

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**

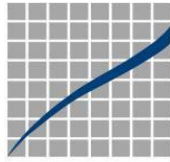
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Central Marksheffel Metropolitan District**  
Colorado Springs, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Central Marksheffel Metropolitan District ("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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the 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 within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 27, 2022

## **BASIC FINANCIAL STATEMENTS**

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 843,673
Cash and investments - restricted	5,492,989
Receivable from County Treasurer	10,399
Property taxes receivable	1,394,399
Reimbursement revenues receivable	100,000
Total assets	<u>7,841,460</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	16,105
Accrued interest payable	21,940
Noncurrent liabilities:	
General obligation limited tax bonds:	
Due within one year	365,000
Due in more than one year	8,590,000
Total liabilities	<u>8,993,045</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	1,394,399
Total deferred inflows of resources	<u>1,394,399</u>
<b><u>NET POSITION</u></b>	
Restricted for:	
Debt service	5,475,067
Emergency reserve	4,500
Unrestricted	<u>(8,025,551)</u>
Total net position	<u>\$ (2,545,984)</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT</b>					
General government	\$ 160,602	\$ -	\$ -	\$ -	\$ (160,602)
Reimbursement revenues	-	-	384,306	-	384,306
Impact fees	-	33,031	-	-	33,031
Commercial fees	-	95,538	-	-	95,538
Interest and related costs on long-term debt	276,667	-	-	-	(276,667)
<b>Total governmental activities</b>	<b>\$ 437,269</b>	<b>\$ 128,569</b>	<b>\$ 384,306</b>	<b>\$ -</b>	<b>75,606</b>
<b>GENERAL REVENUES</b>					
Property taxes					1,114,200
Specific ownership taxes					131,756
Investment income					2,703
<b>Total general revenues</b>					<b>1,248,659</b>
<b>Changes in net position</b>					<b>1,324,265</b>
<b>Net position, beginning of year</b>					<b>(3,870,249)</b>
<b>Net position, end of year</b>					<b>\$ (2,545,984)</b>

The accompanying notes and independent auditor's report should be read with these financial statements.



**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 843,673	\$ -	\$ 843,673
Cash and investments - restricted	4,500	5,488,489	5,492,989
Receivable from County Treasurer	1,881	8,518	10,399
Property taxes receivable	252,270	1,142,129	1,394,399
<b>Total assets</b>	<b>\$ 1,102,324</b>	<b>\$ 6,639,136</b>	<b>7,741,460</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 16,105	\$ -	16,105
<b>Total liabilities</b>	<b>16,105</b>	<b>-</b>	<b>16,105</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	252,270	1,142,129	1,394,399
<b>Total deferred inflows of resources</b>	<b>252,270</b>	<b>1,142,129</b>	<b>1,394,399</b>
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Debt service	-	5,497,007	5,497,007
Emergency reserve	4,500	-	4,500
Unassigned:			
General government	829,449	-	829,449
<b>Total fund balances</b>	<b>833,949</b>	<b>5,497,007</b>	<b>6,330,956</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,102,324</b>	<b>\$ 6,639,136</b>	
Amounts reported in governmental activities in the statement of net position are different because:			
Receivables not collected within 60 days of year end are not financial resources and, therefore, are not reported in the funds:			
Reimbursement revenues receivable			100,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Loans payable			(8,955,000)
Accrued interest payable			(21,940)
<b>Net position of governmental activities</b>			<b>\$ (2,545,984)</b>

The accompanying notes and independent auditor's report should be read with these financial statements.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 201,581	\$ 912,619	\$ 1,114,200
Specific ownership taxes	23,837	107,919	131,756
Impact fees	-	95,538	95,538
Reimbursement revenues	-	384,306	384,306
Commercial fees	-	33,031	33,031
Investment income	-	2,703	2,703
<b>Total revenues</b>	<b>225,418</b>	<b>1,536,116</b>	<b>1,761,534</b>
<b>EXPENDITURES</b>			
Accounting and audit	8,400	-	8,400
Bank charges	21	-	21
County Treasurer's fees	3,050	13,807	16,857
Dues	675	-	675
Insurance	3,106	-	3,106
Landscape replacement	33,624	-	33,624
Landscaping and maintenance	5,100	-	5,100
Legal	8,757	-	8,757
Management fees	84,000	-	84,000
Postage	19	-	19
Debt service:			
Bond principal	-	350,000	350,000
Interest expense	-	277,409	277,409
Trustee fees	-	2,750	2,750
<b>Total expenditures</b>	<b>146,752</b>	<b>643,966</b>	<b>790,718</b>
<b>Net change in fund balances</b>	<b>78,666</b>	<b>892,150</b>	<b>970,816</b>
<b>Fund balances, beginning of year</b>	<b>755,283</b>	<b>4,604,857</b>	<b>5,360,140</b>
<b>Fund balances, end of year</b>	<b>\$ 833,949</b>	<b>\$ 5,497,007</b>	<b>\$ 6,330,956</b>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

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Net change in fund balances - governmental funds	\$ 970,816
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Bond principal payments	350,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The effect of these differences is as follows:

Accrued interest payable on loans payable - change in liability	3,449
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Change in net position of governmental activities	\$ 1,324,265
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b><u>REVENUES</u></b>				
Property taxes	\$ 205,405	\$ 199,379	\$ 201,581	\$ 2,202
Specific ownership taxes	14,378	23,907	23,837	(70)
<b>Total revenues</b>	<b>219,783</b>	<b>223,286</b>	<b>225,418</b>	<b>2,132</b>
<b><u>EXPENDITURES</u></b>				
Accounting and audit	8,500	8,400	8,400	-
Bank charges	100	21	21	-
Contingency	400,000	-	-	-
County Treasurer's fees	3,081	3,020	3,050	(30)
Dues	4,000	1,651	675	976
Insurance	3,200	3,700	3,106	594
Landscape replacement	60,000	-	33,624	(33,624)
Landscaping and maintenance	8,500	-	5,100	(5,100)
Legal	15,000	6,015	8,757	(2,742)
Management fees	84,000	84,000	84,000	-
Postage	300	50	19	31
<b>Total expenditures</b>	<b>586,681</b>	<b>106,857</b>	<b>146,752</b>	<b>(39,895)</b>
<b>Net change in fund balance</b>	<b>\$ (366,898)</b>	<b>\$ 116,429</b>	<b>78,666</b>	<b>\$ (37,763)</b>
Fund balance, beginning of year			755,283	
Fund balance, end of year			<b>\$ 833,949</b>	

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. DEFINITION OF REPORTING ENTITY**

Central Marksheffel Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in October 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to construct public improvements including road and bridge improvements, landscaping, sanitary and storm sewer, water systems, park and recreation, channel, and other drainage improvements needed for the area.

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Government-wide and fund financial statements

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

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

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-wide and fund financial statements (continued)

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

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

Measurement focus, basis of accounting and financial statement position

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

*Debt service fund* - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of debt.

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets

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

The District amended its annual budget for the year ended December 31, 2021.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2021 in the general fund, which may be a violation of state budget law.

Pooled cash and investments

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

Property taxes

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

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

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in this category. Accordingly, that item, deferred property tax revenues, is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position

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

Fund balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

*Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

See independent auditor's report.



**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund balances (continued)

*Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above.

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

**3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 843,673
Cash and investments - restricted	<u>5,492,989</u>
	<u><u>\$ 6,336,662</u></u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2021, are as follows:

Deposits with financial institutions	\$ 2,687,345
Investments	<u>3,649,317</u>
	<u><u>\$ 6,336,662</u></u>

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Deposits with financial institutions

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

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

As of December 31, 2021, the District's cash deposits had a bank balance of \$2,688,352 and a book balance of \$2,687,345.

Investments

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

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

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

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Fidelity Investments Money Market Government Portfolio - Class I	Less than 1 year	<u>\$ 3,649,317</u>

The Fidelity Investments Money Market Government Portfolio - Class I is a money market fund that is managed by Federated Investors and each share is equal in value to \$1. The fund is rated AAm and invests in high-quality, short-term US government securities. The average maturity of the underlying securities is 90 days or less.

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**4. LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt of the District during the year ended December 31, 2021:

	Balance 1/1/2021	Additions	Repayments	Balance 12/31/21	Due within one year
Series 2014A					
Loan	\$ 9,305,000	\$ -	\$ 350,000	\$ 8,955,000	\$ 365,000
	<u>\$ 9,305,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ 8,955,000</u>	<u>\$ 365,000</u>

Series 2014 Tax-Free Refunding Loan

On September 3, 2014, the District issued Series A and Series B tax-free loan agreement for the purpose of: (i) paying the costs of refunding and defeasing the previously issued bonds; (ii) paying the project costs; and (iii) paying issuance and other costs in connection with the loan. The Series 2014 Tax-Free Refunding Loan ("Series 2014 Loan") was issued as follows: (a) Series 2014A Loan in the amount of \$11,230,000; bearing interest at 2.94% per annum, calculated on the basis of a 360-day year of twelve 30-day months; payable to the extent of pledged revenues available on each June 1 and December 1; maturing on September 3, 2024, and (b) Series 2014B Loan in the amount of \$1,000,000; bearing interest at 3.11% per annum, calculated on the basis of a 360-day year of twelve 30-day months; payable to the extent of pledged revenues available on each June 1 and December 1; maturing on September 3, 2024. The Series 2014B Loan was paid in full during the year ended December 31, 2020.

The District is required to maintain debt payment, reserve, and surplus cash accounts. The purpose of the reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the loans are outstanding.

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2014 Tax-Free Refunding Loan (continued)

The Series 2014 Loan is secured by and payable from the pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (a) required mill levy; (b) transportation fees; (c) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy; and (d) any other legally available monies which the District determines to be treated as pledged revenues. The Series 2014 Loan is also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property within the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due, and payable, and to make up any deficiencies in the reserve fund. The maximum required mill levy is 35.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2021, the District levied 22.637 mills for the debt service fund.

*Events of default*

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the loan agreement:

- a. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as required by the loan agreement.
- b. The District fails to pay the principal of or interest on the loan or any other amount payable to the bank when due.
- c. The District to observe or perform any of the covenants, agreements, or conditions in the loan agreement or custodial agreement, and such default continues for 30 days after notice specifying such default provided by the bank.
- d. Any representation or warranty made by the District in the loan agreement or in any other financing document or any certificate, instrument, financial, or other statement furnished by the District to the bank, proves to have been untrue or incomplete in any material respect when made or deemed made.
- e. The occurrence and continuance of an event of default or an event of nonperformance under the custodial agreement or any of the other financing documents after the expiration of any grace period.
- f. Default in the payment of principal of or interest when due on any financial obligation of the District and continuance of such default beyond any grace period.

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2014 Tax-Free Refunding Loan (continued)

*Events of default (continued)*

g. The pledge of the pledged revenue or any other security interest created under the loan or custodial agreement fails to be fully enforceable with the priority required by the loan or custodial agreement.

h. Any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$50,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days.

i. A change occurs in the financial or operating conditions of the District, or the occurrence of any other event that, in the bank's reasonable judgment, will have a materially adverse impact on the ability of the District to generate pledged revenue sufficient to satisfy the District's obligations under the loan agreement or its other obligations, and the District fails to cure such condition within the time specified by the Bank in a written notice thereof from the bank.

j. The District commences any case, proceeding, or other action (a) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District makes a general assignment for the benefit of its creditors; or (ii) commencement against the District of any case, proceeding, or other action that remains undismissed; or (iii) any case commenced against the District, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which is not vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof.

k. The loan agreement, custodial agreement, or any other financing document, or any material provision: (i) ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District (unless being contested by the District in good faith), or the District denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created under the loan or custodial agreement fails to be fully enforceable with the priority required.

l. The District's auditor delivers a qualified opinion with respect to the District's status as a going concern.

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2014 Tax-Free Refunding Loan (continued)

*Events of default (continued)*

m. Any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established under the loan or custodial agreement becomes subject to any writ, judgment, warrant, attachment, execution, or similar process.

n. Any determination, decision, or decree is made by the Commissioner Internal Revenue Service, or by any court of competent jurisdiction, that the interest payable on the loan is includable in the gross income for federal income tax purposes of the bank by virtue of the intentional or reckless failure or refusal by the District to take actions or refrain from taking actions as required by the agreement, which failure or refusal results in interest payable on the loan becoming includable in the gross income of the bank pursuant to Section 103(b) of the Internal Revenue Code, and the rules and regulations promulgated thereunder, if and so long as such determination, decision, or decree is not being appealed or otherwise contested in good faith by the District.

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the loans when due does not, in itself, constitute an event of default under the loan agreement, and acceleration is not an available remedy for events of default.

Upon the occurrence and continuance of an event of default, the Series 2014 Loan bears interest at the default interest rate, which means a rate per annum equal to the applicable fixed interest rate plus 5.00%, and the bank at its option, may do any one or more of the following:

- a. Exercise any and all remedies available under the custodial agreement.
- b. Take any other action or remedy available under the other financing documents or any other document, or at law or in equity.

Notwithstanding the foregoing or anything else in the loan or custodial agreement to the contrary: (i) except for the application of the default interest rate or the post maturity default interest rate, as applicable, no remedy will lie at law or in equity for any event of default consisting solely of the failure of the District to pay the principal of and interest on the loan when due, it being acknowledged by the bank that the amount of pledged revenue is limited in accordance with the terms of the loan and custodial agreement; (ii) the only remedy for an event of default is an increase in the then-applicable interest rate on the loan by dividing such otherwise applicable interest rate by 0.65, and such an event of default will not, in and of itself, result in the application of the default rate; and (iii) acceleration shall not be an available remedy for an event of default.

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**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2014 Tax-Free Refunding Loan (continued)

The District's long-term obligation on the 2014A Series Loan mature as follows:

Years Ending December 31,	Principal	Interest	Total
2022	\$ 365,000	\$ 263,277	\$ 628,277
2023	380,000	252,546	632,546
2024	<u>8,210,000</u>	<u>182,371</u>	<u>8,392,371</u>
Total	<u>\$ 8,955,000</u>	<u>\$ 698,194</u>	<u>\$ 9,653,194</u>

**5. NET POSITION**

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

Restricted net position includes restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2021, as follows:

Restricted net position:

Debt service (Note 4)	\$ 5,475,067
Emergency reserve (Note 9)	<u>4,500</u>
	<u>\$ 5,479,567</u>

The District's unrestricted net position as of December 31, 2021, totaled a deficit of \$8,025,551. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds. These bonds were issued to refinance prior debt and to fund the costs of providing certain public improvements for the District. These improvements were contributed to the County upon completion.

**6. RELATED PARTIES**

The members of the board of directors are officers, employees or associated with the developer and may have conflicts of interest in dealing with the District.

See independent auditor's report.



**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. INTERGOVERNMENTAL AGREEMENT**

Transportation Impact Fee and Public Improvement Agreement

In June 2004, the District entered into a Transportation Impact Fee and Public Improvement Agreement with the County for the purpose of the District securing fair and equitable participation in the Marshfield improvements from out-of-District properties identified within the area serviced by the improvements. The first amendment to this agreement established a credit for the District within the County's Road Impact Fee Program for regional road improvements previously built and to apply such credits first to the property within the District, and establish a reimbursable amount for the balance of the credit to be reimbursed by the County and paid to the District over time. Under the second amendment to this agreement, the District is entitled to the greater of (a) 50% of each fee program funds disbursement made; or (b) \$100,000. The fees collected by the County and remitted to the District under the agreement totaled \$384,306 during the year ended December 31, 2021.

**8. RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**9. TAX, SPENDING AND DEBT LIMITATIONS**

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

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

See independent auditor's report.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
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**9. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

District management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

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See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b><u>REVENUES</u></b>				
Property taxes	\$ 918,980	\$ 903,648	\$ 912,619	\$ 8,971
Specific ownership taxes	64,329	96,207	107,919	11,712
Impact fees	50,000	110,000	95,538	(14,462)
Reimbursement revenues	-	384,306	384,306	-
Commercial fees	250,000	40,000	33,031	(6,969)
Investment income	23,000	408	2,703	2,295
<b>Total revenues</b>	<b>1,306,309</b>	<b>1,534,569</b>	<b>1,536,116</b>	<b>1,547</b>
<b><u>EXPENDITURES</u></b>				
Bank charges	5,000	2,000	-	2,000
Contingency	6,000	-	-	-
County Treasurer's fees	13,786	13,674	13,807	(133)
Bond principal	350,000	350,000	350,000	-
Interest expense	335,767	276,607	277,409	(802)
Trustee fees	-	-	2,750	(2,750)
<b>Total expenditures</b>	<b>710,553</b>	<b>642,281</b>	<b>643,966</b>	<b>(1,685)</b>
Excess of revenues over (under) expenditures	595,756	892,288	892,150	(138)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer (to) from other funds	-	2,000	-	(2,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>(2,000)</b>
<b>Net change in fund balance</b>	<b>\$ 595,756</b>	<b>\$ 894,288</b>	<b>892,150</b>	<b>\$ (2,138)</b>
Fund balance, beginning of year			4,604,857	
<b>Fund balance, end of year</b>			<b>\$ 5,497,007</b>	

See independent auditor's report.