

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**

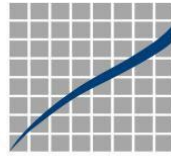
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

# TABLE OF CONTENTS

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<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide financial statements</b>	
Statement of net position	5
Statement of activities	6
<b>Fund financial statements</b>	
Balance sheets - governmental funds	7
Statements of revenues, expenditures and changes in fund balances - governmental funds	8
Reconciliation of the statements of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	9
General fund - statement of revenues, expenditures and changes in fund balance - budget and actual	10
Notes to financial statements	11
<b>SUPPLEMENTARY INFORMATION</b>	
Debt service fund - schedule of revenues, expenditures and changes in fund balance - budget and actual	26



**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Constitution Heights Metropolitan District**  
Colorado Springs, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Constitution Heights 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 26, 2022

## **BASIC FINANCIAL STATEMENTS**

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and investments - restricted	\$ 706,812
Receivable from County Treasurer	4,218
Property taxes receivable	576,030
Total assets	1,287,060
<b><u>LIABILITIES</u></b>	
Accounts payable	15,631
Accrued interest payable	51,396
Noncurrent liabilities:	
Due in more than one year	12,615,854
Total liabilities	12,682,881
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	576,030
Total deferred inflows of resources	576,030
<b><u>NET POSITION</u></b>	
Restricted for:	
Debt service	654,016
Emergency reserve	1,400
Unrestricted	(12,627,267)
Total net position	\$ (11,971,851)

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

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
<b>FUNCTIONS/PROGRAMS</b>					
<b><u>PRIMARY GOVERNMENT</u></b>					
General government	\$ 50,739	\$ -	\$ -	\$ -	\$ (50,739)
Interest and related costs on long-term debt	641,088	-	-	-	(641,088)
<b>Total governmental activities</b>	<b>\$ 691,827</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(691,827)</b>
<b><u>GENERAL REVENUES</u></b>					
Property taxes					451,434
Specific ownership taxes					52,856
Investment income					314
<b>Total general revenues</b>					<b>504,604</b>
<b>Changes in net position</b>					<b>(187,223)</b>
<b>Net position, beginning of year</b>					<b>(11,784,628)</b>
<b>Net position, end of year</b>					<b>\$ (11,971,851)</b>

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



**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and investments - restricted	\$ 1,400	\$ 705,412	\$ 706,812
Receivable from County Treasurer	4,218	-	4,218
Property taxes receivable	-	576,030	576,030
<b>Total assets</b>	<b>\$ 5,618</b>	<b>\$ 1,281,442</b>	<b>1,287,060</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 15,631	\$ -	15,631
<b>Total liabilities</b>	<b>15,631</b>	<b>-</b>	<b>15,631</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	-	576,030	576,030
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>576,030</b>	<b>576,030</b>
<b><u>FUND BALANCE</u></b>			
Restricted for:			
Debt service	-	705,412	705,412
Emergency reserve	1,400	-	1,400
Unassigned:			
General government	(11,413)	-	(11,413)
<b>Total fund balances</b>	<b>(10,013)</b>	<b>705,412</b>	<b>695,399</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,618</b>	<b>\$ 1,281,442</b>	

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

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

Accrued interest payable	(51,396)
Bonds and loan payable	(12,615,854)
<b>Net position of governmental activities</b>	<b>\$ (11,971,851)</b>

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Property taxes	\$ -	\$ 451,434	\$ 451,434
Specific ownership taxes	52,856	-	52,856
Investment income	-	314	314
<b>Total revenues</b>	<b>52,856</b>	<b>451,748</b>	<b>504,604</b>
<b><u>EXPENDITURES</u></b>			
Audit	8,400	-	8,400
Bank charges	15	38	53
County Treasurer's fees	-	6,772	6,772
Dues and subscriptions	285	-	285
Insurance	2,394	-	2,394
Legal	6,111	-	6,111
Management fees	26,407	-	26,407
Supplies	318	-	318
Debt service:			
Trustee fees	-	4,000	4,000
Interest expense	-	616,750	616,750
<b>Total expenditures</b>	<b>43,930</b>	<b>627,560</b>	<b>671,490</b>
Excess of revenues over (under) expenditures	8,926	(175,812)	(166,886)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfer (to) from other funds	44,549	(44,549)	-
<b>Total other financing sources (uses)</b>	<b>44,549</b>	<b>(44,549)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>53,475</b>	<b>(220,361)</b>	<b>(166,886)</b>
Fund balances, beginning of year	(63,488)	925,773	862,285
<b>Fund balances, end of year</b>	<b>\$ (10,013)</b>	<b>\$ 705,412</b>	<b>\$ 695,399</b>

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

**CONSTITUTION HEIGHTS 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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<u>Net change in fund balances - total governmental funds</u>	\$	(166,886)
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Amounts reported for governmental activities in the statement of activities are different because:

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:

<u>Accrued interest payable on the developer advance - change in liability</u>		<u>(20,337)</u>
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<u>Changes in net position of governmental activities</u>	<u>\$</u>	<u>(187,223)</u>
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CONSTITUTION HEIGHTS 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>				
Specific ownership taxes	\$ 35,952	\$ 53,010	\$ 52,856	\$ (154)
Investment income	-		-	-
<b>Total revenues</b>	<b>35,952</b>	<b>53,010</b>	<b>52,856</b>	<b>(154)</b>
<b><u>EXPENDITURES</u></b>				
Audit	-	-	8,400	(8,400)
Bank charges	200	22	15	7
Contingency	5,000		-	-
Dues and subscriptions	-	-	285	(285)
Election	-	-	-	-
Legal	5,000	5,000	6,111	(1,111)
Insurance	3,000	-	2,394	(2,394)
Management fees	26,400	26,400	26,407	(7)
Supplies	200	500	318	182
<b>Total expenditures</b>	<b>39,800</b>	<b>31,922</b>	<b>43,930</b>	<b>(12,008)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer (to) from other funds	-	-	44,549	44,549
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>44,549</b>	<b>44,549</b>
<b>Net change in fund balance</b>	<b>\$ (3,848)</b>	<b>\$ 21,088</b>	<b>53,475</b>	<b>\$ 32,387</b>
Fund balance, beginning of year			(63,488)	
Fund balance, end of year			<b>\$ (10,013)</b>	

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

# CONSTITUTION HEIGHTS METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2021

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#### 1. DEFINITION OF REPORTING ENTITY

Constitution Heights Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in November 2004, 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.

**CONSTITUTION HEIGHTS 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 meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported 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 accounts 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 to be used in payment of long-term debt.

See independent auditor's report.

**CONSTITUTION HEIGHTS 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.

Pooled cash and investments

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

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.

**CONSTITUTION HEIGHTS 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 balance for governmental funds is 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.



**CONSTITUTION HEIGHTS 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 - restricted	<u>\$ 706,812</u>
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The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2021, are as follows:

Deposits with financial institutions	\$ 21,257
Investments	<u>685,555</u>
	<u>\$ 706,812</u>

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.

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Deposits with financial institutions (continued)

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 \$21,752 and a book balance of \$21,257.

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.

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

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Investments (continued)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	<u>\$ 685,555</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust ("CSAFE or "Trust"), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1. CSAFE may invest in US Treasury securities, repurchase agreements collateralized by US Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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/ Defeasance	Balance 12/31/21	Due Within One Year
<b>General obligation bonds</b>					
Series 2020					
Bonds	\$ 12,335,000	\$ -	\$ -	\$ 12,335,000	\$ -
Subtotal	12,335,000	-	-	12,335,000	-
<b>Other debt</b>					
Developer advance -					
Operating	153,500	-	-	153,500	-
Accrued interest:					
Developer advance -					
Operating	107,017	20,337	-	127,354	-
Subtotal	260,517	20,337	-	280,854	-
<b>Total long-term obligations</b>	<b>\$ 12,595,517</b>	<b>\$ 20,337</b>	<b>\$ -</b>	<b>\$ 12,615,854</b>	<b>\$ -</b>

Series 2020 General Obligation Limited Tax Refunding Bonds

On June 9, 2020, the District issued Series 2020 General Obligation Limited Tax Refunding Bonds ("Series 2020 Bonds") for the purpose of: (i) paying the costs of refunding the previously issued bonds; (ii) funding reserves and capitalized interest; and (iii) paying other costs incurred in connection with the issuance of the Series 2020 Bonds and the refunding of the previously issued bonds. The Series 2020 Bonds were issued in the amount of \$12,335,000. The bonds bear interest at the rate of 5.00% 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, and mature on December 1, 2049.

The District is required to maintain bond payment and surplus cash accounts. The purpose of the the surplus 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 bonds are outstanding.

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2020 General Obligation Limited Tax Refunding Bonds (continued)

The bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (a) required mill levy; (b) capital fees; and (c) any other legally available monies which the District determines to be treated as pledged revenue. The bonds are also secured by amounts held by the trustee in the surplus fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable and to make up any deficiencies in the surplus fund. The maximum mill levy is 44.531 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 27.830 mills for the debt service fund.

*Optional redemption*

The Series 2020 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2025 to May 31, 2026	3.00%
June 1, 2026 to May 31, 2027	2.00%
June 1, 2027 to May 31, 2028	1.00%
June 1, 2028 and thereafter	0.00%

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

---

**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2020 General Obligation Limited Tax Refunding Bonds (continued)

*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 indenture:

- i. The District defaults in the performance and fails or refuses to impose the required mill levy or to apply the pledged revenue as required by the indenture.
- ii. The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied is given to the District by the owners of 25% in aggregate principal amount of the bonds then outstanding.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due does not, in itself, constitute an event of default under the indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled as a matter of right to the appointment of one or more receivers of the trust estate and of the revenues, income, product and profits thereof pending such proceedings, subject, however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to, the trustee.
- ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2020 General Obligation Limited Tax Refunding Bonds (continued)

*Events of default (continued)*

iii. Mandamus or other suit: The owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce its rights.

Notwithstanding the foregoing or anything else herein to the contrary, acceleration will not be an available remedy for an event of default.

The District's long-term obligations on the 2020 Series Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ -	\$ 616,750	\$ 616,750
2023	-	616,750	616,750
2024	55,000	616,750	671,750
2025	115,000	614,000	729,000
2026	170,000	608,250	778,250
2027-2031	1,145,000	2,893,500	4,038,500
2032-2036	1,685,000	2,556,000	4,241,000
2037-2041	2,380,000	2,069,250	4,449,250
2042-2046	3,290,000	1,388,000	4,678,000
2047-2049	3,495,000	403,500	3,898,500
	<u>\$ 12,335,000</u>	<u>\$ 12,382,750</u>	<u>\$ 24,717,750</u>

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Developer advances

On November 15, 2005, the District entered into a reimbursement agreement with two developers, Sand Creek Investments South, LLC, and Marksheffel Business Center Investments, under which the District will reimburse the developers for the costs of district formation, operations and maintenance expenses, and improvements that benefit the District and development within the District. The District agreed to repay such advances plus interest at 8.00% per annum. Principal and interest repayments are expected to be made from the District's bonds proceeds. The developer advances do not constitute a lien or encumbrance upon any bond proceeds now or hereafter held by the District, except to the extent the District appropriates such bond proceeds for the specific purpose of reimbursement repayments. As of December 31, 2021, developer advances totaled \$153,500 and accrued interest related to the developer advances totaled \$127,354.

**5. NET POSITION**

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

Restricted net position includes balances with external 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)	\$ 654,016
Emergency reserve (Note 10)	<u>1,400</u>
Total restricted net position	<u><u>\$ 655,416</u></u>

The District's unrestricted net position as of December 31, 2021, totaled a deficit of \$12,627,267. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds issued to fund infrastructure contributed to the County.

**6. RELATED PARTIES**

In the ordinary course of business, the District has and expects to continue to have transactions, including developer advances, with developers which are the landowners within the District (Note 4). The members of the board of directors of the District are employees, owners of or otherwise associated with the developers and may have conflicts of interest in dealing with the District.

See independent auditor's report.



**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**7. INTERGOVERNMENTAL AGREEMENTS**

On November 30, 2006, the District entered into an intergovernmental agreement ("IGA") with Central Marksheffel Metropolitan District to finance and construct certain road improvements to a portion of Marksheffel Road.

On September 22, 2009, the District entered into an IGA with the County ("County") which provided for the construction of the middle portion of Marksheffel Road by the County with Pikes Peak Regional Transportation Authority ("PPRTA") funds. Upon entering this IGA, the County contemporaneously entered the November 4, 2008 IGA. Under the terms of the 2009 IGA, the District agreed to deed certain property to the County and to contribute up to \$2,788,841 for the cost of design, engineering, and construction of Akers Drive (one of the deeded properties) and Marksheffel Road, including \$588,841 for the cost of improvements to Akers Drive and \$2,200,000 for Marksheffel Road improvements. After contributing \$185,000 for the value of work completed to date on Marksheffel Road, the County will be reimbursed for the balance of the Marksheffel Road improvement costs by collecting a building permit fee, recorded against certain properties within the District and against properties within the impact area of the described improvements as allocated on Exhibit E to the 2009 IGA.

**8. ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to fund general and capital expenditures. Until an independent revenue base is established, general expenses and construction of public improvements will be dependent upon funding by the developer.

**9. RISK MANAGEMENT**

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

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.

See independent auditor's report.

**CONSTITUTION HEIGHTS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**10. 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.

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**

**CONSTITUTION HEIGHTS 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	\$ 449,394	\$ 451,351	\$ 451,434	\$ 83
Investment income	-	332	314	(18)
<b>Total revenues</b>	<b>449,394</b>	<b>451,683</b>	<b>451,748</b>	<b>65</b>
<b><u>EXPENDITURES</u></b>				
Audit	8,500	8,400	-	8,400
Bank charges	500	55	38	17
County Treasurer's fees	6,741	6,749	6,772	(23)
Interest expense	294,669	616,750	616,750	-
Miscellaneous	15,000	-	-	-
Trustee fees	500	4,000	4,000	-
<b>Total expenditures</b>	<b>325,910</b>	<b>635,954</b>	<b>627,560</b>	<b>8,394</b>
Excess of revenues over (under) expenditures	123,484	(184,271)	(175,812)	8,459
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer (to) from other funds			(44,549)	(44,549)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(44,549)</b>	<b>44,549</b>
<b>Net change in fund balance</b>	<b>\$ 123,484</b>	<b>\$ (184,271)</b>	<b>(220,361)</b>	<b>\$ 53,008</b>
Fund balance, beginning of year			925,773	
Fund balance, end of year			<b>\$ 705,412</b>	

See independent auditor's report