

CASTLE PINES NORTH METROPOLITAN DISTRICT
WORK SESSION MINUTES
July 20, 2026 – 5:30 p.m.

HELD: Monday, July 20, 2026, at 5:30 p.m. All attendees participated via videoconference.

ATTENDEES: Directors Jason Blanckaert, Tera Radloff, Jana Krell, and James Mulvey were present. Director Leah Enquist was absent. Also present were: Nathan Travis, District Manager; Eric Harris, Finance Director, and Molly Janzen, Elevated Clarity LLC; Paul Polito, Seter, Vander Wall & Mielke, P.C., legal counsel to the District; and Russell White, CPA, Andy Anderson, CPA, RubinBrown LLP, the District's auditors.

CONFLICTS: None.

QUORUM: Present.

CALL MEETING TO ORDER: The Work Session was called to order at approximately 5:30 p.m. by President Blanckaert.

FINANCE ITEMS

Presentation and Discussion – 2025 Audit

Mr. Harris introduced the District's 2025 annual audit and the audit team from RubinBrown LLP, including Russell White, CPA, and Andy Anderson. Mr. White thanked the Board and staff, noting that the audit is well ahead of schedule and that the District is back on the timeline it maintained several years ago.

Mr. White first reviewed the auditor communications letter, the auditors' required year-end communications to the Board as those charged with governance. No new accounting treatments or standards were applied in 2025. The principal unusual transaction disclosed is the continuing transfer of the District's parks and recreation assets and services to the City of Castle Pines under the Parks and Recreation IGA. The letter identifies the net pension liability as the key financial statement estimate and related sensitive disclosure. There were no difficulties or disagreements with management during the audit, and uncorrected misstatements were minor and determined to be immaterial.

Turning to the financial statements, Mr. White reported that the District received a clean, unmodified audit opinion, meaning the financial statements are fairly presented in all material respects. Reviewing the Statement of Net Position, he noted the strength of the District's balance sheet: approximately \$149 million in total assets against approximately \$4.5 million in total liabilities, for a net position of approximately \$144 million. Total assets decreased approximately \$35.7 million during 2025, driven primarily by the planned conveyance of more than 80 parcels of land and related improvements to the City under the Parks and Recreation IGA. Liabilities decreased approximately \$670,000, reflecting lower accounts payable, debt payments, and a slight decrease in the net pension liability. On the Statement of Activities, the conveyance to the City totaled approximately \$39 million, and the water and wastewater (business-type) activities increased net position by \$3.5 million. Mr. White observed that, backing out the conveyance, the District's net change in position for the year was positive by approximately \$4 million.

For the General Fund, assets increased approximately \$418,000, largely in cash and prepaid items, reflecting the District's return in 2025 to running transactions through the General Fund, with direct costs charged to, and indirect costs allocated and transferred to, the water and wastewater funds. General Fund revenue declined slightly, primarily in oil royalty and other income. Director Radloff asked whether the oil royalty income is among the revenues conveying to the City. Mr. Harris confirmed that the oil royalties are tied to the District's farm property and will be retained by the District, although they are trending lower and are expected to continue declining in future years; he will provide the Board a brief analysis of the year-over-year change. As to property taxes, Mr. Harris explained that the decrease reflects changes in assessment rates and exemption amounts, with some further decline expected over the next couple of years; the mill levy remains three and one-half mills against a slightly lower tax base, and Hidden Pointe revenues will be added in the future.

Director Mulvey asked how and when values were fixed for the parcels conveyed to the City. Mr. Harris explained that the analysis used market values assigned through the assessor's office in connection with the bill of sale executed in mid-2025, together with a weighted average allocation of historical developer asset costs to each parcel. Ms. Janzen added that the District's book values were matched against the county's records, allocated across the parcels, and shared with the City so that the City's financial statements mirror the District's treatment. Mr. Anderson confirmed that the auditors tested the methodology and assumptions and agreed with the approach. As disclosed in the IGA footnote, the District conveyed \$38,809,734 in net book value to the City during 2025, with additional transfer costs of \$315,043; approximately \$5.6 million in net book value remains to be conveyed, with completion of the conveyance expected in 2026. Mr. Travis reported later in the meeting that seven parcels remain, all of which are in the re-platting process and are expected to be approved by the City Council within the next month or so; parcels transferred during 2026 are not reflected in the 2025 audit. Mr. Harris noted that, once complete, the District's remaining governmental assets will consist of the remaining parcels, the farm property, and the District's water rights, and that staff intends to perform a similar cost-allocation exercise on the enterprise side to break legacy developer assets out by facility.

For the water and wastewater funds, revenue trended down slightly on lower tap fee activity for new builds compared to 2024. Operating income was positive for 2025, compared to a slight operating loss in 2024, and investment earnings remained strong though slightly below 2024. Net position for the funds increased \$3.5 million, with total assets of \$125 million against \$4 million in liabilities, including approximately \$49 million held in cash, as the District continues to invest substantially in capital assets.

Mr. Anderson also reviewed the lease of real property footnote concerning the community center. The District conveyed legal title to the community center property to the City in May 2025 and entered into a lease with the City in July 2025 for \$1 per year on a triple net basis, renewing automatically on a twelve-month basis. Under governmental accounting standards, because the District retains control of much of the day-to-day activities, the asset remains on the District's books notwithstanding the transfer of title. Director Radloff questioned whether the District in fact controls the building under current arrangements. Mr. Harris acknowledged that legal title and enforceable ownership rest with the City and explained that the accounting determination turns on "financial control" as defined for accounting purposes, a conclusion the auditors reached notwithstanding a minor difference of opinion with staff. He reported that staff and counsel are revisiting the lease with the City; the amended and restated lease will delineate responsibilities among the District's administrative offices, the community center, the revenue-generating telecom facilities, the basement parks and recreation operations area, and shared common spaces, and will address capital reserve, operation and maintenance, and insurance responsibilities. Mr. Harris

expects the District to record a lease asset next year in place of carrying the building by default. Mr. White noted that the footnote should change or fall away next year under the amended lease terms, and Director Radloff observed that the triple net description in the footnote, while accurate for 2025, may not remain accurate going forward. In response to Director Mulvey, Mr. Travis confirmed that the District's offices are separated from the community center by lockable, secure doors.

Director Radloff also noted the absence of a management-prepared narrative in the financial statements. Mr. Harris explained the concept of a management's discussion and analysis (MD&A, a management-prepared, unaudited section summarizing the District's financial performance for the year) and stated that staff plans to prepare one beginning with next year's audit, gathering examples from similarly sized districts and returning to the Board with a proposed process and timeline. Mr. White endorsed the addition, suggesting it could include a summary of the District's accomplishments over the last five years. Director Radloff concurred that adding the MD&A next year is appropriate.

Director Radloff asked why the District carries the outstanding Chase loan in the wastewater fund given the District's strong cash position. Mr. Harris explained that the loan, in the approximate original amount of \$4.125 million to \$5 million, funded the District's contribution to the Plum Creek Water Reclamation Authority for its 3.0 capacity expansion at a time when cash in the wastewater fund was low and the Parker inclusion created uncertainty. The loan carries interest at 3.08%, below the District's current investment returns of approximately 3.75%, so the District has left the loan outstanding while it remains in the call period, with two payments per year; staff continues to evaluate whether prepayment is warranted.

Because this was a work session, no action was taken on the audit. Directors may direct any further questions to Mr. Harris, Ms. Janzen, or the auditors. The audited financial statements will be presented to the Board for acceptance at the next regular meeting and finalized with RubinBrown by the end of the month, ahead of the July 31 filing deadline with the State.

Review of Monthly Claims for Payments Made from June 11, 2026 to July 15, 2026

Mr. Harris presented \$1,839,316.59 in payment claims for review, consisting of \$1,705,131.16 in checks and \$134,185.43 in electronic payments. All invoices included in the payment claims were reviewed and evaluated for compliance with the District's Financial Controls Policy and Matrix. Mr. Harris highlighted two budgeted capital payments: \$549,214.00 to Myers & Sons Construction LLC for the Filter Beds Rehabilitation project, which was reviewed through the pay application process with the District Engineer, and \$200,000.00 to The Country Club at Castle Pines for the District's obligation toward the Pond #6A 2026 lining project.

Mr. Harris noted that District staff now prepares and enters invoices in the accounting system, with review by Elevated Clarity before payment, and that staff has begun evaluating expense management and workflow modules for the accounting system, targeted for implementation by year end, which could route claims electronically for Board member approval in accordance with the Financial Controls Policy. A comprehensive financial report, including an analysis of financial activity through May 31, 2026, will be provided at the July Board Meeting. There were no questions on the claims.

LEGAL ITEMS

Mr. Polito presented the legal status report included in the Board packet and provided the following updates.

Interconnect Pump Station Surge Modifications – Construction Contract

Following the determination that the project must be formally bid, counsel reviewed and revised the construction contract documents prepared by the project engineer, Level Engineering & Architecture, providing comments to conform the package to the District's standard bidding documents and applicable law, principally with respect to the insurance and indemnity requirements. The revised agreement was returned to the project engineer, who has compiled the issued-for-bid contract package for release to prospective bidders. The construction contract will come before the Board for review and award following bid opening; no action was required at the work session. Director Radloff expressed appreciation that the package incorporates the District's standard bidding documents and language.

Hidden Pointe Metropolitan District Inclusion

Mr. Polito reported that on Monday, July 13, 2026, the court entered an order setting the election on the inclusion for November 3, 2026. The election will be conducted by the District as an independent mail ballot election within the boundaries of Hidden Pointe, at Hidden Pointe's expense, with Michele Barrasso of Seter, Vander Wall & Mielke, P.C. serving as Designated Election Official. Director Radloff asked whether adding the question to the November coordinated election ballot would improve response and reduce cost. Mr. Polito explained the considerations weighed: a coordinated ballot might improve turnout but risks reflexive down-ballot "no" votes, while an independent mail ballot arrives as a standalone package that voters may review on its own terms and complements Hidden Pointe's efforts to inform its electorate about the question.

Service Plan Amendment

Counsel continues to work with Douglas County on the District's service plan amendment, which is proceeding smoothly. The County has circulated referrals to collect comments from agencies potentially affected by the amendment; the comment period closed on Wednesday, July 15, 2026. Because the amendment only eliminates services, counsel does not expect many comments. Counsel is awaiting the County's report of any comments received, after which the matter will proceed to a hearing before the County to conclude the amendment process.

Upcoming Matters – Community Center Lease; Hidden Pointe Mill Levy IGA

Mr. Polito previewed two matters expected at upcoming meetings. First, consistent with the discussion under the audit item above, counsel will draft and circulate an amended and restated building lease agreement with the City for the community center property. Second, counsel is preparing a short, self-contained intergovernmental agreement with Hidden Pointe Metropolitan District to address a mill levy timing issue: under state law, territory included into the District after May 1 of a year is not subject to the District's mill levy for the following year, which conflicts with the intent of the inclusion IGA that property included before the December 15 levy certification date would be treated as fully included. Under the proposed IGA, Hidden Pointe would designate the equivalent mill levy and remit the resulting revenue to the District for the affected year, while Hidden Pointe constituents receive in-District rates. Mr. Harris added that he has been coordinating with Hidden Pointe's management company regarding the budgetary implications, and Mr. Polito reported that the Hidden Pointe board president is receptive to the approach. A draft is expected at the next work session, subject to approval by both boards.

Review of June 15, 2026 Work Session Minutes and June 22, 2026 Regular Meeting Minutes

The Board reviewed the draft minutes of the June 15, 2026 Work Session and the June 22, 2026 Regular Board Meeting. No changes were requested. The minutes will be presented for approval at the next regular meeting.

DISTRICT MANAGER ITEMS

Water Treatment Plant Grand Opening and Facility Name Change

Mr. Travis reported that the grand opening of the water treatment plant has been scheduled for September 19, 2026, in an open house format, with communications support from Sigler Communications and a ribbon cutting anticipated. An invitation and additional information will be circulated as details are finalized.

Mr. Travis then proposed that the Board consider a resolution renaming the water treatment plant. In response to President Blanckaert, Mr. Travis estimated that the associated costs would be minimal: a notification to the State regarding the facility name change and a plaque for the building. Board members discussed the proposal, and decided to forego assigning a dedicated name to the water treatment plant.

Other Updates

In response to Director Krell, Mr. Travis provided an update on the change order regarding the Monarch Boulevard project discussed at a recent special meeting. The Board approved an expenditure of approximately \$875,000; the official change order and final pricing are still being assembled, and constructability questions regarding the final pipe alignment west of Forest Park Drive are being addressed. Director Mulvey asked that additional background on the run-up to the additional cost be presented at a regular meeting, and Mr. Travis agreed to prepare a report. Mr. Travis also noted that he will provide the Board an update on the District's wells at the upcoming board meeting.

ADJOURNMENT

There being no further business to come before the Board, the Work Session was adjourned.