



Castle Pines North Metropolitan District

Financial Statements and Supplementary
Information

Year Ended December 31, 2015

Castle Pines North Metropolitan District

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Castle Pines North Metropolitan District

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Castle Pines North Metropolitan District (the "District"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Castle Pines North Metropolitan District as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of Statement No. 68*. As a result of the implementation of these standards, the District reported a \$305,020 decrease in beginning governmental activities net position and \$357,665 decrease in the business-type activities for the restatement resulting from this change in accounting principle for fiscal year 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund on page 45, Schedule of the District’s Proportionate Share of the Net Pension Liability – Cost – Sharing Defined Benefit Plans on page 46 and Schedule of District Contributions – Cost – Sharing Defined Benefit Plans on page 47 be presented to supplement the basic financial statements. Such 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. 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 the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The budgetary comparison schedules on pages 48 through 52 and continuing disclosure section are presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Matters – Prior Year Financial Statements

The 2014 financial statements of Castle Pines North Metropolitan District were audited by other auditors, whose report dated June 15, 2015 expressed an unmodified opinion on those statements and information.

Anton Collins Mitchell LLP

Greeley, Colorado
July 18, 2016

Basic Financial Statements

Castle Pines North Metropolitan District

Statement of Net Position

December 31, 2015

With Comparative Totals for December 31, 2014

	Governmental Activities	Business-type Activities	Total 2015	Total 2014
Assets				
Cash and investments	\$ 3,497,125	\$ 9,289,966	\$ 12,787,091	\$ 11,184,895
Cash and investments - restricted	1,007,026	-	1,007,026	2,830,644
Property taxes receivable	6,519,153	-	6,519,153	5,531,056
Accounts receivable - services	-	457,721	457,721	406,082
Accounts receivable - other	-	55,023	55,023	62,157
Prepaid items	43,462	46,557	90,019	94,815
Capital assets, not being depreciated	63,306,679	2,405,737	65,712,416	64,808,246
Capital assets, net of accumulated depreciation	1,850,859	49,689,255	51,540,114	52,969,843
Total assets	76,224,304	61,944,259	138,168,563	137,887,738
Deferred outflows of resources				
Deferred loss on refunding	337,671	-	337,671	433,721
Deferred outflows relating to pensions	99,997	117,255	217,252	-
Total deferred outflows of resources	437,668	117,255	554,923	433,721
Liabilities				
Accounts payable	47,843	319,113	366,956	272,359
Accrued compensated absences	15,391	23,597	38,988	32,592
Prepaid water revenue - less than one year	-	-	-	35,795
Accrued interest payable on long-term debt	106,403	-	106,403	40,773
Long-term debt payable - less than one year	1,752,886	-	1,752,886	1,952,922
Long-term debt payable -greater than one year	25,375,731	-	25,375,731	29,849,015
Net pension liability	447,016	524,169	971,185	-
Total liabilities	27,745,270	866,879	28,612,149	32,183,456
Deferred inflows of resources				
Deferred property taxes	6,519,153	-	6,519,153	5,531,056
Deferred inflows of resources relating to pensions	90	106	196	-
Total deferred inflows of resources	6,519,243	106	6,519,349	5,531,056
Net position				
Net investment in capital assets	38,028,921	52,094,992	90,123,913	85,976,152
Restricted for:				
Emergency reserve	101,827	-	101,827	88,000
Debt service	649,809	-	649,809	2,494,834
Conservation Trust Fund	356,067	-	356,067	310,785
Unrestricted	3,260,835	9,099,537	12,360,372	11,737,176
Total net position	\$ 42,397,459	\$ 61,194,529	\$ 103,591,988	\$ 100,606,947

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

Castle Pines North Metropolitan District

Statement of Activities

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

Functions/programs	Total Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,308,824	\$ 112,281	\$ 115,503	\$ -
Parks and open space	854,103	-	44,698	-
Debt issuance costs	350,836	-	-	-
Interest and related costs on long-term debt	1,251,577	-	-	-
Total governmental activities	3,765,340	112,281	160,201	-
Business-type activities:				
Water	3,564,377	2,946,447	-	1,277,034
Wastewater	1,408,415	1,554,074	-	-
Storm Drainage	136,743	336,384	-	-
Total business-type activities	5,109,535	4,836,905	-	1,277,034
Total	\$ 8,874,875	\$ 4,949,186	\$ 160,201	\$ 1,277,034

General revenues

Taxes:

- Property taxes
- Specific ownership taxes
- Miscellaneous income
- Earnings on investments

Subtotal general revenues

Transfers in (out)

Total general revenues and transfers

Changes in net position

Net position beginning of year

Restatement for change in accounting principle - (Note 2)

Net position at end of year

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total	2014
\$ (1,081,040)	\$ -	\$ (1,081,040)	\$ (1,613,421)
(809,405)	-	(809,405)	-
(350,836)	-	(350,836)	-
(1,251,577)	-	(1,251,577)	(974,729)
(3,492,858)	-	(3,492,858)	(2,588,150)
-	659,104	659,104	181,732
-	145,659	145,659	209,796
-	199,641	199,641	105,731
-	1,004,404	1,004,404	497,259
(3,492,858)	1,004,404	(2,488,454)	(2,090,891)
5,525,467	-	5,525,467	5,467,734
531,810	-	531,810	492,208
19,476	29,653	49,129	131,086
9,896	19,878	29,774	16,831
6,086,649	49,531	6,136,180	6,107,859
(157,185)	157,185	-	-
5,929,464	206,716	6,136,180	6,107,859
2,436,606	1,211,120	3,647,726	4,016,968
40,265,873	60,341,074	100,606,947	96,589,979
(305,020)	(357,665)	(662,685)	-
\$ 42,397,459	\$ 61,194,529	\$ 103,591,988	\$ 100,606,947

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

Castle Pines North Metropolitan District

Balance Sheet

Governmental Funds

December 31, 2015

With Comparative Totals for December 31, 2014

	General	Finance Corporation	Debt Service	2015 COPs	Total	2014
Assets						
Cash and investments	\$ 3,497,125	\$ -	\$ -	\$ -	\$ 3,497,125	\$ 3,469,815
Cash and investments - restricted	356,067	-	8,988	641,971	1,007,026	2,830,644
Property taxes receivable	3,021,071	-	3,498,082	-	6,519,153	5,531,056
Prepaid items	43,462	-	-	-	43,462	53,835
Accounts receivable - other	-	-	-	-	-	7,145
Total assets	\$ 6,917,725	\$ -	\$ 3,507,070	\$ 641,971	\$ 11,066,766	\$ 11,892,495
Liabilities						
Accounts payable	\$ 46,693	\$ -	\$ 1,150	\$ -	\$ 47,843	\$ 75,370
Accrued compensated absences	15,391	-	-	-	15,391	12,124
Total liabilities	62,084	-	1,150	-	63,234	87,494
Deferred inflows of resources						
Deferred property taxes	3,021,071	-	3,498,082	-	6,519,153	5,531,056
Total deferred inflows of resources	3,021,071	-	3,498,082	-	6,519,153	5,531,056
Fund balances						
Nonspendable						
Prepays	43,462	-	-	-	43,462	53,835
Restricted for:						
Emergency reserve	101,827	-	-	-	101,827	88,000
Debt service	-	-	7,838	641,971	649,809	2,494,834
Conservation Trust Fund	356,067	-	-	-	356,067	310,785
Assigned for subsequent expenditures	113,076	-	-	-	113,076	722,176
Unassigned	3,220,138	-	-	-	3,220,138	2,604,315
Total fund balance	3,834,570	-	7,838	641,971	4,484,379	6,273,945
Total liabilities, deferred inflows of resources and fund balance	\$ 6,917,725	\$ -	\$ 3,507,070	\$ 641,971	\$ 11,066,766	\$ 11,892,495

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

Castle Pines North Metropolitan District

Reconciliation of the Governmental Funds Balance Sheet with the Government-wide Statement of Net Position

December 31, 2015

With Comparative Totals for December 31, 2014

		2015	2014
Amounts reported for governmental activities in the statement of net position are different because:			
Total fund balance - governmental funds		\$ 4,484,379	\$ 6,273,945
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.			
Capital assets	\$ 68,592,900		
Accumulated depreciation	<u>(3,435,362)</u>	65,157,538	65,400,917
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund financial statements.			
Bonds Payable	\$ (5,085,000)		
Bond premium, net of amortization	(728,617)		
Certificates of participation payable	(21,315,000)		
Deferred loss on refunding, net of amortization	337,671		
Accrued interest payable - long term debt	<u>(106,403)</u>	(26,897,349)	(31,408,989)
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 liability	\$ (447,016)		
Deferred outflows of resources relating to pensions	99,997		
Deferred inflows of resources relating to pensions	(90)	(347,109)	-
Total net position - governmental activities		\$ 42,397,459	\$ 40,265,873

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

Castle Pines North Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended December 31, 2015
 With Comparative Totals for Year Ended December 31, 2014

	General	Finance Corporation	Debt Service	2015 COPs	Total	2014
Revenues						
Property taxes	\$ 2,560,582	\$ -	\$ 2,964,885	\$ -	\$ 5,525,467	\$ 5,467,734
Specific ownership taxes	531,810	-	-	-	531,810	492,208
Conservation Trust Fund	44,698	-	-	-	44,698	44,534
Intergovernmental revenues	-	-	115,503	-	115,503	119,425
Farm land revenue	40,200	-	-	-	40,200	40,200
Lease income	69,093	-	-	-	69,093	64,215
Oil royalty income	2,988	-	-	-	2,988	4,690
Earnings on investments	8,021	-	1,819	56	9,896	8,380
Miscellaneous income	19,476	-	-	-	19,476	16,318
Total revenues	3,276,868	-	3,082,207	56	6,359,131	6,257,704
Expenditures						
General government	950,400	-	44,515	-	994,915	942,810
Parks and open space	854,103	-	-	-	854,103	678,946
Capital outlay	28,440	-	-	-	28,440	8,423
Debt service						
Principal	-	21,560,000	5,045,000	580,000	27,185,000	1,860,000
Interest and fees	-	9,217	479,688	640,886	1,129,791	897,557
Debt issuance costs	-	-	-	350,836	350,836	-
Total expenditures	1,832,943	21,569,217	5,569,203	1,571,722	30,543,085	4,387,736
Excess (deficiency) of revenues over expenditures	1,443,925	(21,569,217)	(2,486,996)	(1,571,666)	(24,183,954)	1,869,968
Other financing sources (uses)						
Transfers out/in, base rental	(1,231,281)	8,401	-	1,222,880	-	-
Transfers in/out, debt related	-	21,560,816	-	(21,560,816)	-	-
Transfers out, other	(157,185)	-	-	-	(157,185)	-
Proceeds from debt issuance	-	-	-	21,895,000	21,895,000	-
Premium on debt	-	-	-	656,573	656,573	-
Proceeds from sale of capital assets	-	-	-	-	-	10,500
Total other financing sources (uses)	(1,388,466)	21,569,217	-	2,213,637	22,394,388	10,500
Net change in fund balances	55,459	-	(2,486,996)	641,971	(1,789,566)	1,880,468
Fund balance at beginning of year	3,779,111	-	2,494,834	-	6,273,945	4,393,477
Fund balance at end of year	\$ 3,834,570	\$ -	\$ 7,838	\$ 641,971	\$ 4,484,379	\$ 6,273,945

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

Castle Pines North Metropolitan District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds with the Government-wide Statement of Activities

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	2015	2014
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - governmental funds	\$ (1,789,566)	\$ 1,880,468
Capital outlay to purchase or build capital assets are 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.		
Depreciation expense	(243,379)	(252,426)
Retirement of assets	-	(14,380)
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	\$ (65,630)	
Amortization of bond premium and loss on refunding	(56,156)	
	(121,786)	(77,172)
The issuance of long-term debt, including premiums, is reported as other financing sources in the governmental funds; however, issuing debt increases long-term debt liabilities in the statement of net position.	(22,551,573)	-
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.	27,185,000	1,860,000
Some items reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental fund financial statements.		
Change in contributions subsequent to measurement date	\$ 1,523	
Pension expense - first year amortization	(12,068)	
Employer pension contribution expense	(31,545)	
	(42,090)	-
Change in net position of governmental activities	\$ 2,436,606	\$ 3,396,490

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

Castle Pines North Metropolitan District

Statement of Net Position

Enterprise Funds

December 31, 2015

With Comparative Totals for December 31, 2014

	Water	Wastewater	Storm Drainage	2015 Total	2014
Assets					
Current assets:					
Cash and investments	\$ 7,872,003	\$ 793,572	\$ 624,391	\$ 9,289,966	\$ 7,715,080
Accounts receivable - services	274,787	160,152	22,782	457,721	406,082
Accounts receivable - other	55,023	-	-	55,023	55,012
Prepaid expenses	23,278	18,623	4,656	46,557	40,980
Total current assets	8,225,091	972,347	651,829	9,849,267	8,217,154
Capital assets					
Property, plant and equipment	58,195,421	11,442,144	36,440	69,674,005	68,567,861
Accumulated depreciation	(15,036,133)	(2,515,455)	(27,425)	(17,579,013)	(16,190,689)
Total capital assets	43,159,288	8,926,689	9,015	52,094,992	52,377,172
Total assets	51,384,379	9,899,036	660,844	61,944,259	60,594,326
Deferred Outflows of Resources					
Deferred outflows of resources relating to pensions	58,126	47,404	11,725	117,255	-
Total deferred outflows of resources	58,126	47,404	11,725	117,255	-
Liabilities					
Current liabilities:					
Accounts payable	195,956	98,689	24,468	319,113	196,989
Accrued compensated absences	9,693	9,439	4,465	23,597	20,468
Prepaid water revenue - less than one year				-	35,795
Total current liabilities	205,649	108,128	28,933	342,710	253,252
Long-term liabilities					
Net pension liability	259,843	211,911	52,415	524,169	-
Total long-term liabilities	259,843	211,911	52,415	524,169	-
Total liabilities	465,492	320,039	81,348	866,879	253,252
Deferred Inflows of Resources					
Deferred inflows of resources relating to pensions	52	43	11	106	-
Total deferred inflows of resources	52	43	11	106	-
Net position					
Net investment in capital assets	43,159,288	8,926,689	9,015	52,094,992	52,377,172
Unrestricted	7,817,673	699,669	582,195	9,099,537	7,963,902
Total net position	\$ 50,976,961	\$ 9,626,358	\$ 591,210	\$ 61,194,529	\$ 60,341,074

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

Castle Pines North Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Water	Wastewater	Storm Drainage	2015 Total	2014 Total
Operating revenues					
Water charges	\$ 2,946,447	\$ -	\$ -	\$ 2,946,447	\$ 2,429,892
Wastewater charges	-	1,554,074	-	1,554,074	1,498,209
Storm drainage charges	-	-	336,384	336,384	178,124
Total operating revenues	2,946,447	1,554,074	336,384	4,836,905	4,106,225
Operating expenses					
Water operations					
General overhead	305,982	-	-	305,982	409,919
Salaries and wages	172,896	-	-	172,896	166,758
Employee benefits and taxes	94,599	-	-	94,599	64,078
Memberships, training and subscriptions	3,925	-	-	3,925	3,751
Engineering	50,734	-	-	50,734	68,520
Repairs and maintenance	940,166	-	-	940,166	851,648
Utilities	729,737	-	-	729,737	680,583
Equipment and supplies	5,581	-	-	5,581	84,399
Treatment costs	4,894	-	-	4,894	10,836
Water rebates	12,533	-	-	12,533	10,006
Other projects	51,170	-	-	51,170	55,161
Total Water operations	2,372,217	-	-	2,372,217	2,405,659
Wastewater operations					
General overhead	-	56,577	-	56,577	55,148
Salaries and wages	-	144,058	-	144,058	138,983
Employee benefits and taxes	-	76,510	-	76,510	51,365
Memberships, training and subscriptions	-	1,102	-	1,102	3,818
Engineering	-	17,199	-	17,199	3,482
Repairs and maintenance	-	118,425	-	118,425	122,445
Utilities	-	72,974	-	72,974	70,280
Equipment, supplies and other projects	-	2,054	-	2,054	26,138
Treatment costs	-	723,934	-	723,934	648,803
Total Wastewater operations	-	1,212,833	-	1,212,833	1,120,462
Storm Drainage operations					
General overhead	-	-	12,043	12,043	11,888
Salaries and wages	-	-	32,245	32,245	30,597
Employee benefits and taxes	-	-	19,031	19,031	13,222
Engineering	-	-	47,885	47,885	-
Repairs and maintenance	-	-	23,631	23,631	7,000
Equipment, supplies and other projects	-	-	1,326	1,326	9,104
Total Storm Drainage operations	-	-	136,161	136,161	71,811
Total operating expenses	2,372,217	1,212,833	136,161	3,721,211	3,597,932
Revenues in excess of expenses before depreciation	574,230	341,241	200,223	1,115,694	508,293
Depreciation	1,192,160	195,582	582	1,388,324	1,185,750

Continued.

Castle Pines North Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Water	Wastewater	Storm Drainage	2015 Total	2014 Total
Operating income (loss)	(617,930)	145,659	199,641	(272,630)	(677,457)
Non-operating revenues					
Earnings on investments	14,259	5,162	457	19,878	8,451
Gain on disposal of assets	-	-	-	-	14,260
Refunds of expenditures	2,000	-	-	2,000	44,054
Miscellaneous income	27,653	-	-	27,653	56,454
Total non-operating revenues	43,912	5,162	457	49,531	123,219
Income (loss) before contributions and transfers	(574,018)	150,821	200,098	(223,099)	(554,238)
Capital improvement fees	1,277,034	-	-	1,277,034	1,174,716
Transfers in	-	-	157,185	157,185	-
Change in net position	703,016	150,821	357,283	1,211,120	620,478
Net position at beginning of year	50,451,248	9,620,134	269,692	60,341,074	59,720,596
Restatement for change in accounting principle - (Note 2)	(177,303)	(144,597)	(35,765)	(357,665)	-
Net position at end of year	\$ 50,976,961	\$ 9,626,358	\$ 591,210	\$ 61,194,529	\$ 60,341,074

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

Castle Pines North Metropolitan District

Statement of Cash Flows

Enterprise Funds

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Water	Wastewater	Storm Drainage	2015 Total	2014
Cash flows from operating activities:					
Receipts from customers and others	\$ 2,867,952	\$ 1,549,605	\$ 331,902	\$ 4,749,459	\$ 4,142,392
Payments to suppliers	(2,123,364)	(968,192)	(65,949)	(3,157,505)	(2,888,846)
Payments to employees	(148,972)	(199,363)	(46,340)	(394,675)	(466,582)
Net cash flows from operating activities	595,616	382,050	219,613	1,197,279	786,964
Cash flows from non-capital financing activities					
Transfers in	-	-	157,185	157,185	-
Miscellaneous income	27,653	-	-	27,653	20,383
Utility rebates and refunds	2,000	-	-	2,000	80,125
Net cash flows from non-capital financing activities	29,653	-	157,185	186,838	100,508
Cash flows from capital and related financing activities:					
Capital contributions	1,277,034	-	-	1,277,034	1,174,716
Gain from disposal of assets	-	-	-	-	23,850
Acquisition of capital assets	(1,068,814)	(37,329)	-	(1,106,143)	(810,679)
Net cash flows from capital and related financing activities	208,220	(37,329)	-	170,891	387,887
Cash flows from investing activities					
Earnings on investments	14,259	5,162	457	19,878	8,451
Net cash flows from investing activities	14,259	5,162	457	19,878	8,451
Net increase in cash and cash equivalents	847,748	349,883	377,255	1,574,886	1,283,810
Cash and cash equivalents, beginning of year	7,024,255	443,689	247,136	7,715,080	6,431,270
Cash and cash equivalents, end of year	\$ 7,872,003	\$ 793,572	\$ 624,391	\$ 9,289,966	\$ 7,715,080
Reconciliation of operating income (loss) to net cash flows from operating activities					
Net income (loss) from operations	\$ (617,930)	\$ 145,659	\$ 199,641	\$ (272,630)	\$ (677,457)
Adjustments to reconcile operating income (loss) to Net cash flows from operating activities:					
Depreciation	1,192,160	195,582	582	1,388,324	1,185,750
Changes in operating assets and liabilities:					
Accounts receivable	(42,701)	(4,469)	(4,480)	(51,650)	71,979
Prepaid items	(2,788)	(2,231)	(558)	(5,577)	359,020
Accounts payable	78,745	26,304	17,075	122,124	(114,937)
Accrued compensated absences	(541)	1,252	2,419	3,130	(1,579)
Net pension liability and related deferred inflows/outflows of resources	24,466	19,953	4,934	49,353	-
Prepaid water revenue	(35,795)	-	-	(35,795)	(35,812)
Net cash flows from operating activities	\$ 595,616	\$ 382,050	\$ 219,613	\$ 1,197,279	\$ 786,964

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

Castle Pines North Metropolitan District

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Organization

The 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). The District was organized by a court order on June 11, 1984, and is governed by an elected five member Board of Directors (“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 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 more 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: its Board of Directors 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 the 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:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) 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
- 2) Fiscal dependency on the primary government and there is a 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, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the application of these criteria, the following component unit is included in the District’s reporting entity.

Castle Pines North Metropolitan District

Notes to Financial Statements

Blended Component Unit

The Castle Pines North Finance Corporation (“Corporation”) is a Colorado non-profit corporation formed in January 2008 for the purpose of financing, construction, equipping, owning, leasing and operating real and personal property to be leased by the District for water supply, water storage, water treatment or water distribution pursuant to a lease and other agreements with the District. This entity is blended into the District’s financial statements as a special revenue fund in order to separate its activities from the General Fund. This Corporation was dissolved during 2015 with the issuance of the 2015 refunding debt, see Note 5. All activity of the Corporation is included within the financial statements of the District; therefore, separate financial statements are not required to be issued.

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 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.

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. 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.

Castle Pines North Metropolitan District

Notes to Financial Statements

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and 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. This is a major fund of the District.

Finance Corporation – The Finance Corporation is a special revenue fund used to account for all revenues that are restricted, committed or assigned to expenditures related to the Castle Pines North Finance Corporation.

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

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, Series 2015.

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.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue

Castle Pines North Metropolitan District

Notes to Financial Statements

source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange 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 non-operating revenues and expenses or capital contributions.

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.

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 of Directors (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.

Castle Pines North Metropolitan District

Notes to Financial Statements

- A dually noticed public hearing is conducted to obtain taxpayer comments.
- Prior to December 15, the budget is formally adopted through passage of a Board resolution and monies are appropriated by fund.
- 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 dually 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.

The following table summarizes the individual fund budgeted expenditures, as originally adopted and as revised:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General Fund	\$ 3,901,268	\$ (17,413)	\$ 3,883,855
Finance Corporation Fund	1,292,130	20,322,518	21,614,648
Debt Service Fund	5,576,706	-	5,576,706
2015 COPs Fund	-	23,152,178	23,152,178
Proprietary fund:			
Enterprise Funds	8,080,279	-	8,080,279
Total	\$ 18,850,383	\$ 43,457,283	\$ 62,307,666

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, 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.

Castle Pines North Metropolitan District

Notes to Financial Statements

Restricted Cash

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

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which approximates fair value.

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.

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 inflows of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources is 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 fair market 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.

Castle Pines North Metropolitan District

Notes to Financial Statements

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

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

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for 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. Bonds payable are reported net of the applicable bond premium or discount.

Castle Pines North Metropolitan District

Notes to Financial Statements

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.

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 position 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 position 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.

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

Castle Pines North Metropolitan District

Notes to Financial Statements

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 of Directors. 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.

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.

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 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 the 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 are reported at fair value.

Castle Pines North Metropolitan District

Notes to Financial Statements

Comparative Data

Comparative total data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. For presentation purposes, comparative total data for the prior year may have been reclassified. This reclassification had no effect on net position or changes in net position. The 2014 financial statements of Castle Pines North Metropolitan District were audited by other auditors, whose report dated June 15, 2015 expressed an unmodified opinion on those statements and information.

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. ADOPTION OF NEW ACCOUNTING PRINCIPLE

Effective January 1, 2015, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Prior to the adoption of GASB Statement No. 68, the District followed the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Statement No. 68 requires the District, as a participant in PERA's multiple-employer cost-sharing defined benefit plan, to record its proportionate share, as defined in GASB Statement No. 68, of the plan's unfunded pension liability. Statement No. 71 requires the District to record as a deferred outflow of resources contributions made to the pension plans subsequent to the measurement date of the net pension liability. The District has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA, or the State of Colorado General Assembly.

To the extent practical, changes made to comply with GASB Statement No. 68 should be presented as a restatement of the fiscal year 2014 financial statements. However, PERA did not provide the information required to restate the District's fiscal year 2014 financial statements; therefore, the impact of adoption of GASB Statement No. 68 is shown as a cumulative effect adjustment to net position, beginning of year, for the year ended December 31, 2015. The impact of the adoption of GASB Statements No. 68 and 71 was to decrease the net position at the beginning of the fiscal year by \$662,685.

Castle Pines North Metropolitan District

Notes to Financial Statements

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, cash equivalents and investments as of December 31, 2015, follows:

	S&P Rating	Fair Value	Weighted Ave. Maturity Date (in days)	Concentration of Credit Risk
Cash on hand	NR	\$ 300	N/A	NA
Cash with county treasurer	NR	47,950	N/A	NA
Deposits with financial institutions	NR	2,385,333	N/A	NA
ColoTrust	AAAm	11,360,534	N/A	100.00%
		\$ 13,794,117		

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

Cash, cash equivalents and investments:	
Governmental activities	\$ 3,497,125
Business-type activities	9,289,966
Restricted cash, cash equivalents and investments	
Governmental activities	1,007,026
	\$ 13,794,117

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require 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 ("FDIC") 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, 2015, the District had deposits with financial institutions with a carrying amount of \$2,385,333. The bank balances with the financial institutions were \$2,420,970 of which \$750,000 was covered by federal depository insurance. The remaining balance of \$1,670,970 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 Colorado statutes which specify investment instruments meeting defined rating and risk criteria in which the District may invest.

Castle Pines North Metropolitan District

Notes to Financial Statements

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
- 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.

Local Government Investment Pools

At December 31, 2015, the District had invested \$11,360,534 in COLOTRUST (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and 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 the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, 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, 2015, the District had no investments exposed to custodial credit risk.

Interest Rate Risk

Colorado Revised Statutes limit 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.

Federated Treasury Obligations Fund

During 2015, the District's funds in the trust accounts at UMB were invested in the Federal Treasury Obligations Fund ("Federated Fund"). This portfolio is a money market fund that invests in U.S.

Castle Pines North Metropolitan District

Notes to Financial Statements

Treasury obligations, which are fully guaranteed as to principal and interest by the U.S. Government, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Fund is rated AAAM by Standard & Poor's. As of December 31, 2015, the District had \$37 invested in the Federated Treasury Obligations Fund.

4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land and improvements to land	\$ 45,583,416	\$ -	\$ -	\$ 45,583,416
Water storage rights	17,723,263	-	-	17,723,263
Total capital assets, not being depreciated	63,306,679	-	-	63,306,679
Capital assets, being depreciated:				
Parking lots	202,710	-	-	202,710
Parks, buildings and equipment	2,882,484	-	-	2,882,484
Concrete trails	1,439,434	-	-	1,439,434
Asphalt trails	302,064	-	-	302,064
Irrigation System	436,943	-	-	436,943
Office furniture and equipment	22,586	-	-	22,586
Total capital assets, being depreciated	5,286,221	-	-	5,286,221
Less accumulated depreciation for:				
Parking lots	(179,054)	(11,228)	-	(190,282)
Parks, buildings and equipment	(1,799,542)	(165,328)	-	(1,964,870)
Concrete trails	(614,604)	(48,598)	-	(663,202)
Asphalt trails	(295,396)	(4,444)	-	(299,840)
Irrigation System	(280,801)	(13,781)	-	(294,582)
Office furniture and equipment	(22,586)	-	-	(22,586)
Total accumulated depreciation	(3,191,983)	(243,379)	-	(3,435,362)
Total capital assets being depreciated, net	2,094,238	(243,379)	-	1,850,859
Governmental activities capital assets, net	\$ 65,400,917	\$ (243,379)	\$ -	\$ 65,157,538

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

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

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land and rights of way	\$ 103,115	\$ -	\$ -	\$ 103,115
Construction-in-progress	1,398,452	904,170	-	2,302,622
Total capital assets not being depreciated	1,501,567	904,170	-	2,405,737
Capital Assets being depreciated:				
Buildings and improvements	7,553,040	-	-	7,553,040
Landscaping, fencing, electrical	3,629,840	-	-	3,629,840
Ground water rights	6,936,728	-	-	6,936,728
Distribution system	18,758,333	142,225	-	18,900,558
Collection system	1,480,781	-	-	1,480,781
Water tanks	2,315,656	-	-	2,315,656
Machinery and Equipment	8,784,285	59,749	-	8,844,034
Vehicles	150,726	-	-	150,726
Developer contributions	17,226,659	-	-	17,226,659
PCWRA Plant Expansion	230,246	-	-	230,246
Total capital assets being depreciated	67,066,294	201,974	-	67,268,268
Less accumulated depreciation for:				
Buildings and improvements	(2,311,695)	(232,207)	-	(2,543,902)
Landscaping, fencing, electrical	(1,441,424)	(116,735)	-	(1,558,159)
Ground water rights	(281,962)	(10,896)	-	(292,858)
Distribution system	(1,549,192)	(223,410)	-	(1,772,602)
Collection system	(376,773)	(14,808)	-	(391,581)
Water tanks	(868,998)	(46,313)	-	(915,311)
Machinery and Equipment	(6,697,788)	(539,149)	-	(7,236,937)
Vehicles	(21,583)	(21,027)	-	(42,610)
Developer contributions	(2,461,813)	(172,267)	-	(2,634,080)
PCWRA Plant Expansion	(179,461)	(11,512)	-	(190,973)
Total accumulated depreciation	(16,190,689)	(1,388,324)	-	(17,579,013)
Net capital assets being depreciated	50,875,605	(1,186,350)	-	49,689,255
Business-type activities capital assets, net	\$ 52,377,172	\$ (282,180)	\$ -	\$ 52,094,992
Business-type activities				
Water				\$ 1,192,160
Wastewater				195,582
Storm drainage				582
Total depreciation expense - business-type activities				\$ 1,388,324

Castle Pines North Metropolitan District

Notes to Financial Statements

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

Business-type activities	
Water	\$ 1,192,160
Wastewater	195,582
Storm drainage	582
Total depreciation expense - governmental activities	\$ 1,388,324

5. LONG-TERM DEBT

Governmental Activities Debt

Following is a summary of governmental activity debt transactions for the year ended December 31, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
2006A Limited Tax GO. Fixed Rate Refunding Bonds	\$ 4,430,000	\$ -	\$ (1,275,000)	\$ 3,155,000	\$ 1,335,000
2006 B Limited Tax G.O. Fixed Rate Refunding Bonds	5,700,000	-	(3,770,000)	1,930,000	-
2008 Variable Rate Certificates of Participation	7,295,000	-	(7,295,000)	-	-
2009 Variable Rate Certificates of Participation	14,265,000	-	(14,265,000)	-	-
2015 COPs Refunding Bond	-	21,895,000	(580,000)	21,315,000	370,000
2006A Refunding Bond Premium	9,592	-	(4,360)	5,232	3,055
2006B Refunding Bond Premium	102,345	-	(8,562)	93,783	8,563
2015 COPs Premium	-	656,573	(26,971)	629,602	36,268
Compensated absences	12,124	21,113	(17,846)	15,391	-
Total governmental activities	\$31,814,061	\$ 22,572,686	\$ (27,242,739)	\$27,144,008	\$ 1,752,886

A description of the long-term debt as of December 31, 2015, is as follows:

\$14,310,000 Limited Tax General Obligation Refunding Bonds – Series 2006A

In May 2006, the District issued \$14,310,000 of Limited Tax General Obligation Refunding Bonds, Series 2006A (“Series 2006A Bonds”). The proceeds were used to advance refund the District’s Limited Tax General Obligation Refunding Bonds, Series 2003, and the Limited Tax General Obligation Refunding Bonds, Series 2004, and to pay for the costs of issuance. A restriction on tap fees, as pledged for debt service, was also removed. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S.

Castle Pines North Metropolitan District

Notes to Financial Statements

Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006A Bonds bear interest at rates ranging from 4.00% to 4.50% and are comprised of serial bonds maturing from 2006 through 2015 and term bonds due in 2018. The Series 2006A Bonds maturing on or after December 1, 2016 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 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Series 2006A Bonds maturing on December 1, 2018 are also subject to mandatory sinking fund redemption prior to the maturity date of the bonds, in part, by lot, on December 1 of each year in 2016, 2017 and 2018.

The Series 2006A Bonds are payable from the revenue derived from the imposition of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the bonds when due, but not exceeding a maximum mill levy. The lien of the Series 2006A Bonds on such ad valorem property tax revenue will be on parity with the lien of the District's Limited Tax General Obligation Refunding Bonds, Series 2006B.

The District received a premium from the issuance of the Series 2006A Bonds in the amount of \$89,901 and incurred costs of issuance totaling \$121,366. The Series 2006A Bonds exceeded the book value of the defeased bonds by \$1,149,514. These amounts are being amortized over the life of the Series 2006A Bonds.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds:

Year Ending December 31	Principal	Interest	Total
2016	\$ 1,335,000	\$ 134,088	\$ 1,469,088
2017	1,390,000	77,350	1,467,350
2018	430,000	18,275	448,275
	<u>\$ 3,155,000</u>	<u>\$ 229,713</u>	<u>\$ 3,384,713</u>

\$5,700,000 Limited Tax General Obligation Refunding Bonds – Series 2006B

In May 2006, the District issued \$5,700,000 of Limited Tax General Obligation Refunding Bonds, Series 2006B (“Series 2006B Bonds”). The proceeds were used to refund a portion the District's Limited Tax General Obligation Variable Rate Refunding Bonds, Series 1999 (“Series 1999 Bonds”), and to pay for the costs of issuance. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006B Bonds bear interest at rates ranging from 4.50% to 5.00% and are comprised of bonds maturing in 2024, 2025, 2026 and 2027. The Series 2006B Bonds maturing on or after

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December 1, 2024 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 15, 2015, 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 2006B Bonds in the amount of \$175,438 and incurred costs of issuance totaling \$66,817. The Series 2006B Bonds exceeded the book value of the refunded bonds by \$533,228. This amount is being amortized over the life of the Series 2006B Bonds.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006B Bonds:

Year Ending December 31	Principal	Interest	Total
2016	\$ -	\$ 284,775	\$ 284,775
2017	-	284,775	284,775
2018	-	284,775	284,775
2019	-	284,775	284,775
2020	-	284,775	284,775
2021-2025	1,960,000	1,423,875	3,383,875
2025-2027	40,000	275,225	315,225
	<u>\$ 2,000,000</u>	<u>\$ 3,122,975</u>	<u>\$ 5,122,975</u>

General Obligation Debt Authorization

As of December 31, 2015, the District had no authorized unissued general obligation debt. The District has not budgeted to issue any additional debt in 2016.

\$8,585,000 Variable Rate Certificates of Participation – Series 2008

On August 28, 2008, the Corporation issued \$8,585,000 in Variable Rate Certificates of Participation (“2008 Certificates”) evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under a Lease Agreement dated August 1, 2008, as amended on May 1, 2009 (“Lease Agreement”) for the 2009 Certificates. Pursuant to the Lease Agreement, the District was obligated to pay Base Rental (assuming the District does not exercise its annual option to terminate the Lease Agreement) during the lease term to the trustee as the Corporation’s assignee and mortgage pursuant to an indenture. Base Rental represents monies required to pay the principal and interest on the 2008 Certificates when due, and any related fees for remarketing, letter of credit facility and trustee.

The 2008 Certificates bore interest in the Weekly mode at a rate determined each Wednesday by the remarketing agent, to be effective from and including each Thursday to and including the following Wednesday. The maximum interest rate on the 2008 Certificates is the lesser of: (i) the maximum rate permitted by law for the 2008 Certificates, or (ii) 10% per annum. Interest, while in the Weekly

Castle Pines North Metropolitan District

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mode, is payable on the first business day of each calendar month following a month in which interest at such rate has accrued, commencing October 1, 2008.

Proceeds from the sale of the 2008 Certificates were used to: (i) acquire the right to store a volume of water in the Reuter-Hess Reservoir, including the right to deliver water into, store water within and withdraw water from the Reuter-Hess Reservoir (see Note 6); and, (ii) pay certain costs related to the issuance of the 2008 Certificates.

The 2008 Certificates were secured by, and initially payable from, an irrevocable direct letter of credit issued by Wells Fargo Bank N.A., initially expiring on August 28, 2013, unless renewed, substituted or terminated. On July 17, 2013, the letter of credit term was renewed with a new expiration date of August 28, 2018. The annual facility fee was increased to 1.35%.

These Certificates of Participation were refunded by the issuance of the 2015 Refunding Certificates of Participation.

\$16,075,000 Variable Rate Certificates of Participation – Series 2009

On May 28, 2009, the Corporation issued \$16,075,000 in Variable Rate Certificates of Participation (“2009 Certificates”) evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under the Lease Agreement.

The 2009 Certificates bore interest in the Weekly mode at a rate determined each Wednesday by the remarketing agent, to be effective from and including each Thursday to and including the following Wednesday. The maximum interest rate on the 2009 Certificates is the lesser of: (i) the maximum rate permitted by law for the 2009 Certificates, or (ii) 10% per annum. Interest, while in the Weekly mode, is payable on the first business day of each calendar month following a month in which interest at such rate has accrued, commencing July 1, 2009.

The 2009 Certificates were secured by an irrevocable direct letter of credit (“2009 Credit Facility”) issued by Wells Fargo Bank, N.A., initially expiring on May 1, 2014 unless renewed, substituted or terminated. On July 17, 2013, the letter of credit term was renewed with a new expiration date of August 28, 2018. The annual facility fee remains the same at 1.35%.

Proceeds from the sale of the 2009 Certificates were used to: (i) pay or reimburse the costs of acquiring 70 acres of land and a one-half share in the Platteville Irrigation and Milling Company, and 197 acres of land and 80 shares in the Fulton Irrigating Ditch Company; (ii) pay or reimburse the costs of the acquisition, lease and construction of renewable water projects consisting of water rights, regional water transmission facilities, regional water storage facilities or regional water treatment facilities subject to approval by the 2009 Credit Facility provider; and, (iii) pay the costs related to the issuance of the 2009 Certificates.

These Certificates of Participation were refunded by the issuance of the 2015 Refunding Certificates of Participation.

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\$21,895,000 Refunding Certificates of Participation – Series 2015

On March 12, 2015, the District issued \$21,895,000 of Refunding Certificates of Participation, Series 2015 for the purpose of refunding the lease-purchase obligations of the District related to the 2008 Certificates and the 2009 Certificates 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 2009 Certificates to a fixed interest rate.

The 2015 Certificates 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 Certificates when due, an any related fees.

The Series 2015 Bonds bear interest at rates ranging from 3.25% to 5.00% and are comprised of bonds maturing in 2050. The Series 2015 Bonds 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 Bonds in the amount of \$656,573 and incurred costs of issuance totaling \$350,386.

The advance refunding increased total debt service payments over the next 30 years by approximately \$7.1 million. This results in an economic loss (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.4 million.

Castle Pines North Metropolitan District

Notes to Financial Statements

The following is a summary of the annual long-term debt principal and interest requirements for the 2015 Certificates:

Year Ending December 31	Principal	Interest	Total
2016	\$ 370,000	\$ 861,806	\$ 1,231,806
2017	390,000	843,306	1,233,306
2018	410,000	823,806	1,233,806
2019	425,000	803,306	1,228,306
2020	445,000	782,056	1,227,056
2021-2025	2,565,000	3,582,732	6,147,732
2026-2030	3,225,000	2,922,231	6,147,231
2031-2035	3,880,000	2,268,031	6,148,031
2036-2040	4,620,000	1,529,769	6,149,769
2041-2050	4,985,000	543,800	5,528,800
	\$ 21,315,000	\$ 14,960,843	\$ 36,275,843

Colorado Water Conservation Board Loan

The Colorado Water Conservation Board (“CWCB”) approved three loans to the District all related to the Chatfield Reservoir Reallocation Project (“the Project”) in an amount not to exceed \$6,453,900 in total, which closed on October 15, 2015. The CWCB loans are expected to cover approximately 90% of the costs of the Project, with the District’s share of 10% already set aside in an escrow account. The CWCB loan terms are: interest at 3% per annum for 30 years; a one-time 1% loan service fee; interest payable only on funds drawn under the loans until the project is substantially complete; and principal and interest due one year from substantial completion and annually thereafter in equal payments. The loan security and repayment source is a pledge of Water Activity Enterprise revenues backed by a rate covenant.

Business-type Activities Debt

Following is a summary of business-type activity debt transactions for the year ended December 31, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 20,468	\$ 20,695	\$ (17,566)	\$ 23,597	\$ -
Total business-type activities	\$ 20,468	\$ 20,695	\$ (17,566)	\$ 23,597	\$ -

Castle Pines North Metropolitan District

Notes to Financial Statements

6. DISTRICT AGREEMENTS

Hidden Pointe Metropolitan District (formerly Green Valley Water and Sanitation District)

On June 2, 1994, the District entered into an amended service agreement and an agreement regarding mill levies with the Green Valley Water and Sanitation District. The agreements provide for the District to provide water and wastewater service for up to 216 single family equivalents to the property known as the Green Valley Subdivision. 216 Valley Group, LP or its successors are required to: (i) assess additional tap fees of \$2,000 per single family equivalent through 2002 and \$2,500 thereafter payable to the District, (ii) construct all required water and wastewater mains in the property and to the District boundary, and convey such improvements to the District, (iii) impose a service charge for water and wastewater at 125% of the charges imposed by the District, and (iv) impose a mill levy of up to 51.5 mills or the actual mill levy (22 mills) assessed for debt that existed at the time of the agreement. The resulting net revenues are to be remitted to the District until the longer of (a) 30 years from initiation of payments (until 2025), or (b) 20 years from first refinancing (2016). The agreement also provided for a decrease of 10 mills beginning in collection year 2014. The District received \$115,503 in 2015 for debt service related to this agreement.

Castle Pines North Golf Company

The District entered into an agreement with the Castle Pines North Golf Company (“Golf Club”) on February 2, 1996, to provide and/or treat effluent for irrigation use by the Golf Club for twenty years. The Golf Club is entitled to a maximum use of 325 acre feet of water per year, at a rate of 750,000 gallons per day for the first two years from the date of the commencement without any charge. After the second anniversary of the commencement of irrigation, the Golf Club is entitled to 240 acre feet per year provided the daily maximum shall remain the same. The District received certain improvements to its systems as compensation for this agreement. The revenue related to these improvements is recognized equally over the twenty years of the agreement. During 2015, the District recorded \$35,795 of revenue related to the agreement. From 2016 forward, the Golf Club will pay the District for usage.

Plum Creek Water Reclamation Authority

The District, along with the Castle Pines Metropolitan District and the Town of Castle Rock, has its wastewater treated by the Plum Creek Water Reclamation Authority (“PCWRA”), and owns treatment capacity in PCWRA’s system. The District pays annually for operating costs and debt to maintain and upgrade the wastewater facilities, according to its percentage of flow of the total. PCWRA charged the District \$723,934 for 2015.

Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement

On August 26, 2008, the District, the Town of Castle Rock (“Town”), and Stonegate Village Metropolitan District (“Stonegate”) entered into an agreement known as the Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement (“IGA”) with Parker Water and Sanitation (“Parker Water”). Parker Water owns land on which it has constructed a 16,200 acre feet reservoir

Castle Pines North Metropolitan District

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known as the Reuter-Hess Reservoir (“Reservoir”) located in Douglas County, Colorado. During the calendar year 2008, Parker Water received a favorable Record of Decision from the Army Corp of Engineers to expand Reuter-Hess from 16,200 acre feet to nearly 72,000 acre feet.

Pursuant to the IGA, Parker Water may sell, transfer or convey a storage easement to the participating entities. The storage easement constitutes rights in real property which shall entitle each participating entity the right to store a specific volume of water in the Reservoir, including the right to deliver into, store within and withdraw from the Reservoir volumes of water on the terms and conditions set forth in the participating entity’s respective storage easement deed, the IGA and their operations plan. The District purchased 1,500 acre-feet of reservoir storage capacity for \$8,318,153. The storage easement acquired by the District during 2008 is within the original 16,200 acre-foot Reservoir.

Also pursuant to the IGA, Parker Water will establish an outlet structures escrow in the amount of \$7,800,000 for the benefit of the participating entities for the construction of two outlet facilities which will enable the Reservoir to operate as designed. Additionally, the IGA requires Parker Water to (i) expand the Reservoir in accordance with applicable permits, and (ii) enlarge the Reservoir’s outlet pipe to accommodate the participating entities individual outlet capacities. Parker Water completed the expansion of the Reservoir, including the construction of the outlet structures, in January 2012, within the timeframe allowed in the IGA.

Hock Hocking Water Rights

In March 2010, the District closed a Purchase and Sale Agreement with the Mount Carbon Metropolitan District (“Mount Carbon”) for the purchase of shares of Hock Hocking Mine water rights for \$7,011,000. Under the agreement, the District paid \$1,428,000 directly to Mount Carbon, who then paid Aggregate Industries in connection with Mount Carbon’s purchase of 102 water taps. The District has a security interest in those taps.

7. EMPLOYEE PENSION PLAN

Plan description

Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes 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 comprehensive annual 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)

Castle Pines North Metropolitan District

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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.

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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools ("DPS") Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of 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 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments ("COLAs"), referred to as annual increases in the CRS Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based

Castle Pines North Metropolitan District

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on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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 the LGDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

For the Year Ended December 31, 2015	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹ Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$78,597 for the year ended December 31, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the District reported a liability of \$971,185 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District's proportion of the net pension liability was based on

Castle Pines North Metropolitan District

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District contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the District's proportion was 0.108358 percent, which was an increase of .01868 percent from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the District recognized pension expense of \$91,444. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 196
Net difference between projected and actual earnings on pension plan investments	52,668	-
Changes in proportionate share	85,987	-
District contributions subsequent to the measurement date	78,597	-
	<u>\$ 217,252</u>	<u>\$ 196</u>

The \$78,597 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2016	\$ 80,720
2017	31,406
2018	13,167
2019	13,166
	<u>\$ 138,459</u>

Castle Pines North Metropolitan District

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Actuarial assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and “DPS” Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

The LGDTF’s long-term expected rate of return on pension plan investments was determined using 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 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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return *
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* 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 7.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the 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 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. There was no change in the discount rate from the prior measurement date.

Castle Pines North Metropolitan District

Notes to Financial Statements

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$1,586,052	\$971,185	\$458,566

Pension plan fiduciary net position

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

8. HEALTHCARE BENEFIT PLAN

Plan description

The District contributes to the Health Care Trust Fund ("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 the CRS, as amended, establishes the 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 comprehensive annual financial report that includes financial statements and required supplementary information for the 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 percent 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 the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending December 31, 2015, 2014 and 2013, the District's employer contributions to the HCTF were \$6,322, \$6,056, and \$4,880, respectively, equal to their required contributions for each year.

Castle Pines North Metropolitan District

Notes to Financial Statements

9. DEFINED CONTRIBUTION PENSION PLAN

Plan Description - Employees of the District who are members of the LGDTF (see Note 7) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), 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 the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the 401(k) Plan.

Funding Policy - The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 and \$17,500) for the calendar years 2015 and 2014, respectively). Catch-up contributions up to \$5,500 for the calendar years 2014 and 2015 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. For the years ended December 31, 2015, 2014 and 2013, the 401(k) Plan member contributions made by the District were \$16,596, \$15,372, and \$10,466, respectively.

10. 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 (“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.

11. 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

Castle Pines North Metropolitan District

Notes to Financial Statements

refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

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 \$102,078 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.

12. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through July 18, 2016, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

Required Supplementary Information

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - General Fund

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2014 Actual
	Original	Final			
Revenues					
Property taxes	\$ 2,563,172	\$ 2,563,172	\$ 2,560,582	\$ (2,590)	\$ 2,533,828
Specific ownership taxes	442,484	442,484	531,810	89,326	492,208
Conservation Trust Fund	48,000	48,000	44,698	(3,302)	44,534
Farm land revenue	40,200	40,200	40,200	-	40,200
Lease income	65,981	65,981	69,093	3,112	64,215
Oil royalty income	6,100	6,100	2,988	(3,112)	4,690
Earnings on investments	5,152	5,152	8,021	2,869	6,374
Miscellaneous income	8,000	8,000	19,476	11,476	16,318
Total revenues	3,179,089	3,179,089	3,276,868	\$ 97,779	3,202,367
Expenditures					
General government:					
Salaries and wages	303,241	303,241	305,612	(2,371)	280,862
Employee benefits and taxes	125,875	125,875	118,265	7,610	111,495
Accounting, audit and legal	231,000	231,000	131,131	99,869	179,582
Other professional services	180,300	180,300	151,717	28,583	94,762
Utilities	37,250	37,250	32,698	4,552	30,679
Insurance	31,785	31,785	33,525	(1,740)	28,329
County collection fees	38,448	38,448	38,445	3	38,088
Memberships, training and subscriptions	9,364	9,364	10,340	(976)	9,248
Other office expenses	38,900	38,900	42,875	(3,975)	35,370
Repairs and maintenance	78,320	78,320	85,792	(7,472)	90,293
Contingency	65,000	65,000	-	65,000	-
Total general government	1,139,483	1,139,483	950,400	189,083	898,708
Parks and open space:					
Landscape maintenance contract	332,000	332,000	225,420	106,580	270,468
Landscape supplies	10,000	10,000	6,449	3,551	5,036
Repairs and maintenance	297,500	297,500	327,810	(30,310)	157,522
Utilities	266,180	266,180	286,717	(20,537)	239,302
Park services	9,000	9,000	7,707	1,293	6,618
Total parks and open space	914,680	914,680	854,103	60,577	678,946
Capital outlay	397,790	397,790	28,440	369,350	8,423
Total expenditures	2,451,953	2,451,953	1,832,943	619,010	1,586,077
Excess of revenues over expenditures	727,136	727,136	1,443,925	716,789	1,616,290
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	-	-	10,500
Transfers out, other	-	-	(157,185)	(157,185)	-
Transfers out, base rental expense	(1,449,315)	(1,431,902)	(1,231,281)	200,621	1,001,719
Total other financing sources (uses)	(1,449,315)	(1,431,902)	(1,388,466)	43,436	1,012,219
Net change in fund balance	(722,179)	(704,766)	55,459	760,225	2,628,509
Fund balance - beginning of year	3,435,275	3,435,275	3,779,111	343,836	3,154,040
Fund balance - end of year	\$ 2,713,096	\$ 2,730,509	\$ 3,834,570	\$ 1,104,061	\$ 5,782,549

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District
Schedule of the District's Proportionate Share of the Net Pension Liability
Cost – Sharing Defined Benefit Plan

Last Ten Years

	2015	2014
District's proportion of the net pension liability	0.10836%	0.08968%
District's proportionate share of the net pension liability	\$ 971,185	\$ 662,685
District's covered-employee payroll	\$ 608,976	\$ 491,736
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.48%	134.76%
Plan fiduciary net position as a percentage of the total pension	80.70%	77.66%

* 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.

See accompanying Independent Auditor's Report

Castle Pines North Metropolitan District

Schedule of District Contributions Cost – Sharing Defined Benefit Plan

Last Ten Years

	2015	2014	2013
Statutorily Required Contribution	\$ 78,597	\$ 75,288	\$ 60,666
Contributions in Relation to the Statutorily Required Contributionz	78,597	75,288	60,666
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 648,164	\$ 608,976	\$ 491,736
Contributions as a Percentage of Covered Employee Payroll	12.13%	12.36%	12.34%

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.

See accompanying Independent Auditor's Report

Other Supplementary Information

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - Finance Corporation

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2014 Actual
	Original	Final			
Revenues					
Earnings on investments	\$ 20	\$ 1	\$ -	\$ (1)	\$ -
Total revenues	20	1	-	(1)	-
Expenditures					
2008 Certificates of participation - principal/interest	330,245	7,295,708	7,295,708	-	245,950
2009 Certificates of participation - principal/interest	571,915	14,266,384	14,266,384	-	406,575
LOC and other banking fees	313,020	2,556	2,406	150	321,450
Remarketing fees	26,950	-	4,719	(4,719)	27,744
Contingency	50,000	50,000	-	50,000	-
Total expenditures	1,292,130	21,614,648	21,569,217	45,431	1,001,719
Excess (deficiency) of revenues over expenditures	(1,292,110)	(21,614,647)	(21,569,217)	45,430	(1,001,719)
Other financing sources					
Transfers in, base rental income	1,292,130	53,831	8,401	(45,430)	1,001,719
Transfers in, debt related	-	21,560,816	21,560,816	-	-
Total other financing sources	1,292,130	21,614,647	21,569,217	(45,430)	1,001,719
Net change in fund balance	20	-	-	-	-
Fund balance at beginning of year	117,550	117,550	-	(117,550)	-
Fund balance at end of year	\$ 117,570	\$ 117,550	\$ -	\$ (117,550)	\$ -

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - Debt Service Fund

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2014 Actual
	Original	Final			
Revenues					
Property taxes	\$ 2,967,884	\$ 2,967,884	\$ 2,964,885	\$ (2,999)	\$ 2,933,906
Intergovernmental revenues	116,181	116,181	115,503	(678)	119,425
Earnings on investments	3,738	3,738	1,819	(1,919)	2,006
Total revenues	3,087,803	3,087,803	3,082,207	(5,596)	3,055,337
Expenditures					
County collection fees	44,518	44,518	44,515	3	44,102
Bond principal	5,045,000	5,045,000	5,045,000	-	1,225,000
Bond interest	476,238	476,238	476,238	-	525,237
Other long-term debt expenses	10,950	10,950	3,450	7,500	5,601
Total expenditures	5,576,706	5,576,706	5,569,203	7,503	1,799,940
Net change in fund balance	(2,488,903)	(2,488,903)	(2,486,996)	1,907	1,255,397
Fund balance at beginning of year	2,492,394	2,492,394	2,494,834	2,440	1,239,437
Fund balance at end of year	\$ 3,491	\$ 3,491	\$ 7,838	\$ 4,347	\$ 2,494,834

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - 2015 COPs Fund

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts Budget Basis	Variance Favorable (Unfavorable)	2014 Actual
	Original	Final			
Revenues					
Earnings on investments	\$ -	\$ 20	\$ 56	\$ 36	\$ -
Total revenues	-	20	56	36	-
Expenditures					
Principal	-	580,000	580,000	-	-
Interest and fees	-	640,886	640,886	-	-
Cost of issuance	-	370,476	350,836	19,640	-
Total Expenditures	-	1,591,362	1,571,722	19,640	-
Excess (deficiency) of revenues over expenditures	-	(1,591,342)	(1,571,666)	19,676	-
Other financing sources (uses)					
Transfers in, base rental revenue	-	1,220,886	1,222,880	1,994	-
Transfers out, debt related	-	(21,560,816)	(21,560,816)	-	-
Proceeds from debt issuance	-	21,895,000	21,895,000	-	-
Premium on debt	-	656,573	656,573	-	-
Total other financing sources (uses)	-	2,211,643	2,213,637	1,994	-
Change in fund balance	-	620,301	641,971	21,670	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	\$ -	\$ 620,301	\$ 641,971	\$ 21,670	\$ -

See accompanying Independent Auditor's Report.

Castle Pines North Metropolitan District

Statement of Revenues, Expenses and Changes in Net Position (Budget and Actual) - Enterprise Funds

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance	2014 Actual
	Original	Final	Budget Basis	Favorable (Unfavorable)	
Revenues					
Water charges	\$ 2,917,954	\$ 2,917,954	\$ 2,946,447	\$ 28,493	\$ 2,429,892
Wastewater charges	1,603,609	1,603,609	1,554,074	(49,535)	1,498,209
Storm drainage charges	315,542	315,542	336,384	20,842	178,124
Capital improvement fees	1,258,270	1,258,270	1,277,034	18,764	1,174,716
Earnings on investments	7,750	7,750	19,878	12,128	8,451
Financing proceeds	1,800,000	1,800,000	-	(1,800,000)	-
Gain (loss) on disposal of assets	-	-	-	-	23,850
Refunds of expenditures	-	-	2,000	2,000	44,054
Miscellaneous income	-	-	27,653	27,653	56,454
Transfers in	157,185	157,185	157,185	-	-
Total revenues	8,060,310	8,060,310	6,320,655	(1,739,655)	5,413,750
Expenditures					
Water operations					
General overhead	343,304	343,304	305,982	37,322	409,919
Salaries and wages	176,662	176,662	172,896	3,766	166,758
Employee benefits and taxes	70,950	70,950	94,599	(23,649)	64,078
Memberships, training and subscriptions	4,400	4,400	3,925	475	3,751
Engineering	72,500	72,500	50,734	21,766	68,520
Repairs and maintenance	1,180,900	1,180,900	940,166	240,734	851,648
Utilities	674,273	674,273	729,737	(55,464)	680,583
Equipment and supplies	79,000	79,000	5,581	73,419	84,399
Treatment costs	27,900	27,900	4,894	23,006	10,836
Water rebates	15,000	15,000	12,533	2,467	10,006
Other projects	22,000	22,000	51,170	(29,170)	55,161
Total water operations	2,666,889	2,666,889	2,372,217	294,672	2,405,659
Wastewater operations					
General overhead	60,214	60,214	56,577	3,637	55,148
Salaries and wages	146,975	146,975	144,058	2,917	138,983
Employee benefits and taxes	57,194	57,194	76,510	(19,316)	51,365
Memberships, training and subscriptions	7,000	7,000	1,102	5,898	3,818
Engineering	16,000	16,000	17,199	(1,199)	3,482
Repairs and maintenance	168,250	168,250	118,425	49,825	122,445
Utilities	83,000	83,000	72,974	10,026	70,280
Equipment, supplies & other projects	5,500	5,500	2,054	3,446	26,138
Treatment costs	723,934	723,934	723,934	-	648,803
Total Wastewater operations	1,268,067	1,268,067	1,212,833	55,234	1,120,462
Storm drainage operations					
General overhead	14,591	14,591	12,043	2,548	11,888
Salaries and wages	32,550	32,550	32,245	305	30,597
Employee benefits and taxes	14,252	14,252	19,031	(4,779)	13,222
Engineering	20,000	20,000	47,885	(27,885)	-
Repairs and maintenance	501,100	501,100	23,631	477,469	7,000
Equipment, supplies and other projects	2,500	2,500	1,326	1,174	9,104
Total storm drainage operations	584,993	584,993	136,161	448,832	71,811
Capital outlay	3,560,330	3,560,330	1,106,143	2,454,187	810,679
Total expenditures	8,080,279	8,080,279	4,827,354	3,252,925	4,408,611
Change in net position - budgetary basis	(19,969)	(19,969)	1,493,301	1,513,270	1,005,139

Continued.

Castle Pines North Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) - Enterprise Funds

Year Ended December 31, 2015

With Comparative Totals for Year Ended December 31, 2014

	<u>2015</u>	<u>2014</u>
Reconciliation to GAAP basis		
Capital outlay	1,106,143	810,679
Depreciation	(1,388,324)	(1,185,750)
Loss on disposition of assets	-	(9,590)
Change in net position - GAAP basis	1,211,120	620,478
Net position at beginning of year	60,341,074	59,720,596
Restatement for change in accounting principle (Note 2)	(357,665)	-
Net position at end of year	<u>\$ 61,194,529</u>	<u>\$ 60,341,074</u>

CONTINUING DISCLOSURE

ANNUAL FINANCIAL INFORMATION

REQUIRED BY THE GENERAL OBLIGATION

BONDS, SERIES 2006

Castle Pines North Metropolitan District

Continuing Disclosure

December 31, 2015

UNAUDITED

Table III (Series 2006A)
History of District Assessed Valuation

Levy/Collection Year	Assessed Valuation ¹	Increase or (Decrease)	Percentage Change
1998/1999	\$ 24,659,740	\$ 4,412,800	21.79%
1999/2000	36,744,570	12,084,830	49.01%
2000/2001	45,004,340	8,259,770	22.48%
2001/2002	68,640,316	23,635,976	52.52%
2002/2003	86,819,810	18,179,494	26.49%
2003/2004	110,893,170	24,073,360	27.73%
2004/2005	114,573,850	3,680,680	3.32%
2005/2006	125,207,050	10,633,200	9.28%
2006/2007	128,057,598	2,850,548	2.28%
2007/2008	136,796,755	8,739,157	6.82%
2008/2009	138,095,490	1,298,735	0.95%
2009/2010	145,738,180	7,642,690	5.53%
2010/2011	146,720,630	982,450	0.67%
2011/2012	130,150,150	(16,570,480)	-11.29%
2012/2013	130,612,920	462,770	0.36%
2013/2014	133,803,323	3,190,403	2.44%
2014/2015	134,903,840	1,100,517	0.82%
2015/2016	159,003,720	24,099,880	17.86%

¹ Includes New Growth Assessed Valuation

Source: Douglas County Assessor's Office

Table V (Series 2006A)
Historical Property Tax Collections

Levy/Collection Year	Total Taxes Levied	Tax Collections ¹	Percentage of Tax Collections to Levied ²
1998/1999	\$ 1,645,733	\$ 1,609,633	97.81%
1999/2000	2,351,652	2,265,559	96.34%
2000/2001	2,880,278	2,846,242	98.82%
2001/2002	3,313,387	3,292,244	99.36%
2002/2003	3,720,539	3,715,679	99.87%
2003/2004	4,665,070	4,647,347	99.62%
2004/2005	4,926,732	4,848,795	98.42%
2005/2006	5,304,433	5,284,384	99.62%
2006/2007	5,465,795	5,477,493	100.21%
2007/2008	5,845,438	5,830,278	99.74%
2008/2009	5,938,106	5,929,404	99.85%
2009/2010	5,975,265	5,959,166	99.73%
2010/2011	6,015,546	6,008,857	99.89%
2011/2012	5,336,156	5,309,456	99.50%
2012/2013	5,335,130	5,268,294	98.75%
2013/2014	5,485,936	5,467,734	99.67%
2014/2015	5,531,056	5,525,467	99.90%

¹ Figures include current and delinquent tax collections, penalties, and (prior to 2010) interest. Treasurer's fees have not been deducted from these accounts.

² The District believes that substantially all of the differences between its taxes levied and collected are the result of tax abatements and refunds, not from unpaid or delinquent taxes.

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Table IV (Series 2006A & B)
Assessed and "Actual" Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$ 132,201,510	83.14%	\$ 1,660,791,447	94.73%
Commercial	19,883,980	12.51%	68,565,676	3.91%
Vacant	3,602,440	2.27%	12,420,221	0.71%
State Assessed	15,000	0.01%	51,695	0.00%
Agricultural	2,530	0.00%	8,744	0.00%
Other Natural Resources	1,010	0.00%	3,537	0.00%
Personal Property	3,297,250	2.07%	11,370,831	0.65%
	\$ 159,003,720	100.00%	\$ 1,753,212,151	100.00%

Source: Douglas County Assessor's Office
<http://www.douglas.co.us/assessor/taxing-authorities/certification/reports>

Table XII (Series 2006A & B)
Estimated Overlapping General Obligation Debt ¹

Overlapping Entity	Outstanding General Obligation Debt	Percentage Applicable to District	Amount Applicable to District
Douglas County School District RE1	\$ 390,608,248	2.88%	\$ 11,255,446

¹ Douglas County School District RE1 fiscal year is July 1 to June 30, 2015.
 Percentage applicable to District is calculated by taking 2014 Assessed Valuation of District over Assessed Valuation of Douglas County School District RE1

Source: Douglas County School District RE-1 CAFR, Statistical Section

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TABLE VIII (Series 2006A & B)
History of General Fund Revenues, Expenditures and Changes in Fund Balance

	2010	2011	2012	2013	2014 ¹	2015
Revenues						
Property taxes	\$ 2,765,312	\$ 2,782,036	\$ 2,460,619	\$ 2,441,405	\$ 2,533,828	\$ 2,560,582
Specific ownership taxes	407,733	397,722	409,994	449,104	492,208	531,810
Conservation Trust Fund	38,381	41,754	44,828	49,104	44,534	44,698
Lease income	122,648	123,346	120,206	100,760	109,105	112,281
Base Rental income	870,000	931,000	943,446	973,363	-	-
Earnings on investments	2,065	13,033	14,627	5,747	6,374	8,021
Miscellaneous income	12,244	12,818	12,113	7,047	16,318	19,476
Total revenues	4,218,383	4,301,709	4,005,833	4,026,530	3,202,367	3,276,868
Expenditures						
General government	1,987,179	2,071,759	1,941,451	1,635,554	898,708	950,400
Parks and open space	679,376	691,281	668,437	911,445	678,946	854,103
Capital outlay	34,641	-	-	-	8,423	28,440
Base rental expense	870,000	931,000	943,446	973,363	1,001,719	-
Total expenditures	3,571,196	3,694,040	3,553,334	3,520,362	2,587,796	1,832,943
Excess of revenues over expenditures	647,187	607,669	452,499	506,168	614,571	1,443,925
Other financing sources (uses)						
Transfers out	-	-	(10,365,229)	-	-	(1,388,466)
Transfers in	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	10,500	-
Total other financing sources (uses)	-	-	(10,365,229)	-	10,500	(1,388,466)
Net change in fund balance	647,187	607,669	(9,912,730)	506,168	625,071	55,459
Fund balance at beginning of year	11,305,746	11,952,933	12,560,602	2,647,872	3,154,040	3,779,111
Fund balance at end of year	\$ 11,952,933	\$ 12,560,602	\$ 2,647,872	\$ 3,154,040	\$ 3,779,111	\$ 3,834,570

¹ Beginning in 2014, the Finance Corporation was no longer reported as part of the General Fund

Source: District's 2010 - 2015 financial statements.

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TABLE IX (Series 2006A & B)
History of Debt Service Fund Revenues, Expenditures and Changes in Fund Balance

	2010	2011	2012	2013	2014	2015
Revenues						
Property taxes	\$ 3,201,940	\$ 3,221,305	\$ 2,849,137	\$ 2,826,889	\$ 2,933,906	\$ 2,964,885
Earnings on investments	773	2,940	2,455	2,358	2,006	1,819
Hidden Pointe Taxes	243,446	234,781	200,412	214,720	119,425	115,503
Total revenues	3,446,159	3,459,026	3,052,004	3,043,967	3,055,337	3,082,207
Expenditures						
General government ¹	48,029	48,382	42,775	44,884	44,102	44,515
Debt service - principal and interest	3,363,651	3,560,113	3,156,304	1,750,175	1,750,237	5,521,238
Debt service - other related	45,782	29,705	20,617	9,471	5,601	3,450
Total expenditures	3,457,462	3,638,200	3,219,696	1,804,530	1,799,940	5,569,203
Excess (deficiency) of revenues over expenditures	(11,303)	(179,174)	(167,692)	1,239,437	1,255,397	(2,486,996)
Other financing sources						
Transfers in	-	-	1,024	-	-	-
Total other financing sources (uses)	-	-	1,024	-	-	-
Net change in fund balance	(11,303)	(179,174)	(166,668)	1,239,437	1,255,397	(2,486,996)
Fund balance at beginning of year	357,145	345,842	166,668	-	1,239,437	2,494,834
Fund balance at end of year	\$ 345,842	\$ 166,668	\$ -	\$ 1,239,437	\$ 2,494,834	\$ 7,838

¹ Expenditures for General Government represents the county treasurer's fees for property tax collections.

Source: District's 2010 - 2015 financial statements.

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TABLE X (Series 2006A & B)
General Fund Budget Summary and Comparison

	2016 Budget	2015 Budget	2015 Actual
Revenues			
Property taxes	\$ 3,021,071	\$ 2,563,172	\$ 2,560,582
Specific ownership taxes	522,939	442,484	531,810
Conservation Trust Fund	48,000	48,000	44,698
Lease income	108,181	112,281	112,281
Base Rental income	-	-	-
Earnings on investments	5,365	5,152	8,021
Miscellaneous income	10,000	8,000	19,476
Total revenues	3,715,556	3,179,089	3,276,868
Expenditures			
General government	834,911	1,139,483	950,400
Parks and open space	1,348,050	914,680	854,103
Capital outlay	412,795	397,790	28,440
Total expenditures	2,595,756	2,451,953	1,832,943
Excess (deficiency) of revenues over expenditures	1,119,800	727,136	1,443,925
Other financing uses			
Transfers out/base rental expense	(1,232,876)	(1,431,902)	(1,388,466)
Total other financing uses	(1,232,876)	(1,431,902)	(1,388,466)
Net change in fund balance	(113,076)	(704,766)	55,459
Fund balance at beginning of year	3,576,429	3,435,275	3,779,111
Fund balance at end of year	\$ 3,463,353	\$ 2,730,509	\$ 3,834,570

Note: General Fund includes Conservation Trust Fund.

Source: District's 2015 audited financial statements and the District's 2015 and 2016 adopted budgets.

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TABLE X (Series 2006A & B)
Debt Service Fund Budget Summary and Comparison

	2016 Budget	2015 Budget	2015 Actual
Revenues			
Property taxes	\$ 3,498,082	\$ 2,967,884	\$ 2,964,885
Earnings on investments	1,200	3,738	1,819
Hidden Pointe Taxes	134,028	116,181	115,503
Total revenues	3,633,310	3,087,803	3,082,207
Expenditures			
County treasurer's fees	52,613	44,518	44,515
Bond principal	1,410,566	1,275,000	5,045,000
Bond interest	230,588	476,238	476,238
Paying agent fees	2,300	3,650	3,450
Letter of credit fees	5,300	7,300	-
Reserved for early debt payoff	1,930,000	3,770,000	-
Total expenditures	3,631,367	5,576,706	5,569,203
Net change in fund balance	1,943	(2,488,903)	(2,486,996)
Fund balance at beginning of year	5,544	2,492,394	2,494,834
Fund balance at end of year	\$ 7,487	\$ 3,491	\$ 7,838

Note: General Fund includes Conservation Trust Fund.

Source: District's 2015 audited financial statements and the District's 2015 and 2016 adopted budgets.