
CASTLE PINES
METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Castle Pines Metropolitan District
Castle Rock, Colorado

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Castle Pines Metropolitan District (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the District as of December 31, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinions

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

Responsibilities Of Management For The Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi, the budgetary comparison schedule on page 61, the infrastructure condition and maintenance data on pages 62 and 63, schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions to the pension plan on pages 64 and 65 and schedule of the District's proportionate share of the net other postemployment benefit (OPEB) liability and the schedule of the District's contributions to the OPEB plan on pages 66 and 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Report On Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

October 6, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of Castle Pines Metropolitan District's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the calendar year ended December 31, 2021. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$77,916,888 (net position) as of December 31, 2021 (page 5). This total net position is comprised of the following:
 - (1) Net investment in capital assets of \$47,412,142 includes property, equipment, and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$128,000 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$30,376,746 represents the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental fund reported a total ending fund balance of \$17,540,487 this year (page 7). This compares to the prior year ending fund balance of \$16,184,463 showing an increase of \$1,356,024 during the current year. This increase resulted from (a) revenues above expenditures of \$1,665,346 and (b) net of \$360,000 transfer from the general fund to the proprietary fund.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$17,408,333 (page 7).

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative 2020 data is presented when available and applicable.

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements (pages 5 & 6). These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position* (page 5). This is the government-wide statement of position presenting information that includes all District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors such as diversification of the taxpayer base or the condition of District infrastructure, in addition to the financial information provided in this report. The December 31, 2021, Statement of Net Position reflects the pension plan disclosures which were adopted in 2015, as well as the OPEB liability, which was adopted in 2018.

The second government-wide statement is the *Statement of Activities* (page 6), which reports how the District's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the District include general government and public works. The business-type activities of the District include water and sewer services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. All of the District's funds are classified as major and are separately reported.

Governmental Funds. The District maintains one governmental fund, the General Fund. The basic governmental fund financial statement is presented on pages 7 - 10 of this report.

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The *Proprietary fund* is reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District's proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. The District services approximately 1,802 homes inside the District boundaries. The basic enterprise fund financial statements are presented on pages 11 – 13 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 14 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget presentations and the modified approach for infrastructure. Budgetary comparison statements are included as "required supplementary information" for the general fund. A budgetary comparison schedule for the enterprise fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the District's adopted and final revised budget. The schedule of the District's proportionate share of net pension and OPEB liability is also included in this section. Required supplementary information can be found on pages 61 - 67 of this report.

As discussed, the District reports major funds in the basic financial statements. The individual statements and schedules of these funds are presented in a subsequent section of this report on pages 68 - 70.

Financial Analysis of the District as a Whole

Over time, as year-to-year financial information is accumulated consistently, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at calendar year-end is \$77,916,888 (page 5). The following table provides a summary of the District's net position:

	Governmental Activities				Business -type Activities			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Assets								
Current Assets	\$ 23,724,911	\$ 21,868,828	\$ 1,856,083	8%	\$ 14,686,674	\$ 13,954,351	\$ 732,323	5%
Capital Assets	15,273,900	15,119,417	154,483	1%	33,958,230	33,096,082	\$ 862,148	3%
Total Current & Capital Assets	38,998,811	36,988,245	2,010,566	5%	48,644,904	47,050,433	1,594,471	3%
Deferred Outflows	389,553	223,050	\$ 166,503	75%	293,872	168,266	\$ 125,606	75%
Total Deferred Outflows	389,553	223,050	166,503	75%	293,872	168,266	125,606	75%
Total Assets	39,388,364	37,211,295	2,177,069	6%	48,938,776	47,218,699	1,720,077	4%
Liabilities:								
Current Liabilities	154,065	78,846	75,219	95%	876,493	405,682	470,811	116%
Long-term Liabilities	712,322	857,660	(145,338)	-17%	2,160,832	2,482,587	(321,755)	-13%
Total Current & Long-term Liabilities	866,387	936,506	(70,119)	-7%	3,037,325	2,888,269	149,056	5%
Deferred Inflow - Property Tax	6,031,859	5,607,019	424,840	8%	-	-	-	0%
Deferred Inflow - OPEB	29,397	19,594	9,803	50%	22,178	14,781	7,397	50%
Deferred Inflow - Pension	241,170	311,832	(70,662)	-23%	181,936	235,241	(53,305)	-23%
Total Deferred Inflows	6,302,426	5,938,445	363,981	6%	204,114	250,022	(45,908)	-18%
Total Liabilities	7,168,813	6,874,951	293,862	4%	3,241,439	3,138,291	103,148	3%
Net position	32,219,551	30,336,344	1,883,207	6%	45,697,337	44,080,408	1,616,929	4%
Net Investment								
in Capital Assets	15,273,900	15,119,417	154,483	1%	32,138,242	31,075,892	1,062,350	3%
Restricted - Tabor	128,000	80,000	48,000	60%	-	-	-	-
Unrestricted	16,817,651	15,136,927	1,680,724	11%	13,559,095	13,004,516	554,579	4%
Total Net Position	\$ 32,219,551	\$ 30,336,344	\$ 1,883,207	6%	\$ 45,697,337	\$ 44,080,408	\$ 1,616,929	4%

The District continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities, after excluding \$5,611,940 of 2021 property taxes to be collected in 2022, is 153.99 to 1 while the current ratio for business activities is 16.75 to 1. For the District overall, the current ratio after excluding 2021 property taxes is 37.27 to 1.

Note that approximately 39.1% of the governmental activities' total assets are tied up in capital. The District uses these capital assets to provide services to its homeowners. With business-type activities, approximately 69.8% of its assets are capital assets. Capital assets in the business-type activities also provide water services, but they also generate fee-based revenues for this fund. Approximately 56.1% of the District's total assets are included in capital assets.

The District continues to report a positive balance in net position for both the governmental activities and business-type activities (page 6). Net position increased by \$1,883,207 and \$1,616,929, respectively. During 2021, the District's overall financial position increased by \$3,500,136. The majority of the increase in governmental activities is due to (a) additional property tax of \$36,063, (b) additional specific ownership tax of \$59,940 (c) less investment earnings of \$135,462, (d) gain on Sale of Asset of \$45,172, (e) additional total expenses of \$1,918,743 and (f) a beginning net position of \$3,782,096. The increase in business-type activities in 2021 is due to (a) additional charges for services and sales of \$1,212,843, (b) less developer contributions of \$1,850,833 (c) receiving less investment earnings of \$95,753 and, (d) additional water & sewer expense of \$274,272 and (e) a beginning net position of \$2,640,806.

The government-wide information is presented with comparative data for the prior year for better analysis and trends. The following table provides a summary of the District's changes in net position:

	Governmental Activities				Business-type Activities			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Revenues:								
Program Revenue								
Charges for Services and Sales	\$ 163,680	\$ 162,396	\$ 1,284	1%	\$ 5,705,017	\$ 4,492,174	\$ 1,212,843	27%
Capital Grants and Contributions	-	-	-	-	-	1,850,833	(1,850,833)	-100%
General Revenues:								
Property Taxes	5,611,940	5,575,877	36,063	1%	-	-	-	-
Specific Ownership Taxes	540,722	480,782	59,940	12%	-	-	-	-
Investment Earnings	7,091	142,553	(135,462)	-95%	7,638	103,391	(95,753)	-93%
Gain on Sale of Asset	50,678	5,506	45,172	820%	-	-	-	-
Miscellaneous	12,857	-	12,857	100%	27,502	43,364	(15,862)	-37%
Total Revenue	6,386,968	6,367,114	19,854	0%	5,740,157	6,489,762	(749,605)	-12%
Expenses:								
General Government	1,413,569	1,315,387	98,182	7%	-	-	-	-
Public Works	2,730,192	909,631	1,820,561	200%	-	-	-	-
Interest on LT Debt	-	-	-	-	-	-	-	-
Water & Sewer	-	-	-	-	4,483,228	4,208,956	274,272	7%
Total Expenses	4,143,761	2,225,018	1,918,743	86%	4,483,228	4,208,956	274,272	7%
Increase in net position								
before transfers	2,243,207	4,142,096	(1,898,889)	-46%	1,256,929	2,280,806	(1,023,877)	-45%
Transfers	(360,000)	(360,000)	-	0%	360,000	360,000	-	0%
Change in Net Position	1,883,207	3,782,096	(1,898,889)	-50%	1,616,929	2,640,806	(1,023,877)	-39%
Beginning Net Position	30,336,344	26,554,248	3,782,096	14%	44,080,408	41,439,602	2,640,806	6%
Ending Net Position	\$ 32,219,551	\$ 30,336,344	\$ 1,883,207	6%	\$ 45,697,337	\$ 44,080,408	\$ 1,616,929	4%

GOVERNMENTAL REVENUES

The District is dependent upon property tax to fund the general fund. Total taxable assessed valuation increased from \$164,739,230 in 2021 to \$178,278,020 in 2022. The County conducts a re-assessment of property values every two years, in odd-numbered years. The District saw an increase in collected property tax revenue of \$36,063 or 1% overall in 2021.

GOVERNMENTAL FUNCTIONAL EXPENSES

This table presents the cost of each of the District’s programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the District’s taxpayers by each of these functions.

Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 1,413,569	\$ (1,413,569)
Public Works	<u>2,730,192</u>	<u>(2,566,512)</u>
Total	<u><u>\$ 4,143,761</u></u>	<u><u>\$ (3,980,081)</u></u>

The District reports program revenue (page 6) of \$163,680 which consists of 100% for charges for services. The District did not receive any developer contributions this year. The majority of the general government functions are funded by property tax. Taxes are reported as general revenue, rather than program revenue. Therefore, the net cost of services is offset by general revenues of \$6,223,288.

BUSINESS-TYPE ACTIVITIES

Revenues vs. Costs

The operating revenues for the water and sewer fund (page 12) were \$1,212,843 (26.9%) more than in 2020, and the operating expenses were \$292,120 (7.2%) more than 2020. The increase in revenue is due to a wastewater treatment capacity agreement received in 2021 for \$1.5M. This was the second of two payments. The District also billed for thirty-six million gallons less water or -9.5% in 2021 compared to 2020. The usage in 2021 of 345 million gallons was the third highest on record, due to hot temperatures and low moisture.

Financial Analysis of the District’s Funds

Governmental Funds

As discussed, governmental funds are reported in the individual fund statements. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$17,540,487. Of this year-end total, \$4,092,002 will be used for landscape, small equipment replacement, street maintenance and improvements, snow removal, storm drainage maintenance, and street improvement overlay. Non-spendable inventories total \$4,154. The restricted fund balance of \$128,000 is required by Tabor for an emergency reserve.

Major Governmental Funds

The General Fund is the District’s primary operating fund. The general fund’s fund balance increased by \$1,356,024 (page 9). This increase is primarily due to (a) revenues in excess of expenditures of \$1,665,346, (b) net of \$360,000 transfer from the general fund to the proprietary fund, and (c) proceeds from disposal of assets of \$50,678.

General fund total revenues decreased \$25,318 primarily due to (a) a decrease of \$135,462 in investment earnings, (b) a \$36,033 increase in property taxes, (c) an increase in specific ownership tax of \$59,940 and, (d) an increase of \$12,857 for miscellaneous revenue.

Property taxes of \$5,611,940 make up 88.6% of total general fund revenues. The other revenue classifications netted out to \$724,350.

The general fund expenditures show an increase of \$1,842,030 or 65.11% more than the prior year. The majority of increased expense is recorded Public Works for \$1,834,300. It is offset by a decrease in General Government of \$199,184 and an increase in expense in Capital Outlay of \$206,914.

The Proprietary Fund

The proprietary fund statements (page 25) share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The majority of the revenue received in this fund is collected from water, sewer & storm rates. The enterprise fund saw a positive change in net position in 2021 (page 12) of \$1,616,929 comprised of (a) \$1,355,891 operating income, (b) a transfer of \$360,000 from the general fund to the proprietary fund, and, (c) less Nonoperating Revenues (Expenses) of \$98,962.

The General Overhead operating expense was higher than 2020 by approximately \$500,000. This increase is due to the District implementing a program to reduce 100 million gallons of water waste over the next 4 years. To accomplish this, the District put a program in place to rebate sub-associations and homeowners (in 2022) for improvements made to their irrigation systems.

Budgetary Highlights

The General Fund – There were no amendments to the original adopted budget in 2021 (page 61).

Overall, the District recognized additional revenue of \$109,648 or a 1.73% increase in revenues over the adopted budget. This increase is primarily due to \$102,852 of additional Property Taxes collected, additional Specific Ownership Taxes of \$55,722, less Investment Earnings of \$13,309, less Charges for Services of 21,974 and less miscellaneous revenue of \$13,643.

The general government expenditures were under budget by \$886,452 or 18.97%. General Government was underspent by \$452,778, due to staffing shortages in 2021, which incorporated salaries and benefits, and fewer contract services utilized. Public Works was underspent by \$62,756 due to full budgets not being used across many accounts. Capital Outlay was also under budget by \$370,918 which was due to the capital contingency and project contingency of \$100,000 and \$287,000, respectively, not being used. The District is authorized to transfer revenue from the general fund and/or receive grants, as that term is defined in the C.R.S. § 37-45.1-102 in an amount less than 10% of the Enterprise Fund's annual revenues. In 2021 the District transferred \$360,000 from the general fund to the enterprise fund.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2021 and 2020, was \$15,273,900 and \$33,958,230 respectively. See Note 3 for additional information about changes in capital assets during the calendar year.

The following table provides a summary of capital asset activity.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Non-depreciable assets:						
Land	\$ -	\$ -	\$ 1,160,119	\$ 1,160,119	\$ 1,160,119	\$ 1,160,119
Infrastructure	12,854,876	12,854,876	-	-	12,854,876	12,854,876
Construction in Progress	384,961	496,747	1,307,777	633,638	1,692,738	1,130,385
Total Non-depreciable assets	13,239,837	13,351,623	2,467,896	1,793,757	15,707,733	15,145,380
Depreciable assets:						
Buildings	-	-	6,120,892	5,872,480	6,120,892	5,872,480
Improvements other than building	499,860	499,860	35,900,244	35,900,244	36,400,104	36,400,104
Machinery	4,143,904	3,744,581	9,398,501	8,413,585	13,542,405	12,158,166
Water Rights	-	-	2,694,232	2,694,232	2,694,232	2,694,232
Total depreciable assets	4,643,764	4,244,441	54,113,869	52,880,541	58,757,633	57,124,982
Less accumulated depreciation	(2,609,701)	(2,476,647)	(22,623,535)	(21,578,216)	(25,233,236)	(24,054,863)
Book value - depreciable assets	2,034,063	1,767,794	31,490,334	31,302,325	33,524,397	33,070,119
Percentage depreciated	-56%	-58%	-42%	-41%	-43%	-42%
Net book value - all assets	\$ 15,273,900	\$ 15,119,417	\$ 33,958,230	\$ 33,096,082	\$ 49,232,130	\$ 48,215,499

On December 31, 2021, the depreciable capital assets for governmental activities were 56% depreciated, compared to 58% of December 31, 2020.

Modified Approach to Infrastructure

The District has adopted the modified approach to report infrastructure in governmental-type activities. Under the modified approach, the expenditures incurred to preserve infrastructure, at or above the governmental designated condition levels, are not capitalized. Therefore, expenditures to improve infrastructures are recorded under the public works section. The actual expense for the street maintenance came in slightly over budget by \$400,000 with projects from 2020 being completed in 2021. The District's policy is to achieve an 85 PCI rating or higher on all streets. At the end of 2021, an average PCI of 84.83 was achieved for all the District's roadways, which met the policy. This rating allows for minor cracking and oxidation of the pavement with minor roughness that could be noticeable. The next condition assessment will be completed in 2023. Please refer to pages 62 & 63 for additional information.

With the District's business-type activities, 42% of the asset values were depreciated on December 31, 2021, and 41% on December 31, 2020.

Long-term Liabilities

At the end of the year, the District had long-term liabilities outstanding of \$3,082,713. The total of the District's long-term liabilities represents debt secured by Drinking Water Revolving Fund loans, the Net Pension Liability for the District, and the recording of compensated absences. Where appropriate, current and long-term liabilities are presented. See Note 5 for additional information.

	Governmental Activities		Business-type Activities		Total		% Change
	2021	2020	2021	2020	2021	2020	
DWRF Loans	-	-	\$ 1,819,988	\$ 2,020,190	\$ 1,819,988	\$ 2,020,190	-9.9%
Compensated Absences	\$ 26,163	\$ 33,829	30,144	41,482	56,307	75,311	-25.2%
Net OPEB Liability	82,819	86,421	62,477	65,193	145,296	151,614	-4.2%
Net Pension Liability	604,840	738,910	456,282	557,424	1,061,122	1,296,334	-18.1%
Total Long-term Liabilities	\$ 713,822	\$ 859,160	\$ 2,368,891	\$ 2,684,289	\$ 3,082,713	\$ 3,543,449	-13.0%

Economic Conditions Affecting the District

The District's economy has traditionally been residential. In 2004, a commercial center was added within the District's boundaries, adding approximately twenty-four commercial units, including a market, gas station and carwash, restaurants, fitness center, dry cleaners, banking institutions, and miscellaneous retail stores. The District is seeing the housing development construction increase in the County as well as the District. In 2021 the District processed forty-five (45) site plan reviews and issued thirty-eight (38) Certificate of Occupancy letters compared to 49 and 21 in 2020, respectively. The District believes the future is financially stable in the Village.

The primary revenue source for the District is property tax. The District levied a total of 33.834 mills in 2021 which was distributed to the general fund.

Request for Information

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. Questions concerning any of the information provided in this report, or request for additional information should be addressed to Castle Pines Metropolitan District, Attn: Joshua Shackelford, 5880 Country Club Drive, Castle Rock, Colorado, 80108.

C.R.S. § 24-6-402

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2021

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 4,488,408	\$ 4,221,710	\$ 8,710,118
Cash with fiscal agent	38,193	—	38,193
Investments	13,168,284	10,157,816	23,326,100
Receivables:			
Accounts	27,793	273,368	301,161
Property taxes	6,031,859	—	6,031,859
Internal balances	(33,780)	33,780	—
Inventory	4,154	—	4,154
Total Current Assets	23,724,911	14,686,674	38,411,585
Noncurrent Assets			
Capital assets:			
Nondepreciable capital assets	13,239,837	2,467,896	15,707,733
Depreciable capital assets, net	2,034,063	31,490,334	33,524,397
Total Noncurrent Assets	15,273,900	33,958,230	49,232,130
Total Assets	38,998,811	48,644,904	87,643,715
Deferred Outflows Of Resources			
Deferred outflows OPEB	25,781	19,448	45,229
Deferred outflows pension	363,772	274,424	638,196
Total Deferred Outflows Of Resources	389,553	293,872	683,425
Total Assets And Deferred Outflows Of Resources	39,388,364	48,938,776	88,327,140
Liabilities And Deferred Inflows Of Resources			
Liabilities			
Current Liabilities			
Accounts payable	152,565	588,742	741,307
Customer deposits	—	28,530	28,530
Accrued interest payable	—	12,982	12,982
Unearned revenue	—	38,180	38,180
Compensated absences payable, current	1,500	1,500	3,000
Loans payable, current	—	206,559	206,559
Total Current Liabilities	154,065	876,493	1,030,558
Long-Term Liabilities			
Compensated absences payable, net of current	24,663	28,644	53,307
Loans payable, net of current	—	1,613,429	1,613,429
Net OPEB liability	82,819	62,477	145,296
Net pension liability	604,840	456,282	1,061,122
Total Long-Term Liabilities	712,322	2,160,832	2,873,154
Total Liabilities	866,387	3,037,325	3,903,712
Deferred Inflows Of Resources			
Deferred property tax revenue	6,031,859	—	6,031,859
Deferred inflows OPEB	29,397	22,178	51,575
Deferred inflows pension	241,170	181,936	423,106
Total Deferred Inflows Of Resources	6,302,426	204,114	6,506,540
Total Liabilities And Deferred Inflows Of Resources	7,168,813	3,241,439	10,410,252
Net Position			
Net investment in capital assets	15,273,900	32,138,242	47,412,142
Restricted for:			
Emergency reserve - TABOR	128,000	—	128,000
Unrestricted	16,817,651	13,559,095	30,376,746
Total Net Position	\$ 32,219,551	\$ 45,697,337	\$ 77,916,888

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2021

Function/Program	Program Revenues				Net Revenue (Expense) And Changes In Net Position		
	Expenses	Charges For Services And Sales	Operating Grants, Contributions And Interest	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,413,569	\$ —	\$ —	\$ —	\$ (1,413,569)	\$ —	\$ (1,413,569)
Public works	2,730,192	163,680	—	—	(2,566,512)	—	(2,566,512)
Total Governmental Activities	4,143,761	163,680	—	—	(3,980,081)	—	(3,980,081)
Business-type activities:							
Water and sewer	4,483,228	5,705,017	—	—	—	1,221,789	1,221,789
Total Function/Program	\$ 8,626,989	\$ 5,868,697	\$ —	\$ —	(3,980,081)	1,221,789	(2,758,292)
General Revenues							
Property taxes					5,611,940	—	5,611,940
Specific ownership taxes					540,722	—	540,722
Investment earnings					7,091	7,638	14,729
Gain on sale of capital assets					50,678	—	50,678
Miscellaneous					12,857	27,502	40,359
Total General Revenues					6,223,288	35,140	6,258,428
Transfers					(360,000)	360,000	—
Change In Net Position					1,883,207	1,616,929	3,500,136
Net Position, Beginning Of Year					30,336,344	44,080,408	74,416,752
Net Position, End Of Year					\$ 32,219,551	\$ 45,697,337	\$ 77,916,888

CASTLE PINES METROPOLITAN DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS December 31, 2021

Assets

	<u>General Fund</u>
Current Assets	
Cash and cash equivalents	\$ 4,488,408
Cash with fiscal agent	38,193
Investments	13,168,284
Receivables:	
Accounts	27,793
Property taxes	6,031,859
Inventory	4,154
	<hr/>
Total Current Assets	\$ 23,758,691

Liabilities, Deferred Inflows Of Resources And Fund Balances

Current Liabilities	
Accounts payable	\$ 152,565
Interfund payable	33,780
Total Current Liabilities	<hr/> 186,345
Deferred Inflows Of Resources	
Unavailable revenue - property taxes	<hr/> 6,031,859
Fund Balances	
Nonspendable:	
Inventory	4,154
Restricted:	
Emergency reserve - TABOR	128,000
Unassigned	17,408,333
Total Fund Balances	<hr/> 17,540,487
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	<hr/> \$ 23,758,691

CASTLE PINES METROPOLITAN DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2021

Total Governmental Fund Balances \$ 17,540,487

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. However, in the statement of net position, the cost of these assets is capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	\$ 5,028,725	
Less: Accumulated depreciation	<u>(2,609,701)</u>	2,419,024

Infrastructure donated by developers is not a financial resource and, therefore, not reported in the funds. However, in the statement of net position, the value of this asset is capitalized.

12,854,876

Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, are not reported in the funds.

Net pension liability	(604,840)
Deferred outflows of resources	363,772
Deferred inflow of resources	(241,170)

OPEB, such as deferred outflows/inflows and net OPEB liability, are not receivable or payable in the current period and, therefore, not reported in the funds.

Net OPEB liability	(82,819)
Deferred outflows of resources	25,781
Deferred inflows of resources	(29,397)

Liabilities that are not due and payable in the current period, which, therefore, are not reported at the fund reporting level, are reported on the government-wide statement of net position.

Compensated absences	<u>(26,163)</u>
----------------------	-----------------

Net Position Of Governmental Activities \$ 32,219,551

CASTLE PINES METROPOLITAN DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2021

	<u>General Fund</u>
Revenues	
Property taxes	\$ 5,611,940
Specific ownership tax	540,722
Investment earnings	7,091
Charges for services	163,680
Miscellaneous	12,857
Total Revenues	<u>6,336,290</u>
Expenditures	
Current:	
General government	1,759,464
Public works	2,503,388
Capital outlay	408,092
Total Expenditures	<u>4,670,944</u>
Excess Of Revenues Over Expenditures	<u>1,665,346</u>
Other Financing Sources (Uses)	
Transfers out	(360,000)
Proceeds from disposal of assets	50,678
Total Other Financing Uses	<u>(309,322)</u>
Net Change In Fund Balances	1,356,024
Fund Balances, Beginning Of Year	<u>16,184,463</u>
Fund Balances, End Of Year	<u>\$ 17,540,487</u>

CASTLE PINES METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2021

Net Changes In Fund Balances - Total Governmental Funds	\$ 1,356,024
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and disposals in the current period.</p>	
Depreciation expense	(253,609)
Capital outlay	408,092
<p>Pension and OPEB (expense) benefit related to the cost-sharing multiple-employer defined benefit pension plan and health trust plan are recognized on a government-wide basis and not included in the fund statements.</p>	
Pension	358,976
OPEB	6,058
<p>Compensated absences 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.</p>	
Liability at December 31, 2021	(26,163)
Liability at December 31, 2020	33,829
	<hr/>
Change In Net Position Of Governmental Activities	<u>\$ 1,883,207</u>

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2021

(With Comparative Totals As Of December 31, 2020)

Assets And Deferred Outflows Of Resources

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 4,221,710	\$ 11,512,384
Investments	10,157,816	2,155,278
Accounts receivable	273,368	278,467
Interfund	33,780	8,222
Total Current Assets	14,686,674	13,954,351
Noncurrent Assets		
Capital assets:		
Nondepreciable capital assets	2,467,896	1,793,757
Depreciable capital assets, net	31,490,334	31,302,325
Total Noncurrent Assets	33,958,230	33,096,082
Total Assets	48,644,904	47,050,433
Deferred Outflows Of Resources		
Deferred outflows OPEB	19,448	10,201
Deferred outflows pension	274,424	158,065
Total Deferred Outflows Of Resources	293,872	168,266
Total Assets And Deferred Outflows Of Resources	48,938,776	47,218,699

Liabilities And Deferred Inflows Of Resources

Current Liabilities		
Accounts payable	588,742	146,234
Customer deposits	28,530	17,435
Accrued interest payable	12,982	14,606
Unearned revenue	38,180	25,705
Compensated absences payable, current portion	1,500	1,500
Loans payable, current portion	206,559	200,202
Total Current Liabilities	876,493	405,682
Long-Term Liabilities		
Compensated absences payable, net of current portion	28,644	39,982
Loans payable, net of current portion	1,613,429	1,819,988
Net OPEB liability	62,477	65,193
Net pension liability	456,282	557,424
Total Long-Term Liabilities	2,160,832	2,482,587
Total Liabilities	3,037,325	2,888,269
Deferred Inflows Of Resources		
Deferred inflows OPEB	22,178	14,781
Deferred inflows pension	181,936	235,241
Total Deferred Inflows Of Resources	204,114	250,022
Total Liabilities And Deferred Inflows	3,241,439	3,138,291

Net Position

Net Position		
Net investment in capital assets	32,138,242	31,075,892
Unrestricted	13,559,095	13,004,516
Total Net Position	\$ 45,697,337	\$ 44,080,408

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

For The Year Ended December 31, 2021

(With Comparative Totals For The Year Ended December 31, 2020)

	2021	2020
Operating Revenues		
Charges for services, pledged to debt	\$ 3,928,968	\$ 4,188,745
Effluent pumping	67,938	167,585
Sewer capacity agreement	1,500,000	—
Miscellaneous	208,111	135,844
Total Operating Revenues	5,705,017	4,492,174
Operating Expenses		
Depreciation	1,045,319	1,019,182
Personnel services	640,005	860,063
Contract services	710,803	647,563
Utilities	589,571	695,975
Repairs and maintenance	660,773	725,783
General overhead	702,655	108,440
Total Operating Expenses	4,349,126	4,057,006
Operating Income	1,355,891	435,168
Nonoperating Revenues (Expenses)		
Interest and fiscal charges	(54,048)	(61,920)
Water resources	(80,054)	(90,030)
Investment earnings	7,638	103,391
Revenue rebate	10,302	22,294
Meter sales	17,200	21,070
Total Nonoperating Revenues (Expenses)	(98,962)	(5,195)
Income Before Contributions And Transfers	1,256,929	429,973
Capital Contributions And Transfers		
Capital contributions (tap and developer)	—	1,850,833
Transfers in	360,000	360,000
Total Capital Contributions And Transfers	360,000	2,210,833
Change In Net Position	1,616,929	2,640,806
Net Position, Beginning Of Year	44,080,408	41,439,602
Net Position, End Of Year	\$ 45,697,337	\$ 44,080,408

CASTLE PINES METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended December 31, 2021

(With Comparative Totals For The Year Ended December 31, 2020)

	2021	2020
Cash Flows From Operating Activities		
Cash received from customers	\$ 5,735,630	\$ 4,516,698
Cash payments to employees	(926,715)	(888,106)
Cash payments for goods and services	(2,301,348)	(2,225,151)
Net Cash From Operating Activities	2,507,567	1,403,441
Cash Flows Provided By Noncapital Financing Activities		
Transfers in	360,000	360,000
Cash Flows From Capital And Related Financing Activities		
Principal paid on loans	(200,202)	(194,053)
Interest paid on loans	(55,671)	(61,820)
Payments for capital acquisitions	(1,907,467)	(446,663)
Net Cash From Capital And Related Financing Activities	(2,163,340)	(702,536)
Cash Flows From Investing Activities		
Net sales (purchases) of investments	(8,010,346)	957,911
Investment earnings	15,445	112,014
Net Cash From Investing Activities	(7,994,901)	1,069,925
Net Change In Cash And Cash Equivalents	(7,290,674)	2,130,830
Cash And Cash Equivalents, Beginning Of Year	11,512,384	9,381,554
Cash And Cash Equivalents, End Of Year	\$ 4,221,710	\$ 11,512,384
Reconciliation Of Operating Income To Net Cash From Operating Activities		
Operating income	\$ 1,355,891	\$ 435,168
Adjustments		
Depreciation expense	1,045,319	1,019,182
Sales of meters and rebates	17,200	21,070
Water resources	(80,054)	(90,030)
Revenue rebate	10,302	22,294
Changes in assets and deferred outflows:		
Accounts receivable	5,099	(14,562)
Interfund receivable	(25,558)	(7,530)
Deferred outflows pension	(116,359)	59,792
Deferred outflows OPEB	(9,247)	(3,674)
Changes in liabilities and deferred inflows:		
Accounts payable	442,508	42,640
Unearned revenue	12,475	8,007
Compensated absences payable	(11,338)	19,019
Customer deposits	11,095	(4,755)
Net pension liability	(101,142)	(316,134)
Net OPEB liability	(2,716)	(8,119)
Deferred inflow OPEB	7,397	12,747
Deferred inflow pension	(53,305)	208,326
Net Cash From Operating Activities	\$ 2,507,567	\$ 1,403,441
Schedule Of Noncash Investing, Capital And Financing Activities		
Unrealized loss on investments	\$ (7,807)	\$ (8,623)

CASTLE PINES METROPOLITAN DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

1. Summary Of Significant Accounting Policies

The Castle Pines Metropolitan District (the District) was organized by a court order on June 14, 1973 following an election by the property owners in the District and is governed by an elected five-member Board of Directors. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the activities of the District, which is legally separate from and financially independent of other state and local governments.

The primary functions of the District are to provide street repair and maintenance, snow removal, road right-of-way maintenance, water treatment and distribution, sewer collection and storm drainage management services to the property owners of Castle Pines Village.

The financial statements of the District have been prepared in conformity with GAAP as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the District's accounting policies are described below.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization or (2) the District is legally entitled to or can otherwise access the organization's resources, the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Component units also may include organizations that are fiscally dependent on the District in that the District approves the budget, levies their taxes or issues their debt. Based upon the above criteria, the reporting entity includes the District and does not include any component units, nor is the District a component unit of another entity.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government. Interfund services processed and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial position of the governmental and business-type activities of the District.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and for each identifiable business-type activity of the District. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The District does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services, (2) operating grants and contributions which finance annual operating activities, including restricted investment income and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for service is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the District.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Fund Financial Statements: The District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting: The District uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District uses two categories of funds: governmental and proprietary.

Governmental Fund: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The District reports the difference between governmental fund assets, liabilities and deferred outflows and inflows of resources as fund balance. The following describes the District's major governmental fund:

General Fund: The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of Colorado.

Proprietary Fund: Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary fund is classified as a major enterprise fund and is described below:

Water and Sewer Fund: This fund is used for the District's water distribution and sewer collection activities.

Measurement Focus

Government-Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred outflows and inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities reports revenues and expenses.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Fund Financial Statements: All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and certain deferred outflows and inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets, liabilities and deferred outflows and inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Basis Of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless the timing of related cash flows. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. The proprietary fund uses the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of unearned revenue and certain expenditures and in the presentation of expenses versus expenditures.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Revenues - Exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, the phrase “available for exchange transactions” means expected to be received within 60 days of year end.

Revenues - Nonexchange Transactions: Nonexchange transactions, in which the District receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

Unearned Revenue: Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as unearned revenue or as deferred inflows of resources related to a timing eligibility requirement.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Cash, Cash Equivalents And Investments

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, amounts deposited in the bank and pooled state-regulated investment accounts subject to immediate withdrawal, purchased with an original maturity date of three months or less.

Investments are stated at fair value.

Receivables

Receivables consist of taxes receivable and accounts receivable (billings for user charges).

Receivables are recorded on the District's financial statements to the extent that the amounts are determined to be material and substantiated, not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability.

Tap fees, user fees and similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the laws of the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Inventory

Inventories are valued at cost using the first-in/first-out method. The costs of inventories are recorded as expenditures when used (consumption method).

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The District reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets used by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, including infrastructure donated by developers, are recorded at acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets used by the enterprise fund is capitalized.

The District's infrastructure consists of roads. The District uses the modified approach for reporting infrastructure for the governmental funds.

All reported capital assets are depreciated except for land, easements, construction in progress and infrastructure. Improvements are depreciated over the remaining useful lives of the related capital assets. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 - 60 years
Improvements other than buildings	20 - 100 years
Machinery and equipment	1 - 20 years

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include 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 or periods and so will not be recognized as an outflow of resources until then. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include 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 or periods and so will not be recognized as an inflow of resources until then. The District has recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for property tax revenue, GASB 68 and GASB 75.

Compensated Absences

Paid time off (PTO) benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable. Upon termination, employees receive pay for earned, unused vacation time and 50% of accrued, unused PTO time up to 160 hours at their current hourly rate.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

Accrued Liabilities And Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

Fund Balance Policies

Fund balance for governmental funds is reported in various categories based on the nature of limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment or an assignment. The following classifications describe the relative strength of the spending constraints:

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

Restricted: Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed: Includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Directors, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Directors.

Assigned: Includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the District Manager.

Unassigned: Includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The District considers restricted fund balance to be depleted before using any of the components of unrestricted fund balance (the total of committed, assigned and unassigned fund balance). 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 of Directors or District Manager provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any debt premiums and discounts. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or other government or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Outlays may be incurred for purposes for which both restricted and unrestricted resources are available. In order to calculate the amounts to report in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers restricted net position to be depleted before unrestricted net position.

Operating Revenues And Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15, if paid in installments, or April 30, if paid in a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. Douglas County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible. The District levied 33.834 mills for property taxes collected in 2021.

Contributions Of Capital

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the nonoperating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2020, from which the partial information was derived.

Budgetary Information

Formal budgetary integration is employed as a management control device during the year for all the funds. Formal budgetary integration is also employed to comply with the Local Government Budget Law of the State of Colorado. The Board of Directors adopted the District's budget in accordance with the Colorado Revised Statutes (C.R.S.). Appropriation for all funds lapses at year end.

The appropriated budget is prepared by fund, function and department. The District's department head may recommend a transfer of appropriations within a department function. Transfer of appropriations between funds requires the approval of the Board of Directors.

The budget for the General Fund is adopted on a basis which is consistent with GAAP. The budget for the proprietary fund is adopted on a basis which differs from GAAP in that depreciation on capital assets and pension expenses are not provided, and debt principle payments and capital expenditures are included in the budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Total fund expenditure amounts, including transfers out, determine the level at which expenditures may not legally exceed appropriations. C.R.S. requires the District to adopt a balanced budget. The District's Board of Directors can amend the budget and adopt supplemental budgets in accordance with C.R.S. The District did not amend the 2021 budget.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a multi-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 pension, pension expense information about the fiduciary net position and additions to/deductions from the fiduciary net position of LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit (OPEB) Plan

The District participates in the Health Care Trust Fund (the HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At December 31, 2021, the District had bank deposits of \$897,314 collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by PDPA.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Investments

The District's investment policy limits investment instruments to the following:

- Local government investment pools authorized under C.R.S. 24-75-702
- Money market funds authorized under C.R.S. 24-75-601.1(1)(k)
- Certificates of deposit in state or national banks or in state or federally chartered savings banks as authorized by C.R.S. Section 24-75-603, et seq., are insured by FDIC. The selected bank(s) shall collateralize certificates of deposit that exceed the FDIC-insured amount in accordance with PDPA, C.R.S. 11-10.5-101, et seq.
- Direct obligations of the United States Treasury that are sold at discount or have semi-annual interest payments, i.e., U.S. Treasury bills, notes and bonds

As of December 31, 2021, the District had invested \$7,493,915 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST is valued using the net asset value per share (or its equivalent) of the investments, which approximates fair value. COLOTRUST investments do not have any unfunded commitments, redemption restrictions or redemption notice periods.

This investment pool was established for local government entities in Colorado to pool surplus funds for investment purposes by state statute. These funds operate similarly to a money market fund, and each share is equal in value to \$1.00. Investments in local government investment pools are not evidenced by securities that exist in physical or book form. Investments consist of U.S. Treasury bills, notes and repurchase agreements collateralized by U.S. Treasury securities. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. Financial statements for COLOTRUST may be obtained at www.colotruster.com. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant unobservable inputs; and Level 3 inputs are significant unobservable inputs.

The District had a recurring fair value measurement for corporate bonds and U.S. Treasury securities of \$23,310,351 as of December 31, 2021. The corporate bonds are measured using Level 2 inputs. They are measured by a third-party custodian utilizing actual transactions of similar securities, with the same rating and structure, as of that point in time. These measurements are based on various market and industry inputs, including institutional bond quotes, market prices and independent market data analysis. The District also had cash of \$15,749 held by the third-party custodian that is included in the investment value.

Interest Rate Risk: The District's investment policy states that the District will appropriately diversify the investment portfolio among investment types and maturities as a means of limiting its exposure to fair value losses arising from changes in interest rates.

Credit Risk: The District's investment policy limits investments in higher risk instruments, such as derivatives. The policy does not specifically address nationally recognized credit ratings for investments.

Concentration Of Credit Risk: The District's investment policy limits over-concentration in securities from specific issuers, a business sector, excluding U.S. Treasury Securities, or a single class of securities.

	December 31, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments By Fair Value Level				
Cash	\$ 15,749	\$ 15,749	\$ —	\$ —
Corporate bonds	1,849,426	—	1,849,426	—
U.S. treasury notes	21,460,925	—	21,460,925	—
Total Investments By Fair Value Level	23,326,100	\$ 15,749	\$ 23,310,351	\$ —
Investments Not Required To Be Categorized				
COLOTRUST	7,493,915			
Total Investments	\$ 30,820,015			

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

At December 31, 2021, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Maturity</u>
Cash	\$ 15,749	N/A	N/A
Corporate bonds	1,849,426	AAA - AA	2023-2025
U.S. treasury notes	21,460,925	N/A	2023-2026
Subtotal Investments	23,326,100		
COLOTRUST	7,493,915	N/A	N/A
Total	\$ 30,820,015		

Investments in COLOTRUST are classified as cash and cash equivalents for financial statement presentation due to the liquid nature of the investments. Cash, cash equivalents and investments reported on the statement of net position at December 31, 2021 are as follows:

	<u>Cash And Cash</u>		
	<u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Fund reporting level:			
Governmental funds - balance sheet	\$ 4,488,408	\$ 13,168,284	\$ 17,656,692
Proprietary fund statement of net position	4,221,710	10,157,816	14,379,526
Total Cash And Investments	\$ 8,710,118	\$ 23,326,100	\$ 32,036,218

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

3. Capital Assets

Governmental activities capital asset activity for the year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021
Governmental Activities				
Capital assets not being depreciated:				
Infrastructure	\$ 12,854,876	\$ —	\$ —	\$ 12,854,876
Construction in progress	496,747	9,810	(121,596)	384,961
Total Capital Assets Not Being Depreciated	13,351,623	9,810	(121,596)	13,239,837
Depreciable capital assets:				
Building and improvements	499,860	—	—	499,860
Machinery and equipment	3,744,581	519,878	(120,555)	4,143,904
Total Depreciable Capital Assets	4,244,441	519,878	(120,555)	4,643,764
Accumulated depreciation:				
Building and improvements	(91,234)	(18,539)	—	(109,773)
Machinery and equipment	(2,385,413)	(235,070)	120,555	(2,499,928)
Total Accumulated Depreciation	(2,476,647)	(253,609)	120,555	(2,609,701)
Total Capital Assets Being Depreciated, Net	1,767,794	266,269	—	2,034,063
Governmental Activities Capital Assets, Net	\$ 15,119,417	\$ 276,079	\$ (121,596)	\$ 15,273,900

Business-type activities capital asset activity for the year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 1,160,119	\$ —	\$ —	\$ 1,160,119
Construction in progress	633,638	684,323	(10,184)	1,307,777
Total Capital Assets Not Being Depreciated	1,793,757	684,323	(10,184)	2,467,896
Depreciable capital assets:				
Building	5,872,480	248,412	—	6,120,892
Improvements other than building	35,900,244	—	—	35,900,244
Machinery and equipment	8,413,585	984,916	—	9,398,501
Water rights	2,694,232	—	—	2,694,232
Total Depreciable Capital Assets	52,880,541	1,233,328	—	54,113,869
Accumulated depreciation:				
Building	(2,754,190)	(143,554)	—	(2,897,744)
Improvements other than building	(13,329,182)	(823,520)	—	(14,152,702)
Machinery and equipment	(4,651,146)	(49,847)	—	(4,700,993)
Water rights	(843,698)	(28,398)	—	(872,096)
Total Accumulated Depreciation	(21,578,216)	(1,045,319)	—	(22,623,535)
Total Capital Assets Being Depreciated, Net	31,302,325	188,009	—	31,490,334
Business-Type Activities Capital Assets, Net	\$ 33,096,082	\$ 872,332	\$ (10,184)	\$ 33,958,230

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Depreciation Expense By Function

Governmental activities:		
General government	\$	26,805
Public works		<u>226,804</u>
Total Governmental Activities Depreciation Expense	\$	<u>253,609</u>
Business-type activities:		
Water and sewer	\$	<u>1,045,319</u>
Total Business-Type Activities Depreciation Expense	\$	<u>1,045,319</u>

Infrastructure

Historically, infrastructure assets were not reflected within the accounting records, nor was consumption of these assets measured. This category of assets typically includes roads, curbs and gutters, drainage systems, etc.

GASB Statement 34, *Basic Financial Statements And Management's Discussion And Analysis For State And Local Governments*, provides an alternative approach to depreciation for measuring the value of infrastructure assets and the related costs incurred to maintain their service lives at a locally established minimum standard. In order to adopt this alternative method, the District has elected to use the modified approach and has developed an asset management system which will determine if the minimum standards are being maintained. Total infrastructure recorded in the government-wide governmental activities capital assets is \$12,854,876 at December 31, 2021.

4. Interfund Balances

Interfund balances reported on the statement of net position at December 31, 2021 consisted of the following amounts and represented charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period and (3) payments between funds are made.

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ —	\$ 33,780
Water and Sewer Fund	33,780	—
Total	\$ 33,780	\$ 33,780

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Interfund transfers represent annual funds transferred from the General Fund to the Water and Sewer Fund.

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ —	\$ 360,000
Water and Sewer Fund	360,000	—
Total	\$ 360,000	\$ 360,000

5. Long-Term Liabilities

Changes in the District's long-term liabilities consisted of the following for the year ended December 31, 2021 (see the next section for explanation of Drinking Water Revolving Fund (DWRF) loans):

	Balance December 31, 2020	Additions	Payments	Balance December 31, 2021	Due Within One Year
Governmental Activities					
Compensated absences	\$ 33,829	\$ 32,439	\$ 40,105	\$ 26,163	\$ 1,500
Net OPEB liability	86,421	—	3,602	82,819	—
Net pension liability	738,910	—	134,070	604,840	—
Total Governmental Activities	\$ 859,160	\$ 32,439	\$ 177,777	\$ 713,822	\$ 1,500
Business-Type Activities					
DWRF Loan - May 2006 (a)	\$ 773,157	\$ —	\$ 117,194	\$ 655,963	\$ 121,630
DWRF Loan - November 2006 (b)	102,884	—	14,257	88,627	14,796
DWRF Loan - October 2014 (c)	1,144,149	—	68,751	1,075,398	70,133
Compensated absences	41,482	62,970	74,308	30,144	1,500
Net OPEB liability	65,193	—	2,716	62,477	—
Net pension liability	557,424	—	101,142	456,282	—
Total Business-Type Activities	\$ 2,684,289	\$ 62,970	\$ 378,368	\$ 2,368,891	\$ 208,059

The compensated absences liability will be paid from the fund from which the employees' salaries are paid, typically by allocation of the job description between the General Fund and Enterprise Fund.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Business-Type Activities

- (a) On May 25, 2006, the District entered into a DWRF loan with the Colorado Water Resources and Power Development Authority (CWRPDA) in the principal amount of \$2,000,000 for 20 years at an annual interest rate of 3.75% for construction of a transfer station and associated piping to enable the transfer of raw water between the District's water treatment plants. The loan is payable from and collateralized by the District's water and sewer revenues in the amount of approximately \$1,160,790 through 2026. Principal and interest paid for the current year and pledged revenues received were each \$145,099. The proportion of the pledged revenue to total water and sewer revenues is not estimable because annual total fees collected fluctuate. The repayment schedule for the loan as of December 31, 2021, including interest, is as follows:

Year	Principal	Interest	Total
2022	\$ 121,630	\$ 23,469	\$ 145,099
2023	126,234	18,865	145,099
2024	131,012	14,087	145,099
2025	135,971	9,128	145,099
2026	141,116	3,981	145,097
Total	\$ 655,963	\$ 69,530	\$ 725,493

- (b) On November 6, 2006, the District obtained an additional DWRF loan with CWRPDA in the principal amount of \$250,000 for 20 years at an annual interest rate of 3.75% for additional costs associated with the project. The loan is payable from and collateralized by the District's water and sewer revenues in the amount of approximately \$152,855 through 2027. Principal and interest paid for the current year and pledged revenues received were each \$17,983. The proportion of the pledged revenue to total water and sewer revenues is not estimable because annual total fees collected fluctuate. The repayment schedule for the loan as of December 31, 2021, including interest, is as follows:

Year	Principal	Interest	Total
2022	\$ 14,796	\$ 3,186	\$ 17,982
2023	15,358	2,626	17,984
2024	15,938	2,045	17,983
2025	16,542	1,441	17,983
2026	17,167	815	17,982
2027	8,826	165	8,991
Total	\$ 88,627	\$ 10,278	\$ 98,905

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

- (c) On October 30, 2014, the District obtained an additional DWRF loan with CWRPDA for principal authorized up to \$1,800,000 for 20 years at an annual interest rate of 2.00% for construction of a water transfer line. Repayment of the loan began November 1, 2015. On April 4, 2016, the District obtained a revised loan repayment schedule for the original DWRF loan of \$1,800,000 with a loan reduction amount of \$328,515. The District completed construction on the water transfer line in December 2015; however, the loan funds were not drawn from CWRPDA until 2016. The loan is payable from and collateralized by the District's water and sewer revenues in the amount of approximately \$1,506,314 through 2035. Principal and interest paid for the current year and pledged revenues received were each \$91,292. The proportion of the pledged revenue to total water and sewer revenues is not estimable because annual total fees collected fluctuate. The repayment schedule for the loan as of December 31, 2021, including interest, is as follows:

Year	Principal	Interest	Total
2022	\$ 70,133	\$ 21,159	\$ 91,292
2023	71,542	19,749	91,291
2024	72,980	18,311	91,291
2025	74,447	16,844	91,291
2026	75,944	15,348	91,292
2027 - 2031	403,238	53,220	456,458
2032 - 2035	307,114	12,407	319,521
Total	\$ 1,075,398	\$ 157,038	\$ 1,232,436

Covenants

The DWRF loans have rate covenants requiring sufficient rates and service charges for use of the water system to produce gross revenue, defined by the loan document, for each calendar year sufficient to pay the sum of operations and maintenance costs, defined by the loan document, plus 110% of the debt service due on the outstanding bond and debt service coming due during the calendar year on any obligations secured by a lien on the pledged property. In addition, an amount is to be paid each year into any debt service reserve account and a sum equal to the debt service on any obligations secured by pledged property, as well as amounts necessary to pay and discharge all charges and liens or other indebtedness not described above payable out of revenues during the year.

6. Defined Benefit Pension Plan

Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years* (SB 18-200). The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of December 31, 2021.

Plan Description

Eligible employees of the District are provided with pensions through LGDTF. Plan benefits are specified in Title 24, Article 51, of C.R.S., 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) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 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% and then multiplied by years of service credit

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

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% and then multiplied by years of service credit
- An amount of \$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% of the highest average salary and also cannot exceed the maximum benefit allowed by the federal Internal Revenue Code.

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.0% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all eligible benefit recipients of the DPS structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (the AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Disability benefits are available for eligible employees once they reach 5 years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) 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 LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee and employer contribution rates for the period of January 1, 2021 through December 31, 2021 are summarized in the tables below:

	January 1, 2021 Through June 30, 2021	July 1, 2021 Through December 31, 2021
Employee contribution (all employees except State Troopers)	8.50%	8.50%
Employee contribution (all employees except State Troopers)	12.00%	12.50%
Employer contribution rate ¹	10.50%	10.50%
Amount of employer contribution apportioned to the HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
Amount apportioned to LGDTF	9.48%	9.48%
Amortization equalization disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Defined contribution supplement as specified in C.R.S. § 24-51-411	0.02%	0.02%
Total Employer Contribution Rate To LGDTF	13.20%	13.20%

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

Employer contributions are recognized by LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to LGDTF. Employer contributions recognized by LGDTF from the District were \$177,805 for the year ended December 31, 2021.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

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

At December 31, 2021, the District reported a liability of \$1,061,122 for its proportionate share of the net pension liability. The plan's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The District's proportion of the net pension liability was based on District contributions to LGDTF for the calendar year 2020 relative to the total contributions of participating employers to LGDTF.

At December 31, 2020, the District's portion was 0.2036%, which was an increase of 0.0264% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the District recognized pension benefit of \$629,782. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Pension Expense (Benefit)	\$ (358,976)	\$ (270,806)	\$ (629,782)
Deferred Outflows Of Resources			
Changes of assumptions	\$ 146,166	\$ 110,265	\$ 256,431
Difference between expected and actual experience	29,245	22,062	51,307
Changes in proportion and differences between contributions and proportionate share of contributions	87,012	65,641	152,653
Contributions subsequent to measurement date	101,349	76,456	177,805
Total Deferred Outflows Of Resources	\$ 363,772	\$ 274,424	\$ 638,196
Deferred Inflows Of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 241,170	\$ 181,936	\$ 423,106
Total Deferred Inflows Of Resources	\$ 241,170	\$ 181,936	\$ 423,106

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The amount of \$177,805 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date but before the end of the employer contributing entity's reporting periods will be recognized as a reduction of the net pension liability during the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a pension expense as follows:

For The Years Ended December 31,	
2022	\$ 173,031
2023	72,142
2024	(207,888)
Total	\$ 37,285

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by AIR

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by the PERA Board during the November 18, 2016 board meeting.

Based on the 2020 experience analysis dated October 28, 2020 for the period January 1, 2016 through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019 to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% - 11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by AIR

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

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

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

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

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

Post-retirement nondisabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement nondisabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019

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

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

Several factors were considered in evaluating the long-term rate of return assumption for LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate Of Return</u>
Global equity	54.00%	5.60%
Fixed income	23.00%	1.30%
Private equity	8.50%	7.10%
Real estate	8.50%	4.40%
Alternatives	6.00%	4.70%
High yield	1.38%	4.30%
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 7.25%.

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increase in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 2,444,403	\$ 1,061,122	\$ (93,737)

Pension Plan Fiduciary Net Position

Detailed information about 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.

7. Defined Benefit OPEB Plan

Plan Description

Eligible employees of the District are provided with OPEB through the HCTF, a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of C.R.S., as amended. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of C.R.S., as amended, 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 the premium subsidies. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the DPS Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (the DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202, et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses and divorced spouses and guardians, among others. Eligible benefit recipients may enroll in the program upon retirement, upon the occurrence of certain life events or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 (actual dollars) per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 (actual dollars) per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy in each case is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 (actual dollars) per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 (actual dollars) per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy in each case is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 (actual dollars) per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$13,675 for the year ended December 31, 2021.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

OPEB Liabilities, OPEB Expense And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEB

At December 31, 2021, the District reported a liability of \$145,296 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the District's proportion was 0.0153%, which was an increase of 0.0018% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the District recognized OPEB benefit of \$10,624. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	Business-Type Activities	Total
OPEB Expense (Benefit)	\$ (6,058)	\$ (4,566)	\$ (10,624)
Deferred Outflows Of Resources			
Difference between expected and actual experience	\$ 220	\$ 166	\$ 386
Changes of assumptions	619	467	1,086
Changes in proportion and differences between contributions and proportionate share of contributions	17,147	12,935	30,082
Contributions subsequent to measurement date	7,795	5,880	13,675
Total Deferred Outflows Of Resources	\$ 25,781	\$ 19,448	\$ 45,229
Deferred Inflows Of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 3,384	\$ 2,553	\$ 5,937
Difference between expected and actual experience	18,208	13,736	31,944
Changes of assumptions	5,078	3,831	8,909
Changes in proportion and differences between contributions and proportionate share of contributions	2,727	2,058	4,785
Total Deferred Inflows Of Resources	\$ 29,397	\$ 22,178	\$ 51,575

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The amount of \$13,675 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB benefit as follows:

For The Year	
Ended December 31	
2022	\$ (5,337)
2023	(4,506)
2024	(6,314)
2025	(4,112)
2026	217
Thereafter	31
Total	\$ (20,021)

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% for 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 2020, gradually rising to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019 valuation, the following monthly costs/premiums are assumed for 2020 for the PERA benefit structure:

<u>Medicare Plan</u>	<u>Initial Costs For Members Without Medicare Part A</u>		
	<u>Monthly Cost</u>	<u>Monthly Premium</u>	<u>Monthly Cost Adjusted To Age 65</u>
Medicate Advantage/Self-Insured Rx	\$ 588	\$ 227	\$ 550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
Thereafter	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above and further adjustments for credibility.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the 2016 experience analysis for the period January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020 and November 4, 2020 for the period of January 1, 2016 through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019 to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% - 11.30%

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25%.

Mortality assumptions used in the roll forward calculations for the State Division, School Division, Local Government Division and Judicial Division Trust Funds as shown below were applied in the roll forward calculation for the trust fund.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Rates of termination/withdrawal, retirement and disability were revised to more closely reflect actual experience.

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

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

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

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

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

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement nondisabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019
- Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement nondisabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019

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

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expensed to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

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

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

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 141,543	\$ 145,296	\$ 149,670

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020 measurement date
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the trust fund representing a portion of purchase service agreement intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity Of The Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 141,543	\$ 145,296	\$ 149,670

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF'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. Defined Contribution Pension Plan

Plan Description

Employees of the District that are also members of LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 52, Part 14, of C.R.S., as amended, assigns the authority to establish the plan provisions to the PERA Board of Trustees. PERA issues a publically available comprehensive annual financial report for the Program. The report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402, of C.R.S., as amended. The District does not contribute to the Voluntary Investment Program. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2021 and 2020, program members contributed \$39,021 and \$50,497, respectively, to the Voluntary Investment Program.

9. Deferred Compensation Plan

The District provides a 457 deferred compensation plan for employees, administered by PERA. All employees are eligible to participate in a deferred compensation plan. This plan is funded by voluntary member contributions as established by Title 24, Article 51 of C.R.S. The District does not contribute to the deferred compensation plan. Employees who are participating members contributed \$1,596 and \$1,020 for the years ended December 31, 2021 and 2020, respectively.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

10. Inter-Governmental Agreement

In 1989, the District, the Town of Castle Rock and Castle Pines North Metropolitan District agreed to establish the Plum Creek Water Reclamation Authority (PCWRA). The purpose of PCWRA is to provide wastewater treatment within the region to the members and other local governments. The District transferred title of the Castle Pines Wastewater plant to PCWRA in June 1990. During 2021, PCWRA charged the District \$256,440 for the treatment of the District's wastewater, with \$23,120 payable to PCWRA as of December 31, 2021.

11. Net Investment In Capital Assets

The net investment in capital assets amounts reported on the government-wide statement of net position as of December 31, 2021 are determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net Investment In Capital Assets		
Cost of capital assets	\$ 17,883,601	\$ 56,581,765
Less: Accumulated depreciation	(2,609,701)	(22,623,535)
Net Capital Assets	15,273,900	33,958,230
Less: Capital-related debt	—	(1,819,988)
Net Investment In Capital Assets	<u>\$ 15,273,900</u>	<u>\$ 32,138,242</u>

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, for which the District carries commercial insurance. Claims have not exceeded coverage in any of the three preceding years.

In October 2002, the District joined the Colorado Special Districts Property and Liability Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for member special districts in Colorado. The District pays annual premiums to the Pool for defined property and liability coverage.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

The Pool agreement also gives the Board of Directors of the Pool the power to establish additional contributions, at such times and in such amounts as the Board determines are needed for the purposes of the Pool. The Board may decide to distribute surplus funds among members; however, the District did not receive any such distribution for the year ended December 31, 2021.

13. TABOR Amendment

Colorado voters passed an amendment to the State Constitution in 1992. Article X, Section 20, (the Taxpayer Bill of Rights, otherwise known as TABOR) which has several limitations, including revenue raising, spending abilities and other specific requirements for state and local governments. The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District is of the opinion that water and sewer operations of the District qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior-year's spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards and fund reserves.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal-year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

CASTLE PINES METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

TABOR requires that emergency reserves be established. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service) in 1995 and thereafter. Emergency reserves as of December 31, 2021 totaling \$128,000 have been presented as a restriction of fund balance in the General Fund.

The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary benefit increases.

Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue. On May 2, 2000, citizens voted to allow the District to collect, spend and retain all revenues and proceeds generated from any source since December 31, 1998 without regard to any limitation under TABOR. The citizens also authorized the permanent waiver of the 5.5% statutory limit.

14. Litigation

From time to time, the District is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net position and change in net position of the District. Events could occur that would change this estimate materially in the near term.

15. Subsequent Events

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

On July 14, 2022, the District issued water and wastewater enterprise revenue bonds in the amount of \$25,115,000 in order to finance the acquisition and construction of improvements to the water and wastewater system. The principal and interest are payable solely from the net pledged revenues. The bonds bear interest at a rate between 4% and 5%, with various maturities between 2024 and 2052.

Required Supplementary Information

CASTLE PINES METROPOLITAN DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND**

For The Year Ended December 31, 2021

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 5,509,088	\$ 5,611,940	\$ 102,852
Specific ownership tax	485,000	540,722	55,722
Investment earnings	20,400	7,091	(13,309)
Charges for services	185,654	163,680	(21,974)
Miscellaneous	26,500	12,857	(13,643)
Total Revenues	6,226,642	6,336,290	109,648
Expenditures			
Current:			
General government	2,212,242	1,759,464	452,778
Public works	2,566,144	2,503,388	62,756
Capital outlay	779,010	408,092	370,918
Total Expenditures	5,557,396	4,670,944	886,452
Excess Of Revenues Over Expenditures	669,246	1,665,346	996,100
Other Financing Sources (Uses)			
Transfer out	(360,000)	(360,000)	—
Proceeds from the sale of capital assets	—	50,678	50,678
Total Other Financing Uses	(360,000)	(309,322)	50,678
Net Changes In Fund Balance	309,246	1,356,024	1,046,778
Fund Balance, Beginning Of Year	15,570,171	16,184,463	614,292
Fund Balance, End Of Year	\$ 15,879,417	\$ 17,540,487	\$ 1,661,070

Notes:

The basis of budgeting is the same as GAAP.

This schedule is presented on a modified-accrual basis.

CASTLE PINES METROPOLITAN DISTRICT

INFRASTRUCTURE CONDITION AND MAINTENANCE DATA

December 31, 2021

Modified Approach For Castle Pines Metropolitan Streets - Infrastructure Capital Assets

In accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), Castle Pines Metropolitan District (the District) is required to account for and report infrastructure capital assets. The District has several major infrastructure systems including the street system. Each major infrastructure system can be divided into subsystems. For example, the streets can be divided into concrete and asphalt pavements, concrete curb and gutters, streetlights, traffic control devices (signs, signals and pavement markings) and land. Subsystem detail is not presented in these basic financial statements; however, the District maintains detailed information on these subsystems.

The District has elected to use the modified approach as defined by GASB 34 for infrastructure reporting for its street pavement system. Under GASB 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using PAVER Pavement Management System with characteristics of (1) maintaining an up-to-date inventory, (2) perform condition assessments and summarize the results using a measurement scale and (3) estimating the annual amount to maintain and preserve at the established condition assessment level.
- The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. The District's Pavement Management System conducts condition assessment surveys annually based on priority of the District's road classification and input from the District's Board and residents. The District's streets are classified based on traffic utilization into the following classifications: Primary (Arterials), Secondary (Collectors), Tertiary (Locals). Each street was assigned a physical condition based on potential defects.

Condition	Rating
Good	86 - 100 PCI
Satisfactory	71 - 85 PCI
Fair	56 - 70 PCI

CASTLE PINES METROPOLITAN DISTRICT

INFRASTRUCTURE CONDITION AND MAINTENANCE DATA *(CONTINUED)*

December 31, 2021

The District's goal is to maintain an average rating of 85 PCI or higher on all 89.67 lane miles of streets. This rating allows appropriate roadway budgets to be determined each year. Assessments of the road are normally conducted annually or biannually. The District's three most recent average pavement condition indexes are as follows:

	2021	2018	2017
Average PCI for District roadways	84.83	91.80	88.15

The next roadway assessment will be completed in 2023.

Condition Distribution	2021	2018	2017
Good	43.97%	89.26%	63.00%
Satisfactory	52.58%	10.02%	32.00%
Fair	3.45%	0.72%	5.00%

The District's streets are constantly deteriorating, resulting from the following four factors: (1) traffic using the streets, (2) the sun's ultraviolet rays drying out and breaking down the top layer of pavement, (3) utility company/private development interests trenching operations and (4) winter freeze/thaw conditions and water damage from both natural and other urban run-off.

The District expended \$1,918,952 and \$43,334 in 2021 and 2020, respectively, on street maintenance and street rehabilitation. These expenditures improve the overall street system. A schedule of estimated and actual annual expenditures for street maintenance for the last five years is presented below:

Year	Maintenance Estimate	Actual
2017	\$ 1,493,605	\$ 1,161,900
2018	1,767,772	2,104,424
2019	960,412	923,426
2020	1,215,000	43,334
2021	1,490,000	1,918,952

CASTLE PINES METROPOLITAN DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**
For The Year Ended December 31, 2020 (Measurement Date)
Employee Pension Plan
Year Seven⁽¹⁾

	December 31,						
	2020	2019	2018	2017	2016	2015	2014
District's portion of the net pension liability (asset)	0.203620648%	0.177242104%	0.161590463%	0.170583842%	0.167868225%	0.190436468%	0.204812805%
District's proportionate share of the net pension liability (asset)	\$ 1,061,122	\$ 1,296,334	\$ 2,031,536	\$ 1,899,329	\$ 2,266,790	\$ 2,097,812	\$ 1,835,756
District's covered payroll	\$ 1,488,744	\$ 1,239,599	\$ 1,115,237	\$ 1,017,491	\$ 1,076,115	\$ 1,017,197	\$ 1,122,283
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	71%	105%	182%	187%	211%	206%	164%
Plan fiduciary net position as a percentage of the total pension liability	90.88%	86.26%	75.96%	79.37%	73.60%	76.90%	80.70%

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

CASTLE PINES METROPOLITAN DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE PENSION PLAN
For The Year Ended December 31, 2021
Employee Pension Plan
Year Seven⁽¹⁾

	December 31,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 177,805	\$ 192,575	\$ 157,136	\$ 133,865	\$ 136,452	\$ 129,022	\$ 136,738
Contributions in relation to the contractually required contribution	177,805	192,575	157,136	133,865	136,452	129,022	136,738
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
District's covered payroll	\$ 1,340,710	\$ 1,488,744	\$ 1,239,599	\$ 1,115,237	\$ 1,017,491	\$ 1,076,115	\$ 1,017,197
Contributions as a percentage of covered payroll	13.26%	12.94%	12.68%	12.00%	13.41%	11.99%	13.44%

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

CASTLE PINES METROPOLITAN DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
For The Year Ended December 31, 2021
Employee OPEB Plan
Year Four⁽¹⁾**

	2020	2019	2018	2017
District's proportion of the net OPEB liability (asset)	0.0153%	0.0135%	0.0125%	0.0133%
District's proportionate share of the net OPEB liability (asset)	\$ 145,296	\$ 151,614	\$ 170,494	\$ 172,264
District's covered payroll	\$ 1,488,744	\$ 1,239,599	\$ 1,115,237	\$ 1,017,491
District's proportionate share of the net OPEB liability (asset) as a percentage of its employee payroll	9.8%	12.2%	15.3%	16.9%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

CASTLE PINES METROPOLITAN DISTRICT

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE OPEB PLAN**

For The Year Ended December 31, 2021

Employee OPEB Plan

Year Four⁽¹⁾

	2021	2020	2019	2018
Contractually required contribution	\$ 13,675	\$ 15,185	\$ 12,644	\$ 11,375
Contributions in relation to the contractually required contribution	(13,675)	(15,185)	(12,644)	(11,375)
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —	\$ —
District's employee payroll	\$ 1,340,710	\$ 1,488,744	\$ 1,239,599	\$ 1,115,237
Contributions as a percentage of employee payroll	1.02%	1.02%	1.02%	1.02%

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

Supplementary Information

CASTLE PINES METROPOLITAN DISTRICT

COMPARATIVE BALANCE SHEET - GENERAL FUND December 31, 2021 And 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 4,488,408	\$ 13,037,138
Cash with fiscal agent	38,193	42,993
Investments	13,168,284	3,169,097
Receivables:		
Accounts	27,793	18,119
Property taxes	6,031,859	5,607,019
Inventory	4,154	2,684
Total Current Assets	\$ 23,758,691	\$ 21,877,050

Liabilities, Deferred Inflows Of Resources And Fund Balance

Current Liabilities		
Accounts payable	\$ 152,565	\$ 77,346
Interfund	33,780	8,222
Total Current Liabilities	186,345	85,568
Deferred Inflows Of Resources		
Unavailable revenue - property taxes	6,031,859	5,607,019
Fund Balance		
Nonspendable:		
Inventory	4,154	2,684
Restricted:		
Emergency reserve - TABOR	128,000	80,000
Unassigned	17,408,333	16,101,779
Total Fund Balance	17,540,487	16,184,463
Total Liabilities, Deferred Inflows Of Resources And Fund Balance	\$ 23,758,691	\$ 21,877,050

CASTLE PINES METROPOLITAN DISTRICT

**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GENERAL FUND**

For The Years Ended December 31, 2021 And 2020

	2021	2020
Revenues		
Property taxes	\$ 5,611,940	\$ 5,575,877
Specific ownership tax	540,722	480,782
Investment earnings	7,091	142,553
Charges for services	163,680	162,396
Miscellaneous	12,857	—
Total Revenues	6,336,290	6,361,608
Expenditures		
Current:		
General government	1,759,464	1,958,648
Public works	2,503,388	669,088
Capital outlay	408,092	201,178
Total Expenditures	4,670,944	2,828,914
Excess Of Revenues Over Expenditures	1,665,346	3,532,694
Other Financing Sources (Uses)		
Transfer out	(360,000)	(360,000)
Proceeds from sale of assets	50,678	5,506
Total Other Financing Uses	(309,322)	(354,494)
Net Changes In Fund Balance	1,356,024	3,178,200
Fund Balance, Beginning Of Year	16,184,463	13,006,263
Fund Balance, End Of Year	\$ 17,540,487	\$ 16,184,463

CASTLE PINES METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - WATER AND SEWER FUND For The Year Ended December 31, 2021

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for services	\$ 3,899,296	\$ 3,928,968	\$ 29,672
Effluent pumping	109,419	67,938	(41,481)
Investment earnings	15,600	7,638	(7,962)
Revenue rebate	19,000	10,302	(8,698)
Meter sales, net	15,050	17,200	2,150
Sewer capacity agreement	1,500,000	1,500,000	—
Miscellaneous	133,300	208,111	74,811
Transfers in	360,000	360,000	—
Total Revenues	6,051,665	6,100,157	48,492
Expenses			
Personnel services	1,182,218	915,377	266,841
Contract services	656,851	710,803	(53,952)
Utilities	665,237	589,571	75,666
Repairs and maintenance	606,403	660,773	(54,370)
General overhead	349,671	702,655	(352,984)
Water resources	115,154	80,054	35,100
Capital outlay	4,070,074	1,907,467	2,162,607
Debt principal	200,201	200,202	(1)
Debt interest/amortization	55,672	54,048	1,624
Total Expenses	7,901,481	5,820,950	2,080,531
Net Changes In Net Position (Non-GAAP)	(1,849,816)	279,207	\$ 2,129,023
Fund Balance, Beginning Of Year	13,319,321		
Fund Balance, End Of Year	\$ 11,469,505		
Reconciliation Of Revenue And Expenses - GAAP Basis To Budgetary Basis			
Adjustments:			
Expenses which are not expenditures for budgetary purposes:			
Depreciation		(1,045,319)	
Pension benefit		270,806	
OPEB benefit		4,566	
Expenditures for budgetary purposes:			
Capital outlay		1,907,467	
Principal payments on revenue bonds and loans		200,202	
Net Change In Net Position - GAAP Basis		\$ 1,616,929	