

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2022

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central Marksheffel Metropolitan District
El Paso County, Colorado

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, 2022, 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, 2022, 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 28, 2023

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2022

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 406,751
Cash and investments - restricted	663,352
Receivable from County Treasurer	11,856
Property taxes receivable	1,456,931
Total assets	2,538,890
<u>LIABILITIES</u>	
Accounts payable	8,346
Accrued interest payable	6,223
Noncurrent liabilities:	
Due within one year	380,000
Due in more than one year	2,160,000
Total liabilities	2,554,569
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	1,456,931
Total deferred inflows of resources	1,456,931
<u>NET POSITION</u>	
Restricted for:	
Debt service	673,063
Emergency reserve	5,000
Unrestricted	(2,150,673)
Total net position	\$ (1,472,610)

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, 2022

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government				
Government activities:				
General government	\$ 280,643	\$ 9,950	\$ -	\$ (270,693)
Interest and related costs on long-term debt	242,853	-	-	(242,853)
Total government activities	\$ 523,496	\$ 9,950	\$ -	(513,546)
GENERAL REVENUES				
Property taxes				1,391,545
Specific ownership taxes				144,985
Investment income				50,390
Total general revenues				1,586,920
Change in net position				1,073,374
Net position, beginning of year				(2,545,984)
Net position, end of year				\$ (1,472,610)

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, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 406,751	\$ -	\$ 406,751
Cash and investments - restricted	-	663,352	663,352
Receivable from County Treasurer	2,145	9,711	11,856
Property taxes receivable	263,583	1,193,348	1,456,931
Total assets	\$ 672,479	\$ 1,866,411	\$ 2,538,890
<u>LIABILITIES</u>			
Accounts payable	\$ 8,346	\$ -	\$ 8,346
Total liabilities	8,346	-	8,346
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	263,583	1,193,348	1,456,931
Total deferred inflows of resources	263,583	1,193,348	1,456,931
<u>FUND BALANCES</u>			
Restricted for:			
Debt service	-	673,063	673,063
Emergency reserve	5,000	-	5,000
Unassigned:			
Unrestricted	395,550	-	395,550
Total fund balance	400,550	673,063	1,073,613
Total liabilities, deferred inflows of resources, and fund balances	\$ 672,479	\$ 1,866,411	
Amounts reported in governmental activities in the statement of net position are different because:			
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued interest on bonds payable			(6,223)
Bonds payable			(2,540,000)
Net position of governmental activities			\$ (1,472,610)

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, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Impact fees	\$ -	\$ 9,950	\$ 9,950
Property taxes	251,754	1,139,791	1,391,545
Specific ownership taxes	26,230	118,755	144,985
Investment income	-	50,390	50,390
Total revenues	277,984	1,318,886	1,596,870
EXPENDITURES			
Current:			
Accounting and audit	8,825	-	8,825
Bank charges	4,601	-	4,601
County Treasurer fees	3,788	17,151	20,939
Dues and subscriptions	696	-	696
Insurance	2,886	-	2,886
Landscaping	6,478	-	6,478
Landscape replacement	33,004	-	33,004
Legal services	19,214	-	19,214
Management fees	82,990	-	82,990
Postage	110	-	110
Professional fees	900	-	900
Debt service:			
Bond principal	-	6,415,000	6,415,000
Bond interest payments	-	255,570	255,570
Bank charges	-	3,000	3,000
Total expenditures	163,492	6,690,721	6,854,213
Excess of revenues over expenditures	114,492	(5,371,835)	(5,257,343)
OTHER FINANCING SOURCES AND USES			
Transfer between funds	(547,891)	547,891	-
Total other financing sources and uses	(547,891)	547,891	-
Net change in fund balance	(433,399)	(4,823,944)	(5,257,343)
Fund balance, beginning of year	833,949	5,497,007	6,330,956
Fund balance, end of year	\$ 400,550	\$ 673,063	\$ 1,073,613

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, 2022

Net change in fund balance \$ (5,257,343)

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

The issuance of long-term debt (such as bonds, leases, and developer advances) provides current financial resources to governmental funds, while the repayment 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, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal payments	6,415,000
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Some items in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Reversal of previously recorded Transportation Impact Fee and Public Improvement Agreement (Note 6)	(100,000)
Change in accrued interest on bonds payable	15,717

Change in net position	\$ 1,073,374
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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, 2022

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Property taxes	\$ 252,270	\$ 251,754	\$ (516)
Specific ownership taxes	17,659	26,230	8,571
Total revenues	269,929	277,984	8,055
<u>EXPENDITURES</u>			
Accounting and audit	9,000	8,825	175
Bank charges	100	4,601	(4,501)
County Treasurer fees	3,784	3,788	(4)
Dues and subscriptions	-	696	(696)
Insurance	3,700	2,886	814
Landscaping	15,000	6,478	8,522
Landscape replacement	2,500	33,004	(30,504)
Legal services	10,000	19,214	(9,214)
Management fees	84,000	82,990	1,010
Postage	300	110	190
Professional fees	1,500	900	600
Total expenditures	129,884	163,492	(33,608)
Excess of revenues over expenditures	140,045	114,492	(25,553)
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfer between funds	-	(547,891)	(547,891)
Total other financing sources and uses	-	(547,891)	(547,891)
Net change in fund balance	\$ 140,045	(433,399)	\$ (573,444)
Fund balance, beginning of year		833,949	
Fund balance, end of year		\$ 400,550	

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, 2022

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 plus deferred outflows of resources and the liabilities plus deferred inflows of resources is reported as net position.

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 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.

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.

See independent auditor's report.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another 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 for repayment of debt.

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 incurred expenditures in excess of appropriations for the year ended December 31, 2022 in the general fund and debt service fund, which may be a violation of state budget law. The District has indicated that it plans to amend the budget further.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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.

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 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 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 amounts, 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.

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. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

See independent auditor's report.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Net position and fund balances

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. 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:

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

The *restricted fund balance* is 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.

The *committed fund balance* is 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.

The *assigned fund balance* is 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.

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

For fund presentation purposes, 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, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 406,751
Cash and investments - restricted	<u>663,352</u>
	<u>\$ 1,070,103</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2022, are as follows:

Deposits with financial institutions	\$ 406,751
Investments	<u>663,352</u>
	<u>\$ 1,070,103</u>

See independent auditor's report.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022, the District's cash deposits had a bank balance of \$406,751 and a carrying balance of \$406,751.

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. 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

As of December 31, 2022, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Fidelity Investments Money Market Government Portfolio - Class I	Less than 1 year	<u>\$ 663,352</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 AAAM 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, 2022

4. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2022:

	Balance 01-01-22	Additions	Repayments / Amortization	Balance 12-31-22	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2014A Loan	\$ 8,955,000	\$ -	\$ 6,415,000	\$ 2,540,000	\$ 380,000
Total long-term obligations	\$ 8,955,000	\$ -	\$ 6,415,000	\$ 2,540,000	\$ 380,000

Series 2014 Tax-Free Refunding Loan

On September 3, 2014, the District issued Series A and Series B tax-free loan agreements 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.

Pledged revenues

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 mill levy is adjusted for changes in the ratio of actual value to assessed value of property within the District.

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

Year Ending December 31,	Principal	Interest	Total
2023	\$ 380,000	\$ 75,438	\$ 455,438
2024	2,160,000	64,152	2,224,152
Total	\$ 2,540,000	\$ 139,590	\$ 2,679,590

See independent auditor's report.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.
- 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 (i) 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 (ii) 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 (iii) commencement against the District of any case, proceeding, or other action that remains undismitted; or (iv) 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

DECEMBER 31, 2022

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.

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.

5. NET POSITION

The District has net position consisting of 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, 2022 as follows:

Restricted net position:	
Debt service (Note 4)	\$ 673,063
Emergency reserve (Note 9)	<u>5,000</u>
	<u>\$ 678,063</u>

The District's unrestricted net position as of December 31, 2022, totaled a deficit of \$2,150,673.

6. INTERGOVERNMENTAL AGREEMENTS

Marksheffel Bridge Credits

As of December 31, 2022, the District has credits totaling \$1,896,402 with the County related to the Marksheffel bridge over Sand Creek. These credits will be recorded as revenues in the period they are received.

See independent auditor's report.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 was entitled to the greater of (a) 50% of each fee program funds disbursement made; or (b) \$100,000. During the year ended December 31, 2022, it was determined that no additional fees would be received under this agreement and, accordingly, \$100,000 which had been previously recorded as a receivable was reversed.

7. 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.

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 employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). 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.

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, 2022

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Property taxes	\$ 1,142,129	\$ 1,139,791	\$ (2,338)
Specific ownership taxes	79,949	118,755	38,806
Impact fees	25,000	9,950	(15,050)
Investment income	1,105	50,390	49,285
Total revenues	1,248,183	1,318,886	70,703
<u>EXPENDITURES</u>			
Bank charges	2,000	-	2,000
Contingency	6,000	-	6,000
County Treasurer fees	17,132	17,151	(19)
Bond principal	365,000	6,415,000	(6,050,000)
Bond interest payments	263,277	255,570	7,707
Bank charges	-	3,000	(3,000)
Total expenditures	653,409	6,690,721	(6,037,312)
Excess of revenues over expenditures	594,774	(5,371,835)	(5,966,609)
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfer between funds	-	547,891	547,891
Total other financing sources and uses	-	547,891	547,891
Net change in fund balances	\$ 594,774	(4,823,944)	\$ (5,418,718)
Fund balance, beginning of year		5,497,007	
Fund balance, end of year		\$ 673,063	

See independent auditor's report.