

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Promenade at Castle Rock Metropolitan District No. 1 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

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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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dassio & Associates, P.C.

July 23, 2024

BASIC FINANCIAL STATEMENTS

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments - Restricted	\$ 11,039,037
Escrowed Funds	261,085
PIF Receivable	372,972
Intergovernmental Receivable District No. 3	59,103
Receivable from County Treasurer	2,082
Property Tax Receivable	423,508
Interest Rate SWAP	7,812,901
Total Assets	<u>19,970,688</u>
LIABILITIES	
Intergovernmental Payable District No. 2	4,986
Escrow - Developer (Private Costs)	261,085
Accrued Interest	176,924
Noncurrent Liabilities:	
Due Within One Year	1,545,000
Due in More Than One Year	58,366,780
Total Liabilities	<u>60,354,775</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	423,508
Interest Rate SWAP	7,812,901
Total Deferred Inflows of Resources	<u>8,236,409</u>
NET POSITION	
Restricted for:	
Debt Service	4,101,820
Unrestricted	<u>(52,722,316)</u>
Total Net Position	<u><u>\$ (48,620,496)</u></u>

See accompanying Notes to Basic Financial Statements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 82,674	\$ -	\$ -	\$ -	\$ (82,674)
Interest on Long-Term Debt and Related Costs	4,399,481	-	-	4,804,426	404,945
Total Governmental Activities	\$ 4,482,155	\$ -	\$ -	\$ 4,804,426	322,271
GENERAL REVENUES					
Property Taxes					347,189
Specific Ownership Taxes					32,196
Interest Income					33,980
Total General Revenues					413,365
CHANGES IN NET POSITION					735,636
Net Position - Beginning of Year					(49,356,132)
NET POSITION - END OF YEAR					\$ (48,620,496)

See accompanying Notes to Basic Financial Statements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ 4,570	\$ 5,320,003	\$ 5,714,464	\$ 11,039,037
Escrowed Funds	-	-	261,085	261,085
Receivable from County Treasurer	416	1,666	-	2,082
PIF Receivable	-	372,972	-	372,972
Intergovernmental Receivable District No. 3	-	59,103	-	59,103
Property Tax Receivable	84,699	338,809	-	423,508
	<u>\$ 89,685</u>	<u>\$ 6,092,553</u>	<u>\$ 5,975,549</u>	<u>\$ 12,157,787</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Intergovernmental Payable District No. 2	\$ 4,986	\$ -	\$ -	\$ 4,986
Escrow - Developer (Private Costs)	-	-	261,085	261,085
Total Liabilities	<u>4,986</u>	<u>-</u>	<u>261,085</u>	<u>266,071</u>
 DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	84,699	338,809	-	423,508
Total Deferred Inflows of Resources	<u>84,699</u>	<u>338,809</u>	<u>-</u>	<u>423,508</u>
 FUND BALANCES				
Restricted for:				
Debt Service	-	5,753,744	-	5,753,744
Capital Projects	-	-	5,714,464	5,714,464
Total Fund Balances	<u>-</u>	<u>5,753,744</u>	<u>5,714,464</u>	<u>11,468,208</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 89,685</u>	<u>\$ 6,092,553</u>	<u>\$ 5,975,549</u>	

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

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

Accrued Interest	(176,924)
Loans Payable	<u>(59,911,780)</u>

Net Position of Governmental Activities	<u>\$ (48,620,496)</u>
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**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 69,438	\$ 277,751	\$ -	\$ 347,189
Specific Ownership Taxes	6,439	25,757	-	32,196
Interest Income	6,797	27,183	-	33,980
Intergovernmental Revenue - District No. 3	-	2,815,202	-	2,815,202
PIF Revenue	-	1,989,224	-	1,989,224
Total Revenues	<u>82,674</u>	<u>5,135,117</u>	<u>-</u>	<u>5,217,791</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	1,042	4,166	-	5,208
PIF Collection Fees	-	35,857	-	35,857
Intergovernmental Expenditures - District No. 2	81,632	-	-	81,632
Debt Service:				
Loan Interest - Series 2021	-	2,170,374	-	2,170,374
Loan Principal - Series 2021	-	1,490,000	-	1,490,000
Paying Agent Fees	-	2,000	-	2,000
Capital Projects:				
Intergovernmental Expenditures - District No. 2	-	-	2,191,021	2,191,021
Total Expenditures	<u>82,674</u>	<u>3,702,397</u>	<u>2,191,021</u>	<u>5,976,092</u>
NET CHANGE IN FUND BALANCES	-	1,432,720	(2,191,021)	(758,301)
Fund Balances - Beginning of Year	<u>-</u>	<u>4,321,024</u>	<u>7,905,485</u>	<u>12,226,509</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 5,753,744</u>	<u>\$ 5,714,464</u>	<u>\$ 11,468,208</u>

See accompanying Notes to Basic Financial Statements.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ (758,301)
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Loan Principal	1,490,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable - Change in Liability	<u>3,937</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ 735,636</u></u>
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**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
REVENUES				
Property Taxes	\$ 69,438	\$ 69,438	\$ 69,438	\$ -
Specific Ownership Taxes	6,249	6,471	6,439	(32)
Interest Income	500	7,091	6,797	(294)
Other Revenue	1,813	-	-	-
Total Revenues	<u>78,000</u>	<u>83,000</u>	<u>82,674</u>	<u>(326)</u>
EXPENDITURES				
County Treasurer's Fee	1,042	1,042	1,042	-
Intergovernmental Expenditures - District No. 2	75,274	81,958	81,632	326
Contingency	1,684	-	-	-
Total Expenditures	<u>78,000</u>	<u>83,000</u>	<u>82,674</u>	<u>326</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Promenade at Castle Rock Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by Order and Decree of the District Court of Douglas County on May 28, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan for the District, Promenade at Castle Rock Metropolitan District No. 2, and Promenade at Castle Rock Metropolitan District No. 3 (collectively, the Districts), approved by the Town of Castle Rock, Colorado on January 7, 2014. The Service Plan was amended and approved March 2, 2021. The District's service area is located entirely within the Town of Castle Rock, Douglas County, Colorado (the Town). The District was established for the purpose of financing and providing public improvements and related operations and maintenance services within and outside of the boundaries of the District. The public improvements include water, streets, sanitation, parks and recreation, traffic and safety controls, transportation, mosquito and pest control, and television relay and translator.

Pursuant to a Capital Pledge Agreement, Promenade at Castle Rock Metropolitan District No. 2 (under certain, limited circumstances which are not expected to occur) and Promenade at Castle Rock Metropolitan District No. 3 (the Taxing District) has limited tax general obligations to the District (see Note 8). Property taxes to be generated from the Taxing District debt service mill levies, including specific ownership taxes to be received as a result of imposition of such mill levies, are expected to be transferred, net of fees, to the District to pay for debt service expenditures. District No. 2 is considered the Operating District.

The District's Service Plan allows for the ability to pay for administration, operations, and maintenance associated with the Public Improvements as necessary from the District Operating Revenue. The General Fund Mill Levy for 2023 was 11.673 mills and the Property taxes generated, net of fees, were transferred to District No. 2, the Operating District, pursuant to the District Administrative Services Agreement which pays all administrative expenditures for the District.

For the year 2023, the maximum debt mill levy allowed by the Service Plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Debt Mill Levy for 2023 was 46.692 mills.

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, intergovernmental revenues from District Nos. 2 and 3, and public improvement fees.

All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

Budgets

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

The District amended its annual budget for the year ended December 31, 2023.

Pooled Cash and Investments

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Accordingly, these items, *deferred property tax revenue* and *interest rate SWAP*, are deferred and recognized as inflows of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Escrowed Funds	\$ 261,085
Cash and Investments - Restricted	11,039,037
Total Cash and Investments	\$ 11,300,122

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 10,249,223
Escrow - Deposits with Financial Institutions	261,085
Investments	789,814
Total Cash and Investments	\$ 11,300,122

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of \$10,510,308. At December 31, 2023, the District had escrow deposits in the amount of \$261,085.

Investments

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

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

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

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

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 789,814
Total		<u>\$ 789,814</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2023:

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Loans/Notes from Direct:					
Borrowings/Direct Placements:					
Limited Tax General:					
Obligation Note, Series 2021	\$ 61,401,780	\$ -	\$ 1,490,000	\$ 59,911,780	\$ 1,545,000
Subtotal Loans/Notes Payable	61,401,780	-	1,490,000	59,911,780	1,545,000
Total Long-Term Obligations	<u>\$ 61,401,780</u>	<u>\$ -</u>	<u>\$ 1,490,000</u>	<u>\$ 59,911,780</u>	<u>\$ 1,545,000</u>

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

Limited Tax General Obligation and Special Revenue Refunding and Improvement Note, Series 2021

On April 15, 2021, the District issued Limited Tax General Obligation and Special Revenue Refunding and Improvement Note, Series 2021 (the 2021 Loan) in the amount of \$64,236,780. The proceeds from the 2021 Loan were used for the purposes of: (i) refunding the Series 2015 Bonds, (ii) reimbursing the Developer for the advancement of funds for financing costs related to capital infrastructure improvements; (iii) providing the Reserve Fund; (iv) paying the costs of issuing the 2021 Loan; and (v) providing additional funds for the Project Fund. The 2021 Loan bears interest at a variable rate per annum, payable semi-annually on June 1 and December 1, commencing on June 1, 2021. Principal payments are due on December 1, commencing on December 1, 2021. The 2021 Loan matures on December 1, 2050.

On December 1, 2022, the 2021 Loan agreement was amended to incorporate the amended Swap Agreement (Note 4 - Derivatives) and the amended Capital Pledge Agreement (Note 7 – Capital Pledge Agreement).

The 2021 Loan is secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources: 1) all Property Tax Revenues, 2) all Specific Ownership Tax Revenues, 3) all Credit PIF Revenue, 4) all Add-On PIF Revenue, 5) all Incremental Target Store Sales Tax Revenue, 6) all PILOT Revenues, 7) any Counterparty Net Regularly Scheduled Swap Payments, 8) any Termination Payments paid by the 2021 Swap Counterparty, and 9) all other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue.

The District is required to make mandatory prepayments towards the principal to the extent pledged revenues are available and to the extent pledged revenues excess the payment obligations during the year. These payments shall be capped at an amount equal to the maximum amount that could be prepaid without causing the outstanding principal of the loan, following such prepayment, to be less than the outstanding notional amount of the 2021 Loan Swap Agreement.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Refunding and Improvement Note, Series 2021 (Continued)

The District's long-term obligations regarding the 2021 Loan will mature as follows assuming mandatory prepayments are made:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 1,545,000	\$ 2,123,090	\$ 3,668,090
2025	1,600,000	2,060,412	3,660,412
2026	1,660,000	2,006,501	3,666,501
2027	1,720,000	1,947,826	3,667,826
2028	1,780,000	1,889,447	3,669,447
2029-2033	9,900,000	8,447,428	18,347,428
2034-2038	11,805,000	6,567,445	18,372,445
2039-2043	11,965,000	4,434,645	16,399,645
2044-2048	14,315,000	2,216,111	16,531,111
2049-2050	3,621,780	140,804	3,762,584
Total	<u>\$ 59,911,780</u>	<u>\$ 31,833,709</u>	<u>\$ 91,745,489</u>

Authorized Debt

On May 6, 2014, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$620,000,000, at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Amount Authorized on May 6, 2014</u>	<u>Authorization Used 2015 Bonds⁽¹⁾</u>	<u>Authorization Used 2021 Loan⁽¹⁾</u>	<u>Authorized but Unissued at December 31, 2023</u>
Streets	\$ 40,000,000	\$ 16,679,509	\$ 12,881,963	\$ 10,438,529
Park and Recreation	40,000,000	11,965,174	10,599,210	17,435,616
Water	40,000,000	1,737,333	2,364,831	35,897,836
Sanitation and Storm Sewer	40,000,000	6,468,994	5,025,942	28,505,064
Transportation	40,000,000	-	-	40,000,000
Mosquito Control	20,000,000	-	-	20,000,000
Traffic and Safety Controls	40,000,000	588,990	600,960	38,810,050
Fire Protection	40,000,000	-	-	40,000,000
TV Relay	40,000,000	-	-	40,000,000
Security	40,000,000	-	-	40,000,000
Operations and Maintenance	40,000,000	-	-	40,000,000
Refunding	200,000,000	-	32,763,874	167,236,126
Total	<u>\$ 620,000,000</u>	<u>\$ 37,440,000</u>	<u>\$ 64,236,780</u>	<u>\$ 518,323,220</u>

Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness of up to \$32,000,000 as might be required by the Public Finance Agreement.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

The Service Plan provides that, exclusive of refundings of District Bonds (as defined in the Public Finance Agreement) outstanding as of March 2, 2021 (which would include the Refunded Bonds), the net proceeds of further District Bonds that the Financing Districts shall be permitted to issue shall not exceed \$32,000,000, specifically exclusive of Costs of Issuance (as defined in the Service Plan), Pre-Financing Costs (as defined in the Service Plan), and any required reserves and capitalized interest.

Derivatives

Swap Agreement

On April 15, 2021 the District entered into an interest rate swap transaction (hedging derivative instrument) (the Swap) with U.S. Bank National Association (the Bank, Trustee) in order to hedge interest rates and protect against rising interest rates. The Swap is associated with the 2021 Loan and used the debt service maturity schedule of the 2021 Loan as the notional amount of the Swap. An International Swaps and Derivatives Association (ISDA) Master Agreement was used to develop the Swap which is set to terminate on December 1, 2050 (Terminate Date).

From the effective date of the agreement through Terminate Date, the District is the fixed rate payor under the Swap, paying a rate of 1.951%, on the 1st day of each month, based on a 30/360-day count. The Bank is the floating rate payor, paying the current 83% of a one-month LIBOR rate based on an actual/360-day count.

On November 29, 2022, the Swap agreement was amended to incorporate alternative interest rate determination provisions due to the anticipated cessation of the LIBOR rate. Effective December 1, 2022, the District is the fixed rate payor, paying a rate of 1.882%, on the 1st of day of each month, based on a 30/360-day count. Beginning January 3, 2023, the floating rate is 83% of USD-SOFR based on an actual/360-day count.

The following is the projected payments based on the interest rate Swap transaction as of December 31, 2023:

<u>Year Ending December 31,</u>	Swap Notional Amount	Net Interest Rate Swap Payments	Interest Payments	Total
2024	\$ 1,545,000	\$ (1,602,460)	\$ 3,722,838	\$ 3,665,378
2025	1,600,000	(1,553,870)	3,616,925	3,663,055
2026	1,660,000	(1,511,274)	3,517,774	3,666,500
2027	1,720,000	(1,467,080)	3,414,906	3,667,826
2028	1,780,000	(1,427,936)	3,317,383	3,669,447
2029-2033	9,900,000	(6,366,463)	14,813,637	18,347,174
2034-2038	11,805,000	(4,949,735)	11,516,974	18,372,239
2039-2043	11,965,000	(3,342,361)	7,776,702	16,399,341
2044-2048	14,315,000	(1,671,080)	3,886,788	16,530,708
2049-2050	3,621,780	(106,052)	246,857	3,762,585
	<u>\$ 59,911,780</u>	<u>\$ (23,998,311)</u>	<u>\$ 55,830,784</u>	<u>\$ 91,744,253</u>

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Derivatives (Continued)

Swap Agreement (Continued)

Payments on the 2021 Loan and the Swap are calculated using interest rates in effect on December 31, 2023.

The following is a summary of the effective interest rate calculation on the District's Swap Agreement for the year ended December 31, 2023:

Counterparty Swap Payment			Interest Payments to Bank	Total Payments	Actual Synthetic Rate
To	From	Net			
\$ 1,155,581	\$ 2,516,505	\$ (1,360,924)	\$ 3,531,298	\$ 2,170,374	3.53%

The following is a summary of the District's derivative for the year ended December 31, 2023:

Net Change in Fair Value		Fair Value December 31, 2023	
Classification	Amount	Classification	Amount
Deferred Inflow	\$ 7,812,901	Asset	\$ 7,812,901

The basic terms and parties to the Swap are listed below:

Counterparty	Trade Date	Effective Date	Original Notional Amount	Termination Date
US Bank National Association	4/15/2021	4/15/2021	\$ 64,236,780	12/1/2050
Associated Debt Series	Payable Swap Rate	Variable Receivable Swap rate	Fair Value at December 31, 2023	
2021	1.882%	83% of 1-month SOFR	\$ 7,812,901	

The year-end fair values were calculated using the mid-market SOFR valuations as of December 31, 2023. As of this date, the 83% of 1-month SOFR Index rate was 4.46540%. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2023.

When the present value of payments to be made by the District exceeds the present value of payments to be received, the Swap has a negative value to the District. When the present value of payments to be received by the District exceeds that of payments to be made, the Swap has a positive value to the District.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Derivatives (Continued)

Swap Agreement (Continued)

The following risks are generally associated with the Swap:

Credit Risk

The Swap relies upon the performance of the Swap counterparty. The District is exposed to the risk of this counterparty being unable to fulfill its financial obligation to the District. The District measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the Swap. The ratings of the counterparty as of December 31, 2023, are as follows:

Counterparty	Ratings of Counterparty
	Moody's
US Bank National Association	A2

Termination Risk

Either party to the Swap may terminate the Swap if the other party fails to perform under the terms of the agreement. Further, certain credit or tax events can lead to a termination event under the Swap. If the Swap has a negative fair value at the time of the termination, the District could be liable to the counterparty for a payment equal to the Swap's fair value. If the Swap is terminated the associated variable rate loan would no longer be hedged with a synthetic fixed interest rate. The District is not aware of any existing event that would lead to a termination with respect to the Swap.

NOTE 5 NET POSITION

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service Reserve	\$ 4,101,820
Total Restricted Net Position	\$ 4,101,820

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 RELATED PARTY

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

NOTE 7 AGREEMENTS

Development Agreement

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

Master Intergovernmental Agreement

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

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

On April 14, 2021, Promenade Castle Rock, LLC (the Declarant) entered into the Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee, which replaced the Original PIF Covenant dated April 16, 2015 and the Restated PIF Covenant dated August 17, 2015. The Declaration of Covenants is imposed in consideration of the benefits to be provided to the Property with respect to construction, installation, operation, and maintenance of Project Improvements, (i) Declarant has agreed to impose a public improvement fee on the Property and (ii) the Town has agreed to credit a portion of the total Sales Tax due on PIF Sales occurring within the Property on which the Credit PIF is collected. The Declarant has pledged the PIF Revenues to the District for repayment of the Districts 2021 Loan. The Add-On PIF initial amount is .25% and it will not exceed 0.50% of PIF Sales. The Credit PIF amount is 0.55% of PIF Sales.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 AGREEMENTS (CONTINUED)

Public Finance Agreement

On January 7, 2014, the District, the Developer, and the Town entered into the Public Finance Agreement, which agreement was amended and restated as the Amended and Restated Public Finance Agreement dated as of February 17, 2015 to include District No. 2 and District No. 3, as amended by a First Amendment dated August 4, 2015 and as amended by a Second Amendment dated March 2, 2021 (as amended, the Public Finance Agreement). The Public Finance Agreement governs certain aspects of the Development, financing for the Development including the issuance of the Bonds, and regulatory approvals issued by the Town for the Development.

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

The Public Finance Agreement provides that District Bonds shall be issued in an amount not exceeding \$30,000,000 of Net Proceeds to pay Eligible Costs, subject to adjustment as provided in the Pledge Agreement. “Net Proceeds” is generally defined as net proceeds of one or more series of District Bonds in an amount not exceeding \$30,000,000 used to pay or reimburse Eligible Costs.

The District and District No. 3 (and to the extent hereinafter provided, District No. 2), covenant to impose the District Debt Service Mill Levy in the amount of not less than 40 mills and not more than 50 mills, as hereinafter provided, for so long as any District Bonds remain outstanding, and further covenant to pledge and cause remittance of the District Debt Service Mill Levy to the District Bond Trustee for such outstanding District Bonds. Each such District further covenants that so long as any District Bonds remain outstanding, that each such District will remit all District Specific Ownership Taxes to the District Bond Trustee for payment of outstanding District Bonds.

The Developer agrees to impose the Credit PIF and the Add-On PIF and to irrevocably assign the Pledged PIF Revenue and any amount of Remaining Add-On PIF Revenue that may be included in District Operating Revenue to the District designated in the District Bond Documents, through and until the payment in full of the District Bonds. The Add-On PIF means the public improvement fee in the amount of not less than 0.25% and not more than 0.50% of PIF Sales. The Credit PIF means the public improvement fee in the amount of 0.55% of PIF Sales.

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 AGREEMENTS (CONTINUED)

Public Finance Agreement (Continued)

The District Operating Revenue will be used to pay the normal and reasonable operating and maintenance expenses of the Districts or for any other lawful purpose. The District Operating Revenue means revenue produced by the Districts' imposition of a mill levy to pay the operations and maintenance expenses of any of the Districts, and certain Add-On PIF Revenue not pledged to pay District Bonds, as allowed under the District Bond Documents from time to time.

District Administrative Services Agreement

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

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

Capital Pledge Agreement

On April 15, 2021, the Districts and the Trustee entered into a Capital Pledge Agreement in order to generate additional revenue pledged to payment of the Series 2021 Loan. Pursuant to the agreement, District No. 3 has agreed to pay its Property Tax Revenue generated by the debt service mill levy to the Trustee, and District No. 2 (under certain limited conditions) and District No. 3 are obligated to impose ad valorem property taxes in an amount equal to the District Debt Service Mill Levy, and pay the proceeds and Specific Ownership Tax Revenues as a result of the District Service Mill Levy to the Trustee.

The Capital Pledge Agreement was amended on December 1, 2022 to reflect changes made per the first amendment to the 2021 Loan Swap Agreement.

Master Escrow Agreement

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

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

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 AGREEMENTS (CONTINUED)

Master Escrow Agreement (Continued)

The Developer will deposit additional monies with the Escrow Agent for purposes of advancing monies for the benefit of the District as required by the Town of Castle Rock that are not otherwise available from the Districts or able to be released from the Project Fund, or to fund costs that do not constitute Eligible Costs.

Both accounts combined must have a continuing balance at least equal to the Minimum Surety Balance required by the Town of Castle Rock. Funds in excess of the minimum balance may be used for project costs.

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

The Parties shall work in good faith to resolve any Town objections consistent with the intent of the Development Agreement and applicable SIA. The Escrow Agent shall make disbursement to District No. 2 within two business days of approval of the Requisition by the Town. Requisitioned funds for Eligible Costs shall be disbursed by the Escrow Agent from the Promenade Bond Account. The Minimum Surety Balance at December 31, 2023, was \$261,085. The Escrow Agent held account balances in the amount of \$261,085 at December 31, 2023.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 RISK MANAGEMENT (CONTINUED)

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

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation coverage.

In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to District No. 2. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 2.

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

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

SUPPLEMENTARY INFORMATION

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
REVENUES				
Property Taxes	\$ 277,751	\$ 277,751	\$ 277,751	\$ -
Specific Ownership Taxes	24,998	25,887	25,757	(130)
Interest Income	2,500	30,000	27,183	(2,817)
PIF Revenue	1,756,823	1,756,823	1,989,224	232,401
Intergovernmental Revenue - District No. 3	2,829,690	2,813,577	2,815,202	1,625
Total Revenues	<u>4,891,762</u>	<u>4,904,038</u>	<u>5,135,117</u>	<u>231,079</u>
EXPENDITURES				
County Treasurer's Fee	4,166	4,166	4,166	-
Pif Collection Fees	25,000	35,857	35,857	-
Paying Agent Fees	5,000	2,000	2,000	-
Loan Interest - Series 2021	2,149,676	2,149,676	2,170,374	(20,698)
Loan Principal - Series 2021	1,490,000	1,490,000	1,490,000	-
Total Expenditures	<u>3,673,842</u>	<u>3,681,699</u>	<u>3,702,397</u>	<u>(20,698)</u>
NET CHANGE IN FUND BALANCE	1,217,920	1,222,339	1,432,720	210,381
Fund Balance - Beginning of Year	<u>4,211,131</u>	<u>4,211,131</u>	<u>4,321,024</u>	<u>109,893</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 5,429,051</u></u>	<u><u>\$ 5,433,470</u></u>	<u><u>\$ 5,753,744</u></u>	<u><u>\$ 320,274</u></u>

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Intergovernmental Expenditures - District No. 2	\$ 8,334,898	\$ 2,191,021	\$ 6,143,877
Total Expenditures	<u>8,334,898</u>	<u>2,191,021</u>	<u>6,143,877</u>
NET CHANGE IN FUND BALANCE	(8,334,898)	(2,191,021)	6,143,877
Fund Balance - Beginning of Year	<u>8,334,898</u>	<u>7,905,485</u>	<u>(429,413)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 5,714,464</u>	<u>\$ 5,714,464</u>

OTHER INFORMATION

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

Bonds and Interest Maturing in the Year Ending December 31,	\$64,236,780 Limited Tax General Obligation and Special Revenue Refunding and Improvement Loan Series 2021* Dated April 15, 2021 Interest Rate 3.512% (Swap Rate) Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2024	\$ 1,545,000	\$ 2,123,090	\$ 3,668,090
2025	1,600,000	2,060,412	3,660,412
2026	1,660,000	2,006,501	3,666,501
2027	1,720,000	1,947,826	3,667,826
2028	1,780,000	1,889,447	3,669,447
2029	1,845,000	1,828,787	3,673,787
2030	1,910,000	1,756,646	3,666,646
2031	1,975,000	1,689,221	3,664,221
2032	2,050,000	1,623,656	3,673,656
2033	2,120,000	1,549,118	3,669,118
2034	2,200,000	1,474,184	3,674,184
2035	2,275,000	1,400,000	3,675,000
2036	2,360,000	1,314,323	3,674,323
2037	2,440,000	1,232,591	3,672,591
2038	2,530,000	1,146,346	3,676,346
2039	2,620,000	1,056,920	3,676,920
2040	2,215,000	968,018	3,183,018
2041	2,295,000	884,885	3,179,885
2042	2,375,000	803,869	3,178,869
2043	2,460,000	720,953	3,180,953
2044	2,550,000	634,813	3,184,813
2045	2,640,000	543,867	3,183,867
2046	2,935,000	451,707	3,386,707
2047	3,040,000	346,367	3,386,367
2048	3,150,000	239,358	3,389,358
2049	3,260,000	128,017	3,388,017
2050	361,780	12,788	374,568
Total	\$ 59,911,780	\$ 31,833,709	\$ 91,745,489

* Schedule assumes payment of mandatory prepayments

**PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt	Levied	Collected	
		Operations	Service			
2019	\$ 2,869,300	11.055	44.222	\$ 158,606	\$ 158,606	100.00 %
2020	5,600,980	11.132	44.531	311,767	311,767	100.00 %
2021	5,592,840	11.132	44.531	311,314	311,313	100.00 %
2022	6,258,150	11.132	44.531	348,347	348,348	100.00 %
2023	5,948,580	11.673	46.692	347,189	347,189	100.00 %
Estimated for Year Ending December 31, 2024	\$ 7,143,950	11.856	47.426	\$ 423,508		

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