
Repairs and maintenance	—	340,309	—	340,309	250,320
Utilities	—	103,481	—	103,481	84,235
Equipment and supplies	—	14,148	—	14,148	5,645
Treatment costs	—	677,254	—	677,254	709,707
Total Wastewater Operations	—	1,779,462	—	1,779,462	1,717,077
Storm Drainage Operations					
General overhead	—	—	29,419	29,419	23,610
Salaries, wages and pension credit	—	—	16,637	16,637	(3,485)
Employee benefits and taxes	—	—	6,704	6,704	5,595
Engineering	—	—	—	—	—
Equipment and supplies	—	—	786	786	1,619
Total Storm Drainage Operations	—	—	53,546	53,546	27,339
Total Operating Expenses	5,242,616	1,779,462	53,546	7,075,624	6,058,502
Operating Income Before Depreciation	5,272,652	2,003,066	198,454	7,474,172	6,109,758
Depreciation	1,135,717	420,770	582	1,557,069	1,100,386

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUNDS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

Page 2 Of 2

	Water	Wastewater	Storm Drainage	2022 Total	2021 Total
Operating Income	\$ 4,136,935	\$ 1,582,296	\$ 197,872	\$ 5,917,103	\$ 5,009,372
Nonoperating Revenues (Expenses)					
Earnings on investments	495,142	57,944	15,696	568,782	20,799
Interest expense	—	(105,794)	—	(105,794)	(316,229)
Reimbursable income	32,241	—	—	32,241	24,728
Miscellaneous revenues (expenses)	(12,036)	9,997	—	(2,039)	16,825
Gain on sale of water rights	4,984,673	—	—	4,984,673	—
Renewable water investment	3,219,340	—	—	3,219,340	3,216,997
Loss on abandonment of assets	—	—	—	—	(1,037,991)
Gain on sale of assets	4,553	4,553	—	9,106	—
Total Nonoperating Revenues (Expenses)	8,723,913	(33,300)	15,696	8,706,309	1,925,129
Income Before Capital Contributions And Transfers	12,860,848	1,548,996	213,568	14,623,412	6,934,501
Capital improvement charges	1,714,634	—	—	1,714,634	1,660,836
Transfers out	(9,289,899)	—	—	(9,289,899)	—
Change In Net Position	5,285,583	1,548,996	213,568	7,048,147	8,595,337
Net Position At Beginning Of Year	88,957,070	13,933,049	1,137,591	104,027,710	95,432,373
Net Position At End Of Year	\$ 94,242,653	\$ 15,482,045	\$ 1,351,159	\$ 111,075,857	\$ 104,027,710

CASTLE PINES NORTH METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
For The Year Ended December 31, 2022
(With Comparative Totals For The Year Ended December 31, 2021)

	Water	Wastewater	Storm Drainage	2022 Total	2021 Total
Cash Flows From Operating Activities					
Receipts from customers and others	\$ 10,540,905	\$ 3,777,352	\$ 251,243	\$ 14,569,500	\$ 12,213,907
Payments to suppliers	(5,514,011)	(1,744,562)	(28,132)	(7,286,705)	(5,269,859)
Payments to employees	(228,684)	(217,957)	(25,809)	(472,450)	(383,339)
Net Cash Flows Provided By Operating Activities	4,798,210	1,814,833	197,302	6,810,345	6,560,709
Cash Flows From Noncapital Financing Activities					
Miscellaneous revenue	20,205	9,997	—	30,202	41,553
Renewable water investment	3,219,340	—	—	3,219,340	3,216,997
Net Cash Flows Provided By Noncapital Financing Activities	3,239,545	9,997	—	3,249,542	3,258,550
Cash Flows From Capital And Related Financing Activities					
Capital contributions	1,714,634	—	—	1,714,634	1,660,836
Principal proceeds on loans	—	—	—	—	92,918
Principal payments on loans	—	(240,250)	—	(240,250)	(7,012,699)
Interest paid on loans	—	(105,794)	—	(105,794)	(316,229)
Acquisition of capital assets	(5,453,447)	—	—	(5,453,447)	(3,495,898)
Proceeds on disposal of capital assets	8,976,386	11,500	—	8,987,886	—
Interfund transfer	(9,289,899)	—	—	(9,289,899)	—
Net Cash Flows Used In Capital And Related Financing Activities	(4,052,326)	(334,544)	—	(4,386,870)	(9,071,072)
Cash Flows Provided By Investing Activities					
Earnings on investments	495,142	57,944	15,696	568,782	20,799
Net Increase In Cash And Cash Equivalents	4,480,571	1,548,230	212,998	6,241,799	768,986
Cash And Cash Equivalents, Beginning Of Year	40,837,534	4,006,964	1,125,991	45,970,489	45,201,503
Cash And Cash Equivalents, End Of Year	\$ 45,318,105	\$ 5,555,194	\$ 1,338,989	\$ 52,212,288	\$ 45,970,489
Reconciliation Of Operating Income To Net Cash Flows From Operating Activities					
Operating income	\$ 4,136,935	\$ 1,582,296	\$ 197,872	\$ 5,917,103	\$ 5,009,372
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	1,135,717	420,770	582	1,557,069	1,100,386
Changes in operating assets and liabilities:					
Accounts receivable	26,443	(5,176)	(757)	20,510	45,647
Prepaid items	21,635	17,309	4,327	43,271	1,766
Accounts payable	(483,824)	(159,322)	(2,254)	(645,400)	594,835
Accrued expenses	—	(9,997)	—	(9,997)	(52,294)
Deferred revenue	(806)	—	—	(806)	—
Accrued compensated absences	3,415	3,824	1,749	8,988	(19,989)
Net pension asset/liability and related deferred inflows/outflows of resources	(41,305)	(34,871)	(4,217)	(80,393)	(119,014)
Net Cash Flows Provided By Operating Activities	\$ 4,798,210	\$ 1,814,833	\$ 197,302	\$ 6,810,345	\$ 6,560,709

CASTLE PINES NORTH METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. Summary Of Significant Accounting Policies

Form Of Organization

Castle Pines North Metropolitan District (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado under the Special District Act (Title 32, Article 1, Colorado Revised Statutes (CRS)). The District was organized by a court order on June 11, 1984 and is governed by an elected five-member Board of Directors (the Board). The District was established to provide water service, wastewater service, storm drainage service and parks and open space services for the benefit of the property owners, residents and users of the facilities of the District. The District has several agreements with various entities to provide additional water resources for the community.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: the Board is the publicly elected governing body; it is a legally separate entity and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- Appointment of a voting majority of the component unit's governing board, and either a) it has the ability to impose its will by the primary government or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government or

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

- Fiscal dependency on the primary government and the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government, regardless of whether the organization has (1) a separately elected governing board or (2) a governing board appointed by a higher level of government, or
- A jointly appointed board

Based on the application of these criteria, there are no component units included in the District's reporting entity.

Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

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 those 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the District's fleet service function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

The government-wide and proprietary fund 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, certain deferred outflows of resources, liabilities and certain deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances presents increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Property taxes and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

2015 COPs Fund - The 2015 COPs Fund is a debt service fund used to account for the base rental revenue and expenditures relating to the Refunding Certificates of Participation (COPs), Series 2015.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes are recognized as revenues in the year for which they are levied and become an enforceable lien on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services provided. Operating expenses for the proprietary fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the primary intent is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District reports the following major enterprise funds:

Water Enterprise Fund - The Water Enterprise Fund accounts for the water operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Wastewater Enterprise Fund - The Wastewater Enterprise Fund accounts for the wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Storm Drainage Enterprise Fund - The Storm Drainage Enterprise Fund accounts for the storm drainage operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Budgets

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- By October 15, the District Manager submits to the Board a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A duly noticed public hearing is conducted to obtain taxpayer comments.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

- Prior to December 15, the budget is formally adopted, monies are appropriated by fund and a mill levy is certified through passage of a Board resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board through passage of a budget amendment after a duly noticed public hearing.
- The District appropriates revenues and expenditures by fund as part of the budget approval process. Budgets for the governmental funds are adopted on a basis consistent with GAAP. Budgetary comparisons presented for the enterprise funds are presented on a non-GAAP budgetary basis.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

Cash And Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, U.S. Treasury notes and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

The District follows the practice of pooling cash and investments from all funds to maximize earnings on investments. 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. Earnings on investments are allocated periodically to the participating funds based upon each funds' average equity balance in the total cash and investments.

Restricted Cash

The amounts restricted in the governmental activities represent funds that have been restricted for the Conservation Trust Fund and debt service.

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. Tap fees, user fees and similar fees set by the Board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Property Taxes

Property taxes are certified by the Board. The levy is based on assessed valuations determined by the Douglas County Assessor generally as of January 1 of each year. The levy is certified by December 15 to the County Commissioners and attach as an enforceable lien on property on January 1 of the following year. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources are recognized as revenue, and the receivable is reduced.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation is reported on the statement of activities as a current expense.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Distribution system	50 - 100 years
Collection system	50 - 100 years
Buildings	25 - 60 years
Trails	12 - 30 years
Machinery and equipment	5 - 25 years
Parking lots	15 years
Irrigation systems	30 years
Office furniture and equipment	5 years

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Contributions Of Capital

Contributions of capital in government-wide and proprietary fund financial statements arise from outside contributions of capital assets, tap fees or from other outside contributions of resources restricted to capital acquisition and construction.

Interfund Transactions

Activity between funds that represent outstanding balances between funds are reported as “due to/from other funds.” The outstanding balances between the funds result mainly from the time lag between the dates that (1) the interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Compensated Absences

Personal leave benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. The District permits employees to accumulate earned but unused personal leave time. Accumulated, unpaid personal leave time is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position.

Bond Premiums, Discounts And Issuance Costs

In the governmental fund statements, bond premiums, discounts and issuance costs are recognized as current-period revenues and/or expenditures. Bond premiums and discounts in the government-wide and proprietary fund statements are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method. Issuance costs are expensed as incurred, while bond premiums and discounts are netted against the related debt.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The deferred loss on refunding is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred property taxes are recognized as revenue in the period that the amounts become available. The District also recognizes deferred inflows of resources related to pensions.

Fund Balance And Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified in the following categories:

Net Investment In Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors or the laws or regulations of other governments

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's adopted policy, the Board has the authority to assign the designated fund balance for each governmental fund based on the intended use of resources by the District in the most recently adopted budget.

Unassigned - all other spendable amounts. Only the General Fund reports a positive unassigned fund balance. In other governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to other purposes, the funds would report a negative unassigned fund balance; however, any amount reported as assigned fund balance would have to be eliminated before a negative unassigned fund balance could be reported.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments at PERA are reported at fair value.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

2. Cash, Cash Equivalents And Investments

A summary of cash, cash equivalents and investments as of December 31, 2022, follows:

	S&P Rating	Fair Value	Weighted Ave. Maturity Date (In Days)	Concentration Of Credit Risk
Cash with county treasurer	NR	\$ 19,646	N/A	N/A
Deposits with financial institutions	NR	11,810,183	N/A	N/A
Colorado Government Liquid Asset Trust (COLOTRUST)	AAAm	48,820,789	N/A	100.00%
		\$ 60,650,618		

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

The above amounts are classified in the statement of net position as follows:

Cash and cash equivalents:	
Governmental activities	\$ 8,018,960
Business-type activities	52,212,288
Restricted cash and cash equivalents:	
Governmental activities	<u>419,370</u>
	<u>\$ 60,650,618</u>

Custodial Credit Risk - Deposits

CRS governs the entity's deposits of cash. For deposits in excess of federally insured limits, CRS requires the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2022, the District had deposits with financial institutions with a carrying amount of \$11,810,183. The bank balances with the financial institutions were \$12,044,749 of which \$431,375 was covered by federal depository insurance. The remaining balance of \$11,613,374 was collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

The District has a formal investment policy which follows CRS, which specifies investment instruments meeting defined rating and risk criteria in which the District may invest.

These investments include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District's policy is to hold investments until maturity.

Fair Value

The District categorizes its fair value measurement within the fair value hierarchy established by GAAP. 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.

Local Government Investment Pools

At December 31, 2022, the District had invested \$48,820,789 in COLOTRUST, a local government investment pool. This balance is included in cash equivalents. As an investment pool, COLOTRUST operates under CRS 24-75-701 and is overseen by the Colorado Securities Commissioner. COLOTRUST is exempt from registration with the Securities and Exchange Commission. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard & Poor's and may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities and the highest-rated commercial paper. Wells Fargo Bank serves as custodian for COLOTRUST's portfolios and provides services as the depository in connection with direct investments owned by COLOTRUST. Separate financial statements can be obtained by calling 303.864.7474 or going to www.colotrust.com. The COLOTRUST investment is a local government investment pool that reports at the fair value per share of the pool's underlying portfolio. For pricing and redeeming shares, COLOTRUST maintains a stable net asset value of \$1 per share using the fair value method. COLOTRUST is exempt from being measured at fair value and is excluded from the fair value hierarchy. COLOTRUST does not have any unfunded commitments, redemption restrictions, or redemption notice periods.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of a failure of a counterparty, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Due to the limitations specified by Colorado statutes, as of December 31, 2022, the District had no investments exposed to custodial credit risk.

Interest Rate Risk

CRS limits investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

3. Capital Assets

A summary of changes in governmental activity capital assets is as follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and improvements to land	\$ 45,583,416	\$ —	\$ —	\$ 45,583,416
Water and water storage rights	17,723,263	—	(4,097,293)	13,625,970
Construction in progress	608,041	315,225	(548,525)	374,741
Total Capital Assets, Not Being Depreciated	63,914,720	315,225	(4,645,818)	59,584,127
Capital Assets, Being Depreciated				
Parking lots	202,710	—	—	202,710
Parks, buildings and equipment	3,341,804	—	—	3,341,804
Concrete trails	1,734,544	548,525	—	2,283,069
Asphalt trails	302,064	—	—	302,064
Irrigation system	436,943	—	—	436,943
Office furniture and equipment	22,587	—	—	22,587
Total Capital Assets, Being Depreciated	6,040,652	548,525	—	6,589,177
Less Accumulated Depreciation For:				
Parking lots	(202,710)	—	—	(202,710)
Parks, buildings and equipment	(2,506,168)	(61,164)	—	(2,567,332)
Concrete trails	(955,549)	(75,964)	—	(1,031,513)
Asphalt trails	(302,064)	—	—	(302,064)
Irrigation system	(354,385)	(8,696)	—	(363,081)
Office furniture and equipment	(22,587)	—	—	(22,587)
Total Accumulated Depreciation	(4,343,463)	(145,824)	—	(4,489,287)
Total Capital Assets Being Depreciated, Net	1,697,189	402,701	—	2,099,890
Governmental Activities Capital Assets, Net	\$ 65,611,909	\$ 717,926	\$ (4,645,818)	\$ 61,684,017

Depreciation for governmental activity capital assets has been allocated to general government activity in the statement of activities.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

A summary of changes in business-type activity capital assets is as follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Business-Type Activities;				
Capital Assets Not Being Depreciated				
Land and rights of way	\$ 103,115	\$ —	\$ —	\$ 103,115
Construction in progress	6,574,106	—	(6,574,106)	—
Total Capital Assets Not Being Depreciated	6,677,221	—	(6,574,106)	103,115
Capital Assets Being Depreciated				
Buildings and improvements	8,651,770	2,237,518	—	10,889,288
Landscaping, fencing and electrical	3,864,954	2,700,426	—	6,565,380
Ground water rights	6,936,729	—	(3,980,213)	2,956,516
Distribution system	27,246,926	1,538,903	—	28,785,829
Collection system	1,480,781	—	—	1,480,781
Water tanks	2,315,654	—	—	2,315,654
Machinery and equipment	11,352,440	600,380	—	11,952,820
Vehicles	183,013	—	(34,734)	148,279
Developer contributions*	17,226,658	—	—	17,226,658
Plum Creek Water Reclamation Authority (PCWRA) plant expansion	230,246	4,950,326	—	5,180,572
Total Capital Assets Being Depreciated	79,489,171	12,027,553	(4,014,947)	87,501,777
Less Accumulated Depreciation For:				
Buildings and improvements	(3,887,425)	(249,340)	—	(4,136,765)
Landscaping, fencing and electrical	(2,136,947)	(124,317)	—	(2,261,264)
Ground water rights	(358,235)	(10,896)	—	(369,131)
Distribution system	(3,269,195)	(315,468)	—	(3,584,663)
Collection system	(480,428)	(14,808)	—	(495,236)
Water tanks	(1,193,190)	(46,313)	—	(1,239,503)
Machinery and equipment	(8,794,923)	(366,483)	—	(9,161,406)
Vehicles	(143,987)	(9,662)	20,840	(132,809)
Developer contributions*	(3,667,678)	(172,266)	—	(3,839,944)
PCWRA plant expansion	(230,246)	(247,516)	—	(477,762)
Total Accumulated Depreciation	(24,162,254)	(1,557,069)	20,840	(25,698,483)
Net Capital Assets Being Depreciated	55,326,917	10,470,484	(3,994,107)	61,803,294
Business-Type Activities Capital Assets, Net	\$ 62,004,138	\$ 10,470,484	\$ (10,568,213)	\$ 61,906,409

* Certain classes of assets have been classified and reclassified over time to account for shifts in accounting principles, including but not limited to developer-contributed assets. The developer-contributed assets represent the original water distribution system and wastewater collection system assets that were obtained by the District but not readily identified with specific assets.

Depreciation for business-type activity capital assets has been allocated to the following activities:

Water	\$ 1,135,717
Wastewater	420,770
Storm drainage	582
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,557,069</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

4. Long-Term Debt

Governmental Activities Debt

Following is a summary of governmental activity debt transactions for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Governmental Activities					
2015 COPs Refunding Bond	\$ 18,805,000	\$ —	\$ (18,805,000)	\$ —	\$ —
2015 COPs Premium	424,483	—	(424,483)	—	—
Compensated absences	33,451	7,993	—	41,444	41,444
Total Governmental Activities	\$ 19,262,934	\$ 7,993	\$ (19,229,483)	\$ 41,444	\$ 41,444

A description of the long-term debt as of December 31, 2022 is as follows:

General Obligation Debt Authorization

As of December 31, 2022, the District had no authorized unissued general obligation debt. The District did not budget to issue any additional general obligation debt in 2022.

\$21,895,000 Refunding COPs - Series 2015

On March 12, 2015, the District issued \$21,895,000 of Refunding COPs, Series 2015 (the Series 2015 Bonds) for the purpose of refunding the lease-purchase obligations of the District related to the 2008 COPs and the 2009 COPs, which were financed through the Castle Pines North Finance Corporation. The District determined it had available resources for the additional annual debt service payments, and in a low-interest rate market, the District wanted to remove variable rate interest risk by refunding the 2008 and 2009 COPs to a fixed interest rate.

The 2015 COPs were issued evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under a Lease Agreement dated March 12, 2015. Pursuant to the Lease Agreement, the District is obligated to pay Base Rental during the lease term to the trustee lessor, UMB Bank. Base rental represents monies required to pay the principal and interest on the 2015 COPs when due and any related fees.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

The Series 2015 COPs bear interest at rates ranging from 3.25% to 5.00% and are comprised of bonds maturing in 2045. The Series 2015 COPs maturing on or after December 1, 2022 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 1, 2021, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The District received a premium from the issuance of the Series 2015 COPs in the amount of \$656,573 and incurred costs of issuance totaling \$350,386.

The Series 2015 COPs were paid in full during 2022.

Business-Type Activities Debt

Following is a summary of business-type activity debt transactions for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Business-Type Activities					
JP Morgan Chase loan payable	\$ 3,435,000	\$ —	\$ (240,250)	\$ 3,194,750	\$ 250,000
Compensated absences	10,161	8,988	—	19,149	19,149
Total Business-Type Activities	\$ 3,445,161	\$ 8,988	\$ (240,250)	\$ 3,213,899	\$ 269,149

A description of the long-term debt as of December 31, 2022 is as follows:

JP Morgan Chase Loan

On December 31, 2018, the District secured a \$4,125,000 bank loan for the purpose of paying project costs related to the District's proportionate share in its interest in PCWRA. The project consists of the design and construction of improvements to expand the treatment capacity of PCWRA. The construction project was completed in 2022. Principal payments commence on December 1, 2019 and mature on December 1, 2033, carrying a fixed interest rate of 3.08%. The loan security and repayment source is a pledge of the District's Wastewater and Water Activity Enterprise revenues backed by a rate covenant. The loan contains restrictive covenants. The District incurred issuance costs of \$137,905.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

The following is a summary of the annual long-term debt principal and interest requirement for the JP Morgan Chase loan:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 250,000	\$ 98,406	\$ 348,406
2024	255,000	90,706	345,706
2025	265,000	82,852	347,852
2026	270,000	74,690	344,690
2027	280,000	66,374	346,374
2028 - 2032	1,540,000	196,504	1,736,504
2033	334,750	10,318	345,068
	<u>\$ 3,194,750</u>	<u>\$ 619,850</u>	<u>\$ 3,814,600</u>

5. Employee Pension Plan

Plan Description

Eligible employees of the District are provided with pensions through LGDTF a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of CRS administrative rules set forth at 8 C.C.R. 1502-1 and applicable provisions of the federal Internal Revenue Code. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 24-51-602, 604, 1713 and 1714.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of the highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in CRS, once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all benefit recipients of the Denver Public School (DPS) benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to CRS § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for LGDTF. AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in CRS § 24-51-413.

Disability benefits are available for eligible employees once they reach 5 years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above, considering a minimum 20 years of service credit, if deemed disabled.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the District are required to contribute to LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, et seq. and § 24-51-413. The employer contribution requirements are summarized in the table below:

	January 1, 2022 Through June 30, 2022	July 1, 2022 Through December 31, 2022
Employer contribution rate	10.50%	11.00%
Amount of employer contribution apportioned to the Health Care Trust Fund (HCTF) as specified in CRS § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to LGDTF	9.48%	9.98%
Amortization equalization disbursement (AED) as specified in CRS § 24-51-411	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in CRS § 24-51-411	1.50%	1.50%
Defined contribution supplement as specified in CRS § 24-51-415	0.03%	0.03%
Total employer contribution rate to LGDTF	13.21%	13.71%

Note: Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to LGDTF. Employer contributions recognized by LGDTF from the District were \$62,030 for the year ended December 31, 2022.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

Pension Liabilities, Pension Income And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

At December 31, 2022, the District reported a net pension asset of \$62,656 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. The District's proportion of the net pension asset was based on District contributions to LGDTF for the calendar years 2021 relative to the total contributions of participating employers to LGDTF.

At December 31, 2021, the District's proportion was 0.07308%, which was a decrease of 0.01691% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the District recognized pension income of \$269,578 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 3,063	\$ 1,047
Changes of assumptions or other inputs	21,238	—
Net difference between projected and actual earnings on pension plan investments	—	541,992
Changes in proportion and differences between contributions recognized and proportionate share of contributions	—	93,795
District contributions subsequent to the measurement date	62,030	—
Total	\$ 86,331	\$ 636,834

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (Continued)

The \$62,030 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amortization</u>
2023	\$ (193,492)
2024	(222,500)
2025	(130,771)
2026	(65,770)
	<u>\$ (612,533)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20 - 11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	1.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by AIR

The total pension liability as of December 31, 2021, includes the anticipated adjustments to contribution rates and the annual increase cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The actuarial assumptions used in the December 31, 2020, valuations were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors were considered in evaluating the long-term rate of return assumption for LGDTF, including long-term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate Of Return*</u>
Global equity	54.00%	5.60%
Fixed income	23.00%	1.30%
Private equity	8.50%	7.10%
Real estate	8.50%	4.40%
Alternatives	6.00%	4.70%
<u>Total</u>	<u>100.00%</u>	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, the total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the required adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions, assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above actuarial cost method and assumptions, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

Sensitivity Of The District's Proportionate Share Of The Net Pension Asset To Changes In The Discount Rate

The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability (asset)	\$ 429,609	\$ (62,656)	\$ (474,415)

Pension Plan Fiduciary Net Position

Detailed information about LGDTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

6. Postemployment Healthcare Benefits

Plan Description

The District contributes to HCTF, a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of CRS, as amended, establishes HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members, as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of CRS, as amended. The apportionment of the contributions to HCTF is established under Title 24, Article 51, Section 208(1)(f) of CRS, as amended. For the years ending December 31, 2022 and 2021, the District's employer contributions to HCTF were \$4,711 and \$5,547, respectively, equal to their required contributions for each year. The effect of this plan would result in an immaterial liability and therefore is not recorded at December 31, 2022.

7. Defined Contribution Pension Plan

Plan Description

Employees of the District who are members of LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of CRS, as amended, assigns the authority to establish the 401(k) plan provisions to the state legislature. PERA issues a publicly available annual comprehensive financial report for the program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions of up to a maximum limit set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402, of CRS, as amended. The District does not contribute to the Voluntary Investment Program. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2022 and 2021, the 401(k) plan member contributions were \$8,730 and \$12,086, respectively.

8. Risk Management

The District is exposed to various risks of loss related to workers' compensation; general liability; unemployment; torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool), which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other 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. The District also maintains an active insurance program, whereby the District annually evaluates appropriate liability coverage.

9. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the Amendment or TABOR) to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local districts. The limits on property taxes, revenue and fiscal year spending include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources, such as federal funds, gifts, property sales, fund transfers, damage awards and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes or creation of multi-year debt. Revenue earned in excess of the spending limit must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes To Financial Statements (*Continued*)

The Amendment also requires local districts to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$116,356 for this purpose.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

10. Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

Intergovernmental Agreements With The City Of Castle Pines, Colorado

On June 29, 2022, the District entered into an intergovernmental agreement with the City of Castle Pines, Colorado (the City) to transfer the District's stormwater system and necessary property rights over to the City in 2023.

On March 28, 2023, the District entered into an intergovernmental agreement with the City to transfer the District's recreation properties over to the City in 2023.

Required Supplementary Information

DRAFT FOR
DISCUSSION PURPOSES
ONLY

CASTLE PINES NORTH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (BUDGET AND ACTUAL) - GENERAL FUND
For The Year Ended December 31, 2022
(With Comparative Totals For The Year Ended December 31, 2021)

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2021 Actual
Revenues					
Property taxes	\$ 3,331,110	\$ 3,331,110	\$ 3,320,757	\$ (10,353)	\$ 3,665,464
Specific ownership taxes	266,489	266,489	293,970	27,481	353,672
Conservation Trust Fund	46,000	46,000	48,663	2,663	56,349
Farm land revenue	—	23,000	22,872	(128)	35,472
Lease income	74,441	99,000	99,397	397	79,137
Oil royalty income	25,000	44,000	43,657	(343)	33,201
Earnings on investments	5,200	62,000	61,669	(331)	6,630
Miscellaneous income	20,000	36,000	36,203	203	40,338
Total Revenues	3,768,240	3,907,599	3,927,188	19,589	4,270,263
Expenditures					
General government:					
Salaries and wages	395,691	395,691	311,458	84,233	311,551
Employee benefits and taxes	211,568	211,568	99,907	111,661	124,051
Accounting, audit and legal	226,500	226,500	366,829	(140,329)	328,979
Other professional services	163,067	163,067	108,302	54,765	119,081
Utilities	43,670	43,670	32,887	10,783	30,758
Insurance	49,696	49,696	95,885	(46,189)	47,330
County collection fees	49,967	49,967	49,838	129	55,036
Memberships, training and subscriptions	8,300	8,300	6,644	1,656	3,214
Other office expenses	41,450	41,450	31,547	9,903	47,161
Repairs and maintenance	47,500	47,500	39,947	7,553	43,360
Total General Government	1,237,409	1,237,409	1,143,244	94,165	1,110,521
Parks and open space:					
Landscape maintenance contract	295,000	295,000	242,640	52,360	258,534
Landscape supplies	15,000	15,000	7,801	7,199	12,130
Repairs and maintenance	564,000	343,000	343,098	(98)	268,268
Utilities	482,500	947,000	426,963	520,037	391,941
Park services	29,200	29,200	22,101	7,099	29,945
Total Parks And Open Space	1,385,700	1,629,200	1,042,603	586,597	960,818
Capital outlay	2,286,730	325,000	315,225	9,775	448,928
Total Expenditures	4,909,839	3,191,609	2,501,072	690,537	2,520,267
Excess Of Revenues Over Expenditures	(1,141,599)	715,990	1,426,116	710,126	1,749,996
Other Financing Sources (Uses)					
Proceeds from sale of water rights	—	9,230,000	9,229,364	(636)	—
Transfers out, base rental expense	—	(9,850,000)	(9,845,455)	4,545	(613,826)
Total Other Financing Uses	—	(620,000)	(616,091)	3,909	(613,826)
Net Change In Fund Balance	(1,141,599)	95,990	810,025	714,035	1,136,170
Fund Balance - Beginning Of Year	15,833,798	7,458,835	7,458,835	—	6,322,665
Fund Balance - End Of Year	\$ 14,692,199	\$ 7,554,825	\$ 8,268,860	\$ 714,035	\$ 7,458,835

CASTLE PINES NORTH METROPOLITAN DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
COST-SHARING DEFINED BENEFIT PLAN**

For The Year Ended December 31, 2021 (Measurement Date)

Employee Pension Plan

Year Eight¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07308%	0.08999%	0.09498%	0.11594%	0.10967%	0.10655%	0.10914%	0.10836%
District's proportionate share of the net pension liability (asset)	\$ (62,656)	\$ 468,970	\$ 694,708	\$ 1,457,671	\$ 1,221,153	\$ 1,438,726	\$ 1,202,296	\$ 971,185
District's covered payroll	\$ 461,822	\$ 635,974	\$ 654,102	\$ 727,906	\$ 677,776	\$ 666,309	\$ 648,164	\$ 608,976
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.57%	73.74%	106.21%	200.26%	180.17%	215.92%	185.49%	159.48%
Plan fiduciary net position as a percentage of the total pension	101.49%	90.88%	86.26%	75.96%	79.37%	73.60%	76.90%	80.70%

¹ The amounts presented for each fiscal year were determined as of 12/31 of the prior year. This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

CASTLE PINES NORTH METROPOLITAN DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - COST-SHARING DEFINED BENEFIT PLAN
For The Year Ended December 31, 2022
Year Nine¹**

	2022		2021		2020		2019		2018		2017		2016		2015		2014
Statutorily required contribution	\$ 62,030	\$	\$ 71,779	\$	\$ 82,146	\$	\$ 85,599	\$	\$ 92,408	\$	\$ 87,730	\$	\$ 81,004	\$	\$ 78,597	\$	\$ 75,288
Contributions in relation to the statutorily required contributions	62,030		71,779		82,146		85,599		92,408		87,730		81,004		78,597		75,288
Contribution deficiency (excess)	\$ —	\$	\$ —	\$	\$ —	\$	\$ —	\$	\$ —	\$	\$ —	\$	\$ —	\$	\$ —	\$	\$ —
Covered payroll	\$ 461,822	\$	\$ 543,778	\$	\$ 635,974	\$	\$ 654,102	\$	\$ 727,906	\$	\$ 677,776	\$	\$ 666,309	\$	\$ 648,164	\$	\$ 608,976
Contributions as a percentage of covered payroll	13.43%		13.20%		12.92%		13.09%		12.70%		12.94%		12.16%		12.13%		12.36%

¹ This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Other Supplementary Information

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DISCUSSION PURPOSES
ONLY

CASTLE PINES NORTH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (BUDGET AND ACTUAL) - 2015 COPS FUND
For The Year Ended December 31, 2022
(With Comparative Totals For The Year Ended December 31, 2021)

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2021 Actual
Revenues					
Earnings on investments	\$ —	\$ 25	\$ 27	\$ 2	\$ 54
Expenditures					
Principal	—	18,805,000	18,805,000	—	470,000
Interest and fees	—	330,400	330,381	19	762,304
Total Expenditures	—	19,135,400	19,135,381	19	1,232,304
Deficiency Of Revenues Over Expenditures	—	(19,135,375)	(19,135,354)	21	(1,232,250)
Other Financing Sources (Uses)					
Transfers in, base rental revenue	—	19,135,375	19,135,354	(21)	613,826
Change In Fund Balance	—	—	—	—	(618,424)
Fund Balance At Beginning Of Year	—	—	—	—	618,424
Fund Balance At End Of Year	\$ —	\$ —	\$ —	\$ —	\$ —

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION (BUDGET AND ACTUAL) - ENTERPRISE FUNDS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

Page 1 Of 2

	Original And Final Budget	Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2021 Actual
Revenues				
Water charges	\$ —	\$ 10,515,268	\$ 10,515,268	\$ 8,579,329
Wastewater charges	—	3,782,528	3,782,528	3,335,332
Storm drainage charges	259,753	252,000	(7,753)	253,599
Capital improvement charges	—	1,714,634	1,714,634	1,660,836
Earnings on investments	500	568,782	568,282	20,799
Financing proceeds	—	—	—	92,918
Reimbursable income	—	32,241	32,241	24,728
Renewable water investment	—	3,219,340	3,219,340	3,216,997
Miscellaneous income (expenses)	—	(2,039)	(2,039)	16,825
Proceeds from sale of water rights	—	8,964,886	8,964,886	—
Proceeds from sale of assets	—	23,000	23,000	—
Total Revenues	260,253	29,070,640	28,810,387	17,201,363
Expenditures				
Water Operations				
General overhead	—	378,089	(378,089)	384,302
Salaries and wages	—	216,258	(216,258)	119,203
Employee benefits and taxes	—	12,427	(12,427)	12,879
Memberships, training and subscriptions	—	8,956	(8,956)	4,919
Engineering	—	336,015	(336,015)	124,737
Repairs and maintenance	—	3,222,167	(3,222,167)	2,625,741
Utilities	—	916,082	(916,082)	883,057
Equipment and supplies	—	169,159	(169,159)	114,007
Treatment costs	—	8,023	(8,023)	9,978
Other projects	—	13,331	(13,331)	35,263
Interest expense	—	—	—	203,482
Inclusion costs	34,835,000	—	34,835,000	—
Transfers out	—	9,289,899	(9,289,899)	—
Total Water Operations	34,835,000	14,570,406	20,264,594	4,517,568
Wastewater Operations				
General overhead	—	242,118	(242,118)	229,171
Salaries and wages	—	201,683	(201,683)	111,472
Employee benefits and taxes	—	16,274	(16,274)	(1,328)
Memberships, training and subscriptions	—	4,448	(4,448)	1,170
Engineering	34,000	210,794	(176,794)	326,685
Repairs and maintenance	—	340,309	(340,309)	250,320
Utilities	—	103,481	(103,481)	84,235
Equipment, supplies and other projects	—	14,148	(14,148)	5,645
Treatment costs	—	677,254	(677,254)	709,707
Interest expense	—	105,794	(105,794)	112,747
Debt service - principal	—	240,250	(240,250)	—
Total Wastewater Operations	34,000	2,156,553	(2,122,553)	1,829,824

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION (BUDGET AND ACTUAL) - ENTERPRISE FUNDS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

Page 2 Of 2

	Final Budget	Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2021 Actual
Expenditures (Continued)				
Storm Drainage Operations				
General overhead	\$ 43,661	\$ 29,419	\$ 14,242	\$ 23,610
Salaries and wages	10,614	20,854	(10,240)	(3,485)
Employee benefits and taxes	5,039	6,704	(1,665)	5,595
Engineering	40,000	—	40,000	—
Repairs and maintenance	1,250	—	1,250	—
Equipment, supplies and other projects	1,400	786	614	1,619
Total Storm Drainage Operations	101,964	57,763	44,201	27,339
Capital Outlay	400,000	5,453,447	(5,053,447)	916,295
Total Expenditures	34,970,964	22,238,169	12,732,795	7,291,026
Change In Net Position - Budgetary Basis	(34,710,711)	6,832,471	41,543,182	9,910,337
Reconciliation To GAAP Basis				
Financing proceeds	—	—	—	(92,918)
Pension income	—	73,155	73,155	—
Proceeds from sale of water rights	—	(3,980,213)	(3,980,213)	—
Proceeds from sale of assets	—	(13,894)	(13,894)	—
Debt service - principal	—	240,250	240,250	—
Capital outlay	400,000	5,453,447	5,053,447	916,295
Depreciation	—	(1,557,069)	(1,557,069)	(1,100,386)
Loss on disposal of assets	(60,640,512)	—	60,640,512	(1,037,991)
Change In Net Position - GAAP Basis	(94,951,223)	7,048,147	101,999,370	8,595,337
Net Position At Beginning Of Year	104,027,710	104,027,710	—	95,432,373
Net Position At End Of Year	\$ 9,076,487	\$ 111,075,857	\$ 101,999,370	\$ 104,027,710