COLORADO OFFICE OF THE STATE AUDITOR

Department of Local Affairs

Metropolitan Districts

Performance Audit
October 2026
2559P





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October 1, 2026

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Department of Local Affairs and oversight of metropolitan districts. We conducted the audit pursuant to Section 2-3-108, C.R.S., which requires the State Auditor to conduct a special audit requested by a member of the General Assembly or the Governor, when approved by a majority vote of the Legislative Audit Committee. The Legislative Audit Committee approved this audit in response to a legislative request, which expressed concerns regarding the increase in the number of metropolitan districts and the amount of outstanding metropolitan district debt in recent years, and the importance of balance between taxation and the provision of services and ensuring metropolitan districts function in a way that serves the best interests of taxpaying residents. The report presents our findings, conclusions, and recommendations to and responses of the Department of Local Affairs, and policy considerations for the General Assembly.

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Report Highlights

Metropolitan Districts

Department of Local Affairs

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Key Concern

The Department of Local Affairs (Department) should improve its processes to help ensure accountability and transparency of metropolitan (metro) districts and to provide increased guidance to local governments that approve metro districts. Additionally, the General Assembly may want to consider statutory changes to improve accountability and transparency for metro districts.

Key Findings

- The Department should improve the guidance it provides to local governments that approve and oversee metro districts, including guidance on assessing whether residents face excessive taxes to repay district debt.
- The Department should help ensure metro district compliance with filing requirements of oaths and bonds, service plans and amendments, election notices and results, and annual reports and budgets. The Department should then seek dissolution or consolidation of districts that are noncompliant with certain filings.
- Statute could be revised to modernize oversight of metro districts; add clarity and enforcement to filing requirements; ensure all metro districts maintain public websites with service plans; revise debt authorization and issuance practices; address the use of public improvement fees; help ensure metro districts are served by full boards; and clarify how long metro districts can remain inactive and not provide any public improvements.

Background

- Metro districts are a type of special district and local government that provide two or more public improvements, which are typically financed through property taxes. As of October 2025, there were about 2,500 metro districts in Colorado that planned to collect about $1.2 billion in property tax revenue in 2026.
- The Department's Division of Local Government provides guidance to municipalities and counties that approve metro districts' service plans and receives a number of filings from metro districts that are published to the Department's Local Government Information System website.

Audit Recommendations Made	Agency Responses		
	Agree	Partially Agree	Disagree
17	17	0	0

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Chapter 1
Overview

Background

Special Districts

Special districts in Colorado are created pursuant to the Special District Act [Section 32-1-101, et seq., C.R.S.], to provide services that promote the health, safety, prosperity, security, and general welfare of the citizens living within the districts. Special districts are independent, special-purpose local governmental units that exist separately from other local governments such as county, municipal, and township governments, and have substantial administrative and fiscal independence. They are created to perform a single function or a set of related functions, such as to provide fire protection, health services, water, and sanitation, which may not otherwise be available through the county or municipal government. Special districts can levy property taxes and fees and issue debt in order to provide for the construction, financing, operation, and maintenance of services.

Metropolitan Districts

A metropolitan (metro) district is a type of special district that provides at least two of the following different types of improvements or services [Section 32-1-103(10), C.R.S.]:

a. Fire protection
b. Mosquito control
c. Parks and recreation
d. Safety protection
e. Sanitation
f. Solid waste disposal facilities or collection and transportation of solid waste
g. Street improvement
h. Television relay and translation
i. Transportation
j. Water

Practically speaking, metro districts are "created by real estate development companies with authority to develop housing and public infrastructure, levy taxes, and provide urban services," as explained in the October 2025 Colorado Statewide Strategic Growth Report, which was required by Senate Bill 24-174 to examine land use patterns in Colorado [Section 24-32-3707, C.R.S.]. According to a 2024 report from the Metropolitan District Homeowners' Rights Task Force, created by House Bill 23-1105 [Section 12-10-226.5, C.R.S., which has since been repealed], "A common philosophy in Colorado is that development should pay its own way, meaning that residents who would live in an area being developed should pay for that development, rather than passing the cost on to all

residents, including existing residents, of a community, city, or county. Therefore, metro districts provide a solution for developers to pay for the costs of infrastructure and improvements."

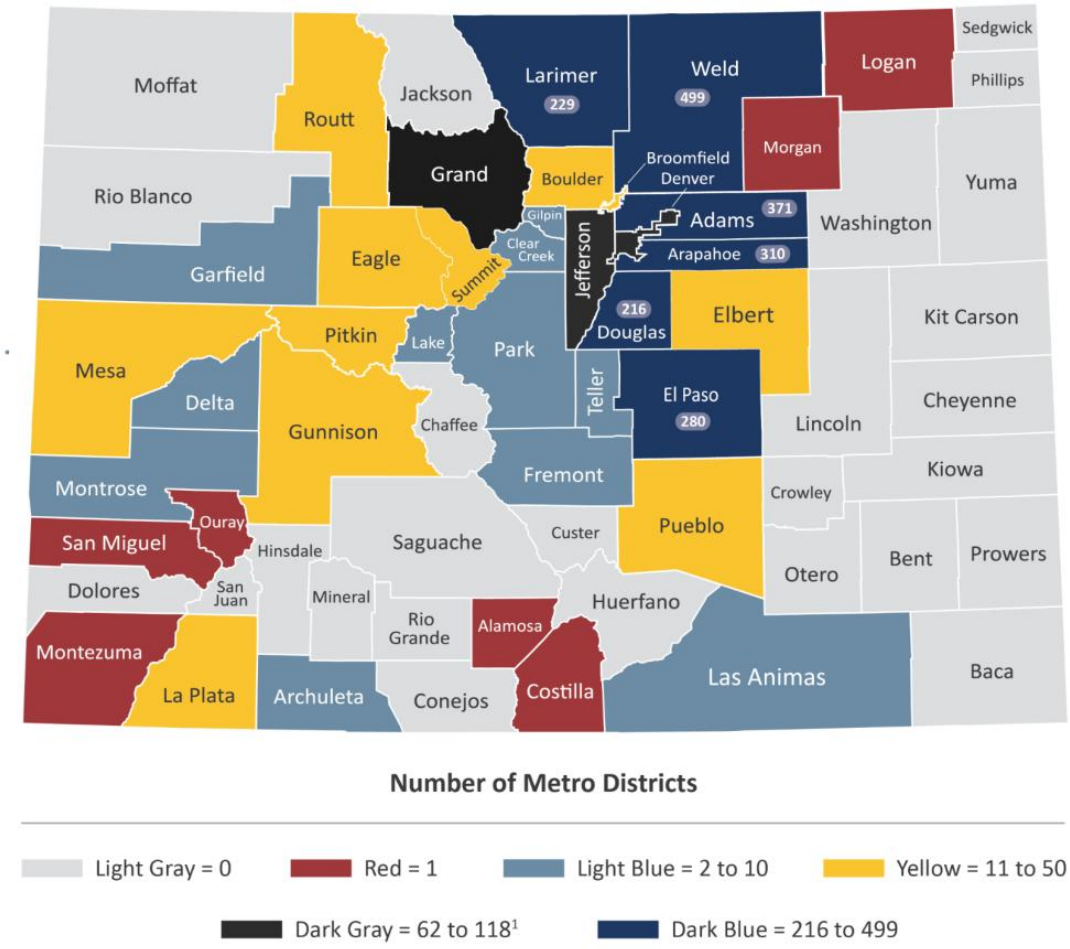
Metropolitan Districts by the Numbers

According to data maintained by the Department of Local Affairs (Department), over the last 20 years the number of metro districts in the state more than doubled, growing from about 1,000 at the end of 2006 to 2,509 as of October 2025.

Across Colorado, 38 of the 64 counties (59 percent) had at least one metro district as of October 2025. Just 6 of the 64 counties (10 percent) had 75 percent of the metro districts, with each of these counties having between 216 (Douglas) and 499 (Weld) metro districts each. Of the 2,509 metro districts, 27 extended into two counties and one extended into three counties. Exhibit 1.1 contains a map of Colorado's counties that represents the number of metro districts in each county.

Exhibit 1.1

Number of Metropolitan Districts in Colorado Counties as of October 2025



Source: Office of the State Auditor analysis of Department of Local Affairs data on active metropolitan (metro) districts as of October 2025.

[1] There were no counties that had between 119 and 215 metro districts.

Five counties had mosquito control districts, which only provide the one service of mosquito control and the service can cover large areas of the counties; three counties' only metro districts were mosquito control districts (Alamosa, Delta, Montezuma), while two counties with mosquito control districts also had additional other types of metro districts (La Plata, Mesa). The Department considers mosquito control districts as metro districts because mosquito control districts predate current metro district statutes that expect metro districts to provide two or more services and because authority for special districts to provide mosquito control under Article 1 of Title 32 only exists within the current metro district definition.

To provide a broader picture of the reach of metro districts, we used State Demographer data with estimates of housing units within metro districts in each county, as of 2025. There were an estimated 572,000 housing units within metro districts across the state, as of 2025. Out of the six counties with the most metro districts, Douglas County had the most residential housing units located within its 216 metro districts, at about 108,780 or 70 percent of the county's housing units. After Douglas County, Arapahoe County had about 65,000 housing units in its 310 metro districts (23 percent of units in the county) and El Paso County had about 57,000 housing units in its 280 metro districts (18 percent of units in the county). Weld County had the most metro districts at 499, with about 28,700 housing units located in those districts (20 percent of units in the county).

We also assessed how much tax revenue would be collected for metro districts in 2026. Metro districts will collect an estimated $1.2 billion in tax revenue in 2026. Across the six counties with the most districts in the state, Douglas County's metro districts will collect the most tax revenue at more than $219 million, comprising 19 percent of all taxes collected in the county. Exhibit 1.2 provides metro district data for the top six counties with the most metro districts with tax revenue information for Calendar Year 2026.

Exhibit 1.2

Metropolitan District Figures in Six Counties

County	# of Metro Districts	# of Metro District Housing Units (2025 estimate)	% of County's Housing Units Located in Metro Districts	2026 Tax Revenue to be Collected for Metro Districts	% of Total County 2026 Tax Revenue to be Collected for Metro Districts
Weld	499	28,656	20%	$128,041,951	8%
Adams	371	37,412	18%	$170,338,562	10%
Arapahoe	310	64,880	23%	$166,661,664	9%
El Paso	280	56,858	18%	$92,046,369	9%
Larimer	229	15,091	9%	$58,496,485	6%
Douglas	216	108,780	70%	$219,188,142	19%
Total for the Six Counties	**1,905**	**311,677**	**24%**	**$834,773,173**	**10%**

Source: Office of the State Auditor analysis of Department of Local Affairs data on active metropolitan districts as of October 2025, State Demographer estimated data as of 2025, and the Division of Property Taxation's 2025 annual report.

Establishment of Metropolitan Districts

The first step in organizing a metro district is for the people seeking to organize the district (e.g., individuals owning land that they wish to develop) to submit a service plan and obtain approval of the service plan by the local government(s) in which the district will be formed. Service plans act as the constitution, or charter, for the district, setting powers and limitations (e.g., maximum debt limits and mill levies; powers to enforce covenants). Approval of metro districts' service plans must come from either the:

- Board of commissioners of each county or counties in which the district is located [Section 32-1-203(1), C.R.S.]; or
- Governing body of any municipality or municipalities where the district is located if the metro district's boundaries are wholly contained within one or more municipality [Section 32-1-204.5(1), C.R.S.]

For this audit report, we will refer to the governments that approve metro districts' service plans as the "approving local governments."

After the approving local government approves a metro district's service plan, the people seeking to organize the district may file a petition for the organization of a metro district with the district court of the jurisdiction to contain the metro district [Section 32-1-301, C.R.S.]. The court can then direct that an organizational election be held to allow voters in the proposed district to decide if a district

should be created and if so, to elect the directors to serve on the district's board, after which the court can declare the metro district as organized [Section 32-1-305, C.R.S.].

Metro districts may request approval from their approving local governments to make material modifications—or amendments—to their approved service plans. Material modifications that need approval include "changes of a basic or essential nature" such as adding or reducing types of services provided to the district, a decrease in the ability to discharge existing or proposed indebtedness, or a decrease in the existing or projected need for organized service in the area, among other reasons [Section 32-1-207(2)(a), C.R.S.].

Required Filings

Once formed, metro districts are expected to submit several types of filings to the Division of Local Government, within the Department, such as their service plans, annual budgets, annual reports, election results or notices of canceled election, oaths and bonds of directors, and notices to electors. Statute allows metro districts to go into inactive status when the district is in a predevelopment stage and has no new residents, has no businesses within its boundaries, has not issued any debt and has no outstanding financial obligations that require performance, has not imposed a mill levy in the fiscal year, and is not responsible for operation or maintenance of any facilities [Sections 32-1-103(9.3) and 104(3)-(4), C.R.S.]. Statute exempts inactive districts from several filing requirements [Section 32-1-104(5), C.R.S.].

Department of Local Affairs

The Department serves as "the primary interface between the State and local communities," as explained in the Department's Fiscal Year 2027 performance plan. Within the Department, the Division of Local Government (Division) provides technical expertise, advocacy, and funding, and works directly with local governments on various topics, including compliance with state statutes. The Division oversees the collection of various filings from all local governments, including filings from metro districts such as annual reports, budgets, and election notices. The Division also has certain responsibilities related to initiating dissolution or consolidation of metro districts, and for informing county treasurers to withhold tax funds when districts have failed to submit certain filings.

We audited the work of the Division with regard to its collection and handling of filings and its determination as to whether to initiate dissolution or consolidation of metro districts. We also used data collected by the Department's Division of Property Taxation and by the State Demography Office.

Funding

For Fiscal Year 2027, the Department's budget was $560.2 million, of which $203.7 million was appropriated to the Division, most of which was dedicated to grants, trust funds, and insurance

funds—funds intended to be dispersed to local governments. The Division has 93 full-time equivalent (FTE) positions. About $2 million was appropriated to the Division's administration, which includes the Division's Local Government Services Section, which has 7.3 FTE that fulfill various statutory responsibilities for many types of local governments, including providing technical assistance to metro districts and processing metro district filings, while the remaining FTE at the Division work to provide grants, funds, and assistance to local governments.

Data

The Department uses the Local Government Information System (LGIS) as its key electronic information system that local governments, including metro districts, use to submit electronic filings. The system stores documents submitted by local governments and maintains data on when the filings are submitted. There is both a public-facing LGIS for the public to access and view filings as well as an internal version of LGIS that Division staff use to process submitted electronic filings. The Division launched LGIS in 2012 and transitioned away from manual and mailed filings to electronic filings between 2010 and 2012.

For filings received prior to 2012, the Division has access to an archive electronic information system, OnBase, which contains scanned versions of filings submitted to the Division in 2011 and before, but OnBase is not currently accessible by the public.

In addition to the filings submitted to and reviewed by the Division, LGIS contains information from the Department's Division of Property Taxation on local governments'—including metro districts'—assessed valuations and certified mill levies.

Audit Purpose, Scope, and Methodology

We conducted this performance audit pursuant to Section 2-3-108, C.R.S., which requires the State Auditor to conduct a special audit requested by a member of the General Assembly or the Governor, when approved by a majority vote of the Legislative Audit Committee. The Legislative Audit Committee approved this audit in response to a legislative request, which expressed concerns regarding the increase in the number of metro districts and the amount of outstanding metro district debt in recent years, and the importance of balance between taxation and the provision of services, and ensuring metro districts function in a way that serves the best interests of taxpaying residents. Audit work was performed from October 2025 through September 2026. We appreciate the cooperation and assistance provided by the management and staff of the Department during this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit's key objectives were to evaluate the Department's oversight of metro districts in Colorado, the different ways metro districts provide services to their districts, and whether local governments provide examples of how to improve governance, transparency, and responsiveness of metro districts to their residents.

To accomplish our audit objectives, we performed the following audit work:

- Reviewed state statute, legislative history, and the Division's available written guidance on the various requirements for the creation, governance, dissolution, and consolidation of metro districts along with districts' filing requirements. We also reviewed statute and Department of Revenue guidance related to sales taxes and the assessment of fees on retail customers.

- Reviewed the prior 2006 Office of the State Auditor (OSA) performance audit on the Department's oversight of metro districts and the OSA Special Districts Fiscal Health Analysis Calendar Years 2021-2023, published in October 2025.

- Analyzed Department LGIS data, current as of October 2025, on the growth of metro districts over time, as well as the rate at which metro districts filed documents with the Division as expected in statute, including service plans, board of directors' oaths and bonds, notices to electors, election results, notices of canceled elections, annual reports, and annual budgets. We also analyzed Department LGIS data on metro districts' 2026 mill levies and assessed valuations.

- Assessed the design of the LGIS application controls for the document submission date field, which was included in the LGIS data we received and analyzed, and confirmed the date field is reliably and accurately documenting when metro districts submit filings to the Division for the purposes of our audit work.

- Analyzed Department data including internal spreadsheets used by the Division related to administrative dissolution; housing unit and population estimates from the State Demographer's Office; Division data about the number of FTE within the Local Government Services Section; and data from the Division's OnBase database that stores archived filings, such as metro district service plans and statements of purposes, submitted prior to when LGIS went live in 2012.

- Reviewed the Division's internal procedures related to processing filings and following up with delinquent filers as well as its process related to administrative dissolution of special districts.

- Interviewed Division staff about the processing of required filings, guidance provided to approving local governments, handling of watchlists and procedures related to metro district dissolutions, and number of FTE within the Division's Local Government Services Section.

- Interviewed stakeholders including Colorado Counties, Inc.; Colorado Municipal League; the Special District Association of Colorado; and municipal finance experts who work on special district financing in Colorado and other states. In addition, we interviewed Department of Regulatory Agencies' Division of Real Estate staff who worked on the Metropolitan District Homeowners' Rights Task Force, required by House Bill 23-1105 [Section 12-10-226.5, C.R.S., which has since been repealed], that issued a 2024 report containing potential solutions related to metro district transparency and disclosure, covenant enforcement, governance, and levying of taxes, among other topics.

- Conducted a survey in February 2026, sent to all 335 municipalities and counties in the state, 111 of which we know are local governments that have approved metro districts, that included questions about the approving local governments' review of required reports and addressing metro district resident concerns. The Division helped us by sending the survey to its contacts at the local governments and then sending follow-up reminders to the local governments. A total of 36 local governments responded to our survey, of which 27 of the 111 (24 percent) approving local governments provided responses. We sent follow-up questions and held interviews with the survey respondents as needed.

- Reviewed national best practices related to municipal bond issuance and conducted research of other states' statutes related to municipal bond issuance.

- Reviewed receipts from retail purchases the audit team made in five metro districts with public improvement fees and reviewed local sales tax information in the Colorado Sales Tax Lookup related to the locations of those purchases to understand how fees imposed by metro districts impact retail customers. We also reviewed guidance and policies set by approving local governments related to public improvement fees.

- Reviewed metro districts' filings contained in LGIS and the Division's OnBase archive, audits downloaded from the OSA's Local Government Portal, documents from the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access (EMMA), information from the Division of Property Taxation's online property tax maps, reports from county assessors, and information on districts' own websites to create profiles for a selection of metro districts.

- Reviewed the Division's efforts to contact metro districts that the OSA has identified as having difficulty repaying indebtedness within the annual OSA Special District Fiscal Health Analysis report and confirmed the Division has a process to reach out to metro districts and their approving local governments after this annual OSA report is released.

We relied on the following targeted selections and samples to support our work:

- A selection of 96 out of 2,457 districts that were created on or before December 31, 2024, where LGIS data as of October 2025 indicated the district's board was fully vacant or had only one or

two members. The selection included all 86 districts for which LGIS showed the board as fully vacant, a random selection of 5 of the 94 active districts that had only one director listed in LGIS, and a random selection of 5 of the 279 active districts that had only two directors listed in LGIS. We reviewed LGIS and metro district websites to determine whether these metro district boards were still vacant as of May 2026 to assess how many districts had actual board vacancies as opposed to delinquent filings.

- A random selection of 15 of the 255 districts with service plan amendment records in LGIS that lacked the original service plan records to review the completeness of the service plan amendments publicly posted to LGIS.

- A random selection of 15 of the 1,103 districts that did not have a service plan posted to LGIS, but had a "Service Plans" or "Organizational" record in the OnBase system, to assess the likelihood that the Division has an archive copy of service plans or statements of purpose that could be publicly posted to LGIS. In addition, a total of 9 of these 15 districts were created after January 1, 2000, and were required to have a public website. For these 9 districts, we reviewed whether the district had a public website, and if they did, if the website had the service plan posted.

- A random selection of 10 of the 2,191 active metro districts created on or before January 15, 2025, the date on which the Division expected to receive 2025 notices to electors, to review the Division's process to follow up with metro districts that did not file notices to electors on time. The selection included 5 of the 86 metro districts that submitted May 2025 election filings late and 5 of the 37 metro districts that had not submitted any May 2025 election filings as of October 2025.

- A selection of 10 of the 226 metro districts that were active during all of 2024 and still active in October 2025, when the 2024 annual report was due, that did not file a 2024 annual report with the Division by the end of October 2025. We randomly selected 2 metro districts from each of the top 5 counties that had the most districts that did not file a 2024 annual report. The selection included 2 of the 66 districts in El Paso County, 2 of the 58 districts in Weld County, 2 of the 41 districts in Larimer County, 2 of the 22 districts in Adams County, and 2 of the 19 districts in Arapahoe County. For these selected districts, we inquired with the eight local governments that approved their service plans on whether the approving local governments waived the annual report requirement for the metro districts, and reviewed whether the districts had submitted their 2024 annual report to the approving local governments, to the State Auditor, and/or had posted it to their own websites.

- A random selection of 10 of the 95 metro districts that did not file with the Division either a 2025 budget or inactive notice on time, out of the 2,450 active and inactive metro districts with a file in LGIS as of January 1, 2025 to determine if and how the Division followed up with these districts.

- A selection of 16 out of the 2,247 active metro districts as of October 2025 that are demonstrative of a variety of governance structures and financing structures utilized by metro districts and that had fiscal health issues reported in the OSA's 2021-2023 Special District Fiscal Health report from October 2025 and/or have undergone debt restructuring. We provide an analysis of these 16 metro districts across 5 profilesin Chapter 4 where we reviewed their LGIS filings, audits, and websites, among other publicly available information, to understand how those districts provide public improvements.

The results of our targeted selections and samples cannot be projected to the population. However, the sample results are valid for understanding the results of our data analyses, as well as the Division's processes, and, along with the other audit work performed, provide sufficient, reliable evidence as the basis for our findings, conclusions, and recommendations.

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Details about the audit work supporting our findings and conclusions, including any deficiencies in internal control that were significant to our audit objectives, are described in the remainder of this report.

A draft of this report was reviewed by the Department. Obtaining the views of responsible officials is an important part of the OSA's commitment to ensuring that the report is accurate, complete, and objective. The OSA was solely responsible for determining whether and how to revise the report, if appropriate, based on the Department's comments. The written responses to the recommendations and the related implementation dates were the sole responsibility of the Department.

Chapter 2

Metropolitan District Creation, Governance, Dissolution, and Consolidation

Several entities play a role in the oversight and accountability of metropolitan (metro) districts. The counties and municipalities in which a metro district—or proposed metro district—is located are the approving local governments that are charged with reviewing proposed metro districts' service plans and deciding whether to approve the plans and the creation of the district, deny the plans and not allow the district to be created, or require the service plans to be modified in order to receive approval [Sections 32-1-203 and 204.5, C.R.S.]. After approving local governments agree to the creation of metro districts—and subsequent approval is agreed to by eligible electors in the district (e.g., residents, property owners, owners of contracts to purchase property in the district) and granted by relevant district courts—the approving local governments continue to maintain some oversight of the metro districts. For example, statute provides for approving local governments to require certain reporting by the district every 5 years and to compel changes to the district's service plan to ensure it is adequate to meet the debt financing requirements of the district's authorized and unissued general obligation debt based upon present conditions within the district [Section 32-1-1101.5, C.R.S.].

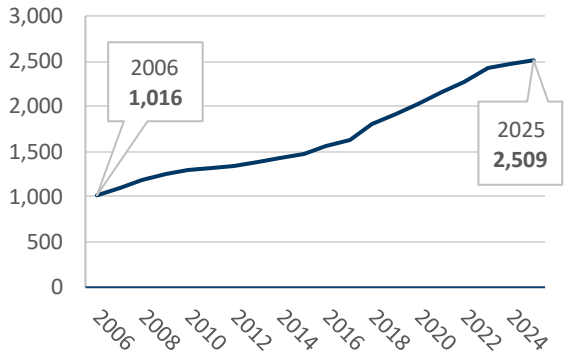
The direct governance of metro districts is exercised by a board of directors, where the board is elected by eligible electors in the district. In the event a board seat becomes vacant in between elections and the existing board does not appoint a new director to fill the vacancy, approving local governments have the ability to appoint directors to fill vacancies [Sections 32-1-905(2) and (2.5), C.R.S.]. This process helps ensure that metro districts retain full board membership that is representative of the electorate.

The Division of Local Government (Division), within the Department of Local Affairs (Department), also plays some key roles in the governance and accountability for metro districts. First, the Division was created to be a resource for local governments, and it provides guidance and best practices to help approving local governments carry out their oversight responsibilities. Second, statute requires metro districts to submit various filings to the Division—as discussed both in this chapter and in Chapter 3—and requires the Division to make information about districts available to the public, which it does by posting the filings on its Local Government Information System (LGIS). These filings are intended to provide public transparency for metro districts' governance and operations. Third, the Division has specific statutory responsibilities relating to dissolution and consolidation of districts.

The Division is uniquely situated to support the governance and oversight of metro districts. We acknowledge, however, that the number of metro districts in the state has more than doubled in the

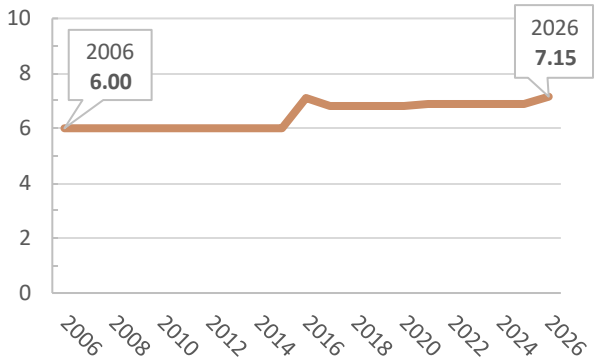
last 20 years while the Division's number of staff devoted to local government services has remained largely the same, which poses a challenge for the Division to meet the increased need for guidance, increased number of filings that are incoming, and increased need to assess whether districts should be dissolved or consolidated. In 2006, Colorado had about 1,000 metro districts, and the Division's Local Government Services (LGS) Section had 6 full-time equivalent (FTE) positions to provide technical assistance, process filings, and carry out dissolution and consolidation work for these metro districts, as well as other special districts and local governments. As of October 2025, there were 2,509 metro districts (a 150 percent increase since 2006), and the Division's LGS Section had 7.15 in available FTE (a 19 percent increase since 2006) to carry out these same duties. Over the last 20 years, the Division's allotted FTE to the LGS Section has not increased in correspondence with the increase in metro districts and the increased administrative demands they pose to the Division. Exhibit 2.1 shows the growth in metro districts from 2006 to October 2025, and Exhibit 2.2 shows the growth in the Division's FTE allotted to the LGS Section in the same time frame.

Exhibit 2.1
Number of Metropolitan Districts
2006 to 2025



Source: Office of the State Auditor analysis of the Department of Local Affairs' data on metropolitan districts, as of October 2025.

Exhibit 2.2
Number of FTE Allocated to the Local Government Services (LGS) Section
Fiscal Years 2006 to 2026



Source: Office of the State Auditor analysis of the Department of Local Affairs' data on their fiscal year full-time equivalent positions, as of August 2026.

This chapter examines the extent to which the Department is implementing its oversight responsibilities related to metro districts and whether approving local governments and other states provide examples of how to improve governance, transparency, and responsiveness of metro districts to their residents. Through our audit work, we identified recommendations to:

- Improve the Division's guidance to approving local governments related to reviewing service plans and using the 5-year report process as an oversight mechanism. The Division is uniquely suited to support approving local governments when they are reviewing documents that propose the creation of new metro districts within their boundaries. We provide examples of Colorado approving local governments that have created their own resources to guide the review of service plans, which the Division could compile and include within its own guidance.

- Improve the frequency of metro districts filing oaths and bonds of their directors.
- Improve the Division's process for identifying metro districts eligible for dissolution or consolidation and then initiating administrative dissolution, dissolution by application to the district board, or consolidation by administrative action, as applicable.

We also identified several areas for which policymakers may want to consider statutory change relating to:

- The Division's resources to provide guidance to local governments about complex topics affecting the governance and accountability of metro districts.
- Modernizing the 5-year report process as an oversight mechanism.
- Clarifying metro districts' debt authorization practices.
- Revisiting exemptions for some metro districts from the requirement to publish annual reports.
- Requirements for metro districts to work with municipal advisors when issuing debt, of which there was at least $3.2 trillion in authorized but unissued debt across all metro districts as of 2024. Such a statutory revision would align Colorado's metro districts with national best practices set by the Government Finance Officers Association, as well as by other states and by some local governments in Colorado.
- Addressing metro districts' use of public improvement fees that are assessed on retail sales made within the districts, similar to sales taxes, to improve transparency and consumer safeguards.
- Deadlines for districts to file the oaths and bonds of their directors with the Division.
- The Division's role in identifying metro district board vacancies that have not been filled by metro district boards and informing approving local governments of the vacancies so that the approving local governments are positioned to fill the vacancies as authorized by Sections 32-1-905(2) and (2.5), C.R.S.
- Time limits for how long a metro district can be inactive and consideration of inactive status in administrative dissolution.

We provided these policy considerations to the Department for its review and feedback. The Department reported that it did not have a position on these considerations at this time and will continue to work with the Office of the State Auditor, General Assembly, and stakeholders on these policy considerations.

The rest of this chapter provides details on the results of our work and the Department's responses to our audit recommendations.

Finding 1 and Policy Considerations 1 and 2 – Local Government Oversight of Service Plans

Statute provides the approving local government with the responsibility for overseeing any special district—including metro districts—formed within the local government's boundaries. The primary way in which the approving local government exercises this responsibility is through the approval and ongoing monitoring of a district's service plan in the years after formation. The approving local government must ensure that the economic benefits to be achieved by the district are in balance with the cost of the services to be provided as outlined in the district's plan. This balance will promote the needed economic benefits without placing unnecessary burden on the taxpayer. If the district is unable to adhere to its original service plan, it is required under state law to obtain approval from the approving local government for any material modifications to the plan, and the approving local government has the ability to compel changes to the service plan in certain circumstances.

Approval of the Service Plan and Any Material Modifications to the Service Plan

The service plan is the special district's charter governing the services and financial arrangements of the district. Statute requires the service plan to specify what services the district will provide and the financial plan the district will adhere to in order to pay for those services, such as how much debt will be issued, when the debt will be repaid, and how many mills will be assessed on taxpayers [Section 32-1-202(2), C.R.S.]. Service plans are either approved by the governing body of counties (county-approved districts) [Section 32-1-203, C.R.S.], or in cases where the entirety of a district is within the boundaries of one or more municipalities, approved by the governing body of the applicable municipalities (municipality-approved districts) [Section 32-1-204.5, C.R.S.].

Individuals proposing to form a metro district must file a service plan with the approving local government. For county-approved districts, the county's governing body first holds a public hearing on the proposed service plan [Section 32-1-202(1)(a), C.R.S.]; statute does not explicitly require a public hearing when the approving local government is a municipality. The next step is for the approving local government to approve the service plan, disapprove the service plan, or conditionally approve the service plan subject to the submission of additional information or modification [Sections 32-1-203(1) and 204.5(1), C.R.S]. To approve the service plan, the approving local government adopts a resolution of approval [Section 32-1-205, C.R.S.].

Statute requires the district to "conform as far as practicable to the approved service plan" [Section 32-1-207(1), C.R.S.], and directs that material modification to a service plan may only be made upon petition to and approval of the approving local government, in substantially the same manner as is provided for the approval of the original service plan [Section 32-1-207(2)(a), C.R.S.]. Statute defines material modifications as "changes of a basic or essential nature," including any addition to the types of services provided by the district, a decrease in the financial ability of the district to discharge debt, or a decrease in need for organized service. Approval for modification is not required for changes

necessary only for the execution of the original service plan or for changes in the boundary of the special district.

Service Plan Modifications or Cancellation of Authorized but Unissued Debt

Service plans must include a financial plan that shows how services will be financed by reporting all proposed indebtedness along with a schedule indicating when the debt will be issued; the financial plan effectively sets the district's debt limit. Once the service plan is approved and before any debt can be issued, districts are required to get voter authorization to issue "any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves" through ballot measures under the Taxpayer's Bill of Rights (TABOR) [Article X, Section 20(4)(b), Colorado Constitution]. Statute also requires voter authorization before the issuance of general obligation indebtedness exceeding 1.5 percent of the assessment value of the district's taxable property [Section 32-1-1101(2), C.R.S.]. Metro districts often ask voters to authorize debt that is larger than the service plan debt limit. For example, if a district's service plan states that the district will provide three of the 10 services listed in Section 32-1-103(10), C.R.S., such as street improvements, parks, and sanitation, and the service plan debt limit is $20 million, the district might ask voters to approve up to $20 million in authorized debt for each of the three services, which would total $60 million in authorized debt across all three services. However, in this situation, the district could still only issue a total of $20 million in debt across the three services, unless the district revises the service plan to increase the debt limit and this modification to the service plan is approved by the approving local government. Voter authorization of debt expires 20 years after the date of the election [Section 32-1-1101(2), C.R.S.].

Once a district receives voter approval to issue debt through one or more ballot measures, the district should keep track of the debt it has issued and the amount of authorized but unissued debt it has available, both of which are reported within districts' annual audit filings. Since 1991, statute provides approving local governments of special districts the authority to require service plan modifications or cancellation of authorized but unissued debt if the approving local government finds that the district's debt issuance plans will not result in the timely and reasonable discharge of debt. Specifically, the approving local government can request once every 5 years that districts submit a detailed report on debt issuance and debt authorization activities [Section 32-1-1101.5(1.5), C.R.S.]. Statute refers to this report as the "application for a quinquennial finding of reasonable diligence" and we will refer to it as the 5-year report.

After receiving a 5-year report from a district, the approving local government can accept the report without further action or can conduct a public hearing to consider whether the district's plans are adequate to meet the debt financing requirements of the authorized and unissued general obligation debt based upon present conditions within the district. If the approving local government finds the district's plans "will result in the timely and reasonable discharge of the special district's general obligation debt," the approving local government can grant continuation of the district's authority to issue debt. If the approving local government finds that the district's plans will not result in the timely and reasonable discharge of debt, the approving local government can cancel the district's

authority to issue more debt or can require amendments to the district's service plan as a condition of issuing more debt [Section 32-1-1101.5(2), C.R.S.].

The OSA's 2006 performance audit of the Department and oversight of metro districts found that (1) approving local governments were not using 5-year reports for their oversight of districts, and (2) the Division provided inadequate guidance to help approving local governments understand their authority to request 5-year reports from districts and cancel districts' authorized but unissued debt under certain circumstances. To help ensure that approving local governments had regular access to information about districts' debt and financial health—rather than only once every 5 years through the 5-year report process, as was the case in 2006—the Legislative Audit Committee sponsored House Bill 08-1125, to require special districts to specify in their audits or requests for audit exemption the amount of their authorized but unissued debt and any current or anticipated plan to issue debt [Sections 29-1-605(2) and 606(7), C.R.S.], and to submit the audit report or request for audit exemption to their approving local government [Section 29-1-606(7), C.R.S.]. The OSA also recommended that the Department provide additional technical assistance and guidance to approving local governments related to their role in the oversight of special districts, which the Department agreed to do.

What audit work was performed and what was the purpose?

We reviewed statutes related to service plans, 5-year reports, and requirements for districts to report on their authorized but unissued debt. We reviewed the recommendations from the 2006 OSA audit of oversight of metro districts. We conducted a survey in February 2026, sent to all 335 municipalities and counties in the state, that included questions about approving local governments' review of service plans and their use of 5-year reports. The Division helped us by sending the survey to its local government contacts and then sending follow-up reminders to the local governments. A total of 36 local governments responded to our survey, of which 27 of the 111 (24 percent) approving local governments provided responses, including 13 counties and 14 municipalities. We sent follow-up questions and held interviews with the survey respondents as needed. We also interviewed Division staff about guidance provided to approving local governments related to approval of service plans and the option to require districts to submit 5-year reports.

The purpose of our audit work was to determine the extent that approving local governments have access to information and guidance from the Division related to reviewing service plans and the 5-year report process as part of their oversight responsibilities.

How were the results of the audit work measured?

The Department, through the work of the Division, is charged with providing guidance to local governments. Statute is clear that the Division does not have any power of control or supervision over any unit of local government [Section 24-32-105, C.R.S.], but statute does provide for the Division to serve as a resource for local governments. Specifically, statute directs the

Division to serve as a clearing house of information relating to the common problems of local governments; study the structure and powers of local government units and their relationships to each other, local government finance, services, management, and functions; encourage and when so requested assist cooperative efforts among the officials of local government units toward the solution of common problems; encourage and cooperate in training for local government officials and employees; and upon request by local government officials, provide technical assistance in defining their local government problems and developing solutions thereof [Section 24-32-104(1), C.R.S.]. In particular, the Division serves as the primary, state-level resource for local governments to provide technical assistance and guidance. The Division targets its technical assistance based on local government demand within the constraints of its resources and capacity.

What problem did the audit work identify?

We found that the Division may not be providing sufficient guidance to approving local governments on how to review metro districts' service plans and how to use 5-year reports to help fulfill their oversight responsibilities. In our survey, we asked approving local governments if they needed additional resources or guidance related to approving service plans, reviewing annual reports, and requesting 5-year reports. In response, some approving local governments indicated that they would like more guidance from the Department on the approval and oversight of metro districts' service plans and authorized debt. Of the 27 municipalities and counties responding to our survey:

- 18 (67 percent) reported that it would be helpful for the Department to provide additional resources or information related to reviewing service plans. Respondents reported wanting more guidance on understanding the financial structure of service plans, including understanding debt burden and reasonability of planned financing, and information on best practices for service plans. The remaining respondents reported that they would not find additional guidance from the Department helpful (6 respondents) or were unsure if additional guidance would be helpful (3 respondents); one such approving local government noted that it has an attorney who reviews the service plans, another noted that the approving local government is working to develop its own model service plan for its metro districts to use, and a third approving local government noted that it would prefer the Department not have a role in service plans.

- 18 (67 percent) reported that it would be helpful for the Department to provide additional resources or information related to requiring or reviewing 5-year reports. Respondents reported wanting more guidance on the circumstances that warrant an approving local government to require a 5-year report and the actions the approving local government can take related to 5-year reports, as well as education for elected officials and staff about the importance of local government oversight and the role of 5-year reports in that oversight. The remaining respondents reported that they would not find additional guidance from the Department helpful (2), were unsure if additional guidance would be helpful (5), or did not answer the question (2).

- 23 (85 percent) reported that they had not requested (22 respondents)—or were unsure if they had requested (1 respondent)—a 5-year report from any of their metro districts in the past 5

years. Respondents reported that they had been unaware of the option to require a 5-year report of metro districts before taking our survey (6 respondents), have limited resources to request and review a 5-year report (6 respondents), and find the 5-year report unnecessary, not useful, or duplicating information provided in the annual report (8 respondents). The remaining 4 respondents reported that they **have** requested 5-year reports in the last 5 years, and two of these local governments stated that they decided not to hold a hearing about the report.

Why did the problem occur?

The Division has not provided updated guidance or training options to local governments about reviewing metro district service plans. The Division provides a page on its website for Special District Administration, which includes an 18-page service plan guidance document that contains the statutes related to special district service plans and guidance on how approving local governments can structure their own review process for service plans and set their own guidelines and expectations for what a service plan should include. Although the Division updated the statutes referenced in the document in 2025, it has not updated its guidance on the service plan review process in about 15 years or more. In addition, the Division told us it does not provide trainings and has not been proactive in distributing this information to approving local governments, explaining that approving local governments have not asked the Division for this type of guidance or training.

The Division's service plan guidance document provides some helpful guidelines that approving local governments could incorporate into their own policies and practices, such as setting expectations or requirements on how service plan information should be organized and how financial data should be presented. We identified some additional topics that are not currently in the guidance where the Division could bring awareness to and encourage local governments to develop their own ways to consider the topics when deciding whether to approve service plans for metro districts, such as:

- Assessing the tax burden on current or future taxpayers, including the adequacy of the mill levies the district plans to assess to pay for districts' financial obligations, the affordability for residents of the mill levies proposed to be assessed, and whether the mill levies are in compliance with applicable statutory limits. For example, Section 32-1-1101(6)(b), C.R.S., limits mill levies of special districts to 50 mills in certain circumstances; being able to understand whether the 50-mill limit applies to the district is important for an approving local government to understand when considering a service plan that proposes to assess more than 50 mills.

- Assessing the reasonable discharge of debt, including types of debt the district plans to use, such as senior and subordinate debt, developer advances, plans to refinance debt, any limits on interest rates for the different types of debt and whether those limits are reasonable given market conditions, plans to repay debt with taxes, use of fees, and reliance on other types of revenue.

- Assessing whether the structure of a metro district sufficiently "prevent[s] unnecessary proliferation and fragmentation of local government" and avoids "excessive diffusion of local

tax sources," as was the General Assembly's intent when allowing for the creation of special districts [Section 32-1-102(2), C.R.S.] (e.g., assessing the appropriateness of multiple metro districts serving an area under a consolidated service plan and metro district plans to create and assess differing tax rates on subdistricts).

- Assessing whether eligible electors would have adequate representation by the districts in deciding how to use taxpayer funds (e.g., is there adequate representation when a service plan requires one district's taxpayer funds to be sent to and spent by another district whose board is not representative of the taxpayers).

- Assessing whether there is adequate specificity in the service plan about what would constitute a material modification requiring the local government's review and approval. While statute provides some definition of circumstances considered to be material modification, there may be ambiguity, especially given the complex nature of some districts. An example may be whether adding a subdistrict is a material change that requires approval of the local government. One local government's model service plan prompts consideration of whether adding a subdistrict is a material modification, but the Division's service plan guidance does not mention any such examples.

The Division told us that in order to provide guidance to approving local governments about the complexities of metro districts and their service plans, it would need to use outside consultants and professional experts to ensure its guidance is accurate, such as in the areas of law, municipal finance, investment banking, land use planning, and/or residential development, and that the Division does not currently have resources to procure outside consultants and professional experts. We provide Policy Consideration 1for the General Assembly related to the Division's resources for providing best practices and resources to approving local governments about overseeing service plans.

In addition, several approving local governments have established model service plans and/or their own policies and practices on reviewing service plans that could be compiled by the Division and included in its guidance document. For example, through our survey work, we found the following:

- 9 provide model service plans (City of Arvada, City of Brighton, City of Commerce City, City of Lone Tree, City of Loveland, El Paso County, Town of Gypsum, Town of Johnstown, Town of Mead)

- 5 set expectations and requirements for service plans within their municipal codes (City of Arvada, City of Centennial, City of Loveland, City of Thornton, Town of Superior)

- 7 have set policies and practices for service plan review (Adams County, City of Colorado Springs, City of Fort Collins, City of Fort Lupton, City of Loveland, Douglas County, El Paso County)

The Division told us that it delivers technical assistance based on local government demand and within the Division's limited resources and capacity and that it has not received requests for the type

of technical assistance or guidance we suggest in this section. However, given that the Division's service plan guidance has not been updated in at least 15 years and that the number of metro districts has more than doubled in the last 20 years, we see a benefit in the Division updating its existing guidance and to do so, in part, by holding conversations with the local governments listed above to compile best practices for other local governments to refer to and consider for their own use.

The Division does not provide proactive, effective information to approving local governments about how to use the 5-year report process as an oversight mechanism. While we did find that the Division provides some information about 5-year reports on its website, this information does not appear to be prominent or effective in reaching approving local governments. For example, the Division includes information on what a 5-year report should include and when it may be requested on the bottom of its Special District Compliance Calendar page, under the "Upon Request: Quinquennial review" section. This information may be easier for approving local governments to find if it were included on the Division's Special District Administration page or within the service plan guidance document. In addition, when we asked the Division why its Special District Administration page and service plan guidance document do not provide information on the 5-year report, staff told us the 5-year report was not within the scope of those two resources. However, since the Special District Administration page and service plan guidance both relate to approving local governments' oversight of service plans, these resources could be updated to include information about how the 5-year report process can be used for oversight of service plans.

Statutory requirements related to the 5-year report process have not been updated to make the reports more useful to approving local governments. Currently, statute requires special districts to provide the information that is in the 5-year report in several different types of reporting. For example, statute requires that the 5-year report include districts' annual audit filings and annual reports including information on the amount of the district's authorized but unissued debt. However, statute also requires districts to file with their approving local government their annual audit report or request for audit exemption [Section 29-1-606(7), C.R.S.], both of which are required to have the same information about authorized but unissued debt and upcoming debt issuance that is included in 5-year reports [Sections 29-1-605(2) and 606(7), C.R.S.]. Additionally, most districts will again provide their audit report or audit exemption—containing the information about authorized but unissued debt and plans to issue debt—to the approving local government as part of their annual report filing. In 2021, with the passage of Senate Bill 21-262, the General Assembly changed the annual report requirement from being optional to being mandatory for active special districts created after July 1, 2000, where these districts must submit the reports to their approving local governments and the annual report is required to contain copies of their audits or audit exemptions [Section 32-1-207(3)(c), C.R.S.]. Inactive districts are exempt from the annual report requirement [Section 32-1-104(5), C.R.S.] and by definition, inactive districts have no outstanding financial obligations [Section 32-1-103(9.3), C.R.S.].

We identified several ways in which Section 32-1-1101.5, C.R.S., which provides for the 5-year report process, and related statutes in the Special District Act could be modernized to better align with current practices and requirements for metro districts.

- Modernize Sections 32-1-1101.5(1.5) and (2), C.R.S., to allow approving local governments to assess a district's reasonable discharge of debt anytime, not limited to once every 5 years. The 5-year report process requires the approving local government to rely on the "application for a quinquennial finding of reasonable diligence"—rather than annual audit and annual report filings the approving local government also receives—to initiate the review of a district's reasonable discharge of debt. Statute could simplify this process and allow the approving local governments to hold hearings when needed, and not be limited to once every 5 years, about districts' annual reports, required under Section 32-1-207(3)(c), C.R.S., and/or annual audits or request for audit exemption, required under Section 29-1-603, C.R.S. The approving local governments could use these hearings to determine if a district's implementation of its service plan—and the financial plan within the service plan—will result in timely and reasonable discharge of the district's general obligation debt and whether property owners are at risk of excessive tax burdens to support debt. This could allow the approving local government to act on information it regularly receives, and to respond timely in conducting its review, without having to adhere to a 5-year schedule.

  Statute could retain the approving local government's current abilities to request additional information of districts and to grant a continuation to issue any remaining authorized debt, to deny a district's authority to continue issuing debt, or to require a district to amend its service plan in order to continue issuing debt. These changes would allow approving local governments clear authority to step in if and when there is concern that districts' debt issuance may result in excessive tax burdens on residents.

- Revise Section 32-1-207(3)(c)(II), C.R.S., to explicitly require that authorized but unissued debt and future plans to issue debt are clearly stated within the text of annual reports. These details about debt are in the attached audits and/or requests for audit exemptions, but could be highlighted more prominently in the body of the annual report. Making these revisions to the annual reports will allow local governments to receive clear updates as a part of the annual report on any risks of excessive taxation of residents and retain the local governments' abilities to intervene when metro districts may be poised to excessively tax residents, as was originally intended by legislators.

- Define "authorized but unissued general obligation debt" as currently used in Sections 29-1-605(2), 29-1-606(7), and 32-1-1101.5(1.5), C.R.S., and clarify whether the term includes only that debt that is voter-approved through ballot initiatives, as suggested by Sections 32-1-1101(2) and 1101.5(1), C.R.S., or whether the term should also include the service plan's limits on debt. The audited financial statement note disclosure sometimes states both the amount of authorized but unissued debt as compared to what was voter approved, as well as the amount of authorized but unissued debt compared to what the service plan allows. As these are often two different amounts and because statute does not explicitly require reporting of both amounts, transparency

and clarity could be improved by defining the terms and requiring both to be reported. For example, statute could require districts' audited financial statements, requests for audit exemption, and annual reports to all explicitly state the amount of authorized but unissued debt as compared to what was voter-approved, as well as the amount of authorized but unissued debt compared to what the service plan allows.

- Clarify whether a district's voter-approved authorized debt can exceed its service plan's limits on debt. This could include revising Section 32-1-202(2), C.R.S., to state whether the proposed indebtedness within the service plan is the maximum amount of debt authorization that can be requested for voter approval, and/or revising Section 32-1-207, C.R.S., to state whether a service plan amendment is required to be approved prior to a district requesting that voters approve an authorized debt limit that exceeds the service plan debt limit.

- Revise Section 32-1-207(3)(c), C.R.S., to require that all active districts must submit annual reports to the approving local governments and to the Division, regardless of their creation date. This will help ensure that approving local governments receive clear information from the 275 active metro districts created on or before July 1, 2000. Using OSA-collected data from metro districts' 2024 audit filings, for districts created on or after July 1, 1991, we can see that 61 out of these 275 metro districts have a total of about $26 billion in authorized but unissued debt and that 68 have no authorized but unissued debt. For the remaining 146 metro districts, we do not have data available about their authorized but unissued debt.

We provide Policy Consideration 2 for the General Assembly related to these areas of possible statutory clarification.

Why do these problems matter?

It is important that the Division provide sufficient guidance to approving local governments on how to conduct a comprehensive review of metro districts' service plans, and any plan amendments, so that the approving local governments are better able to fulfill their responsibilities to oversee metro districts and help prevent metro district residents from being overburdened by taxation and debt. As of 2024, according to metro district audits and requests for audit exemption, metro districts in the state had voter authorization to issue at least $3.2 trillion in debt, not including interest payments. In the event that all $3.2 trillion in debt is issued, metro district taxpayers would be required to pay taxes to repay that $3.2 trillion in debt plus interest. This $3.2 trillion in principal, alone, represents about 70 times Colorado's Fiscal Year 2026-2027 annual state budget and would require an estimated 1 million metro district residents to pay an average total of at least $3.2 million each if all of this debt was issued. While it is unlikely that the metro districts would issue all $3.2 trillion in debt, the potential tax burden of this authorized debt demonstrates the importance of approving local governments overseeing metro districts' debt issuance and ensuring that they have the information and resources needed to take action if metro districts' debt issuance violates their approved service plans or does not provide the expected economic benefit.

Metro district service plans can be complex and difficult to assess the financial impact on current or future residents. While statute sets out a rather simple list of items a service plan is required to include, service plans often are more complex than the statutory requirements suggest. By providing additional guidance on how to review complex service plans, the Division could help approving local governments, particularly those with limited resources, ensure the economic benefits to be achieved by metro districts are in balance with the cost of the services to be provided. In our review, we found the following types of complexities contained in service plans:

- **Consolidated service plans with operating and financing districts.** These types of arrangements could become complicated as to what types of fees one district can assess on another, and whether taxpayers in a financing district have any say or representation within the operating district that will spend the tax funds. For example, as discussed in Chapter 4, residents living in Buckhorn Valley Metropolitan District No. 2 (BV 2) pay water service fees to Buckhorn Valley Metropolitan District No. 1 (BV 1) under the districts' consolidated service plan, but the residents in BV 2 are not eligible voters for the board members of BV 1 so they do not have representation when deciding what fees to assess or how funds will be used.

- **Title 29 Intergovernmental Authorities.** Some metro districts might plan to form an Intergovernmental Authority to collect tax funds from the districts' residents and to issue debt. The governance and arrangement of the Intergovernmental Authority could be complicated to understand, including understanding what, if any, oversight the approving local governments have over the Intergovernmental Authority. Further, Intergovernmental Authorities are not subject to the same transparency and governance requirements as metro districts. For example, a group of nine metro districts in Adams County consisting of the Aurora Highlands Metropolitan Districts No. 1-6, ATEC Metropolitan Districts No.1-2, and Aerotropolis Area Coordinating Metropolitan District, entered into an agreement together to form an Intergovernmental Authority, the Aurora Highlands Community Authority Board (CAB). The CAB was formed with the intent to coordinate the development and operation of all public improvements across the member districts, and will own any public improvements developed that have not been dedicated to the City of Aurora. The CAB has the authority to issue bonds to fund the development of public improvements, and the member districts have all pledged their revenues, including property taxes, to the CAB to pay any debt issued. The CAB's board of directors is not directly elected like a metro district's board, but rather board members already serving on the member district boards are appointed to the CAB board.

- **Subdistricts.** Section 32-1-1101(1)(f), C.R.S., allows special districts to divide their districts into subdistricts. Subdistricts are typically used to provide different services to different parts of a metro district and could be considered a type of fragmentation of the functions and facilities of special districts that the General Assembly seeks to minimize [Sections 32-1-102(4) and (5), C.R.S.]. According to Division data, there are 23 metro districts that have divided their districts to have between 1 and 10 subdistricts. For example, among the seven Sterling Ranch Colorado metro districts in Douglas County, Sterling Ranch Colorado Metropolitan District Nos. 4 and 7 (SRC 4 and SRC 7) each have five subdistricts. Each of SRC 4's and SRC 7's subdistricts

assesses its own mill levy on property owners (e.g., in 2026, SRC 7 Subdistrict A has a 10.264 mill levy and Subdistrict B has a 37.592 mill levy) and the subdistrict mill levy is paid in addition to the overarching metro district's mill levy (e.g., in 2026, SRC 7 has a 5.530 mill levy to be assessed on the entire district). It is important for approving local governments to consider whether the fragmentation of metro districts into subdistricts is in the best interest of current and future property owners. Adding further complexity, the seven Sterling Ranch Colorado metro districts have also formed a Title 29 Intergovernmental Authority, the Sterling Ranch Community Authority Board, which adds another layer of governance.

- **Impact of financial plans to issue senior and junior bonds at specific interest rates, term maturities, and on either the public or private market.** While assessing the impact of a metro district's financial plan to propose a single, senior general obligation bond sold on the public market at market interest rates could be straightforward, complexities arise when one or more bond issuance is planned. Approving local governments need to understand the impact when metro districts plan to issue multiple senior bonds, junior bonds that typically have higher interest rates, or the impact of private issuance of bonds that are not publicly disclosed. For example, the Buckhorn Valley Metropolitan District Nos. 1 and 2 consolidated service plan contains a financial plan that showed a cash flow forecast to pay for seven bonds that were to be issued between 2003 and 2038 and would all be paid off by 2056; the financial plan assumed 7 percent interest rates on all bonds, though those interest rates when issued could be higher since the service plan set a maximum interest rate of 18 percent. Further complexities arise if districts plan to refinance debt, which appears to be common for junior bonds, but often extends the time that residents will need to pay taxes to pay off public improvements, often paying taxes 20 to 40 years or more after the improvements were completed. Approving local governments need to assess whether metro districts' proposed financial plans are "capable of providing economical and sufficient service" and "has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis" [Sections 32-1-203(2)(c) and (2)(d) and 32-1-204.5(1), C.R.S.].

  Service plans may also not have enough information on a district's plan to issue debt, and so approving local governments will benefit from guidance on how to identify if too few details are provided and how to request more detail before approving a service plan. For example, Amber Creek Metropolitan District, in Adams County, had its original service plan approved in 2005, which stated the district would issue bonds in the first quarter of 2006. The district then submitted a 2017 amended and restated service plan in which the financial plan stated, "The Financial Plan for the District shall be to issue such Debt as the District can reasonably pay within the Maximum Debt Mill Levy" and did not describe how or when debt would be issued. The district then went on to issue three series of bonds in 2017 with final maturity in 2051—one of which was a $1.7 million junior bond privately sold to one of the district's developers and was slated to pay $24 million in interest to the developer. Between 2018 and 2025, residents were elected to the district's board, replacing the board members who were the development company's ownership and employees, and worked to take legal actions against the developers as well as refinance the 2017 bonds with a new maturity date of 2047. These actions resulted in

canceling out the $24 million in interest that could have been paid on the privately sold junior bonds. When considering a metro district's original or modified service plans, approving local governments need to assess whether the metro district is capable of providing "economical" services and to discharge debt on a reasonable basis and if not, then approving local governments can either require the metro district to modify its service plan further or deny the approval of the service plan or modifications.

Metro district residents still face potential unanticipated tax increases, just as they did 20 years ago. Since the OSA's 2006 audit of metro district oversight, the number of metro districts has more than doubled—from about 1,000 to 2,509, as of October 2025—and the estimated number of metro district residents is about 1.2 million, or 20 percent of the State's population. In both the 2006 OSA audit and our current review, we found that if key assumptions in a district's service plan—such as population growth and increased assessed valuation of property—are not borne out over time, the district could experience financial troubles that result in unanticipated tax increases to the property owners in the district. We also see the same potential impact that large amounts of authorized but unissued debt could have on metro district residents that we saw during our 2006 OSA audit—large amounts of authorized debt can potentially lead to unanticipated tax increases for taxpayers. The 2006 audit also identified similar issues with approving local governments not requesting the 5-year report from metro districts, despite the 5-year report process helping local governments be able to assess whether the district's service plan will result in a timely and reasonable discharge of the district's debt. Additionally, statute expects that local governments, as entities that are involved in the property tax system, should recognize that they exist to serve their constituents [Section 39-1-101.5, C.R.S.]. Local governments have a responsibility to protect their residents and should have effective tools in place if and when residents are being over taxed or placed in precarious situations due to metro districts' debt issuance.

Recommendation 1

The Department of Local Affairs should improve access to information and guidance for approving local governments to review service plans and the 5-year report process to fulfill their oversight responsibilities by:

A. Developing and implementing a process to regularly update guidance on reviewing metropolitan (metro) district service plans and provide the guidance and/or training in an easily accessible manner to approving local governments. The process to develop guidance should include consulting with, and then factoring in, best practices created by approving local governments that have their own policies and practices for reviewing metro district service plans.

B. Developing and implementing guidance on approving local governments' role under Section 32-1-1101.5, C.R.S., in assessing the timely and reasonable discharge of the districts' authorized debt and whether property owners are at risk of excessive tax burdens to repay the districts' debt. This guidance should include any changes to this statute made pursuant to policy considerations identified in this audit report.

C. Developing and implementing guidance with information and best practices to help approving local governments to assess tax burden, reasonable discharge of debt, risk of fragmentation in how a district will be structured, whether eligible electors will have adequate representation, and whether there is adequate specificity about what constitutes material modification of the plan requiring the approving local government's review and approval.

Response

Department of Local Affairs

A. Agree
Implementation Date: July 2027

The Department will develop and implement a process to regularly update guidance on reviewing metropolitan district service plans. It will continue to provide the guidance and/or training to local governments in a manner scaled to align with the Department's available resources and local government demand. A July 2027 implementation date will allow the Department to engage with local government stakeholders and compile a library of examples of service plan templates, policies, and other resources created by approving local governments. While we agree technical assistance is a useful tool, our ability to compel every approving local government to follow best practices will be limited.

B. Agree
Implementation Date: December 2028

As described in Policy Consideration 1 and subject to an appropriation by the General Assembly in order to obtain the specialized expertise necessary, the Department will develop and implement guidance on approving local governments' role under Section 32-1-1101.5, C.R.S. The guidance will be informed by local government stakeholder input to address their needs concerning how to assess the timely and reasonable discharge of districts' authorized debt or whether property owners are at risk of excessive tax burdens to repay the districts' debt. The Department will estimate costs for specialized expertise needed based on the specific areas identified by stakeholders. The implementation date will allow the Department time to gather stakeholder feedback, estimate costs, and then seek an appropriation in the 2028 legislative session.

C. Agree
Implementation Date: December 2028

As described in Policy Consideration 1 and subject to an appropriation by the General Assembly in order to obtain the specialized expertise necessary, the Department will develop and implement guidance based on local government stakeholder input to address their needs concerning how to assess tax burden, reasonable discharge of debt, risk of fragmentation in how a district will be structured, whether eligible electors will have adequate representation, and

whether there is adequate specificity about what constitutes material modification of the plan requiring the approving local government's review and approval. The implementation date will allow the Department time to gather stakeholder feedback, estimate costs, and then seek an appropriation in the 2028 legislative session.

Policy Consideration 1

The General Assembly may want to consider the extent to which the Division of Local Government (Division) within the Department of Local Affairs has sufficient appropriated resources to develop best practices and guidance for Colorado's municipalities and counties to use when reviewing and providing oversight of service plans, and then adjust the Division's resources if appropriate.

Policy Consideration 2

The General Assembly may want to consider revising statute to add clarity related to the oversight of metropolitan (metro) districts in the following ways:

- Modernize and revise Sections 32-1-1101.5(1.5) and (2), C.R.S., to make clear that approving local governments of metro districts' service plans can hold hearings, and take actions under existing law, based on districts' authorized but unissued debt and plans to issue debt that is reported in districts' annual audits or requests for audit exemption under Section 29-1-603, C.R.S., and annual reports under Section 32-1-207(3)(c), C.R.S.

- Revise Section 32-1-207(3)(c)(II), C.R.S., to require that annual reports clearly provide details about authorized but unissued debt and plans for debt issuance.

- Define in statute the term "authorized but unissued general obligation debt," which is currently used in Sections 29-1-605(2), 29-1-606(7), and 32-1-1101.5(1.5), C.R.S. This could include clarifying in the definition whether the term includes only that debt that is voter-approved or whether the term should also include the service plan's limits on debt and requiring both voter-approved limits on debt and service plan limits on debt to be reported in district audits [Section 29-1-605(2), C.R.S.], applications for audit exemption [Section 29-1-606(7), C.R.S.], and 5-year reports [Section 32-1-1101.5(1.5), C.R.S.].

- Revise Section 32-1-207(3)(c), C.R.S., to remove the exception that active metro districts created on or before July 1, 2000, are not required to file annual reports with their approving local governments and the Division of Local Government. Such a revision would effectively require all active metro districts to file annual reports, regardless of when the districts were created.

Policy Consideration 3 — Use of an Independent Fiduciary for Issuing Debt

In 2023, the General Assembly sought to improve financial safeguards around metro districts' issuance of debt with Senate Bill 23-110, particularly within Section 32-1-1101(7), C.R.S. The law now requires that prior to issuing any debt on or after January 1, 2024, a district needs to receive a statement from a registered municipal advisor certifying that the interest rate of the debt does not exceed the current market interest rate or the results of a formula utilizing the AAA general obligation municipal bond rate calculated by the municipal advisor, whichever is lower. However, this requirement to utilize a registered municipal advisor only applies in situations where the debt will be owned by a director of the metro district or by an entity with respect to which a director would need to file a conflict of interest disclosure under Section 24-18-109, C.R.S. This means that statute does not require that metro districts hire municipal advisors for the issuance of any other types of debt and that municipal advisor reviews are only required to narrowly focus on interest rates, and not on the entirety of a district's debt issuance.

A registered municipal advisor is an individual who is registered with the U.S. Securities and Exchange Commission and "provides advice to or on behalf of" a state or local government entity, such as metro districts, "with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues" [Section 32-1-1101(7)(c), C.R.S., and 15 USC 78o-4]. A registered municipal advisor should have an independent view of the securities market and provide advice to districts on the debt issuance process. This independent advice can help approving local governments have assurance that the debt issued by metro districts is economical and that the district will reasonably be able to discharge the debt without overburdening taxpayers. Municipal advisors have a duty to ensure the structure and terms of the bonds or other securities are in the best interest of their clients.

Through our audit work, we identified reasons why the General Assembly may want to consider extending the statutory requirement for metro districts to engage with registered municipal advisors for all debt issuances. This is a matter for policymakers to consider, and therefore, we issue no recommendations to the Department in this section.

What policy issue did the audit identify?

We identified the following reasons why the General Assembly may want to consider requiring that metro districts engage with or hire registered municipal advisors when issuing any type of debt.

Municipal advisors could offer assurance to approving local governments that metro districts' debt will be discharged responsibly. Along with the Division providing additional guidance to approving local governments that are considering the approval of metro districts' service plans, as recommended in Recommendation 1, the involvement and guidance provided by municipal

advisors could provide assurances to approving local governments that metro districts will discharge their approved debt in a responsible manner. As of 2024, according to metro district audits and requests for audit exemptions, Colorado metro districts had voter authorization to issue at least $3.2 trillion in new debt, not including interest, emphasizing a need for assurance that the debt will be issued and discharged responsibly. It is also important for approving local governments to be able to confirm that metro districts received and acted upon the guidance of municipal advisors when issuing debt, such as by receiving this information through the 5-year report process established in Sections 32-1-1101.5(1.5) and (2), C.R.S., or through any similar process created if the 5-year report process is revised as discussed in Policy Consideration 2.

National best practice is to hire municipal advisors prior to the undertaking of debt financing. The Government Finance Officers Association, a professional association for federal, state, and local financial officials that provides government financial management guidance, recommends that debt issuers hire a municipal advisor prior to issuing debt and that municipal advisors are selected "on the basis of merit using a competitive process and that issuers review those relationships periodically." The best practice states that, "Issuers should ensure that the municipal advisor has the necessary expertise to assist the issuer in determining the best type of financing for the government, selecting other finance professionals, planning the bond sale, and successfully selling and closing the bonds" [Selecting and Managing Municipal Advisors, Government Finance Officers Association]. Notedly, the best practice is to hire a municipal advisor for multiple steps in the debt issuance process, which differs from the current statutory requirement for municipal advisors to just certify that debt is issued at an interest rate in line with statute.

In addition, the best practice states that municipal advisors should be compensated based on fees or a retainer and **not** to make compensation contingent upon the issuance of bonds "to remove the potential incentive for the [municipal advisor] to provide advice that might unnecessarily lead to the issuance of bonds" [Selecting and Managing Municipal Advisors, Government Finance Officers Association]. The best practice to pay municipal advisors on a fee or retainer basis helps reduce the risk of a moral hazard arising for the municipal advisors; in economics, a moral hazard arises when a party to an agreement lacks an incentive to guard against risk because it will not suffer the potential consequences of that risk. As described in Chapter 4, we found through our review of metro district profiles that it is typical for a portion of bond proceeds to be used to pay financial professionals involved with the bond issuance process. However, in order to follow best practice, metro districts would need to use revenues other than bond proceeds in order to compensate municipal advisors, such as property taxes.

Other states have established additional oversight practices for debt issuance. As part of our work, we reviewed special district policies and practices enacted by other states. We identified at least six other states that require special districts and/or other public entities to engage a registered municipal advisor for debt issuance as follows:

- 3 states require special districts and/or other public entities to engage a registered municipal advisor any time debt is issued (Arkansas, Utah, and South Dakota).

- 2 states require the use of a municipal advisor based on a financial threshold (i.e., if debt issued by political subdivisions exceeds $12.5 million in Missouri; if $5 million or more in debt is to be issued for public infrastructure projects in Texas).

- 1 state, Oregon, requires any public entity to obtain an assessment from an independent financial consultant, such as a registered municipal advisor, and publicly report the results of that assessment before issuing debt.

As part of our work, we interviewed municipal finance experts who work on special district financing in Colorado and in other states (e.g., Florida, New Mexico, Oregon, Utah, and Texas). These municipal finance experts explained that the lack of Colorado metro districts using municipal advisors is an uncommon practice. Instead, their view is that requiring metro districts to engage with or hire municipal advisors prior to issuing debt would be a reasonable and beneficial safeguard for taxpayers, given the proliferation of metro districts in the state.

Local governments have established additional oversight practices for metro district debt issuance. As part of our work, we reviewed metro district oversight policies and practices implemented by approving local governments. We found that some local governments have oversight standards that could lend insight to the General Assembly on potential parameters or safeguards that could be set into place within statute. Specifically, we identified at least 13 local governments that require districts to engage a registered municipal advisor in certain circumstances. Of those 13 local governments:

- 4 local governments require districts to engage a registered municipal advisor any time debt will be issued (City and County of Denver, City of Commerce City, City of Fort Collins, and Town of Gypsum).

- 9 local governments required districts to engage a municipal advisor for instances when privately placed debt would be issued, meaning the debt was issued to a private institution or entity and the transaction is not listed in the public securities marketplace (City of Arvada, City of Brighton, City of Lone Tree, City of Loveland, City of Superior, City of Thornton, El Paso County, Town of Johnstown, and Town of Mead).

Further, some of these local governments require that the district consult a registered municipal advisor on the plan of finance when preparing their service plans, including the City of Commerce City, City and County of Denver, and City of Fort Collins.

Municipal advisors owe a fiduciary duty to the metro districts and not specific individuals. Under statute, directors serving on metro district boards—as public officers—have a fiduciary duty to the districts [Section 24-18-109 C.R.S.]. However, a moral hazard may arise when a district's board is led by directors associated with developers of the district. Developer-associated directors may be incentivized to issue debt in a way to help develop the district, sell properties, and reduce the risk to the developers. This incentive to reduce risk to the developers could run contrary to what is in the district's best interest in the long term, once residents move into the district and become

responsible for repaying the district's debts. Through Senate Bill 23-110, the General Assembly has taken steps to address the perception of developers "padding their pockets" by owning district debt, according to one of the bill sponsors, though the legislation's safeguards only applied to debt purchased by developers.

Municipal advisors are required by federal law to hold a fiduciary duty to the entity that hired them [15 USC 78o-4(c)(1)], which means municipal advisors hold a fiduciary duty to the metro district and not the individuals serving on the board at the time debt is issued. If a metro district were required to hire or engage with a municipal advisor for **all** debt issued, the municipal advisor's fiduciary duty to the district could help safeguard the district and its future residents whenever debt is issued.

Policy Consideration 3

The General Assembly may want to consider revising statute to require that metropolitan districts engage with or hire registered municipal advisors when making decisions on the structure and issuance of debt, regardless of to whom the debt is being issued. The General Assembly may also want to consider revising statute to require that either before or after a metropolitan district issues debt, it must submit documentation to its approving local government(s) that demonstrates the district engaged with or hired municipal advisors and received and acted on the guidance provided by the municipal advisor prior to issuing debt.

Policy Consideration 4 — Public Improvement Fees Imposed by Metropolitan Districts

When reviewing and approving metro districts' service plans, approving local governments are responsible for assessing the districts' proposed financial plans, including how the districts plan to pay for the services they will provide – whether through levying taxes or charging fees. A tension in assessing the reasonableness of a financial plan is in the balance of the amount of property taxes residents will need to pay through the district's mill levy versus other sources of revenue that the district may have access to, such as fees. For example, if the district imposes higher fees to help cover its costs, the district may not need to levy as high of property taxes. Through our work to profile 16 metro districts, as reported in Chapter 4, we have seen that some districts are turning to fees as a substantial way to collect revenue to pay for their services. For example, the nine metropolitan districts that make up the Prairie Center development in Adams County (Prairie Center Metropolitan District Nos. 1-8 and 10) estimate for 2026 that they will collect more in fee revenue through two public improvement fees—about $6.3 million in public improvement fee revenue across the nine districts—than they will collect in property tax revenue—about $5.9 million in property tax revenue across the nine districts.

A public improvement fee (PIF) is a fee imposed by the district on all retail sales within the district. A retailer within the district collects the PIF from the consumer at the point of sale and remits the fee to the district, typically through a third-party agent. Districts that impose PIFs compel the

retailers within the district to collect the PIF on transactions through covenant agreements. State and local sales taxes are assessed on top of the PIF. In effect, anyone shopping at retail stores within the district is helping to pay for district services through the collection of PIFs and is being taxed on the PIFs they are paying. We found that 10 out of the 16 metro districts we reviewed imposed a PIF—9 districts are part of the Prairie Center development in Adams County and the other district is part of the Gardens on Havana development in Arapahoe County. For these districts, the planned use of PIFs as a source of revenue was included in their approved service plans.

We identified areas where statute, as written, may not provide sufficient clarity on metro districts' use of PIFs or enough protections for those who pay the fees. The General Assembly may want to address these issues to strengthen public transparency related to metro districts. This is a matter for policymakers to consider, and therefore, we issue no recommendations in this section.

What policy issues did the audit identify?

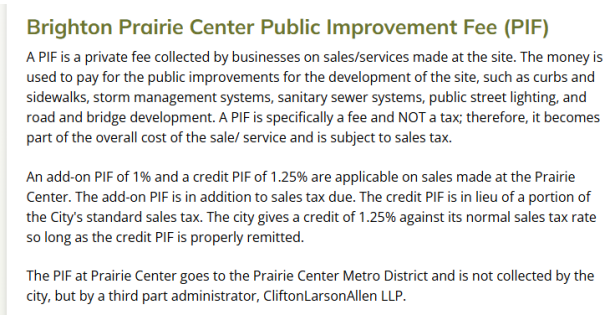
In addition to the authority to levy property taxes [Section 32-1-1201, et seq., C.R.S.], the Special District Act grants metro districts the authority to impose fees, and in certain cases, sales taxes. Specifically, statute grants a special district board the power, "To fix and from time to time to increase or decrease fees, rates, tolls, penalties, or charges for services, programs, or facilities furnished by the special district" [Section 32-1-1001(1)(j), C.R.S.]. Statute also grants the boards of certain districts – those organized with fire protection, parks or recreational facilities or programs, street improvement, safety protection, or transportation services powers – the power "to levy a uniform sales tax," if the majority of the registered electors of the portion of the district in which the tax is to be levied approve the sales tax [Section 32-1-1106(1), C.R.S.]. Our audit work found the following policy issues related to PIFs, which are used by districts under their authority to impose fees, but function like sales taxes.

PIFs function like a sales tax but do not have the approval of the electorate or other safeguards that sales taxes have. As outlined in statute, a sales tax is assessed on "the full purchase price of articles sold after manufacture or after having been made to order and includes the full purchase price for material used and the service performed in connection therewith" [Section 39-26-102(12), C.R.S.]. An example of how a metro district's PIFs function like a sales tax is detailed in Exhibits 2.3 and 2.4, based on information from one of the 10 districts we reviewed that assess PIFs as part of our work for Chapter 4.

The audit team made a $12.99 purchase at a retailer located within the Prairie Center Metropolitan District No. 4 in the City of Brighton. This district imposes two PIFs—one is a 1 percent "add-on PIF" in addition to sales tax due and the other is a 1.25 percent "credit PIF" that is charged in lieu of a portion of the City of Brighton's standard sales tax. As shown in Exhibit 2.3, according to the City of Brighton's website, which describes the PIFs charged in the nine districts that make up the Prairie Center development, the purpose of the PIFs is "to pay for the public improvements for the development of the [Prairie Center] site, such as curbs and sidewalks, storm management systems, sanitary sewer systems, public street lighting, and road and bridge development." As shown in the

receipt in Exhibit 2.4, from the audit team's purchase, a total of $0.29 was paid in PIFs on the $12.99 item, totaling $13.28. State and local sales taxes of 7.25 percent were then assessed on $13.28. The total amount paid for the transaction, including PIFs and sales taxes, was $14.24.

Exhibit 2.3
City of Brighton's explanation of the Prairie Center Public Improvement Fee (PIF)



Brighton Prairie Center Public Improvement Fee (PIF)

A PIF is a private fee collected by businesses on sales/services made at the site. The money is used to pay for the public improvements for the development of the site, such as curbs and sidewalks, storm management systems, sanitary sewer systems, public street lighting, and road and bridge development. A PIF is specifically a fee and NOT a tax; therefore, it becomes part of the overall cost of the sale/ service and is subject to sales tax.

An add-on PIF of 1% and a credit PIF of 1.25% are applicable on sales made at the Prairie Center. The add-on PIF is in addition to sales tax due. The credit PIF is in lieu of a portion of the City's standard sales tax. The city gives a credit of 1.25% against its normal sales tax rate so long as the credit PIF is properly remitted.

The PIF at Prairie Center goes to the Prairie Center Metro District and is not collected by the city, but by a third part administrator, CliftonLarsonAllen LLP.

Source: Screen image of the City of Brighton's website, accessed July 2026.

Exhibit 2.4
Receipt from purchase at a retail store in Prairie Center Metropolitan District No. 4



KOHL'S
Brighton
BRIGHTON (PRAIRIE CENTER), CO 80601

07-14-26 06:24P [redacted]
ID : [redacted]
[redacted] 047656528848 13.28 T1
ITEM PRICE 12.99
PRAIRIE CENTER AO PIF 0.13
PRAIRIE CENTER RF PIF 0.16

ITEMS: 1 SUBTOTAL 13.28
T1= 13.28 @ 7.25% TAX 0.96
TOTAL $14.24

Source: Office of the State Auditor photo of a receipt of a purchase made in July 2026 at a retailer located within a metropolitan district where the retailer assessed public improvement fees on the sale, which then was required to be remitted to the metropolitan district.

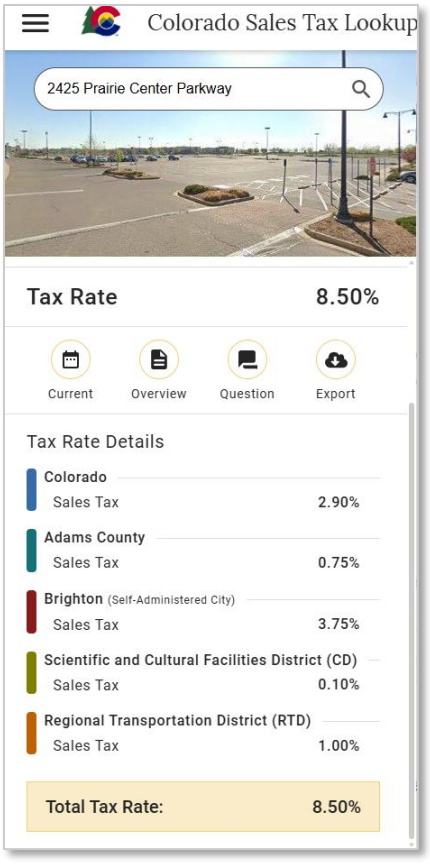
Statute outlines parameters for sales taxes imposed by metro districts, including that a sales tax imposed by a metro district must be approved by the district's registered electors and can only be used to fund safety protection, street improvement, transportation, fire protection, or parks or recreational facilities or programs [Section 32-1-1106(1), C.R.S.]. The collection, administration, and enforcement of any sales taxes imposed by a district is performed by the Department of Revenue [Section 32-1-1106(2), C.R.S.]—not through covenants and third-party entities that collect and remit the funds to the metro district. Statute limits when new taxes or changes to taxes can be implemented [Section 29-2-205(2), C.R.S.], and the Department of Revenue discloses sales taxes on the Colorado Sales Tax Lookup online database. In addition, sales taxes are subject to provisions of TABOR within Article X, Section 20 of the Colorado Constitution, which requires that voters approve any increases to the tax, unless they have granted an exemption. However, the two PIFs imposed by Prairie Center Metropolitan District No. 1–8, and 10 were not approved by voters, are not collected by the State, and are not subject to TABOR revenue limits.

PIFs are charged on groceries even in areas where there is no sales tax or reduced sales tax on groceries. In Colorado, food purchases for domestic home consumption, such as groceries, are exempt from state sales tax [Sections 39-26-102(4.5) and 39-26-707(1)(e), C.R.S.], and municipalities and counties can decide if and how to tax groceries [Sections 29-2-102 and 103, C.R.S.]. Our team made a grocery purchase at a retail store in the Gardens on Havana Metropolitan District No. 2,

where the City of Aurora also does not assess sales taxes on groceries. However, the metro district's 0.5 percent PIF was assessed on the groceries, since a PIF is not considered a sales tax. Our team also made a purchase at a retail store, including a grocery item, in Prairie Center Metropolitan District No. 4, where the City of Brighton does assess sales tax on grocery items. The metro district's 1.25 percent "credit PIF" was first assessed on the entire purchase, including the grocery item, and the metro district's 1 percent "add-on PIF" was assessed just on the non-grocery items. Then a 2.5 percent City of Brighton sales tax was assessed on the total item price plus the PIF amounts. The General Assembly may want to specify in statute the extent to which PIFs can be assessed on groceries.

PIFs are charged to consumers like sales taxes, but are not disclosed as such. The Department of Revenue maintains an online searchable database for sales tax information, called Colorado Sales Tax Lookup, which allows members of the public to identify how much in sales taxes they will be charged at a particular address or location. For the retailer located in the Prairie Center Metropolitan District No. 4 that we visited, the Department of Revenue's Colorado Sales Tax Lookup database shows that a consumer should be charged 8.5 percent in state and local sales taxes at that location, as shown in Exhibit 2.5.

Exhibit 2.5
Colorado Sales Tax Lookup for Prairie Center Metropolitan District No. 4



Source: Screen image from the Department of Revenue's Colorado Sales Tax Lookup, accessed in July 2026, for the address of a retailer located within Prairie Center Metropolitan District No. 4 that imposes public improvement fees.

For our $12.99 purchase at this retailer, based on the Colorado Sales Tax Lookup, we would have expected to pay $1.10 in sales taxes (8.5 percent of $12.99). However, we were charged a total of $1.25, which consisted of $0.29 in PIFs (2.25 percent of $12.99) and $0.96 in sales taxes (7.25 percent of $13.28). This $1.25 amount was an effective sales tax/PIF rate of 9.6 percent. Because PIFs are not a sales tax, the 2.25 percent paid in PIFs would not be indicated in the Colorado Sales Tax Lookup. Also, the Colorado Sales Tax Lookup did not disclose that 1.25 percent of the City of Brighton's sales tax was shifted to a PIF and so charged as a taxable fee rather than a sales tax.

PIFs are not required to be disclosed to consumers at the point of sale. Effective January 1, 2026, under House Bill 25-1090, statute requires retailers to display the total price of goods and services to consumers, including any fees and other charges as a consumer protection measure, with the exception of government charges. Government charges are defined to include a fee or charge imposed on consumers by a local government; these charges can include taxes or fees **imposed** by the local government as well as taxes or fees **paid to or passed on to** a local government [Sections 6-1-737(1)(f), (1)(m)(III), and (2) C.R.S.]. While the term "public improvement fee" is not explicitly addressed in statute, it is reasonable to conclude that when imposed by a metro district—a unit of local government—PIFs would be considered a government charge and are, therefore, exempted from these disclosure requirements. However, without including the PIF in the total costs of goods, consumers shopping at retailers in metro districts that impose PIFs may not be aware that they will be charged the fee before their purchase. Through House Bill 25-1090, it appears that the General Assembly acknowledges the benefit of price transparency for the benefit of consumers, but further clarity and transparency may be needed in regards to PIFs.

PIFs lack a common definition across local governments and metro districts. Statute does not explicitly address or define "public improvement fee". For the 10 metro districts in our review that assess PIFs, the districts' documents generally describe their PIFs as a charge added to sales or use transactions made at private retailers located within the district. However, absent a statutory definition, we reviewed whether metro districts' description of PIFs aligned with their approving local governments' expectations of PIFs and found contradicting results. For example, we found that the consolidated service plan for Gardens on Havana Metropolitan District Nos. 1-3 expressly excludes PIFs from the plan's definition of a "fee"; instead, the plan defines a fee as "any fee imposed by the Districts for services, programs or facilities provided by the Districts **… but shall expressly exclude any Public Improvement Fees**" [emphasis added by auditor]. The districts' service plan goes on to describe a PIF as "**any fee, assessment, tax or charge** which is collected by a retailer within the Districts … which is measured by the sales price of such goods or services" [emphasis added by auditor]. In contrast, the City of Aurora—the approving local government for Gardens on Havana—describes on its website, as of June 2026, that a PIF is "a private fee that is collected by businesses on sales transactions. The money is used to pay for the public improvements ... The PIF is specifically a fee and NOT a tax; therefore, it becomes a part of the overall cost of the sale/service and is subject to sales tax" [no emphasis added]. The definition of a "fee" in the districts' consolidated service plan aligns with the statutory authority for a district to impose fees or other charges for district services, but expressly excludes PIFs from that definition. Further, the City of Aurora's definition of PIFs conflicts with the districts' definition; the City specifies a PIF is a fee,

not a tax, but the districts' service plan suggests a PIF could be something other than a fee, such as a tax. A definition of "public improvement fee" in statute could provide clarity.

Statute does not require PIFs to be approved by local governments in the service plan. While statute requires a district's service plan to include, "A financial plan showing how the proposed services are to be financed, including the proposed operating revenue derived from property taxes for the first budget year of the district" [Section 32-1-202(2), C.R.S.], statute does not explicitly require the service plan to outline fees the district will impose. For the 10 districts from our review that impose PIFs, each district's plan to impose the fee was disclosed in the service plan approved by the local government. However, without an explicit statutory requirement to seek local government approval, there is a risk that districts could impose PIFs without approval or oversight of the approving local government.

We found that some approving local governments have established policies and other practices related to PIFs that could lend insight to the General Assembly on the extent to which PIFs should be allowed to be used by special districts and, if so, what types of oversight could be set into place within statute. For example, the City of Thornton and the City of Arvada both require city approval for any PIFs imposed by a district; further, the City of Thornton requires any PIFs to be included in an intergovernmental agreement with the City. Recent legislation (Senate Bill 21-262 and Senate Bill 23-110) sought to codify certain best practices that were already requirements adopted by some approving local governments, such as including maximum debt service mill levies in the service plan to be authorized by the approving local government. These efforts by the General Assembly acknowledge the benefit of uniform standards for metropolitan district oversight.

Policy Consideration 4

The General Assembly may want to consider amending statute to define "public improvement fee" (PIF) and clarify whether PIFs are a type of charge metropolitan districts are allowed to assess under Section 32-1-1001, C.R.S., or whether charges metro districts impose on the purchase price of retail sales are authorized only as a sales tax pursuant to Section 32-1-1106, C.R.S. If the General Assembly authorizes PIFs as fees under Section 32-1-1001, C.R.S., it may wish to clarify when a PIF can be used by a district instead of the district imposing a sales tax pursuant to Section 32-1-1106, C.R.S.; clarify the extent to which PIFs can be assessed on food for domestic home consumption as defined in Section 39-26-102, C.R.S.; require that PIFs be subject to the disclosure requirements established in Section 6-1-737(2), C.R.S.; and require that a district's plans to impose a PIF be included in the district's service plan for review and approval by the approving local government pursuant to Section 32-1-201, et seq., C.R.S.

Finding 2 and Policy Considerations 5 and 6 – Metropolitan District Boards

Special district boards—including those of metro districts—are responsible for carrying out the powers and responsibilities of the district. The powers of metro district boards are outlined in statute and include the powers to enter into contracts; enforce covenants; levy property taxes, sales taxes, and fees; issue debt; and generally, carry out the business of the district [Sections 32-1-1001, 1004, 1004.5, 1101, 1106, and 1201, C.R.S.].

Districts are governed by a 5- or 7-member board of directors. Statute provides that when districts are first created, they should have five board members [Section 32-1-305(5), C.R.S.], but allows districts with 5-member boards to irrevocably increase the number to seven through a resolution adopted by the board [Section 32-1-902.5, C.R.S.].

To serve as a director on a district board, an individual must be an eligible elector within the district and at least 18 years old [Section 1-13.5-301(1)(a), C.R.S.]. An eligible elector is an individual who is registered to vote and either (1) is a resident of the district, (2) owns property in the district or is the spouse or civil partner of a person who owns property in the district, or (3) is under contract to purchase taxable property within the boundaries of the district [Section 32-1-103(5), C.R.S.]. If an individual is an eligible elector in more than one district (e.g., owns property in more than one district), they can serve on more than one district board.

The term of office for directors is generally 4 years, without term limits, and the terms are staggered [Sections 32-1-305.5(2) and (3)(a), C.R.S.]. A director's term may be shorter than 4 years in certain circumstances such as when a district is first organized Directors are generally elected at regular elections, which are held every 2 years in May of odd-numbered years [Section 1-13.5-111(1), C.R.S.]; statute also allows directors to be elected during special elections in certain circumstances, such as when a district expands the number of directors from five to seven. In the most recent regular May 2025 election, we estimate that about 6,000 of the 12,307 metro district seats in the state were up for election. If in between elections a director's seat becomes vacant, statute requires the remaining board members to appoint a new director to serve until the next regular election, at which time the vacancy is filled by election for any remaining portion of the unexpired 4-year term [Section 32-1-905(2)(a), C.R.S.]. If the remaining board members do not fill a vacancy within 60 days, or there are no remaining board members to make an appointment, statute provides for the metro district's approving local government(s) to appoint directors to fill vacancies [Sections 32-1-905(2) and (2.5), C.R.S.].

Upon election or appointment to fill a vacancy, and before a director's term can start, statute requires directors to take an oath within 30 days [Sections 1-13.5-112 and 32-1-901(1), C.R.S.]. The oath consists of swearing or affirming, in writing, to support the U.S. Constitution, the Colorado Constitution, and Colorado's state laws and to faithfully perform the duties of the public office [Section 24-12-101, C.R.S.]. Directors must file their oaths with (1) the county clerk(s) wherein the director was elected or appointed, (2) the court that declared the district organized, and (3) the

Division [Sections 24-12-101(3) and 32-1-901(1), C.R.S.]. When filing the oath, directors must also file with the Division and the court a bond of at least $1,000 that is "conditioned upon the faithful performance of his or her duties as director" [Section 32-1-901(2), C.R.S.], and statute allows districts to purchase crime insurance for their directors to fulfill the bond requirement [Section 24-14-102(2), C.R.S.]. Practically speaking, such bond or insurance could include liability coverage for the costs of legal defense relating to actions or inactions of directors. Districts typically file directors' oaths and proof of directors' bonds or insurance coverage on behalf of their directors. If the director fails to take their oath and/or furnish their bond "within the period allowed, except for good cause shown, his or her office shall be deemed vacant" [Sections 32-1-901(3) and 905(1)(b), C.R.S.].

Metro districts file their directors' oaths and bonds with the Division through its online LGIS portal. LGIS directs districts to submit a PDF containing both the oath and bond for each director and to update the details about directors that appear on the LGIS Director Information page, including the name of the director, whether the director was elected or appointed, the oath date, the term expiration, and whether the director is an officer of the board. Directors are only added to the LGIS Director Information page once metro districts file their directors' oaths and bonds. Metro districts can also indicate when director seats are vacant. LGIS records the "filed on" date of the oath and bond filing. Before publishing the information submitted by districts to the LGIS Director Information page, Division staff review for accuracy the filing and information that districts input into the LGIS portal. At the beginning of each calendar year, Division staff "purge" or mark vacant all director seats whose terms expired in the prior year and where no new oath and bond was filed. If the Division does not have an oath and bond on file for a director, LGIS will display the seat as "Vacant."

What audit work was performed and what was the purpose?

We reviewed the Special District Act and Colorado election laws related to metro districts. We interviewed Division staff regarding how the Division maintains director information on LGIS. We analyzed the Division's LGIS data, current as of October 2025, containing an inventory of all 2,509 active and inactive metro districts and their oath and bond filings as of November 7, 2025; a total of 2,457 of these districts were created on or before December 31, 2024. We calculated the rate at which districts filed the oath and bond filings of their elected directors within 30 days after the regular May 2025 election.

We assessed the rate at which districts had full 5- or 7-member boards based on the oaths and bonds on file in LGIS. For a selection of 96 districts where LGIS data indicated boards were fully vacant or had only one or two board members, we reviewed the districts' other filings in LGIS (i.e., 2026 notice to electors, May 2025 election results or notice of canceled election, 2026 budgets or notices of inactive status) and the districts' public websites, if one existed, to determine which districts had board vacancies and which districts likely had directors but failed to file oaths and bonds for the directors. The selection included all 86 districts for which LGIS showed the board as fully vacant, 5

of the 94 active districts that had only one director listed in LGIS, and 5 of the 279 active districts that had only two directors listed in LGIS.

As part of our work to profile 16 selected metro districts, we assessed the duration of any board vacancies. More detailed information about how the 16 selected districts were chosen and our work to profile these districts can be found in Chapters 1 and 4. We also reviewed the Division's spreadsheets, current as of January 2026, that are used to track metro districts that could be eligible for administrative dissolution, including tracking whether districts' boards are fully vacant.

The purpose of our audit work was to determine whether metro districts filed with the Division the oaths and bonds of directors elected in May 2025 and the extent that the Division tracked board vacancies.

How were the results of the audit work measured?

The Division should receive oath and bond filings from every district, for a minimum of two directors, following a regular election. Statute provides for the directors of metro district boards to serve staggered terms, which results in a minimum of two directors' seats being up for election during any regular election. Specifically, when a metro district with a 5-member board is first organized, the court orders an organizing election to approve the district's creation and elect the first five directors: two directors serve until the next regular election occurring in the year following that in which the district was organized, and three directors serve until the second regular election, upon which time the terms of office for each of the five directors is 4 years [Sections 32-1-305.5(2) and (3), C.R.S.]. For example, a district whose organizing election took place in October 2024 would elect two directors to serve until the May 2025 regular election and the remaining three directors to serve until the May 2027 regular election, upon which time all five directors would serve staggered, 4-year terms. For 7-member boards, the district would have one additional director elected at each of the first and second regular elections [Sections 32-1-305.5(2) and 902.5(2), C.R.S.]; using the same example, this would be three directors serving until May 2025 and four directors serving until May 2027, upon which time all seven directors would serve staggered, 4-year terms. If there are not more candidates than director seats to be filled at an election, statute allows a metro district to cancel the election and declare the candidates elected [Section 1-13.5-513, C.R.S.], or if there are no candidates for a director's seat, statute requires the board to make an appointment within 60 days to fill the vacancy [Section 32-1-905(2)(a), C.R.S.]. As a result, each regular election should result in a **minimum** of two directors from every metro district being elected, declared elected by the board, or appointed. Given that statute provides several ways for metro districts to fill board vacancies, it indicates an expectation that metro district boards maintain full membership.

Statute requires that each metro district director take an oath within 30 days after they are elected, declared elected, or appointed to fill a vacancy; post a bond before their term can start [Section 1-13.5-112, C.R.S.]; and file their oath and bond with the Division [Section 32-1-901, C.R.S.]. After the May 2025 regular election, the Division should have received oath and bond filings for a **minimum** of two directors from every metro district that was created by December 31, 2024.

If any director fails to take an oath or furnish the requisite bond "within the period allowed, except for good cause shown, his or her office shall be deemed vacant" [Section 32-1-901(3), C.R.S.]. Neither the Division nor statute has defined the time period allowed for filing the oath and bond, so we conducted our analysis assuming oaths should be filed within the 30 days statute allows for taking the oath.

The Division has information that could be useful to approving local governments in filling metro district board vacancies. Statute specifies circumstances that require an office to be deemed vacant, including (1) if a qualified person is not elected during a regular election, or (2) a director fails to take an oath or file a bond with the Division [Sections 32-1-901(3) and 905(1), C.R.S.]. Statute requires any vacancy on the board of a district to be filled by appointment by the remaining board members [Section 32-1-905(2)(a), C.R.S.]. If the remaining board members have not made an appointment to fill the vacancy within 60 days, or there are no remaining board members to do so, statute allows the approving local government(s) to appoint a director to fill the vacancy [Sections 32-1-905(2) and (2.5), C.R.S.].

Statute expects the Division to "promptly establish and maintain on a current basis" a public file for all metro districts listing the names and addresses of all directors serving on metro district boards, which directors serve as officers on the board, and other details (e.g., point of contact for each district) [Section 32-1-104(1), C.R.S.]. As directed by its internal guidance on formation, the Division creates a file for each metro district on LGIS, and directs metro districts to populate their Director Information page, at the same time they file oaths and bonds for their directors. The Director Information page lists the directors' names, if they are elected (including declared elected) or appointed, if they are officers of the board, and the date when their term expires.

Statute generally charges the Division with serving as a resource for local governments, including serving as a clearing house of information relating to the common problems of local governments [Section 24-32-104(1), C.R.S.]. Because statute requires districts to provide election filings, as discussed in Finding 5, as well as oath and bond filings to the Division—coupled with the Division's statutory role to serve as a resource for local governments, the Division is positioned to know when director seats are vacant when terms expire after regular elections and whether these vacancies have exceeded the 60-day timeframe for the district's board to fill them.

What problems did the audit work identify?

The Division did not receive required oath and bond filings from at least 724 districts following the May 2025 regular election. Of the 2,457 metro districts that were created by December 31, 2024, the Division did not receive any oath and bond filings following the May 2025 election from 345 districts (14 percent), as of November 2025, or 6 months following the election, and had received oath and bond filings for only one director for another 379 districts (15 percent), when every district should have had a minimum of two directors elected or appointed. Since our analysis assumed the terms of only two directors expired in May 2025—when many districts would have actually had three or four director terms expiring—it is likely that additional districts either did

not properly elect or appoint directors or did not file their oaths and bonds with the Division. This means that **at least** 724 metro districts (29 percent) either did not properly elect or appoint directors, or did not properly file the oaths and bonds for at least one director. Examples of districts that did not file oaths and bonds include:

- Sterling Ranch Colorado Metropolitan District No. 6 in Douglas County was created in November 2013 and has a 5-member board. According to May 2025 election filings submitted to the Division, the board declared two directors elected to 4-year terms after canceling the May 2025 election, and these two directors are listed as members of the board on the district's website as of June 2026. However, the district did not file with the Division the oaths and bonds of these two directors. It is not clear whether (1) the directors signed their oaths and the district did not file them with the Division, or (2) these two directors have not yet signed their oaths, in which case their terms cannot yet have started under statute. As of June 2026, LGIS showed the two seats as vacant. The board's three other directors are serving terms that expire in 2027 and have their oaths and bonds on file with the Division.

- Aviation Station North Metropolitan District No. 5 in Denver County was created in May 2013 and has a 5-member board. The district filed an oath and bond for one director that the board declared elected after canceling the May 2025 election. This director is serving until 2029, and another director with an oath and bond on file is serving until 2027. However, as of June 2026, LGIS showed that the three other seats were vacant with no appointments made by the board to fill them.

- Eastern Hills Metropolitan District No. 5 in Arapahoe County was created in December 2002 and has a 5-member board. The district filed an oath and bond for one director that the board declared elected after canceling the May 2025 election. However, the district's May 2025 election filing indicated that two other seats with terms expiring in May 2025 remained vacant following the May 2025 election; the board made no appointments to fill them. As of June 2026, LGIS still showed these two seats as vacant. The board's two other directors are serving terms that expire in 2027 and have their oaths and bonds on file with the Division.

- HM Metropolitan District No. 3 in Adams County was created in November 2019 and has a 5-member board. The district filed an oath and bond for one director that the board declared elected after canceling the May 2025 election. However, the district's May 2025 election filing indicated that two other seats with terms expiring in May 2025 remained vacant following the May 2025 election; the board made no appointments to fill them. As of June 2026, LGIS still showed these two seats as vacant. The board's two other directors are serving terms that expire in 2027 and have their oaths and bonds on file with the Division.

The Division received oath and bond filings from 479 metro districts more than 30 days after the May 2025 regular election. Of the 2,112 metro districts that filed oaths and bonds following the directors being elected in May 2025, a total of 1,632 districts (77 percent) filed the oaths and bonds for their directors within 30 days of the May 2025 regular election, while a total of 479 districts (19 percent) filed oaths and bonds for their directors after June 5, 2025, or more than 30

days after the May 6, 2025 election. Examples of districts that filed late oaths and bonds for elected directors include:

- Lanterns Rock Creek Metropolitan District in Boulder County was created in November 2018 and has a 5-member board. The board declared three directors elected after canceling the May 2025 election. The district filed oaths and bonds for its three directors on September 12, 2025, which was 116 and 114 days, respectively, after the directors signed their oaths on May 19, 2025 (one director) and May 21, 2025 (two directors), and 129 days after the canceled May 6, 2025 election.

- Redlands 360 Metropolitan District No. 7 in Mesa County was created in May 2022 and has a 5-member board. The board declared three directors elected after canceling the May 2025 election. The district filed oaths and bonds for the three directors on July 11, 2025, which was 51 days after the directors signed the oaths on May 21, 2025, and 66 days after the May 6, 2025 canceled election.

- Denver Gateway Center Metropolitan District in Denver County was created in January 1997 and has a 5-member board. The board declared one director elected, and two director seats vacant, after canceling the May 2025 election. The district filed the oath and bond for the one elected director on June 23, 2025, which was 24 days after the director signed the oath on May 30, 2025, and 48 days after the May 6, 2025 canceled election.

At least 73 metro districts had unfilled board vacancies as of spring and summer 2026. We conducted two additional, targeted analyses to look at how many districts have actual board vacancies—as opposed to delinquent filings—and how long the vacancies have persisted.

First, we reviewed information from district filings and district websites for a selection of 96 districts for which LGIS indicated board vacancies following the May 2025 election. Our selection of 96 districts included all 86 districts for which LGIS data showed the board was fully vacant as of October 2025; 5 randomly selected districts of the 94 active districts that had only one director listed in LGIS as of October 2025; and 5 randomly selected districts of the 279 active districts that had only two directors listed in LGIS as of October 2025. Of the 96 districts we reviewed, we found it likely that 59 districts had board vacancies as of May 2026; for the other 37 districts, we found evidence that directors were serving but that the directors had not filed their oaths and bonds with the Division and, therefore, did not appear in the LGIS data. See Exhibit 2.6 for a breakdown of the 96 districts by number of vacancies:

Exhibit 2.6
Board Vacancies Among 96 Selected Metro Districts

Number of Vacancies	Count of Metro Districts
0 vacancies	37
1 vacancy	9
2 vacancies	7
3 vacancies	18
4 vacancies	21
5 vacancies	4
Total Number of Metro Districts	**96**

Source: Office of the State Auditor analysis of election and budget filings submitted to the Division of Local Government and websites of 96 metropolitan districts selected for review, as of May 2026.

Of the 59 districts we identified from our review that likely had vacancies, we found that the Division had identified the vacancies on only 1 of the 59 district boards, but had not actively tracked vacancies on the boards of the other 58 districts. Specifically, Stone Ridge Metropolitan District No. 2 in Las Animas County was created in November 2001, and all of its five board seats were vacant as of July 2026; the Division was aware that the district's board was fully vacant and was tracking the district on its administrative dissolution watchlist, as discussed in Finding 3. None of the other 58 districts we identified from our review were noted in the Division's dissolution tracking spreadsheets as having board vacancies.

Second, for a selection of 16 districts profiled in Chapter 4, we reviewed information from the districts' filings submitted to the Division and districts' websites to assess the duration of any board vacancies. We found that as of July 2026, when we conducted our analysis, 14 of the 16 districts (88 percent) had at least one vacancy on the board. Based on our review of the districts' filings submitted to the Division, we determined that in some cases, the vacancies were long-standing, with some persisting for more than 15 years, but none of these districts were noted on the Division's dissolution tracking spreadsheets as having vacancies.

- Gardens on Havana Metropolitan District Nos. 1–3. These three districts first reported one vacancy on each of the three boards in their oath and bond filings submitted to the Division in March 2009. Since then, the districts have consistently reported in their various filings submitted to the Division between one and four vacancies on each board. Currently, the three districts each have three vacancies.

- Prairie Center Metropolitan District Nos. 1–8, 10. These nine districts first reported one vacancy on each of the nine boards in their January 2013 notice to electors filing submitted to the Division. Since then, eight of the districts have consistently reported between one and four vacancies on their boards. The other district (Prairie Center Metropolitan District No. 7) reported in its January 2025 notice to electors that it had no vacancies, but by May 2025 the

district had three vacancies as reported in its election results. Currently, this district has one vacancy.

- Amber Creek Metropolitan District reported two vacancies and Buckhorn Valley Metropolitan District No. 2 reported one vacancy on their boards in their 2025 notice to elector filings submitted to the Division in December 2024. Amber Creek had two vacancies and Buckhorn Valley No. 2 had one vacancy, as of July 2026.

Why did these problems occur?

Neither statute nor the Division has defined a deadline for directors to file oaths and bonds with the Division. Statute requires directors to take an oath within 30 days after their election or appointment to fill a vacancy, and before a director's term can start [Sections 1-13.5-112 and 32-1-901(1), C.R.S.], as well as to file the oath and requisite bond "within the period allowed, except for good cause shown" [Section 32-1-901(3), C.R.S.]. Statute also allows the district board 60 days to appoint a director if no one was properly elected [Section 32-1-905(2)(a), C.R.S.]. Statute does not explicitly define what "the period allowed" for filing should be or the parameters for establishing "good cause shown". The Department indicated that it believes statute does not grant the Division authority to define such a filing period or to define what could constitute "good cause shown" for not filing on time.

In the absence of any defined timeframe from statute or the Division, we used for our analysis the 30 days required by statute to take the oath, and found that 77 percent of metro districts filed the oaths and bonds for their directors within 30 days of the May 2025 regular election, indicating that 30 days may be a reasonable timeframe to expect oaths and bonds to be filed with the Division. A defined deadline communicated to metro districts would allow the Division to have a timeframe for assessing the completeness of oath and bond filings, and then to follow up with non-filing districts and/or the districts' approving local governments, as discussed in the next section. Such a timeframe could be 30 days after an election or appointment as we used in our analysis, 60 days allowed for a district's board to fill a vacancy if no one was duly elected during a regular election, or another time period deemed appropriate.

We provide Policy Consideration 5 for the General Assembly related to defining, or directing the Department to define, a deadline for filing oaths and bonds with the Division.

The Division does not have a process to follow up with metro districts that have not filed oaths and bonds. The Division's interpretation of statute that there is no deadline for districts to file oaths and bonds with the Division has resulted in the Division not having a process to track the timeliness of submissions or follow up with metro districts that do not file oaths and bonds as expected. However, it is important for the Division to ensure it receives oaths and bonds of directors in a timely manner to know if the directors were properly seated on the board, which then helps the Division fulfill its statutory responsibility to "promptly establish and maintain on a current basis" public records for each metro district on the LGIS Director Information page that includes

the names of all the members of the boards, as required under Section 32-1-104(1), C.R.S. While the Division does have written guidance for staff for reviewing the accuracy of oath and bond filings and the information input by districts on the LGIS Director Information page, the Division **does not have** written guidance directing staff to track oath and bond filings or follow up with those districts that have not filed, which can lead to LGIS not containing current information on district directors. The Division could create a process similar to the one it uses for annual budget and election filings; that guidance directs staff to identify metro districts that did not submit the filing within an allotted time period, send out late notices to those districts, and, for budget filings, send notices to relevant county treasurers to withhold the noncompliant district's tax funds. We found that for filings in which the Division follows up with districts on missing or late filings, there is a higher level of filing compliance. While the Division has told us it does not have a compliance role under statute to follow up with districts if they do not file oaths and bonds, the Division does have a statutory responsibility to maintain current, public records regarding district directors, and should develop a process to improve its ability to uphold this responsibility.

Statute does not direct the Division to have a process to inform approving local governments of metro district board vacancies that have not been filled by district boards. The Division told us that because statute does not direct the Division to inform approving local governments of vacancies that district boards have not filled, the Division does not have the systems or staff resources to track board vacancies to provide notifications to approving local governments. Specifically, the Division has not developed a process to review the oath and bond filings it receives against its LGIS data or the district's other filings to identify board vacancies. The Division also has not developed a process to track vacancies and inform approving local governments of board positions that have been vacant longer than 60 days, which is the time the district board has to fill a vacancy before the approving local government can fill the vacancy. Instead, the Division told us that it provides a list of directors via LGIS, which any member of the public, including any district or approving local governments, may access.

However, according to the Division, it might be able to configure within existing resources an annual notification to districts (not approving local governments) where Division records show a fully vacant board. The Division indicated that the best time to do this work would be after it purges expired director information from LGIS (January of even years) and when the Division sends its notice that the Special District Election Manual is available (January of odd years). This kind of notification would provide proactive communication to districts when Division data shows their board is fully vacant, but would not provide notification to the approving local government that has the authority under statute to make appointments when boards are fully vacant.

In addition, providing notification of fully vacant boards could be an important first step, but any number of vacancies could result in boards that are not representative of the district. Prior to this audit, the Division had not considered that boards having fewer than 5 members could be contrary to statutory intent. The Division told us that statute's definition of a quorum ("one-half of the number of directors serving on the board of a special district") defines the number of directors needed to act, and does not describe a minimum number of directors [Section 32-1-103(16), C.R.S.]. We recognize that a board with just one director can constitute a quorum and can take official

actions at a meeting. However, a one-director board making decisions, such as issuing debt, is unlikely to be a representative board and is not fulfilling statutory intent for metro districts to be governed by 5- or 7-member boards. In addition, the approving local government has authority to fill any vacancy that the board has not filled within 60 days—the board does not have to be fully vacant for the approving local government to act.

While statute does not explicitly direct the Division to inform approving local governments of board vacancies, the Division is uniquely positioned to have information about board vacancies based on the data it maintains in LGIS about board seats and their terms, the oath and bond filings required by Section 32-1-901, C.R.S., and other election filings required by statute, as discussed in Finding 5. In addition, the Division's role to provide information and solutions to local governments including providing technical assistance, serving as an information clearing house to address common problems, and encourage and assist cooperative efforts between local governments provides a compelling reason why the Division should take action when it is aware of board vacancies. A district without a full board means that there is not the representation statute envisions for governing the operations of the district. We provide Policy Consideration 6 for the General Assembly related to this issue.

The Division does not use information about board vacancies to inform the administrative consolidation process. Vacancies on a district board—especially vacancies that persist for years—may point to underlying issues with the district's governance. For example, a district that has chronic board vacancies may not have a sufficient number of eligible electors who are interested in serving, or may not have a sufficient number of eligible electors at all. In either case, an insufficient number of eligible electors serving on the board may be an indication of fragmentation where the district does not serve a sufficient number of people to justify its existence. Statute "provide[s] for and encourage[s] the consolidation of special districts… in order to prevent or reduce duplication, overlapping, and fragmentation of the functions and facilities of special districts" [Section 32-1-102(4), C.R.S.]. Statute gives the Division authority to (1) review the operations and performance of special districts and (2) require such special districts to hold a public meeting to discuss operations and performance, when the Division finds upon its own investigation or upon receipt of information from any source that consolidation would be in the best interests of the residents, improve the quality of services, or lower the costs of services. However, the Division does not use information about board vacancies to inform consideration of consolidation to reduce fragmentation. Administrative consolidation is further discussed in Finding 3.

Why do these problems matter?

Metro district residents need to know who their board members are and how to contact them. When metro district directors do not file their oaths and bonds on time, or at all, this can result in outdated director information posted on LGIS. Without updated information in LGIS, the Division is not able to "maintain on a current basis" metro district directors, as expected under Section 32-1-104(1), C.R.S. Further, metro district residents may not know who to contact when they have concerns regarding the services provided by their districts.

We conducted a survey in February 2026, sent to all 335 counties and municipalities in the state. Our survey included questions about common areas of concern regarding metro districts that local governments have received from constituents. A total of 36 local governments responded to our survey, of which 27 of the 111 approving local governments (24 percent) provided responses. All 27 of the approving local governments that responded said they have received resident concerns about metro districts. Some of the most common resident concerns reported in the survey relate to board members (e.g., lack of transparency around elections, frequent election cancellations, concerns about non-residents serving on the board, lack of board member information on district websites). We also asked how the local governments address resident concerns and 21 of the 27 (78 percent) redirect the residents to their metro districts. If, however, those residents are not able to determine who their board members are or how to contact them, this process will leave residents without recourse for their concerns.

Metro district board members may be operating without having taken the required oath or having secured the required bond. When metro districts do not file their oaths and bonds with the Division, it is possible that some district directors are serving without ever taking the required oath of office to uphold the laws of the country and of Colorado. In order to ensure decisions about taxing residents are made by a duly elected, representative government that is bound to the laws of the country and the State, it is important for the Division to do its part to ensure all directors' oaths and bonds are filed. If oaths and bonds are not filed, the Division then can use the information to consider whether board vacancies indicate the need for district consolidation or appointment of directors by the approving local government.

For example, Tri-Pointe Residential Metropolitan District in Weld County did not have any oaths and bonds on file with the Division as of June 2026, nor did the district's website have any names or contact information for directors. The district's 2026 notice to electors filing, posted to LGIS, indicates that one director is serving on the board. The district's 2026 budget posted to LGIS shows the board approved a 56.073 mill levy to collect about $1.3 million in property taxes. It is unclear if the director has taken their required oath, since the oath is not on file with the Division. This director seat likely should have been deemed vacant before the one director was able to adopt a 2026 budget due to their failure to file an oath and bond with the Division, meaning that the 2026 budget and mill levy may not be valid.

Metro districts without full boards pose a burden on local governments, interrupt services, and lead to non-representative governance of districts. Statute expects that metro districts are governed by full boards of 5 or 7 directors that represent the voters of their districts, and makes clear that appointments are to be made promptly if a director's seat is vacated. Based on our review, statute does not envision or anticipate that a metro district's board would have prolonged vacancies, such as only having one or two board members for multiple years.

When metro districts have vacancies on their boards, they are not acting as a representative governing body and are not fulfilling the expectations set in statute, especially when there are long-term board vacancies. As seen in our Chapter 4 profile of Prairie Center Metropolitan District (PCMD) Nos. 1–8 and 10, each of the nine districts have a 5-member board with vacancies. PCMD

Nos. 1–6, 8, and 10 each have three vacancies while PCMD No. 7 has one vacancy; vacancies on these boards have persisted since at least 2013. Collectively, the PCMD board members oversee about $319 million in debt issued across the nine metro districts as of 2026; furthermore, per the districts' service plans, the nine districts are collectively authorized to issue up to $56.5 billion in debt across the nine districts, which means that a large financial portfolio is being managed without the full representation envisioned by statute. According to information from the Department's State Demography Office, as of July 2024, two of these districts have residents (about 1,000 residents in PCMD 7 and 1,500 residents in PCMD 5), whereas the other seven districts have no residents; the board members of the districts with no residents are two individuals affiliated with the developer and likely own property in the district or are under contract to purchase property within the district, since otherwise they would not be eligible to serve on the district's board. With so many districts with vacancies associated with this development, it raises the question of whether the nine different districts create unnecessary fragmentation, and whether the districts' roughly 2,500 residents, along with the businesses within the districts, would be better served with consolidated districts governed by boards that are fully seated.

Fully vacant boards pose even more of a challenge since there are no individuals responsible for carrying out the district's business. For example, there is no governing body to pass annual budgets as required; the adoption of an annual budget by the board is required for districts to expend monies and collect revenues to provide services [Section 29-1-108, C.R.S.]. We saw an example of this with Johnstown Farms Metropolitan District in Weld County, created in 2007. Despite having a fully vacant board according to its 2026 notice to electors, filed with the Division by an attorney representing the district in January 2026, the district's website linked to a "2026 final budget," without any resolution by a board showing the budget's approval, as required by the Local Government Budget Law of Colorado; no 2026 budget was filed with the Division. The district also certified mills of 40.422 with the Weld County Assessor that will total nearly $164,000 in 2026 property tax revenue, without any board resolution. According to the State Demography Office, as of July 2024, the district had about 900 residents. According to the Division, each of these residents that are registered to vote in Colorado should have received a Call for Nominations notice by email or mail under Section 1-13.5-501(1.7), C.R.S., encouraging them to serve on the board and file to be a board candidate before the regular election. However, the board remained fully vacant as of July 2026. Without any board, the district's activities are not carried out by individuals responsible for representing the residents.

It is important that metro districts are led by a representative government—whether elected or appointed—that is able to provide services to the district, operate as independent, special-purpose governmental units that exist separately from other local governments, and have substantial administrative and fiscal independence. In particular, representative, elected (or appointed) directors are held responsible for adhering to the State's Code of Ethics, including having a fiduciary duty to the property owners of the district [Section 24-18-101 et seq., C.R.S.], whereas management companies do not have this same responsibility or fiduciary duty under statute.

Recommendation 2

The Department of Local Affairs should help ensure that metropolitan (metro) districts file the oaths and bonds of their directors with the Division of Local Government (Division) and the Division tracks board vacancies by:

A. Developing written guidance to direct Division staff on tracking the submission of and timeliness of districts' oath and bond filings, following up with metro districts that have not filed oaths and bonds as expected. This written guidance can also be updated if and when statute is revised in relation to Policy Considerations 5 and 6.

B. In conjunction with Recommendation 3, developing written guidance directing Division staff to consider information about board vacancies to inform consolidation by administrative action, pursuant to Section 32-1-602.5, C.R.S.

Response

Department of Local Affairs

A. Agree
Implementation Date: August 2027

The Division currently makes special district oath and bond filings and director and vacancy information publicly available online when provided by the districts. The Department will also evaluate what additional tracking and notification process might be possible to implement within existing resources, for example an outreach after special district regular elections to districts with fully vacant boards, and we will update written guidance as appropriate. The Department's goal is to implement potential changes by August 2027 after the May 2027 special district regular election season.

The Department will update written guidance if it has expanded compliance responsibilities in relation to Policy Considerations 5 and 6, if the General Assembly chooses to make such statutory changes. Both tracking the timeliness of oath and bond filings based on a defined period allowed and following up with delinquent districts under Policy Consideration 5, as well as creating a new process to inform approving local governments under Policy Consideration 6, would require additional Department resources in order to implement.

B. Agree
Implementation Date: January 2028

The Department will develop written guidance concerning Section 32-1-602.5, C.R.S. The Department's written guidance will be informed by feedback from local government stakeholders on what scenarios could be appropriate for the Division to engage with one or more special district boards and the approving local government and require a public meeting

under Section 32-1-602.5, C.R.S., where the boards can consider whether they agree to commence consolidation procedures. In addition to district operations and the quality and costs of services as discussed in Section 32-1-602.5, C.R.S., the guidance will also mention that information about board vacancies could be a consideration for consolidation by administrative action. The implementation date provides time for local government stakeholder input and creation of written guidance.

Policy Consideration 5

The General Assembly may want to consider revising statute to define, or direct the Department of Local Affairs (Department) to define, the period allowed for districts to file with the Division of Local Government (Division) the oaths and bonds of their directors as required under Section 32-1-901, C.R.S., and define, or direct the Department to define, what qualifies as "good cause shown," as used in Section 32-1-901(3), C.R.S., in establishing allowable exceptions for the required timeframe for filing oaths and bonds with the Division.

Policy Consideration 6

The General Assembly may want to consider amending statute to direct the Division of Local Government (Division) within the Department of Local Affairs to identify metropolitan district board vacancies that have not been filled by district boards and inform approving local governments of the vacancies so that the approving local governments are positioned to fill the vacancies as authorized by Sections 32-1-905(2) and (2.5), C.R.S. When considering amending statute, the General Assembly may want to consider whether the Division has the necessary resources to carry out new statutory responsibilities.

Finding 3 – Administrative Dissolution and Consolidation

The General Assembly anticipated that special districts, including metro districts, may not need to exist in perpetuity and created procedures for their dissolution or consolidation. Dissolution and consolidation are different methods of helping to reduce fragmentation and overlapping of government. Dissolution is the discontinuation of the district, and the stated purpose of dissolution procedures outlined in statute is "to reduce the proliferation, fragmentation, and overlapping of local governments and to encourage assumption of services by other governmental entities" [Section 32-1-102(5), C.R.S.]. Consolidation is the joining of two or more districts into one district [Section 32-1-601(2), C.R.S.], and the stated purpose of consolidation procedures outlined in statute is "to prevent or reduce duplication, overlapping, and fragmentation of the functions and facilities of special districts; that such consolidation will better serve the people of this state; and that consolidated districts will result in reduced costs and increased efficiency of operation" [Section 32-1-102(4), C.R.S.].

Dissolution of Metro Districts

Starting in 1970, the General Assembly outlined procedures for dissolving a district. Those procedures require the district's board to file with the relevant district court a petition for dissolution when any of the following occur: (1) the majority of the board members deem it to be in the best interests of the district to dissolve; (2) a minimum number of eligible electors, as defined in statute depending on the size of the district, file an application with the board for dissolution; (3) the relevant approving local government(s) files an application with the board for dissolution; or (4) the Division files an application with the board for dissolution [Section 32-1-701, C.R.S.]. Lawmakers added the Division as an entity that can prompt the board to pursue dissolution procedures in 1991. Statute requires the board's petition for dissolution that it files with the court to address whether the district has financial obligations and, if so, how those obligations will be handled (e.g., funds placed in escrow); and whether the district provides services and, if so, how the services will be provided (e.g., services continued by one or more regional service authorities, municipalities, counties, intergovernmental authorities, or other special districts) [Section 32-1-702, C.R.S.]. The court then reviews the petition for dissolution and if statutory criteria are met, the court (1) orders an election for the district's eligible electors to decide on dissolution and, depending on the outcome of the election, the court declares the district dissolved, or (2) declares the district dissolved without an election in certain circumstances specified by statute, with the consent of the district board and the approving local government (e.g., if the local government petitioned for dissolution and the district has no financial obligations, the court can declare the district dissolved without an election) [Sections 32-1-704 and 707, C.R.S.].

Starting in 1985, the General Assembly gave the Division responsibility for carrying out administrative dissolution of districts under certain circumstances. Administrative dissolution involves the Division declaring a district dissolved and submitting the declaration to the court for review, without applying to the district's board for dissolution or requiring the district's eligible electors to vote on dissolution. Statute directs the Division to initiate administrative dissolution procedures if and when a district meets one of four criteria—(1) failing to hold or properly cancel an election, (2) failing to adopt a budget for 2 consecutive years, (3) failing to comply with the Colorado Local Government Audit Law for 2 consecutive years, or (4) not providing or attempting to provide services for 2 consecutive years—**and** when the district has no outstanding financial obligations [Section 32-1-710, C.R.S.]. To initiate the administrative dissolution process, the Division issues to the eligible district a notice of intent to certify the district dissolved.

Upon receiving the notice of intent, a district then has 30 days to demonstrate to the Division that it has performed—or will perform within a time period agreed to by the Division—its statutory or service responsibilities, before the Division may declare the district dissolved. Once the Division declares a district dissolved, the Division must submit the dissolution declaration to the court. The court then has 30 days to either certify the dissolution or terminate the dissolution proceedings, which can occur if the district court determines that the metro district does not meet dissolution criteria.

According to Division data, since 2008, a total of 214 metro districts have been dissolved. Most of the dissolutions (167, or 78 percent) occurred by petition of the district's board to the court; the remaining 47 (22 percent) were administrative dissolutions initiated by the Division.

The OSA's 2006 performance audit of the Department and oversight of metro districts found that the Department was not tracking and following up with districts that appeared to be eligible for administrative dissolution. The OSA recommended that the Department develop and implement procedures to dissolve qualifying districts, which the Department agreed to implement.

Consolidation of Metro Districts

Starting in 1973, the General Assembly outlined procedures for consolidating districts [Section 32-1-601, et seq., C.R.S.]. Those procedures require an initiating district to pass a resolution proposing consolidation of two or more districts and declaring that consolidation would allow the affected districts to operate effectively and economically and that residents would be better served by consolidation. The initiating district then sends the resolution to the affected districts, and those affected districts pass a resolution to either concur with or reject consolidation; only districts that concur with the resolution will proceed toward consolidation. The districts concurring to seek consolidation then submit a consolidated service plan to the relevant approving local governments for review and approval. Once the approving local government(s) approves the service plan, the initiating district files the resolutions with the district court. The court then determines the legality of the proposed consolidation and sets an election for the affected eligible electors to vote on consolidation. If approved by a majority of the eligible electors, the consolidated district is deemed established.

Starting in 1991, the General Assembly gave the Division authority to (1) review the operations and performance of special districts and (2) require such special districts to hold a public meeting to discuss operations and performance, when the Division finds upon its own investigation or upon receipt of information from any source that consolidation would be in the best interests of the residents, improve the quality of services, or lower the costs of services [Section 32-1-602.5, C.R.S.]. If after such public meeting, the boards of the affected special districts agree that consolidation is appropriate, statute requires the boards to commence consolidation proceedings.

According to Division data, 17 metro districts have undergone consolidation since 2008.

What audit work was performed and what was the purpose?

We reviewed the Special District Act's dissolution and consolidation procedures and reviewed the Division's internal written procedure for administrative dissolution (the Division does not have written procedures or processes for administrative consolidation, as discussed further). We interviewed Division staff regarding how the Division maintains a watchlist of metro districts that partially meet administrative dissolution criteria, how it proceeds with initiating administrative

dissolution, how it has tracked the outcomes of administrative dissolutions since 2008, and if it has a process to identify metro districts as candidates for administrative consolidation.

We analyzed the Division's spreadsheets, current as of January 2026, that showed the Division's efforts in 2025 to track eligible metro districts for dissolution; these spreadsheets are used to track the administrative dissolution process (e.g., initiated dissolution proceedings, metro districts on the watchlist). We also reviewed LGIS data, current as of October 2025, that contains information on all metro districts created since the 1940s, as well as which districts have been dissolved or consolidated. We analyzed data for the 2,389 metro districts created before, and not yet dissolved by, January 1, 2024, which allowed us to review metro district elections, budgets, audits, and provision of services over 2 consecutive years (2024 and 2025). Of these 2,389 metro districts, we identified the districts that met or partially met the criteria for administrative dissolution. We then compared these results against the Division's spreadsheets of its initiated administrative dissolution proceedings and its watchlist of metro districts that partially met administrative dissolution criteria.

The purpose of our audit work was to determine whether the Division has an effective process to identify metro districts eligible for dissolution or consolidation and then initiate administrative dissolution, dissolution by application to the district board, or consolidation by administrative action, as applicable.

How were the results of the audit work measured?

The Division is required to initiate administrative dissolution procedures for metro districts that meet statutory criteria. Section 32-1-710(1), C.R.S., requires the Division to notify a district of the Division's "intent to certify the district dissolved" if and when the district has "no outstanding financial obligations" and any of the four following additional criteria are met:

1. **The district failed to hold or properly cancel an election, and, if the board was fully vacant, the approving local government also did not make board appointments to fill vacant board seats.** Section 32-1-710(1)(a), C.R.S., includes as a criterion for initiating dissolution that the district failed to hold or properly cancel an election. A good indication of failing to hold or cancel elections is when a district fails to file their election results or notice of canceled election with the Division.

   However, Sections 32-1-710(1)(a) and 905(2.5), C.R.S., provide an exception to applying this criterion if the board is fully vacant and the approving local government took action to fill the board. Section 32-1-905(2.5), C.R.S., allows the approving local government to make appointments to fill the board so as not to interrupt services that are provided by the district. If such appointments are made, statute requires that the appointed board call for nominations for a special election to be held within 6 months of the local government having appointed the board, and that the Division not consider the district's failure to hold or properly cancel the prior election as grounds for dissolution. In other words, if a district fails to hold or cancel an election and it has a fully vacant board, and the approving local government has since taken action to make appointments to fill the board, statute allows for the process of approving local

governments to make appointments to the board to play out before the Division initiates administrative dissolution.

2. **The district failed to adopt a budget in accordance with the Local Government Budget Law for 2 consecutive years.** The Local Government Budget Law of Colorado requires metro districts to file their adopted budgets with the Division no later than 30 days following the beginning of the fiscal year [Section 29-1-113(1), C.R.S.], unless they are in inactive status [Section 32-1-104(5), C.R.S.]. Therefore, a good indication of failing to adopt a budget in accordance with statute is failure of an active district to file a budget with the Division.

3. **The district failed to follow the Local Government Audit Law for 2 consecutive years.** The Colorado Local Government Audit Law requires active metro districts to cause to be made an annual audit of their financial statements [Section 29-1-603, C.R.S.] and to file such audit with the State Auditor [Section 29-1-606(3), C.R.S.] or to request from the State Auditor an exemption from audit, which is allowed when the district's revenues and expenditures are below certain thresholds outlined in statute [Section 29-1-604, C.R.S.]. Statute exempts inactive districts from these requirements [Section 32-1-104(5), C.R.S.].

4. **The district has not provided, or attempted to provide, any services for 2 consecutive years.** It can be difficult to determine whether a district has not provided or attempted to provide services, but a fully vacant board is a good indication that the district is not providing services or attempting to provide services. A board that is fully vacant cannot take any action to carry out the services of the district. Statute outlines the powers and duties of the board, such as the powers to enter into contracts, enforce covenants, issue debt, and generally carry out the business of the district [Sections 32-1-1001, 1004, 1004.5, and 1101, C.R.S.], but the board cannot carry out any of these powers and responsibilities if it has no members. Therefore, a board that has been fully vacant for 2 consecutive years is a good indication of a district that has not provided services or attempted to provide services for 2 consecutive years.

   One exception, however, as also discussed earlier, is that in the event an approving local government is taking action to make appointments to fill a fully vacant board, statute allows for the process of the approving local government to make appointments to the board to play out before the Division initiates administrative dissolution [Sections 32-1-710(1)(a), 710(2)(b), and 905(2.5), C.R.S.].

   Further, Section 32-1-710(2)(b), C.R.S., explicitly states a combination of circumstances, including the board being fully vacant without the local government making any appointments to fill the board, under which the Division must presume that the district is not meeting its responsibility to provide services: "If the district has failed to hold or properly cancel an election, no board has been appointed pursuant to section 32-1-905 (2.5), and there will be no interruption of services being provided by the district, it shall be presumed that the district has failed to demonstrate to the division that it has performed its statutory or service responsibility or will proceed to perform such responsibilities."

Separately, statute allows districts to be inactive when they are in pre-development and have no debt, no revenues or expenditures, no ongoing service obligations, and no active development; statute does not limit how long districts can remain inactive [Sections 32-1-103(9.3) and 104(3)-(5), C.R.S.]. The Division does not consider inactive districts as being eligible for administrative dissolution since this status is allowed by statute. We provide Policy Consideration 7 for the General Assembly related to whether inactive status should be subject to time limits or considered in the criteria for administrative dissolution.

To assess whether a district had outstanding financial obligations, we looked to districts' audit and budget filings to determine whether there was any debt reported on their 2023 or 2024 audits or requests for audit exemption submitted to the OSA, which were the most recent filings available at the time of our review. Generally accepted accounting principles for state and local governments in the United States as established by the Governmental Accounting Standards Board (GASB), require a district to report financial obligations on its financial statements. The GASB also requires a government's financial statements to provide a description of outstanding debt service, which includes beginning and ending balances, increases and decreases during the year, and the portion due within one year. The OSA's application for audit exemption requires districts to report whether they have any outstanding debt and, if so, districts must provide details on the amount of outstanding debt. If a district failed to file its 2023 or 2024 audit filings, we reviewed its 2025 and 2026 budget submissions posted to LGIS. The Local Government Budget Law requires budgets to outline the district's "complete financial plan" including all proposed expenditures for debt service [Section 29-1-103(1), C.R.S.]. Therefore, if none of these filings reported outstanding financial obligations, it can be presumed that the district had no outstanding financial obligations. In addition, if no audit or request for audit exemption was filed with the OSA within the last 2 years, and no budget was filed with the Division within the past 2 years, we interpret that to mean the metro district did not have—or at least did not demonstrate to have—any outstanding financial obligations.

The Division should maintain a watchlist of candidates for administrative dissolution based on statutory criteria. The Division's internal administrative dissolution procedure directs staff to monitor candidates for administrative dissolution and staff have done this by creating a watchlist to track those candidates as filing requirements come due, such as annual budgets. To do this, Division staff run an "Admin Dissolution Report" out of LGIS as a starting point to research districts that might qualify for administrative dissolution at present and place on a watchlist districts that could qualify if subsequent filings are missed. Staff use this watchlist to track if and when metro districts miss subsequent filings to then decide whether to issue a notice of intent to dissolve to the districts and undergo the administrative dissolution process. We would expect the watchlist to capture districts that meet some, but not all, criteria for administrative dissolution, so that the Division can monitor if the Division should move forward with the administrative dissolution for the district. For example, if a district fails to submit one budget, the Division should track this so that if the district also fails to submit the next year's budget, there is indication the district likely failed to adopt budgets for 2 consecutive years. In another example, if a metro district reports a fully vacant board as part of its notice to electors filing, we would expect the Division to track this in its watchlist so that it can monitor if the district reports a fully vacant board in its subsequent filings.

The Division should have a process for petitioning a district board for dissolution. Statute requires a district board to file with the relevant district court a petition for dissolution when the Division files an application with the board for dissolution [Section 32-1-701(2)(a), C.R.S.]. Unlike administrative dissolution, dissolution by application to the district board under this statute allows for the district to have outstanding obligations and for the district to still be providing services or be in inactive status. In those cases, statute requires the board's petition for dissolution to the court to address how its financial obligations will be handled (e.g., funds placed in escrow) and how the services the district provides will be handled [Section 32-1-702, C.R.S.]. Dissolution by application to the district board is a potential tool for the Division to address districts that are good candidates for dissolution, but do not meet all of the criteria required for administrative dissolution. The Division should, therefore, have procedures and guidance for staff on how to identify districts for which dissolution by application to the district board is a good option, and when and how to proceed with such application.

The Division should have a process for administrative consolidation of metro districts. Statute expects the Division to initiate administrative consolidation of special districts if "the division finds, upon its own investigation or upon the receipt of information from any source" that consolidation, restructuring, or changes to special districts' operations "would be in the best interests of the residents" [Section 32-1-602.5, C.R.S.]. To initiate the administrative consolidation process, the Division is allowed to require one or more metro district boards to hold a public meeting to discuss the operations and performance of the districts, and if all boards agree to consolidate, then the districts will proceed with consolidation procedures set in Section 32-1-602, C.R.S. [Section 32-1-602.5, C.R.S.].

What problems did the audit work identify?

Overall, we found that the Division does not have an effective process to identify metro districts that are eligible for dissolution or consolidation and then take the appropriate action. Specifically, we found:

The Division did not issue notice of intent to dissolve to 32 metro districts that appeared to meet criteria for administrative dissolution. To conduct this analysis, we identified the metro districts that did not submit their 2024 and 2025 budgets or their May 2025 election filings to the Division, as of October 2025. We also assessed whether enough time had elapsed for approving local governments to make appointments to metro district boards for those districts that did not file a May 2025 election result or notice of cancellation and that had fully vacant boards. To do this, we reviewed LGIS filings, as of June 2026—12 months after the May 2025 election filings were due—to confirm whether a district that failed to file election results or notice of canceled elections and that had a fully vacant board, reported any recent board appointments. To identify districts that have not followed the Local Government Audit Law for 2 consecutive years, we reviewed the OSA Special Districts Fiscal Health Analysis Calendar Years 2021-2023, published in October 2025, to identify the active districts that failed to submit audits or file for audit exemptions 2 years in a row, and reviewed if and how the Division considered these districts for administrative dissolution.

In 2025, the Division identified and issued notice of intent to dissolve to six metro districts that were candidates for administrative dissolution. However, we identified an additional 32 out of the 2,389 (1 percent) metro districts created by January 1, 2024 for which the Division should have issued notices of intent to dissolve. We did not identify outstanding financial obligations for any of the 32 districts, which means they appear to meet the first criterion for administrative dissolution. For 3 districts, we found that the districts appeared to meet two or three of the additional dissolution criteria, and for the remaining 29 districts, we found that they appeared to meet just one of the four additional dissolution criteria. Exhibit 2.7 shows the results of the analysis.

Exhibit 2.7

Number of Districts Appearing to Meet Criteria for Dissolution

# of Criteria Met	Type of Criteria Met	# of Districts
3 criteria met + no debt	No election, Missing 2 budgets, Missing 2 audits	1
2 criteria met + no debt	No election, Missing 2 budgets	1
	No election, Missing 2 audits	1
1 criterion met + no debt	No election[1]	17
	Missing 2 budgets	3
	Missing 2 audits[2]	9
Total		**32**

Source: Office of the State Auditor analysis of Department of Local Affairs' data, current as of October 2025, stored in the Local Government Information System and metropolitan district audit information submitted to the Office of the State Auditor.

[1] One of these districts was also inactive for 2 consecutive years, in 2024 and 2025.

[2] One of these districts failed to file audits or requests for audit exemptions in 2022 and 2023 and was inactive in 2024 and 2025.

A total of 15 of the 32 districts we identified as meeting criteria for administrative dissolution were listed on the Division's watchlist as of January 2026, but the Division had not moved forward on administrative dissolution of these districts. These 15 districts each failed to hold or properly cancel the regular May 2025 election. Four of these districts filed their 2024 budget but failed to file their 2025 budget, and the Division told us that because these districts also failed to file their 2026 budget—which was due January 31, 2026—the Division would (as of May 2026) issue notices of intent to dissolve to the districts. However, the Division did not have to wait for the districts to miss two budget filings to initiate administrative dissolution, since the districts had already qualified for dissolution based on not holding or properly canceling their May 2025 elections. For the other 11 districts, the Division said that because the districts' boards had one or two directors slated to serve until 2027, it would not proceed with administrative dissolution. However, the Division is expected to initiate dissolution if a district does not have financial obligations and meets just **one** of four

criteria, which was true for these districts since they had no indication of outstanding financial obligations and failed to submit May 2025 election filings.

The Division's watchlist of candidates for administrative dissolution is incomplete. We identified an additional 13 metro districts that should have been on the Division's watchlist for possible administrative dissolution, based on partially meeting the administrative dissolution criteria, as follows:

- 6 districts failed to file their May 2025 election results or notice of canceled election, but reported debt in their 2023 or 2024 audit filings, so there was an indication that they had outstanding financial obligations. The Division was not tracking these six districts on its watchlist to assess if the districts that did not hold May 2025 elections had outstanding financial obligations.

- 4 districts failed to file their 2025 budgets, indicating they may not have adopted a budget that year. All four districts were in inactive status in 2024 and not required to adopt a budget in 2024. However, they did not submit a notice of continued inactive status for 2025, so they were required to adopt a budget in 2025. The Division was not tracking these four districts on its watchlist to assess if the districts also failed to file their 2026 budgets.

- 2 districts had a vacant board in 2025, with no indication that any appointments had been made as of June 2026. Both of these districts had debt, according to their 2024 audit filings. The Division was not tracking these districts on its watchlist to assess if the districts continued to report a vacant board in 2026, which could indicate that the district was not providing or attempting to provide services for 2 consecutive years, and to monitor the districts' reported financial obligations.

- 1 district failed to submit its 2023 and 2024 audit filings and failed to file its 2026 budget, but its 2025 budget indicated it had outstanding financial obligations. The Division was not tracking this district on its watchlist to monitor the districts' reported financial obligations.

The Division does not assess if a district is a good candidate for dissolution via application to the district's board. According to Division staff, the Division has made no applications to a district board for dissolution under Section 32-1-701(2)(a), C.R.S., and the Division's spreadsheets provide no indication that they assess districts for whether this method of dissolution could be a good option. Initiating the dissolution process by applying to a district board could be good for districts that do not meet all of the criteria for administrative dissolution – where districts have outstanding financial obligations or are still providing services or are inactive – but otherwise show an indication that dissolution may be appropriate. For example, we identified 246 metro districts (10 percent) out of the 2,389 metro districts created before, and not yet dissolved by, January 1, 2024, that have been inactive for 2 or more years. Districts that are in inactive status for a prolonged period may be good candidates for dissolution (or consolidation, as discussed in the next section. However, the Division has not assessed if submitting an application for dissolution to the district's

board could be an option. The General Assembly gave the Division the responsibility for administrative dissolution in 1985, and then 6 years later, in 1991, the General Assembly provided the Division with the additional option to apply to a district board to initiate dissolution, which indicates that lawmakers intended for the Division to have this additional, and different method of pursuing dissolution of districts.

The Division has not pursued administrative consolidation of metro districts. According to the Division's spreadsheets that are manually maintained by staff, the Division has not pursued administrative consolidation for any metro districts since at least 2008. LGIS data show that 17 metro districts have been consolidated into other metro districts since 2008, by actions taken by the districts. For example, three different metro district systems underwent consolidation since 2018, where multiple metro districts within the same development consolidated into one metro district.

Why did these problems occur?

The Division's process is to only dissolve metro districts with fully vacant boards and that have missed two consecutive elections, stating it lacks resources to pursue additional dissolutions and there is a lack of clarity in statutes. Despite the clear list of dissolution criteria laid out in Section 32-1-710(1), C.R.S., the Division has interpreted Section 32-1-710(2)(b), C.R.S., to mean that the Division can only dissolve a metro district if its board is fully vacant, and does not have outstanding financial obligations. The Division explained that if it sees a district board is fully vacant, it will wait until the district misses two consecutive, biennial regular elections before taking dissolution actions, in order to allow the approving local government to appoint a board. However, statute states that a metro district is eligible for administrative dissolution if it fails to hold just one election and it has no financial obligations.

The Division's practices effectively mean that the Division applies different criteria than explicitly laid out in the statute, including disregarding whether a district has missed adopting budgets or complying with the Local Government Audit Law 2 consecutive years, as criteria for dissolution if districts have at least one board member.

The Division also told us it has limited resources to pursue administrative dissolution of districts (e.g., limited staff, and limited time to spend working with the Attorney General's Office to submit declarations of dissolution to district courts) and, therefore, it only pursues dissolution of districts it thinks have the best chance to result in dissolution. Division staff told us that district courts will not dissolve a metro district if it still has a board in place, and so the Division only focuses its resources on administrative dissolution that is the most likely to result in the courts certifying a district as dissolved. However, the Division did not provide examples of courts not certifying a district as dissolved due to the district's board not being fully vacant.

The statutory requirement for the Division to pursue administrative dissolution has been in place for more than 40 years, and over that time, the Division and the Department could have brought any concerns that they had to the General Assembly related to the dissolution criteria set in statute if they found it was unenforceable and not the correct metrics to use for administrative dissolution

based on how district courts were interpreting the statutes. The Division indicated that statutory language allowing district courts to terminate dissolution proceedings effectively nullifies the specific criteria set in Section 32-1-710(1), C.R.S. The statute in question states, "In the event that the court determines that the district is not inactive, it may terminate the dissolution proceeding" [Section 32-1-710(3), C.R.S.]. However, we do not interpret this provision as absolving the Division of its responsibilities under Section 32-1-710, C.R.S., and we find it unlikely that the General Assembly would lay out specific dissolution criteria in one section only to allow district courts to ignore that specific criteria within another section. Instead, we read statute to allow district courts to terminate dissolution proceedings if and when districts come into statutory compliance, such as being prompted during the dissolution process to file their annual budgets with the Division.

If the Division continues to determine it does not have the resources or clarity in statute to fulfill its statutory duties to administratively dissolve districts, the Division should seek remedies through the annual budgeting process or through legislation. Absent efforts to change statute or Division resources, the Division should revise its internal procedures and begin issuing notices of intent for dissolution to metro districts and other special districts based on the criteria set in Section 32-1-710(1), C.R.S.

The Division sometimes relies on outdated financial obligation data. The Division's internal procedures guide staff to review metro districts' recent budgets or audit filings to determine if a district has outstanding financial obligations, but the procedures do not provide guidance on how recent the budgets and audit filings should be to conclude on whether districts meet dissolution criteria. For Stone Ridge Metropolitan District No. 2, the Division told us it did not pursue dissolution because the district's 2013 budget—which was the last budget filed by the district—in addition to information published on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access site, showed the district had at least $24 million in outstanding debt. However, in the last 13 years, it is possible that the district settled that debt. This district did not hold or cancel the May 2025 election, has not filed budgets or audit filings in the last 2 years, and has a fully vacant board – meaning the district otherwise met all other possible criteria for administrative dissolution. By relying on information that is more than 2 years old, the Division is not pursuing administrative dissolution as expected under statute.

Since 2008, the Division has initiated administrative dissolution for 32 metro districts and was able to terminate the dissolution proceedings once the districts filed their required documents (12 districts) or had board members elected, retained, or appointed (20 districts). These results indicate that the administrative dissolution process is an effective way to prompt metro districts to come into compliance and to demonstrate if they have financial obligations. By initiating the administrative dissolution process required by statute, metro districts could be prompted to remedy the issues that make them eligible for dissolution.

The Division's internal guidance could be improved to help staff better identify watchlist candidates. The Division's internal procedure to identify candidates for administrative dissolution directs staff to identify districts "that have not filed 2 consecutive elections" because districts "not

filing a single election result are likely to still have a functioning board because of staggered terms". The Division's procedure could be improved by directing staff to identify candidates that partially meet each criterion, such as identifying districts that miss filings for at least one budget or audit and monitoring those districts to see if they also do not file the next year and assess whether the districts have outstanding financial obligations. The Division's procedure could also direct staff to take the list of potential dissolution candidates from the OSA's annual special district fiscal health report and add them to the Division's watchlist in order to further investigate if dissolution is warranted. Additionally, the Division could direct staff to review data on oath and bond filings, in addition to election filings, to identify districts that appear to have fully vacant boards; using the oaths and bonds data would help identify districts with vacant boards even when elections are properly held or canceled. The Division could also add to its internal procedures for staff to identify on the watchlist metro districts that have not provided services for 1 year in order to track if they continue to not provide services in the next year, as well. When the Division is able to compile a watchlist based on all four criteria points in Section 32-1-710(1)(a), C.R.S., then staff can do further research into whether the watchlist districts have outstanding financial obligations according to their recent audit or budget filings.

The Division does not have a process to identify candidates for dissolution by application to the district board. The Division's internal guidance on administrative dissolution does not have any references or guidance related to how the Division can or should initiate dissolution via application to a district board under Section 32-1-701(2)(a), C.R.S. In addition, the Division's internal procedures on the formation and dissolution of special districts does not contain information on the dissolution process via application under Section 32-1-701, C.R.S.

The Division does not have a process to identify candidates for administrative consolidation. We asked the Division if it currently has a process to identify metro districts that would be candidates for consolidation and to explain its process for administrative consolidation. In response, the Division stated that it does not have a process to investigate and identify special districts for consolidation and the Division has not required any districts to hold a public meeting pursuant to Section 32-1-602.5, C.R.S. Currently, the Division, primarily through its Regional Manager team, which is comprised of the eight staff embedded into communities across the state to provide hands-on support to local governments and special districts, is available when asked to provide special districts technical assistance and support to explore various problem-solving options, including regionalization or consolidation. The Division further stated that internal discussions catalyzed by the audit process led it to identify a need to work with its stakeholders to develop internal guidance that balances the provisions of Section 32-1-602.5, C.R.S., with the Division's statutory role and limitations on control or supervision over local governments. The Division told us it plans to consider an administrative consolidation process as part of an upcoming, comprehensive review of statutes and outreach to stakeholders. The process the Division identifies should include consideration of whether the district board has vacancies, as discussed further in Finding 2 related to metro district boards.

Why do these problems matter?

Dissolution and consolidation prevent the proliferation, fragmentation, and overlapping of local governments. The number of metro districts has more than doubled over 20 years, going from about 1,000 districts in 2006 to 2,509 as of October 2025. The General Assembly intended the dissolution of metro districts to "reduce the proliferation, fragmentation, and overlapping of local governments and to encourage assumption of services by other governmental entities" [Section 32-1-102(5), C.R.S.]. When metro districts are dissolved, the approving local governments reclaim the governance of the area that was once within the boundaries of the dissolved districts. The dissolution of at least one overlapping government helps simplify the governance of communities and removes at least one additional taxing and governing authority over residents and businesses.

In addition, over the years, districts have become more complex in their structure with new developments being created in multiples districts. About 1,535 districts appear to be associated with at least one other metro district across 390 developments, such as Prairie Center Metropolitan District Nos. 1-8 and 10, which are nine separate districts all associated with the same development. Consolidation of metro districts results in less fragmentation of local governments and has a goal of serving "the best interests of the residents" or to "improve the quality of services or lower the costs of services" [Section 32-1-602.5, C.R.S.] There are 183 out of the 246 metro districts (74 percent) that have been inactive for 2 years or more that appear to be associated with active metro districts, as indicated by sharing the same name as the active districts but having a different district number. These 183 districts could be candidates for dissolution by application to the board – since as inactive districts, the Division does not consider them as meeting the criteria for administrative dissolution – or for consolidation by administrative action if and when the Division develops a process to investigate and pursue such consolidation, since it could help ensure services are provided to the areas currently within the boundaries of inactive districts.

Dissolution and consolidation help ensure taxpayers are governed by a representative board of directors. As discussed in Finding 2 related to metro district boards, statute expects metro districts to be governed by a 5- or 7-member board that is duly elected by residents and taxpayers of the districts. If the Division were to track and then proceed to dissolve or consolidate districts that consistently have fully vacant boards, it would help ensure that metro districts that do not have a representative board of directors are dissolved and can no longer assess taxes. For example, Johnstown Farms Metropolitan District, approved by the Town of Johnstown and located in Weld County, had a fully vacant board as of June 2026. Without a board, the district cannot adopt a budget or submit mill levies for certification [Section 29-1-108, C.R.S.]. Regardless, the management company of the district has posted a 2026 budget on the district's website and the district has submitted, and Weld County has accepted, a mill levy certification to assess a total of 40.422 mills on taxpayers in the district that will total nearly $163,774 in 2026 property tax revenue. This means that the district's taxpayers will be taxed without representation on the district's board, unless and until the Town of Johnstown appoints directors under Section 32-1-905(2.5), C.R.S.

Dissolution removes the potential for ongoing taxes and fees assessed on property owners when a district is not fulfilling its purpose or acting transparently. In the event that metro districts are assessing taxes and fees but meet the criteria for administrative dissolution, the dissolution of these districts by the Division can help safeguard taxpayers. We identified that 7 of the 32 metro districts that should be administratively dissolved are assessing mill levies in 2026. For example, Eastern Hills Metropolitan District No. 23 in the City of Aurora—which failed to file audits or audit exemptions in 2022 and 2023—plans to assess 4 mills on an assessed value of $52.5 million, which will generate about $210,000 in 2026 taxes. We also found that 7 of the 13 metro districts that should be on the dissolution watchlist are also planning to assess mill levies in 2026. For example, Denver West Metropolitan District in Jefferson County—which did not properly hold or cancel its May 2025 election but has about $36 million in outstanding financial obligations—plans to assess 35 mills on an assessed value of about $148 million, which will generate about $5.2 million in 2026 taxes. While the district is not a candidate for administrative dissolution because of its outstanding debt, the Division could prompt the question of dissolution through application to the district board, and, thereby, prompt discussion of possible dissolution and how to handle outstanding debt, putting the question to the district's eligible electors.

Dissolution by application to the board and consolidation by administrative action could help ensure metro districts remain relevant and useful to their communities. Districts that were created 10 to 20 years ago but are consistently inactive, and therefore not eligible for administrative dissolution, may no longer be relevant to their communities. Approving local governments' plans for their communities may have shifted since the early 2000s. Statute allows approving local governments to initiate dissolution of metro districts via application [Section 32-1-701, C.R.S.]. However, the approving local governments would need to know what metro districts exist under their purview and, as discussed above, it is possible the governing bodies of the approving local governments may not be aware of every inactive district that has been approved. The Division's statutory roles for initiating dissolution by application to the board or consolidation by administrative action could be a tool to help in these situations.

For example, Eastern Hills Metropolitan District Nos. 1, 2, and 4–22 were created between 2002 and 2007, and No. 23 was created in 2022, when the City of Aurora approved all of the districts' service plans. Of these 22 districts, 7 have been inactive for 2 or more years (Eastern Hills Metropolitan District Nos. 7 and 15–20). While 15 of these Eastern Hills districts remain active, there is a risk that development may never occur in the 7 inactive districts, or that when development does occur, it may not meet the relevant, present-day needs of the community in 2026 and going forward. By initiating dissolution by application to the board or consolidation by administrative action, the Division could either prompt the districts to start fulfilling their purposes or prompt discussion about the appropriateness of dissolving or consolidating districts so that the City of Aurora can identify new, effective ways of providing services to the area.

Dissolution and consolidation reduce the administrative burden on the Division and the approving local governments. During testimony on House Bill 22-1097, which gave counties the same authority as municipalities to petition to dissolve metro districts with the districts' consent, a county administrator from Huerfano County testified that there is administrative burden for

counties to continually receive and file inactive notices for perpetually inactive metro districts. In the same vein, the Division could reduce some of its administrative burden if the 246 metro districts that have been inactive for 2 or more years are dissolved by application to the board or if some are consolidated with active districts; this will result in about 10 percent fewer inactive notice filings at the end of each year for the Division to review.

Recommendation 3

The Department of Local Affairs (Department) should help ensure that the Division of Local Government (Division) has an effective process to identify metropolitan (metro) districts eligible for dissolution or consolidation and then initiate administrative dissolution, dissolution by application to the district board, or consolidation by administrative action, as applicable, by:

A. Investigating the 32 metro districts the audit identified as candidates for administrative dissolution and initiating the administrative dissolution of these districts, as appropriate.

B. Adding to the Division's watchlist for administrative dissolution the 13 metro districts the audit identified as partially meeting criteria for administrative dissolution.

C. Updating its internal procedures on administrative dissolution of metro districts to remove instructions or suggestions to staff that districts cannot be considered for dissolution if the districts have board members or have only missed one election. Guidance to staff should state that the absence of a board of directors is evidence that a metro district is not providing services, but it is not a requirement for the administrative dissolution of districts.

D. Determining if the Division has sufficient resources to implement administrative dissolution, dissolution by application to the district board, and administrative consolidation of metro districts. If the Department determines the Division does not have sufficient resources, the Department should seek appropriate resources through the annual budget request process or statutory change to amend the Division's responsibilities related to dissolution and consolidation.

E. Updating its internal procedures on administrative dissolution of metro districts to direct staff to assess whether metro districts have financial obligations. This should include guidance on how staff can determine whether metro districts have financial obligations when the districts have not filed annual budgets or annual audit filings for 2 consecutive years.

F. Updating its internal procedure on administrative dissolution of metro districts to guide staff to monitor districts for administrative dissolution when the districts partially meet administrative dissolution criteria set in Section 32-1-710, C.R.S. This should include removing references in the internal procedure that state that only districts that have missed two consecutive elections should be identified for potential dissolution. This should also include guiding staff on how to identify and track districts on its watchlist for administrative dissolution by using the Office of

the State Auditor's annual special district fiscal health report to identify and track metro districts that failed to file audit filings for 2 consecutive years and to research if the districts have financial obligations; using the Division's oaths and bonds filings to identify and track metro districts that have vacant boards; and track metro districts that have not provided or attempted to provide services for 1 year.

G. Updating its internal procedures on administrative dissolution of metro districts to guide Division staff on how to identify districts for dissolution by application to the district board and carry out the application prescribed by Section 32-1-701(2)(a), C.R.S. This process should include identifying metro districts that would qualify for administrative dissolution but for the districts having financial obligations and/or are providing services, and districts that are inactive for a prolonged period of time and may be good candidates for dissolution, and then determining how and when to submit an application for dissolution to the districts' boards.

H. Developing and implementing written processes to guide Division staff on how to administer and implement the administrative consolidation process set within Section 32-1-602.5, C.R.S. This should include considering information about board vacancies and prolonged inactive status to inform consolidation by administrative action.

Response

Department of Local Affairs

A. Agree
Implementation Date: November 2026

The Department is investigating whether the 32 metropolitan districts identified in the audit as candidates for administrative dissolution meet criteria in Section 32-1-710, C.R.S. and we are initiating dissolution, if appropriate. Note that districts with existing debt are not eligible for dissolution.

The Department has thus far determined that nine of the 32 districts are either already dissolved or currently compliant.

- Dissolved through Division administrative action:
    - Avenues Metropolitan District No. 2
    - Avenues Metropolitan District No. 3
    - Avenues Metropolitan District No. 4
    - Avenues Metropolitan District No. 5

- Compliant with 2025 election, 2025 and 2026 budget, and 2023-2024 audit filings:
    - Berthoud-Heritage Metropolitan District No. 9
    - Byers View Metropolitan District
    - Eastern Hills Metropolitan District No. 21

- Eastern Hills Metropolitan District No. 22
- Reserve Metropolitan District No. 3

The remaining 23 districts equate to less than 1% of all metropolitan districts. The implementation date reflects when the Department will investigate and initiate dissolution through a Notice of Intent to Dissolve, if appropriate.

B. Agree
Implementation Date: November 2026

The Department will monitor the 13 metropolitan districts identified in the audit as partially meeting criteria for administrative dissolution.

C. Agree
Implementation Date: January 2027

The Department will update internal procedures to reflect that Section 32-1-710(1) requires the Division to notify a metropolitan district by certified mail of the Division's intent to certify the district dissolved if the district has failed to hold or properly cancel an election. The internal procedures will reflect that absence of a board of directors for a metropolitan district may be evidence it is not providing services, but it is not a requirement for administrative dissolution.

D. Agree
Implementation Date: December 2028

The Department will determine if it has sufficient resources and will seek an appropriation from the General Assembly as appropriate. The implementation date reflects the timeline required to effectively implement if a decision item is required resulting in additional resources in the 2028 legislative session plus time to effectively consult with stakeholders post-legislative session before full implementation. This timeline will be shortened to August 2027 if the Department determines it can accomplish this with existing resources.

The Division's evaluation will also include whether there are opportunities to modernize the language in Section 32-1-710, C.R.S. to help achieve Division efficiencies in the Administrative Dissolution process. For example, giving the Division flexibility in communication methods to a special district rather than requiring certified mail, and defining "outstanding financial obligations" would help provide clarity and streamline Division review. Further, although the Division provides a courtesy communication to the county or municipality that approved the special district service plan, currently these local governments are not mentioned in the administrative dissolution statute.

E. Agree
Implementation Date: January 2027

The Department will update its internal procedures to include guidance for staff on how to determine if a metropolitan district has outstanding financial obligations. Updated guidance will be informed by feedback from the Department's Attorney General and local government finance subject matter experts. Updated guidance will include what data sources and metropolitan district filings (including the age of filings) available within existing Division resources are reasonable and appropriate for staff to use when determining whether a district has outstanding financial obligations. The Department's guidance will acknowledge that section 32-1-710, C.R.S. does not define financial obligation. The implementation date provides sufficient time to get feedback and expertise on the updated procedure.

F. Agree
Implementation Date: January 2027

The Department will update its internal procedures to guide staff to monitor districts for administrative dissolution when the districts partially meet administrative dissolution criteria set in Section 32-1-710, C.R.S. It will include metropolitan districts that have failed to hold or properly cancel an election (as also described in Recommendation 3C and 5) and those reported by the Office of the State Auditor to the Department that have failed to file audits for two consecutive years and to research if the districts have outstanding financial obligations. Guidance will reflect that vacant boards for a metropolitan district may be evidence it is not providing services.

G. Agree
Implementation Date: January 2028

The Department will update its internal procedures on administrative dissolution of metropolitan districts to guide Division staff on how to identify potential metropolitan districts that may not otherwise qualify under Section 32-1-710, C.R.S. The written procedure will be informed by local government stakeholder feedback on what scenarios could be appropriate for the Division to carry out the application described in Section 32-1-701(2)(a). The implementation date provides time for local government stakeholder input.

H. Agree
Implementation Date: January 2028

The Department will develop and implement a process regarding the Division's role under Section 32-1-602.5, C.R.S. The written process will be informed by feedback from local government stakeholders on what scenarios could be appropriate for the Division to engage with one or more special district boards and the approving local government and require a public meeting under Section 32-1-602.5, C.R.S., where the boards can consider whether they agree to commence consolidation procedures. In addition to district operations and the quality

and costs of services as discussed in Section 32-1-602.5, C.R.S., the guidance will also mention that information about board vacancies and inactive status filings could be considerations for consolidation by administrative action. The implementation date provides time for local government stakeholder input and creation of written guidance.

Policy Consideration 7 – Inactive Status

In 2010, the General Assembly adopted House Bill 10-1362 that added to the Special District Act the option for districts to go "inactive" [Sections 32-1-104(3) and (4), C.R.S.]. The definition of an inactive district is, in part, that the district is in a predevelopment state and has no new residents after the district's creation; no business, commercial ventures or facilities; has not issued any general obligation or revenue debt; has no financial obligations or contracts that require performance by the district; will not impose a mill levy while inactive; will not receive revenue and has no expenditures while inactive; and has no operation or maintenance responsibility for any facilities [Section 32-1-103(9.3), C.R.S.]. Statute allows a special district's board to adopt a resolution declaring inactive status when the district meets the statutory criteria for inactive status, and to file notice of inactive status with specified entities, including the Division [Section 32-1-104(3)(a), C.R.S.]. Statute allows the district to stay in inactive status until such time the board determines the district will return to active status and files notice of its determination to return to active status with the same entities who received the notice of inactive status [Section 32-1-104(3)(b), C.R.S.]. Statute requires inactive districts to annually file with the Division notice of continuing inactive status for years in which the district will be inactive [Section 32-1-104(4), C.R.S.].

What policy issue did the audit identify?

The legislative history of House Bill 10-1362, indicates that inactive status was meant to be temporary, based on how the Special District Association of Colorado advocated for and explained the inactive option to the House and Senate Committees. However, the bill did not set a time limit for how many years districts can renew their annual, inactive status within Sections 32-1-103(9.3) or 104(3)-(5), C.R.S. The bill also did not address how the Division or courts should consider inactive status alongside with the criteria for administrative dissolution outlined in Section 32-1-710, C.R.S., including whether districts that do not provide or attempt to provide services for 2 consecutive years may be eligible for administrative dissolution.

About 10 percent of metro districts have been inactive for 2 or more years, suggesting prolonged use of inactive status among many districts. We identified 246 metro districts (10 percent) out of the 2,389 metro districts created before, and not yet dissolved by, January 1, 2024, that have been inactive for 2 or more years. A large majority of the 246 districts that were inactive for 2 consecutive years in 2024 and 2025 were created between 5 and 23 years prior to our 2025 testing timeframe. Specifically, 189 of the 246 inactive districts (77 percent) were created between 2002 and 2020, as shown in Exhibit 2.8.

Exhibit 2.8
Number of Metropolitan Districts Filing Notice of Inactive Status for At Least 2 Consecutive Years, by Formation Year

Year Created	# of Districts with Inactive Status for at Least 2 Years	% of Districts
2002-2005	17	7%
2006-2010	40	16%
2011-2015	23	10%
2016-2020	109	44%
2021-2023	57	23%
Total	**246**	**100%**

Source: Office of the State Auditor analysis of Department of Local Affairs data, current as of October 2025, stored in the Local Government Information System.

Since statute requires that districts must be in the predevelopment stage to file a notice of inactive status, that means that the 189 inactive districts that were created between 2002 and 2020 have remained in predevelopment for 6 years to over 20 years. For example, Eastern Hills Metropolitan District No. 7 was created in 2002 and Eastern Hills Metropolitan District Nos. 15-20 were created in 2006, all within the City of Aurora, and all have reported inactive status since 2010, when filing inactive status with the Division was first an option following enactment of House Bill 10-1362. Because the definition of inactive status requires districts to be in "predevelopment" and to not have any financial obligations that require performance by the district, it seems that the districts would be disqualified for inactive status if they had been providing services or had outstanding financial obligations. This likely means that over at least 23 years, these districts have not provided any services as intended by their service plans.

Revising statute to set a limit on how long districts can be inactive—and how long districts are allowed to put a pause on providing services—can help ensure districts do not remain inactive in perpetuity. The General Assembly may also wish to address at what point an inactive district could be eligible for administrative dissolution under Section 32-1-710, C.R.S.

Districts that are in prolonged inactive status may not be fulfilling the purpose for which they were created, and may make it difficult for their approving local governments to properly oversee them. For example, through our February 2026 survey of local governments about oversight of metro districts, we were able to identify an instance where county staff to the board of county commissioners were unaware that the county had approved a metro district over 20 years ago and that the district had returned to active status after being inactive for several years. Specifically, the Grove Metropolitan District Nos. 1–3 were approved by the Larimer County Board of Commissioners in 2005. The districts were in inactive status from 2012 through 2022, except for 8 months in 2017 when they came out and went back into inactive status, according to LGIS filings. According to the districts' combined 2024 annual report, the districts have an intergovernmental agreement with Larimer County to ensure the districts adhered to the County's specific requirements

for the implementation of the service plan though it appears the County was not fully aware of this agreement prior to our survey, based on our follow-up communication with County staff. Management at the Larimer County Office of the Assessor had received the districts' 2026 mill levy certification filings, but staff for the Board of County Commissioners we spoke with were not aware that this occurred.

Also stated in the Grove metro districts' combined 2024 annual report was that there was no development in the district in 2024, though the Grove Metropolitan District No. 2's 2026 budget shows that over $2 million was spent on capital projects in 2024, so it is unclear if the districts have provided any services to their communities since 2005 or how that $2 million was spent. The 2026 budget also shows that over $200,000 will be collected over 3 years from public improvement fees (PIFs) but does not explain how those fees are assessed or how they are being spent. The 2026 budget also shows plans for the district to issue $1.82 million in debt in 2026. The boards of the three districts each only have two directors, and the same directors sit on each board. Taken altogether, when districts remain inactive for extended periods, local governments may not be able to provide sufficient oversight to ensure metro districts provide services and collect revenue as expected under their service plans.

We were also able to identify 48 metro districts that were created in 2020 or earlier that had been in inactive status for 2 or more years and then returned to active status either in 2023, 2024, or 2025. For example, 32 of the 48 districts were created between 2001 and 2009, had been inactive, and only just returned to active status in the past 3 years. It is likely that in the time between the metro districts being approved, going into inactive status, and returning to active status, that the directors of the approving local governments are not the same directors that approved the metro districts, and may not know that the districts exist and require oversight. This raises a risk that situations similar to the Grove metro districts could be occurring throughout the state—from Eagle to Weld and down to El Paso counties. Putting limits on how long districts can remain inactive could help ensure that districts fulfill the purpose for which they were created.

Policy Consideration 7

The General Assembly may want to consider revising statute to establish a time limit for how long metropolitan districts can be in inactive status—such as revisions to Section 32-1-104, C.R.S.—and/or specifying circumstances when the Division should consider a district in inactive status for administrative dissolution under Section 32-1-710, C.R.S.

Chapter 3
Metropolitan District Filings

The Special District Act, Colorado Local Government Election Code, and Local Government Budget Law of Colorado require metropolitan (metro) districts to submit various filings related to their governance and operations to the Division of Local Government (Division), within the Department of Local Affairs. This chapter examines metro districts' submission of required filings and the Division's follow up processes.

Through our audit work, we identified recommendations for the Division to:

- Ensure the public has access to metro districts' service plans, which serve as the charter governing the services and financial arrangement of the district.
- Carry out enforcement related to the receipt of elections filings.
- Determine whether statutory change is needed to ensure the Division is made aware when approving local governments waive annual report requirements for metro districts.

We also identified several areas for which policymakers may want to consider statutory change relating to:

- Metro districts' filing of service plan amendments with the Division.
- Requirements for metro districts to maintain websites, what information should be required to be on the websites, and responsibility for enforcing the requirement.
- The Division's role in following up with those metro districts that do not file required notices to electors and annual report filings.
- The Division's role in authorizing county treasurers to withhold tax funds when metro districts do not comply with notice to electors and annual report filing requirements.

We provided these policy considerations to the Department for its review and feedback. The Department reported that it did not have a position on these considerations at this time and will continue to work with the Office of the State Auditor, General Assembly, and stakeholders on these policy considerations.

The rest of this chapter provides details on the results of our work and the Department's responses to our audit recommendations.

Finding 4 and Policy Consideration 8 – Service Plan Filings

A service plan is a special district's—including a metro district's—charter governing the services and financial arrangements of the district. Statute requires the service plan to specify what services the district will provide and the financial plan the district will adhere to in order to pay for those services, such as how much debt will be issued, when the debt will be repaid, and how many mills will be assessed on taxpayers [Section 32-1-202(2), C.R.S.]. Statute requires the district to "conform so far as practicable to the approved service plan" [Section 32-1-207(1), C.R.S.]. Metro district service plans are either approved by the governing body of counties (county-approved districts) [Section 32-1-202, C.R.S.] or, in cases where the entirety of a metro district is within the boundaries of one or more municipality, approved by the governing body of municipalities (municipality-approved districts) [Section 32-1-204.5, C.R.S.].

Statute first required service plans of county-approved special districts in 1965, though at that time, the districts did not need to file their service plans with the Division. In 1985, statute was amended to require municipality-approved districts to also have service plans. Also in 1985, statute was amended to require that **all** special districts created in 1985 and afterward file their service plans with the Division [Section 32-1-306, C.R.S.], and that any districts that did not have service plans in place—such as county-approved districts created before 1965 and municipality-approved districts created before May 1985—must file a "statement of purposes" with the Division that defines the services provided by the districts [Section 32-1-208, C.R.S.]. As a result of these statutory changes, county-approved districts that were created between 1965 and 1985 were not required to file their service plans with the Division.

Prior to 2010, the Division collected physical copies of metro district service plans and statements of purposes and kept them in physical files. Between 2010 and 2011, the Division transitioned to collecting and posting electronic copies of newly-filed service plans to its public Local Government Information System (LGIS) website. The Division then worked to digitize its physical metro district files—including the service plans and statements of purposes submitted prior to 2010—into electronic files stored within its internal OnBase archive data system; the OnBase system is currently not a publicly facing data system. The OnBase system stores service plans either within a "Service Plans" document file or within a catchall "Organizational" document file, which also would capture statements of purposes for older metro districts.

What audit work was performed and what was the purpose?

We reviewed the Special District Act and interviewed Division staff. We analyzed the Division's LGIS data containing an inventory of all 2,509 active and inactive metro districts with a file in LGIS as of October 2025, and the records of the service plans and service plan amendments on file in LGIS for these districts. We randomly selected 15 of the 255 metro districts with service plan amendment records in LGIS, but no service plan records, to review the completeness of the service plan amendments publicly posted to LGIS. We analyzed the Division's OnBase archive data to

determine the rate at which metro districts that do not have their service plans publicly available on LGIS have archived service plan documents or organizational documents stored within the OnBase system. We reviewed the content of the OnBase service plan or organizational documents for a random selection of 15 of the 1,103 metro districts that did not have a service plan posted to LGIS, but had a "Service Plans" or "Organizational" record in the OnBase system, to assess the likelihood that the Division has an archive copy of metro districts' service plans or statements of purposes documents that could be extracted and posted publicly to LGIS. In addition, as part of our work to profile 16 selected metro districts in Chapter 4, we reviewed the 16 districts' recent audits and websites, among other information, to understand their governance and financing mechanisms. Through this work, we looked to see whether the service plans and any amendments for the 16 districts were in the Division's LGIS system or in the Division's archive OnBase system. More detailed information about how the 16 selected districts were chosen and our work to profile these districts can be found in Chapters 1 and 4.

The purpose of our audit work was to determine the extent to which the public has access to metro districts' service plans or statements of purposes and any amendments to service plans.

How were the results of the audit work measured?

The Division should have original and amended service plans or statements of purposes for most metro districts. Since 1985, the Special District Act requires that special districts, once declared organized by the district court that has jurisdiction of the county where the district is located, file their approved service plan with the Division [Section 32-1-306, C.R.S.]. Statute also appears to require amendments to the service plan be filed with the Division [Section 32-1-207(2)(a), C.R.S.], and the Division's LGIS portal has a field to collect amendments; we discuss ambiguity in the statute about filing amendments later in this finding. Therefore, the Division should have the service plans of all metro districts created since 1985, and any service plan amendments made since 1985.

For the period prior to 1985, the Division should have most, but not necessarily all, metro district service plans or statements of purposes, and may not have all service plan amendments. Statute required that districts that did not have service plans as of July 1, 1986—those county-approved districts organized before May 1, 1965, when statute first required service plans of them, or municipality-approved districts created before May 3, 1985, when statute first required such districts to have service plans—file with the Division by July 1, 1986 a "statement of purposes" that could include the petition for organization, the resolution or ordinance of a local government approving the district, any agreements between the local government and the district, and any plans describing the services to be provided by the district [Section 32-1-208, C.R.S.]. Statute did not clearly provide a requirement for the Division to receive service plans or service plan amendments for county-approved districts created between May 1, 1965 and July 1, 1981; 59 metro districts not yet dissolved as of October 2025 were created during this time frame. The available data do not show whether these 59 districts were approved by counties or municipalities, so we were unable to quantify how

many of the county-approved metro districts were not required by statute to file their service plan with the Division.

The Special District Act requires the Division to establish and maintain a public record of key information about each special district, including contact information for board members and the district and changes to the district's name and boundaries [Section 32-1-104(1), C.R.S.]. According to the Division, its LGIS website includes documents that are statutorily required to be submitted to the Division, which should include service plans. LGIS has a data field for service plans and another field for service plan amendments.

What problems did the audit work identify?

The Division's public-facing website does not have any service plan or statement of purposes documents for 855 metro districts. The Division does not have service plans, any service plan amendments, or statements of purposes posted to its public LGIS website for 855 out of the 2,509 (34 percent) active and inactive metro districts with LGIS files as of October 2025. Districts missing service plans or statements of purposes documents on LGIS include the following:

- 5 active metro districts that were created before May 1, 1965, meaning that they were created before statute required service plans of districts. However, any such district without a service plan was required to file a statement of purposes with the Division by July 1, 1986. An example of a metro district in this category without a service plan in LGIS is Pleasant View Metropolitan District in Jefferson County, which was created in 1948. According to the Department's Division of Property Taxation's data posted to LGIS, the district plans to collect about $2.9 million in 2026 taxes. Although all five of these metro districts have a record in the OnBase archive system, which may include the districts' statements of purposes, these records are not publicly available on LGIS.

- 93 active metro districts that were created between May 1, 1965 and May 3, 1985. This was a period during which statute required service plans of county-approved districts, but before statute required municipality-approved districts to have service plans. Municipality-approved districts that were created before the 1985 amendment requiring service plans for these districts, were required to file statements of purposes with the Division by July 1, 1986. An example of a metro district in this category without a service plan on LGIS is Beaver Creek Metropolitan District in Eagle County, which was created in 1978. According to the Department's Division of Property Taxation's data posted to LGIS, the district plans to collect $10.3 million in 2026 taxes. Although all 93 of these metro districts have a record in the OnBase archive system, which may include the districts' service plans or statements of purposes, these records are not publicly available on LGIS.

- 757 metro districts that were created after May 3, 1985, when statute was amended to require districts file their approved service plans and service plan amendments with the Division. An example of a metro district in this category without a service plan on LGIS is Rampart Range

Metropolitan District No. 7 in Douglas County, which was created in 2005. According to the Department's Division of Property Taxation's data posted to LGIS, the district plans to collect $13.9 million in 2026 taxes. Although, nearly all of these metro districts—751 out of 757—have a record in the OnBase archive system, which may include the districts' service plans, these records are not publicly available on LGIS.

The Division's public-facing website is missing original service plans to help give context for service plan amendments. LGIS contains a field for service plans and another field for service plan amendments. Of the 2,509 active and inactive metro districts with LGIS files as of October 2025, a total of 255 (10 percent) had no service plan listed, but did have one or more service plan amendments listed. To determine if these amendments were full restatements of the service plan (e.g., contained all necessary information for a resident) or were simple amendments to certain sections of a service plan (e.g., did not contain all necessary information for a resident without also having the original service plan), we randomly selected 15 of the 255 districts to review the publicly-posted amendments. We found that 6 of the 15 selected districts' service plan amendments (40 percent) were simple amendments that adjusted certain sections of the original service plan and were not full restatements of the service plan. For example, Cumberland Green Metropolitan District in El Paso County, created in 2005, had a 13-page service plan amendment posted to LGIS that only included certain sections of the service plan that were amended and did not include key details such as the maximum mill level or the debt service limit for the district. Residents of this district would need access to the originally approved service plan in order to make sense of this service plan amendment and to know what mill levy and debt limits the district must follow.

The Division likely has an archived record of most service plans missing from its public-facing website, but has no service plan for at least eight districts. We analyzed the Division's OnBase system to assess whether the Division likely had an archive of the service plan for the 1,110 metro districts (the total from the first two problems discussed in this section) for which there was no service plan record in the public-facing LGIS. We determined the Division had some type of file in its OnBase archive system for 1,102 of the 1,110 metro districts (99 percent). For the remaining eight districts, seven districts did not have any type of file in OnBase and one district had an OnBase file but it did not contain the district's service plan, as shown in the forthcoming bullets.

To assess the likelihood that the records in the OnBase system contained the districts' service plans or statements of purposes, we randomly selected 15 of the 1,103 metro districts with OnBase records and found that 14 out of 15 districts' (93 percent) records contained service plans or statements of purposes. These results demonstrate that it is highly likely that the Division has service plans or statements of purposes in its OnBase archive system. However, we did identify eight metro districts for which the Division had no service plans or statements of purposes in LGIS or in its OnBase archives, as follows:

- 2 districts had been previously consolidated with other districts, and statute requires consolidated districts to file a service plan with the Division only under certain circumstances [Section 32-1-607(6), C.R.S.], such as when new or different services are being provided as part of the consolidation.

- West Jefferson County Metropolitan District. At the time Jefferson County approved the original district in 1963, neither statements of purposes nor service plans were required of special districts, but the district may have been required to file a statement of purposes by 1986. The district underwent three consolidations in 1998, 2002, and 2014; it is unclear whether any of those consolidations resulted in changes that required the filing of a service plan with the Division.

- Evergreen Metropolitan District. At the time Jefferson County approved the original district as a sanitation district in 1948, neither statements of purposes nor service plans were required of special districts, but the district may have been required to file a statement of purposes by 1986. The district underwent three consolidations in 1994, 2002, and 2018; it is unclear whether any of those consolidations resulted in changes that required the filing of a service plan with the Division.

- 4 metro districts may have been miscategorized as a different type of special district or had their documents lost during the Division's archiving process in 2011, according to the Division. The Division reached out to these 4 districts during our audit to request that the districts submit their service plans; the Division reported to us that, as of September 2026, the service plans for the four districts were on LGIS. These 4 districts were:

  - Saddle Rock South Metropolitan District No. 2 in Arapahoe County, which was created in 1996. The district has about $18.5 million in debt, according to its 2024 audit filings, and plans to collect about $739,000 in 2026 taxes. The district has a website but its service plan was not on its website.

  - Saddle Rock South Metropolitan District No. 3 in Arapahoe County, which was created in 1996. The district has $0 in debt, according to its 2024 audit filings, and plans to collect about $630,000 in 2026 taxes. The district has a website but its service plan was not on its website.

  - Saddle Rock South Metropolitan District No. 4 in Arapahoe County, which was created in 1998. The district has $9.5 million in debt, according to its 2024 audit filings, and plans to collect about $1.4 million in 2026 taxes. The district has a website but its service plan was not on its website.

  - Lincoln Station Metropolitan District in Douglas County, which was created in 2003. The district has $11.3 million in debt, according to its 2024 audit filings, and plans to collect about $1.3 million in 2026 taxes. The district has a website but its service plan was not on its website.

- Siena Lake Metropolitan District in Eagle County was created in 2001 and had a service plan amendment in LGIS, but did not have the original service plan file in LGIS or OnBase. The

district has $19 million in debt, according to its 2024 audit filings, and plans to collect about $226,000 in 2026 taxes. The district has a website but its service plan is not on its website.

- North Suburban Metropolitan District No. 4 in Weld County was created in 2006, but had no service plan in LGIS and the document it had in OnBase was not the original service plan. The district has $0 in debt, according to its 2024 audit filings, and plans to collect about $17,000 in 2026 taxes. The district has a website but its service plan is not on its website.

The Division was missing service plans or service plan amendments for 7 of 16 metro districts we reviewed. From our review to create profiles of 16 selected metro districts discussed in Chapter 4, we found that the Division did not have service plan amendments for four districts and did not have any service plan on file for another three. Specifically:

- Amber Creek Metropolitan District in Adams County amended its 2005 service plan in 2017—the amendment was posted on the district's website, but the district had not filed the amendment with the Division, as of May 2026. The 2017 amended service plan included updates such as the estimated cost of development (from $6.3 million to $21.6 million), a new financing plan for the district with changes to the authorized debt limit (from $8 million to $20 million) and the number of mills necessary to pay for improvements (from 35.5 mills to 50 mills or more). The district's original 2005 service plan is on file with the Division in the OnBase archive.

- Buckhorn Valley Metropolitan District Nos. 1 and 2 in Eagle County amended their 2000 consolidated service plan in 2009—the amendment was posted on the districts' website, but the districts had not filed the amendment with the Division, as of May 2026. The 2009 amended service plan included updates such as the estimated cost of development (from $12.7 million to $29.6 million), and a new financing plan for the district with changes to the authorized debt limit (from $9.9 million to $26 million) and operational mill levy (from 5 mills to 5.375 mills). The districts' original 2000 service plan is on file with the Division in the OnBase archive.

- Gardens on Havana Metropolitan District Nos. 1, 2, and 3 in Arapahoe County do not have their 2008 consolidated service plan on file with the Division in LGIS or OnBase. The service plan is also not currently posted to the district's website. The districts have not amended the service plan since the plan's approval in 2008 according to recent audit filings.

- Wheatlands Metropolitan District in Arapahoe County amended its 2001 service plan in 2004 and again in 2015—those amendments were mentioned in the district's annual audited financial statements, but the district had only filed the 2004 amendment with the Division, as of May 2026. The 2015 amendment, posted to the district's website, eliminated the district's maximum debt service mill levy for refinanced debt (it had been 50 mills, and now there is no limit) and raised the district's authorized debt limit from $55 million to $85 million. The district's original 2001 service plan and 2004 amendment are on file with the Division in its OnBase archive.

Why did these problems occur?

The Division has not ensured that all metro district service plans are publicly posted to LGIS. The Division told us that when it underwent an update to its LGIS system in 2023 and 2024, under a contract with the Governor's Office of Information Technology, staff had hoped that the process could include posting the OnBase archive documents to LGIS, but were told that it would be complicated and outside the scope and resources of the project. In July 2026, the Division told us that since May 2026 it has been working on a solution, that is within the Division's current resources, to publish a publicly accessible version of the OnBase archive system to allow the public to access scanned, historical filings, which will include service plan filings. This public version of OnBase will be separate from the LGIS website. The Division expects this public OnBase website to go live in Fall 2026. Such a solution will help improve public access to metro districts' service plans and statements of purposes. When rolling out this new website, the Division could make efforts to ensure that each metro district has a service plan file on the proposed OnBase website and if a district does not have a service plan or statements of purposes, the Division could send a request to the metro districts to submit their original service plans or statements of purposes and any current amendments through the LGIS portal in order to be posted to LGIS. By taking steps now to obtain the missing service plan documents, the Division can help improve the transparency of metro districts and their service plans.

We provide Policy Considerations 9, 10, and 11 for the General Assembly related to helping improve public transparency of metro districts' service plans by considering revising statute to require that all metro districts—including those created on or before January 1, 2000—post their service plans on their websites in order to assist with public transparency of metro districts' service plans. Under current law, only metro districts created after January 1, 2000, must maintain a website and statute does **not** require that websites contain service plans [Section 32-1-104.5(3), C.R.S.].

Statute does not address whether districts should file service plan amendments with the Division or when they should be filed. Statute directs that material modification to a service plan may only be made upon petition to and approval of the approving local government, in substantially the same manner as is provided for the approval of the original service plan [Section 32-1-207(2)(a), C.R.S.]. However, statute does not explicitly require districts to file service plan amendments or provide a timeframe for filing amendments with the Division, nor does it provide direction on the form of service plan amendments, as follows.

- **Filing requirements.** Although statute directs districts to gain the approval of their local government for any service plan amendments, statute appears ambiguous on whether and when districts need to file service plan amendments with the Division. Specifically, Section 32-1-306, C.R.S., requires districts to file with the Division their approved service plans, together with the relevant district court's findings and order to declare the district organized, within 30 days after the court declares the district organized by the court. However, statute does not explicitly address filing requirements for service plan **amendments** after a district is first organized—and, therefore, whether the filing requirement outlined in this section of statute applies to service

plan amendments. Another section of statute [Section 32-1-105, C.R.S.], specifies that a district is required to file with the Division the decree or order confirming a district's name change or boundary change, or when a district is dissolved, but is silent on filing service plan amendments that do not involve one of these specific types of changes. Statute may, therefore, create a gap in requirements related to filing service plan amendments with the Division. As of October 2025, a total of 432 of the 2,509 (17 percent) active and inactive metro districts with LGIS files have filed one or more service plan amendments with the Division, but our work to profile 16 selected metro districts suggests that the Division may be missing many service plan amendments.

- **Form of service plan amendments.** Our work also showed that there is variety in the form of service plan amendments that metro districts filed with the Division – sometimes re-stating the service plan in its entirety, thereby replacing the previously approved service plan – and sometimes amending only a portion of the service plan, thereby not invalidating the entirety of the previously approved service plan. Statute does not direct districts on what should be submitted to the Division as a service plan amendment, whether the service plan that the amendment is modifying should be included as part of the filing, and whether the approving local government's resolution approving the service plan amendment, or the relevant district court's order, as applicable, should be filed with the amendment.

We provide Policy Consideration 8 for the General Assembly related to this issue.

Statute does not clearly require all consolidated districts to file service plans with the Division. Statute does not require all consolidated districts to create and have approved new services plans and, therefore, they do not have new service plans to file with the Division. This creates a gap in the Division's ability to have all districts' service plans publicly posted to LGIS. Statute only requires consolidated districts to create and have approved service plans, under Section 32-1-201 et seq., C.R.S., if the district plans to provide new or different services within the boundaries of a municipality, as compared to the services that had been provided by any of the consolidating districts [Section 32-1-607(6), C.R.S.].

Why do these problems matter?

Public transparency of service plans can empower taxpayers to safeguard how their taxes are collected and spent. While metro districts file several documents annually with the Division, the service plan is the key document that specifies what services the metro district is expected and allowed to provide (e.g., whether covenant enforcement is allowed) and sets the limitations for how debt can be issued and how taxes can be levied. Taxpayers should have access to their district's service plan—and any amendments made to the plan—to understand what services should be provided to them and how much and for how long taxes can be collected and spent on those services. For example, metro district service plans typically establish a calendar of what bonds will be issued and when, the repayment period of the bonds (e.g., 20 years, 40 years), and sets a maximum mill levy that could be assessed on taxpayers to repay those bonds. Statute prohibits a district from

deviating from its service plan—such as issuing more debt than planned or exceeding its maximum mill levy—without first submitting a service plan amendment for approval by its approving local government(s) [Sections 32-1-202(2)(b) and 207(2)(a), C.R.S.].

Taxpayers could then use service plans and amendments to ensure that their metro district board adheres to tax and debt limits set in the service plan. In our review, we found an example in which the taxpayers in Reserve Metropolitan District No. 2 in Gunnison County successfully challenged the district for assessing a mill levy that exceeded the service plan limit. The Colorado Court of Appeals ruled that the metro district could not assess the 3 mills in excess of the service plan limit that the district's board had approved in its 2013 budget.

Recommendation 4

The Department of Local Affairs, through the Division of Local Government (Division), should help ensure that the public has access to metropolitan (metro) districts' service plans or statements of purposes and any amendments to service plans by:

A. Developing and implementing a method to help ensure that service plans or statements of purposes and any service plan amendments are publicly posted online, either on LGIS or on another public website. This could include a process where the Division requests that metro districts submit service plans or statements of purposes and any service plan amendments through the LGIS portal even if they had not been required to do so previously.

B. Working with the General Assembly on statutory change to require that consolidated districts submit their service plans to the Division, regardless of whether the districts are providing the same services as before the consolidation occurred.

Response

Department of Local Affairs

A. Agree
Implementation Date: January 2027

The Department will develop and implement a process to help ensure that service plans or statements of purposes and service plan amendments that are filed with the Division are publicly posted online. As discussed in Finding 4 of the report, the Department has been working with the Governor's Office of Information Technology on a solution within available resources where scanned historic filings are retrievable on a public website. The Division will send a courtesy communication to metropolitan districts informing them that they may submit service plans or statements of purposes and any service plan amendments through the LGIS portal even if they had not been required to do so previously.

B. Agree
Implementation Date: July 2027

The Department will work with the General Assembly and local government stakeholders regarding this statutory change. The implementation date assumes a bill is introduced and passed during the upcoming 2027 legislative session.

Policy Consideration 8

The General Assembly may want to consider addressing in statute whether metropolitan districts need to file service plan amendments with the Division of Local Government, including when they should be filed and what other documents, if any, should be filed with the service plan amendment, such as the approving local government's resolution approving the service plan amendment.

Policy Considerations 9, 10, and 11 —Service Plans on Metropolitan Districts' Websites

In 2021, the General Assembly sought to improve public transparency of special districts, under Senate Bill 21-262, and required most metro districts to maintain a public website that posts key information about the district, such as election information and annual reports. During debate on the bill, stakeholders emphasized that websites are practical, effective, and low-cost ways to distribute information.

During the audit, we reviewed the Special District Act's statutory requirements for public access to metro districts' service plans to assess if residents have access to districts' service plans. Finding 4 identifies ways that the Division could help ensure that residents have access to districts' service plans on its public LGIS website. Our audit work also identified areas where statute, as written, does not ensure that residents have access to service plans on the public websites maintained by metro districts. These are issues that the General Assembly may want to consider addressing to strengthen public transparency of metro districts. This is a matter for policymakers to consider, and therefore, we issue no recommendations in this section.

What policy issues did the audit identify?

According to statute, active metro districts created after January 1, 2000 are required to maintain public websites, and those websites must contain certain information (e.g., board member contact information, annual budgets, annual reports, annual audit filings) [Section 32-1-104.5(3), C.R.S.]. We identified some policy areas that the General Assembly may want to consider that could help further provide transparency to metro district residents.

Service Plans Are Not Always Posted, and Are Not Required to Be Posted, on Metro District Websites

According to Section 32-1-104.5, C.R.S., metro districts do not need to post their service plans to their websites. During the course of our audit work for Finding 4, we randomly selected 15 metro districts to determine if the Division had OnBase archive records of the districts' service plans. Out of these 15 districts, 9 were created after January 1, 2000. We reviewed whether these 9 districts had a public website, as required by statute, and if they did, if the website had the service plan posted. We found that the majority of the districts (6 of 9) had a website but did not post a service plan to the website, while the other 3 had a website with the service plan posted. These results indicate that metro districts may not post service plans to their public website if they are not required to do so under statute.

Policy Consideration 9

If the General Assembly decides that legislative change is needed in this area, it may want to consider adding service plans or statements of purposes, as applicable, and any service plan amendments to the list of documents required to be posted on metropolitan districts' websites under Section 32-1-104.5(3), C.R.S.

Older Metro Districts Are Not Required to Maintain Websites

According to statute, only active metro districts created after January 1, 2000, are required to maintain a website to publicly post key documents. As a result, a total of 273 metro districts active as of October 2025 are not required to maintain public websites to post key documents. In 2026, we found that 246 of those 273 districts (90 percent) were assessing mill levies that range from 0.15 mills to 100 mills. Also, according to 2024 audit filings, 86 of the 273 districts had outstanding debt, with 77 of these districts having outstanding debt ranging between $1 million to $676 million. Residents of these districts, therefore, may not have access to readily available information on a district website about how collected property taxes are being used and on the district's progress in paying off its debts.

In 2021, the fiscal note for Senate Bill 21-262, which created the requirement for certain metro districts to maintain websites, indicated that about 1,000 metro districts did not have a website as of 2021. As of October 2025, according to the Division's LGIS data, this number is down to 273 districts that do not have a website on file with the Division, and 250 of these districts were created after January 1, 2000 and are required to have a website. That leaves just 23 metro districts created on or before January 1, 2000 that do not have a website on file with the Division—and none of these districts have a service plan posted to LGIS. In addition, the fiscal note for Senate Bill 21-262 mentioned that the State Internet Portal Authority (SIPA) provides web hosting service at reduced cost for some special districts and that other districts may have hosting options through the district's developer or management company.

During the course of our audit work for Finding 4, we randomly selected 15 metro districts that did not have their service plans in LGIS to determine if the Division had OnBase archive records of the districts' service plans. During this review, we also checked if the selected districts had websites with their service plans publicly posted. Six of the 15 districts were created on or before January 1, 2000 and all 6 of these districts had public websites; though, only one of those six districts posted its service plan and amendments on its website. These results indicate that it is unnecessary for statute to exempt older metro districts (created on or before January 1, 2000) from the requirement to maintain a public website, since some older metro districts already do maintain websites and there should be minimal costs for the few metro districts that have not yet created a website to do so.

In the event that statute is amended to require metro districts to post their service plans to their websites, but statute is not amended to require older metro districts to maintain websites, some of the 23 older metro districts without websites might never publicly post their service plans online.

Policy Consideration 10

If the General Assembly decides that legislative change is needed in this area, it may want to consider revising statute to require all metropolitan districts to maintain a public website and to require all metropolitan districts to maintain the same information as set in Section 32-1-104.5, C.R.S.

Statute Lacks an Accountability Mechanism to Ensure That Metro Districts Are Maintaining Websites

While statute requires active metro districts created after January 1, 2000 to maintain a website that contains certain information, statute does not assign a specific entity to hold metro districts accountable for complying with this statute. For example, during our audit work for Finding 2, we searched for public websites of the 86 metro districts where LGIS said their boards were vacant, of which 47 were created after January 1, 2000 and active as of October 2025. Through this work, we found that 18 of the 47 districts (38 percent) did not have a website as required by Section 32-1-104.5, C.R.S. We could not determine what, if any, accountability mechanism was available under statute to require metro districts to maintain websites or if any entity was responsible for holding these districts accountable for maintaining a public website.

Policy Consideration 11

If the General Assembly decides that legislative change is needed in this area, it may want to consider amending statute to assign an entity to hold metropolitan (metro) districts accountable if and when districts do not maintain public websites or post required documents to their websites, as required by Section 32-1-104.5, C.R.S. Such a statutory amendment could include adding a similar enforcement mechanism as set in Section 29-1-113(3), C.R.S., related to failure to file an annual budget, or Section 32-1-209, C.R.S., related to failure to file an annual report or a notice to electors,

in which an entity could authorize the relevant county treasurer to withhold property tax funds from a metro district until the district complies with the public website requirements set in Section 32-1-104.5(3), C.R.S. Such an entity could include the approving local government of the metro district and/or the Division of Local Government.

Finding 5 and Policy Considerations 12 and 13 – Election Filings

Since 2023, statute requires that special districts—including metro districts—hold regular elections on the Tuesday after the first Monday of May in odd-numbered years [Section 1-13.5-111(1), C.R.S.], where about half of the board of directors are up for election in any given election and districts can ask residents to vote on ballot initiatives. Prior to 2023, special district regular elections were held in May of even-numbered years; House Bill 18-1039 switched the regular election cycle to odd-numbered years.

As part of the election process, statute requires active special districts to provide an annual notice to the eligible electors of the district (notice to electors) outlining specified items, including contact information for the district and its board members, the time and place of board meetings, the district's mill levy and revenue, the date of the next election, the procedure for electors to nominate themselves to run for the board, and the website where election results can be found [Section 32-1-809, C.R.S.]. Statute requires the district to provide the notice no more than 60 days prior to and not later than January 15 of each year (i.e., between November 16 and January 15), and to file the notice with the Division. Metro districts are also required to send out a call for nominations to their residents between 75 and 100 days prior to the election (i.e., between January 26 and February 20) stating the offices to be voted on, where to find and submit a self-nomination form, and the deadline for self-nomination [Section 1-13.5-501, C.R.S.]. The timing of the notice to electors is intended to give district residents about 1.5 months to decide whether to run for their district's board before the self-nomination deadline; statute allows for individuals to self-nominate themselves for a board election between January 1 and close of business on the 67th day before the election [Section 1-13.5-303(1), C.R.S.], which was February 28 in the 2025 election cycle, where the election was held on Tuesday, May 6, 2025.

Statute allows districts to cancel their elections and declare all candidates elected if, within 63 days of election day, there are not more candidates than seats to fill and there are no other matters before electors, such as ballot initiatives [Section 1-13.5-513(1), C.R.S.]. For example, if a district has no ballot initiatives, has three director seats to fill, and only has three candidates for the seats, the district can cancel the election and declare those three candidates elected. According to Division staff and the Division's LGIS data, typically more than half of metro districts cancel their regular May elections.

Statute requires active districts to file with the Division either the notice of canceled election or the election results within 30 days after the election [Section 1-11-103(3), C.R.S.].

Exhibit 3.1 shows the election timeline for the May 2025 regular election, from the filing of the notice to electors to the filing of election results or notice of canceled election.

Exhibit 3.1
Timeline for Metropolitan District Election Filings in 2025



Source: Office of the State Auditor analysis of Special District Act and Colorado election laws related to metropolitan districts.

Upon receiving election results or notices of canceled elections after election day from metro districts, Division staff indicated that they review the filings to ensure they contain certain elements (e.g., date of election, names of elected officials, signatures), and make them publicly available on LGIS. The Division's process is to follow up with districts that fail to submit their election filings 1 to 2 months after the election.

If a special district fails to properly hold or cancel an election and does not have financial obligations, the Division is statutorily required to issue the district a notice of intent to certify the district dissolved. After a notice of intent to certify the district dissolved is issued to a district, statute allows the district 30 days to demonstrate to the Division that the district has properly held or canceled its regular election, and then the Division can terminate the dissolution proceedings. Otherwise, statute allows the Division to decide whether to declare the district dissolved and if it does, the Division must submit the dissolution declaration to the relevant district court for the metro district. Statute then allows the district court 30 days to either certify the dissolution or terminate the dissolution proceedings, which can occur if the district court determines that the metro district does not meet dissolution criteria [Section 32-1-710, C.R.S.].

What audit work was performed and what was the purpose?

We reviewed the Special District Act and Colorado election laws related to metro districts. We interviewed Division staff on the process used for tracking and following up on May 2025 election filings. We reviewed the Division's internal elections program guides—created after the May 2025 election—that direct staff on how to accept or reject notices to electors and the Division's follow-up process when metro districts' election filings are not filed on time, which reflected the processes the Division described as using for the May 2025 election. We also reviewed the Division's internal

written procedure for administrative dissolution and the Division's spreadsheets that track when notices of intent to dissolve were issued to metro districts and which metro districts were on a watchlist for administrative dissolution.

We analyzed the Division's LGIS data, current as of October 2025, containing an inventory of all 2,457 active and inactive metro districts created as of January 1, 2025, and the dates on which the Division received their May 2025 election filings. We analyzed the LGIS inventory of the 2,191 active metro districts created on or before January 15, 2025, and the dates on which the Division received their 2025 notices to electors. We calculated the filing rates for all active metro districts. We also randomly selected 5 of the 86 metro districts that submitted May 2025 election filings late and 5 of the 37 metro districts that did not submit any May 2025 election filings as of October 2025, and reviewed the Division's process to follow up with these 10 metro districts.

The purpose of our audit work was to determine whether metro districts filed their 2025 election filings with the Division on time and the extent that the Division followed up with those districts that did not file and tracked them for possible administrative dissolution, where applicable.

How were the results of the audit work measured?

The Division should receive election filings from metro districts. Statute requires districts to file the following election-related documents with the Division. One filing is required for all districts and one filing is required for only active districts, as follows:

- **Notice to electors.** The Special District Act requires active special districts to annually file a notice to electors with the Division and their approving local governments not earlier than November 16, but on or before January 15 [Sections 32-1-104(2) and 32-1-809(1), C.R.S.]. Statute exempts inactive districts from submitting notices to electors [Section 32-1-104(5), C.R.S.]. If a district does not file its notice to electors as required by statute (e.g., to the Division, to approving local governments), then the approving local government can authorize the county treasurer to prohibit release of any moneys until the district comes into compliance with the filing requirement [Section 32-1-209, C.R.S.]. The Division does not have any explicit authority in statute to enforce this filing requirement, which is discussed later in this finding.

- **Election results or notice of canceled election.** The Colorado Local Government Election Code requires all special districts—including both active and inactive metro districts—to hold their regular elections on the Tuesday succeeding the first Monday of May in odd-numbered years [Section 1-13.5-111(1), C.R.S.]. Districts may cancel elections if, within 63 days before the election, there are not more candidates than offices to be filled through the election and if there are no other matters, such as ballot initiatives, to be considered by electors [Section 1-13.5-513(1), C.R.S.]. Statute requires a district to file with the Division, within 30 days after an election, the results of the election, or, if the district canceled its election, a copy of the cancellation notice and a copy of the resolution to cancel the election [Sections 1-11-103(3) and 1-13.5-513(6), C.R.S.]. Statute requires that the Division issue to a special district a notice of

intent to certify the district dissolved if the district fails to properly hold or cancel an election and the district has no outstanding financial obligations [Section 32-1-710, C.R.S.]. Failing to file election results or notice of canceled election does not necessarily mean that a district actually failed to properly hold or cancel an election—the district may have just failed to file—but failure to file, especially once 1 to 2 months have passed and if the district has failed to respond to the Division's follow-up communication, can indicate that the district may have actually failed to properly hold or cancel an election and can serve as grounds for the Division to initiate dissolution proceedings.

The Division should follow up with metro districts that do not submit timely election filings to maintain updated public files in LGIS for all metro districts. The Division is required to "promptly establish and maintain on a current basis" public records for each special district that includes the "names and addresses of all the members of the boards" [Section 32-1-104(1), C.R.S.], and the Division does this by posting each district's election filings in LGIS. For the May 6, 2025 election, the Division should have received all active and inactive metro districts' election results or notices of cancellation by June 5, 2025. The Division's internal process, which was formally documented within internal guides after the May 2025 election, directs staff to send follow-up letters to districts that are delinquent in filing election results or notices of canceled election, in order to remind the districts to submit their filings. The Division's process is to wait about 1 to 2 months after an election, or "once election document filing frequency has substantially slowed," before sending the follow-up letters (e.g., send letters in July or August after a regular May election).

The Division only has written guidance regarding how to process and add the notice to electors document to each special district's file in LGIS. There is no additional guidance for Division staff to follow up with districts that have not filed notices to electors.

The Division should track districts that may be eligible for administrative dissolution. Statute states that the Division shall notify a special district of the Division's intent to administratively dissolve the district based on several criteria, including if a district has failed to hold or properly cancel an election [Section 32-1-710(1)(a)(I), C.R.S.], which the Division implements by issuing notices of intent to dissolve to districts. This means that the Division should be keeping track of which districts have failed to hold or cancel an election—as demonstrated through filing or failing to file election results or a notice of canceled election—to determine if the districts could be eligible for administrative dissolution. The Division's internal administrative dissolution procedure directs staff to monitor candidates for administrative dissolution, and staff have monitored districts by creating a watchlist to track those candidates as filing requirements come due, such as election filings, and to track whether districts on the watchlist have outstanding financial obligations, as stated in annual audit or budget filings.

What problems did the audit work identify?

Overall, we found the Division did not receive 2025 notice to electors filings from 6 percent of metro districts and did not follow up with these non-filing districts. Additionally, while the Division

received 2025 election results or notice of canceled election filings from 98 percent of metro districts and followed its process to follow up with delinquent districts, it did not consistently track non-filers for possible administrative dissolution.

Notice to Electors Filings

The Division received 2025 notice to electors filings from 94 percent of metro districts, but did not follow up with the non-filers. Based on our review of LGIS data for the 2,191 active metro districts created on or before January 15, 2025, we found that 2,050 districts (94 percent) had filed their 2025 notices to electors with the Division, while 141 (6 percent) had not, based on LGIS data we analyzed, current as of October 2025. Of the 2,050 districts that filed their 2025 notices with the Division, 1,958 districts (96 percent) filed on or before the January 15, 2025 deadline; the other 92 districts (4 percent) filed late. The Division had not followed up with the 141 districts that had not submitted their notice to electors filings, as of March 2026 when we conducted our work.

Election Results Filings and Canceled Election Filings

The Division received May 2025 election results or notices of canceled elections from 98 percent of metro districts, but did not consider non-filers for administrative dissolution. Based on our LGIS data review for the 2,457 metro districts created as of January 1, 2025, we found that 2,420 (98 percent) had filed their May 2025 election results or notice of canceled election filings with the Division, as of October 2025. A total of 2,334 (95 percent) districts filed by the June 5, 2025 deadline. Another 86 districts filed late and 37 had not filed at all, as of October 2025.

We randomly selected 5 of the 86 metro districts that filed their election results or notice of canceled election filings late and 5 of the 37 metro districts that did not submit any such filings as of October 2025. We reviewed the Division's process to follow up with these 10 metro districts. Through this review, we found that the Division followed its internal process, waiting 2 months after the June 5, 2025 filing deadline to send follow-up letters to delinquent filers on August 14, 2025. In our review, all five metro districts that submitted their election results or notice of canceled election filings late submitted the documents between June 6 and August 14, 2025, and therefore, did not receive a follow-up letter from the Division.

For the five metro districts that had not filed their election results or notice of canceled election based on LGIS data we analyzed, current as of October 2025, we found the Division followed its process, waiting 2 months to send follow-up letters to the districts on August 14, 2025. We learned that one of these districts was dissolved in February 2026 by a district court. However, after the other four districts did not respond to the Division's follow-up letters and still had not submitted their election filings as of March 2026, when we conducted our analysis, the Division did not use that information to begin considering the four districts for administrative dissolution, as follows:

- Two districts were already on the Division's dissolution watchlist because they had not submitted their 2025 budgets. However, the Division did not make note on the watchlist of the

districts that also failed to submit their May 2025 election filings or start the administrative dissolution process for these districts based on that information. These districts were Granby Ranch Metropolitan District No. 3 in Grand County and South Academy Station Metropolitan District No. 5 in El Paso County.

- For one district, the Division told us it attempted to administratively dissolve the district in 2018, but was told by the district's attorney that it had outstanding financial obligations. This district, Stone Ridge Metropolitan District No. 2 in Las Animas County, has not submitted an audit or budget demonstrating this financial obligation for 13 years. The Division told us that it might be able to administratively dissolve the district upon the bond's maturity anticipated for 2031. However, this district is not on the Division's watchlist for future administrative dissolution.

- For one district, the Division told us that it has not considered the district, Montezuma Mosquito Control District in Montezuma County, for administrative dissolution because it still has one serving board member (i.e., the board is not fully vacant) and has filed recent budgets and audit filings. However, statute states that if a district does not hold an election and does not have financial obligations, the Division should begin the administrative dissolution process. Statute does not require the district's board to be fully vacant to pursue administrative dissolution.

We discuss issues related to administrative dissolution more in Finding 3.

Why did these problems occur?

Statute does not direct the Division to track notice to electors filings or follow up with delinquent filers. Unlike with filings for election results and notice of canceled election, the Division does not have a process to track whether metro districts are filing a notice to electors or to follow up with delinquent filers. The Division said it does not track or have follow-up procedures related to notice to electors because it does not have the statutory authority to enforce the requirement that metro districts file their notice to electors; statute only allows approving local governments—and not the Division—to authorize the withholding of funds when notices to electors are not filed. However, the Division is required to maintain public records for each special district that includes the "names and addresses of all the members of the boards" [Section 32-1-104(1), C.R.S.], and the Division does this by posting to LGIS each district's notice to electors. The Division told us it posts other filings to LGIS that may contain the names of board members, though only the notice to electors clearly states the names and addresses of all members. The Division's website also says that LGIS contains documents required by statute to be filed with the Department.

In an effort to improve the compliance rate and improve transparency, the Division could follow up with metro districts if they do not file their notice to electors with the Division—similar to its process for following up with metro districts that do not file an annual budget or election results or cancellation on time—to help inform districts of notice to electors filing requirements and achieve

higher compliance. We provide Policy Consideration 12 for the General Assembly related to this issue.

Statute does not direct the Division to inform local governments of districts that are not in compliance with the requirement to file a notice to electors. For special districts that fail to comply with notice to electors filing requirements within 9 months after the filing deadline, statute provides for the approving local government to authorize the county treasurer to prohibit release of tax funds until the district comes into compliance with the filing requirements [Section 32-1-209, C.R.S.]. However, statute does not direct the Division to inform local governments when districts have failed to file notice to electors with the Division. Local governments, therefore, do not have information that would be relevant to their authority to direct the county treasurer to withhold tax funds when districts fail to comply with filing requirements. A total of 141 districts had not filed a notice of election for 2025 with the Division by the end of October 2025, which was more than 9 months after the January 15, 2025 deadline.

Statute also does not provide for the Division to directly authorize county treasurers to withhold tax funds for districts that fail to file their notice to electors with the Division. As discussed in Finding 7, the Division does have authority to directly authorize county treasurers to withhold tax funds for districts that fail to file required annual budgets [Section 29-1-113(3), C.R.S.]. We found this process was effective for achieving a high level of compliance with filing annual budgets.

In addition, it could be helpful if county treasurers provided notice to the Division when the treasurer withholds tax funds from a district related to filing requirements, so that the Division is informed of and can include documentation in LGIS related to the withholding, and inform the county treasurer when compliance is achieved and withholding no longer needs to happen.

We provide Policy Consideration 13 for the General Assembly related to these issues.

The Division's approach to considering districts for administrative dissolution does not align with statutory criteria. Statute gives the Division an explicit role to initiate administrative dissolution when a district does not hold or properly cancel an election and does not have outstanding financial obligations. However, the Division only considers a district for administrative dissolution after it misses two elections, rather than one as directed by statute. Specifically, the Division's internal guidance to staff on the administrative dissolution process directs staff to identify and place on a watchlist metro districts that have missed **two** consecutive elections. Four of the five metro districts we reviewed that had not filed their May 2025 election results or notice of canceled election had submitted election filings for the previous regular election that took place in May 2023, and so did not meet the Division's threshold for the watchlist based on election filings. We discuss administrative dissolution in more detail in Finding 3.

Why do these results matter?

Notices to electors inform residents how to run for election, and residents can help safeguard from excessive taxation. Over nearly 20 years, stakeholders have raised concerns about developers—and not residents—serving on metro district boards and making financial decisions that will result in high amounts of debt and high rates of taxation on residents. In 2009, via Senate Bill 09-087, proponents of adding the notice to electors requirement in statute wanted to ensure residents knew if and when they could run for election to their metro district's board. In 2021, stakeholders raised similar concerns in the debates on Senate Bill 21-262, which worked to tighten transparency and accountability for special districts, where concerns persisted that residents were not aware of their opportunities to run for election. It is important for metro districts to provide the notice to electors on or before January 15 each year—especially in the odd-number years with May regular elections when directors are elected—and to also provide this information to the Division to publicly post in LGIS.

In our Chapter 4 metro district profiles, we observed examples of how residents serving on metro district boards can help safeguard residents from excessive taxation, as follows:

- Amber Creek Metropolitan District in Adams County. Prior to 2018, developers sat on the board and decided to issue debt that would have totaled about $63 million for residents to repay between 2017 and 2051—$25.8 million of which was due to a junior bond sold to one of the district's developers. That junior bond initially provided the district with $1.8 million in bond proceeds to use, but due to the 10.6 percent interest paid over 34 years, would have required residents to pay over $25.8 million in taxes to the developer to repay the principal and interest, according to district documents. Since 2018, when residents were elected to the Board, the board has been successful in canceling the $25.8 million in payments to the junior bond and refinancing the rest of its debt. As of December 2025, the district is expected to pay about $21.5 million total in debt service, which is three times less in taxes that will be paid by residents to repay debt compared to the original debt service amount.

- Buckhorn Valley Metropolitan District Nos. 1 and 2 (BV 1 and BV 2) in Eagle County. Prior to 2021, developers sat on the boards of both BV 1 and BV 2, who then set up an intergovernmental agreement that allowed BV 1 to make decisions on when and how BV 2 could issue debt and how that debt would be repaid through BV 2's taxpayer revenue. The debt issued by BV 2 prior to refinancing in 2025 would have totaled about $44 million for residents to repay between 2008 and 2039—$19 million of which was due to a junior bond that had a principal of $8.5 million plus interest that would have totaled almost $11 million. Since June 2021, which was after the regular May 2020 election and when the full BV 2 board of directors was recalled and residents were elected to the board, the board has been successful in refinancing its debt and will assume some of BV 1's assets in 2028. As of December 2025, the BV 2 residents are expected to pay almost $30 million in debt service, which is about $13.8 million, or a third less in taxes needed to repay debt compared to the original debt service amount.

Notices to electors and election results help the Division maintain updated public records for all metro districts. The Special District Act requires the Division to establish and maintain public records for each special district, including contact information for board members and the district manager, which are contained in metro districts' notices to electors [Section 32-1-104(1), C.R.S.], and the Division does this by posting to LGIS each district's notice to electors and election filings. If the Division does not receive these filings, it is not able to maintain up to date public records related to district governance.

Following up with delinquent districts and providing authorization to county treasurers to withhold tax funds can be an effective tool to ensure districts comply with filing requirements. As discussed in Finding 7, where the Division has explicit authority to provide notice to districts that fail to file their budgets and then notify the county treasurer to withhold tax funds [Section 29-1-113(3), C.R.S.], districts demonstrate a high level of compliance with submitting budget filings. Statutes could provide for an explicit role for the Division in helping to ensure compliance for notice to elector filings by directing the Division to track filings and follow up with delinquent districts and either notifying local governments that have authority to authorize county treasurers to withhold tax funds of districts that do not comply or providing for the Division to directly authorize county treasurers to withhold funds for districts that do not comply.

Use of the administrative dissolution process is important for ensuring that districts that are no longer serving their purpose or operating as statute requires are properly dissolved. When the Division does not take action to initiate the administrative dissolution process—or investigate whether a district qualifies for dissolution—the Division is not carrying out its statutory responsibilities. When the Division initiates the dissolution process, statute lays out a progressive process that allows for districts to still demonstrate that they are in compliance with statute and, therefore, should not be dissolved. For example, once the Division notifies the district of the intent to certify the district dissolved, statute allows a timeframe for districts to "demonstrate to the division" if it had properly held or canceled its recent election [Section 32-1-710(2)(a), C.R.S.]. Effectively, the administrative dissolution process allows a district an additional chance to come into statutory compliance if the district does not submit election filings.

Recommendation 5

The Department of Local Affairs should, in conjunction with Recommendation 3 related to administrative dissolution, help ensure that metropolitan districts file their election results or notices of canceled elections to the Division of Local Government by revising its written internal guidance to staff on the administrative dissolution process to align with statute by considering for dissolution districts that failed to submit filings for one election.

Response

Department of Local Affairs

Agree
Implementation Date: January 2027

The Department will update internal procedures to reflect that Section 32-1-710(1), C.R.S. requires the Division to notify a metropolitan district by certified mail of the Division's intent to certify the district dissolved if the district has failed to hold or properly cancel an election, as also described in Recommendations 3C and 3F.

Policy Consideration 12

The General Assembly may want to consider revising statute to direct the Division of Local Government (Division) within the Department of Local Affairs to track notice to electors filings submitted pursuant to Section 32-1-104(2), C.R.S., and follow up with delinquent filers. When considering amending statute, the General Assembly may want to consider whether the Division has the necessary resources to carry out new statutory responsibilities.

Policy Consideration 13

The General Assembly may want to consider revising statute to direct the Division of Local Government (Division) within the Department of Local Affairs to inform approving local governments of metropolitan districts that are not in compliance with the requirement to file a notice to electors pursuant to Section 32-1-104(2), C.R.S. Such a revision could require the Division to share information with relevant approving local governments about the metropolitan districts that have not filed their notice to electors with the Division, so that the approving local government can authorize the county treasurer to withhold tax funds pursuant to Section 32-1-209, C.R.S.

Alternatively, such a revision could allow the Division to authorize the county treasurer to prohibit the release of tax funds to a metropolitan district until the district files with the Division the district's notice to electors. This withholding authority would be similar to the authority granted in Section 29-1-113(3), C.R.S., which allows the Division to authorize the county treasurer to withhold tax funds if a district does not file its annual budget with the Division.

Statutory revisions could also consider directing county treasurers to provide notice to the Division when the treasurer withholds tax funds from a district related to filing requirements, so that the Division is informed of and can include documentation in LGIS related to the withholding, and can inform the county treasurer when compliance is achieved and withholding no longer needs to happen.

Finding 6 and Policy Considerations 14 and 15 – Annual Report Filings

In 2021, with the passage of Senate Bill 21-262, which concerned transparency for special districts, the General Assembly added a new requirement for special districts created after July 1, 2000, including metro districts, to file and post on their websites an annual report with elements specified in statute [Section 32-1-207(3)(c), C.R.S.]. Prior to Senate Bill 21-262, statute required districts to provide an annual report to their approving local government only if requested.

Legislative committee discussions on Senate Bill 21-262 focused on tightening transparency and accountability for special districts. Generally, district residents and stakeholders were concerned about the lack of transparency and not knowing how their taxes were being spent. These concerns led to districts being required to specify the following details in their annual reports [Section 32-1-207(3)(c)(II), C.R.S.]:

a. Construction status of public improvements
b. Assessed valuation of the district as of December 31 of the reporting year
c. A summary of litigation involving the districts' public improvements
d. Notice of any uncured defaults existing for more than 90 days under any of the district's debt instruments
e. Any inability of the district to pay its obligations as they come due
f. Intergovernmental agreements entered into or terminated
g. A list of any of the district's facilities or improvements that were conveyed or dedicated to a county or municipality
h. Boundary changes

What audit work was performed and what was the purpose?

We reviewed statute's annual report requirements and the Division's internal guidance for its staff on reviewing, accepting, and posting districts' filings to LGIS, and we interviewed Division staff on the process they used in 2025 regarding districts' filing of their 2024 annual reports. We analyzed the Division's LGIS data, current as of October 2025, containing an inventory of the 2,182 metro districts that were created between July 1, 2000 and December 31, 2024, and not yet dissolved as of October 2025; we reviewed the dates on which the Division received metro districts' 2024 annual reports and information about the metro districts' active versus inactive status. A total of 1,777 of these districts were active during all of 2024 and were still active in October 2025 when 2024 annual reports were due, according to inactive status documents filed with the Division.

We randomly selected two metro districts from each of the top five counties that had the most non-filing districts within their boundaries in 2024, for a total of 10 selected districts of the 226 that were active during all of 2024—and were still active as of October 2025 when the 2024 annual report filing was due—that did not file a 2024 annual report with the Division by the end of October 2025.

For each of the 10 selected districts, we (1) inquired with the eight local governments that approved their service plans on whether the approving local governments waived the annual report requirement for the metro districts, and (2) reviewed whether the metro districts had submitted their 2024 annual report to the approving local governments, to the State Auditor, and/or had posted it to their own websites.

We also conducted a survey in February 2026, which we sent to all 335 counties and municipalities in the state, that included questions about whether approving local governments have waived the annual report requirement for any metro districts and whether the local governments found the annual reports useful. The Division helped us by sending the survey to its contacts at the local governments and then sending follow-up reminders to the local governments. A total of 36 local governments responded to our survey, of which 27 of the 111 approving local governments (24 percent) provided responses, including 13 counties and 14 municipalities. We also analyzed the 2024 Division of Property Taxation's annual report, which includes the certification of mill levies and revenues for all local taxing jurisdictions as of January 1, 2025.

The purpose of our audit work was to determine whether metro districts filed their 2024 annual reports with the Division, as required by statute.

How were the results of the audit work measured?

The Division should receive active metro districts' annual reports. Statute requires active special districts created after July 1, 2000 to file with the Division by October 1 every year an annual report for the preceding calendar year [Sections 32-1-207(3)(c)(I) and (III) and Section 32-1-104(5), C.R.S.]. This requirement went into place in September 2021 through Senate Bill 21-262. Prior to this legislation, statute required a district to provide an annual report to its approving local government only if requested by the local government, and to also file any such annual report with the Division. Additionally, statute requires the Division to establish and maintain public records for each special district [Section 32-1-104(1), C.R.S.]; the Division has decided to post districts' annual reports to LGIS as a part of this public record.

What problem did the audit work identify?

The Division did not receive 2024 annual reports from 13 percent of metro districts that were active during 2024 and still active as of October 2025. We found that most of the 1,777 metro districts (87 percent) that were created after July 1, 2000, active during 2024, and still active as of October 2025, filed their 2024 annual reports with the Division either on time or within 30 days of the deadline. However, we found that 226 of the 1,777 metro districts (13 percent) had failed to file their 2024 annual reports with the Division by the end of October 2025.

Once we identified these 226 metro districts that did not file annual reports with the Division, we determined the top five counties that had the most non-filing districts within its boundaries and then randomly selected a total of 10 metro districts—two from each of the top five counties—for review.

Based on our further review, we found that none of the 10 districts received an annual report waiver from their approving local government, and that 8 of the 10 districts had created a 2024 annual report, even though the districts had not filed their annual reports with the Division. These 8 districts had filed their 2024 annual reports with the State Auditor and/or their approving local government, and/or had posted them on their websites. It is possible that some of the remaining 216 metro districts that we did not review in more detail had published a 2024 annual report, but had not filed it with the Division.

For the remaining two metro districts, we found no evidence that the districts had created a 2024 annual report. Specifically, we found the following:

- Mayberry, Colorado Springs Metropolitan District No. 3 in El Paso County was created in November 2020, and based on the 2024 Division of Property Taxation's annual report, had $158,065 in tax collections in 2024. El Paso County reported to us that it had not waived the annual report requirement for the district, which meant that the district was required to create and file a 2024 annual report. As of March 2026, the district's website did not have a 2024 annual report posted.

- Vistas at Saddleback Metropolitan District No. 1 in Weld County was created in November 2023, and based on the 2024 Division of Property Taxation's annual report, had $0 in tax collections in 2024. The Town of Firestone reported to us that the district filed an inactive notice with the town in February 2024; however, the Division's LGIS data shows that the district did not file its inactive status with the Division as required by statute. Because the metro district was inactive, Firestone also reported to us that it had no need to waive the annual report requirement for the district.

Why did this problem occur?

The Division is not informed when an approving local government has waived the annual report requirement for a district. The Division told us that part of why it does not follow up with districts that do not file annual reports is because the Division does not know if any districts have received annual report waivers from their approving local governments. Statute allows an approving local government to waive a district from the annual report requirement [Section 32-1-207(3)(c)(I), C.R.S.], but does not require local governments or the districts to report these waivers to the Division. Of the 27 approving local governments that responded to our survey, and the 10 metro districts we selected for further review, we found no examples of local governments granting annual report waivers so this may not be a common practice. However, it could be difficult for the Division to track and follow up on annual report filings if it is not kept informed of waivers.

The Division should consider working with the General Assembly to pursue statutory changes to ensure that the Division receives annual report waiver information from either approving local governments or metro districts.

Statute does not direct the Division to track or follow up on annual report filings. As a result, the Division's internal written guidance does not direct staff to track the timeliness of annual report filings, keep track of metro districts that have received annual report waivers from their local governments, or follow up with metro districts that have not filed an annual report with the Division. By contrast, the Division's written guidance for staff on processing annual budgets has more detailed information for staff on tracking the timeliness of submissions and following up with delinquent metro districts and their approving local governments, as discussed in Finding 7. The Division's guidance on annual budgets relates to the Division's statutory authority to authorize county treasurers to withhold tax funds from districts that fail to file annual budgets. Clarifying a role for the Division for tracking and following up on annual reports could help to remind the districts about the requirement to file their annual reports with the Division. The Division could also use this follow up to request that, if districts have received a waiver from the annual report requirement from their approving local government, the districts submit that waiver to the Division.

We understand that when the annual report requirement was changed to become a mandatory requirement for special districts under Senate Bill 21-262, the Division went from receiving annual reports from some districts prior to the bill to theoretically receiving them from all active districts that were created in the last 25 years. Under that bill, the Division did not request or receive additional funding or resources, because the Division reported for fiscal note purposes that the impact of the bill on its workload "will be minimal." When we discussed with the Division about adding processes to follow-up with districts that do not submit annual reports, the Division stated that it does not have the capacity to add annual report outreach or compliance tracking without receiving additional resources. We provide Policy Consideration 14 for the General Assembly related to this issue.

Statute does not direct the Division to inform local governments of districts that are not in compliance with the annual report filing requirement. For special districts that fail to comply with annual report filing requirements within 9 months after the filing deadline, statute provides for the approving local government to authorize the county treasurer to prohibit release of tax funds until the district comes into compliance with the filing requirements [Section 32-1-209, C.R.S.]. However, statute does not direct the Division to inform local governments when districts have failed to file their annual report with the Division. Local governments, therefore, do not have information that would be relevant to their authority to direct the county treasurer to withhold tax funds when districts fail to comply with filing requirements.

Statute also does not provide for the Division to directly authorize county treasurers to withhold tax funds for districts that fail to file their annual reports with the Division. As discussed in Finding 7, the Division does have authority to directly authorize county treasurers to withhold tax funds for districts that fail to file required annual budgets [Section 29-1-113(3), C.R.S.]. We found this process was effective for achieving a high level of compliance with filing annual budgets.

In addition, it could be helpful if county treasurers provided notice to the Division when a treasurer withholds tax funds from a district related to filing requirements, so that the Division is informed and could include documentation in LGIS related to the withholding. Further, the Division could

then inform the county treasurer when compliance is achieved and withholding no longer needs to happen.

We provide Policy Consideration 15 for the General Assembly related to these issues.

Why do these problems matter?

Annual reports provide easy-to-understand information on metro districts' development, debt management, and litigation. Bill sponsors for Senate Bill 21-262, which added the requirement to file annual reports and specified what details should be in the reports, emphasized that special districts—including metro districts—need additional transparency and accountability mechanisms to help ensure residents and future homeowners are aware of and familiar with the metro districts they live in, or plan to live in. The annual reports are designed to provide practical updates such as intergovernmental agreements entered into or exited, status of ongoing litigation, progress on construction public improvements, and whether the district is having difficulty managing its debt. Information like this might be captured within annual budgets or audit filings, which are also required to be submitted as part of the annual reports, but the typical format of the annual report itself results in this information being front and center, and easy for residents to understand. When annual reports are not filed with the Division, this means the reports will not be available on LGIS, which can be used by residents as a clearinghouse—a one-stop shop—for all of their districts' information.

Follow-up by the Division for delinquent filings improves compliance and transparency. Discussed further in Finding 7, the Division has an established follow-up process to send an email to metro districts that do not file their budgets. Moreover, the Division has explicit statutory authority to notify county treasurers and authorize the withholding of funds for noncompliant districts. As a result, the Division saw a 96 percent compliance rate with districts filing their 2024 annual budgets. Our work showed that the Department's follow-up served as a reminder and prompt for metro districts to file their annual budget with the Division. Having this type of statutory authority and process for annual report filings could improve compliance and help educate metro districts about the filing requirements.

Recommendation 6

The Department of Local Affairs should help ensure that metropolitan districts file their annual reports with the Division of Local Government (Division) by determining whether statutory change is warranted to ensure the Division receives annual report waiver information from either approving local governments or districts, and working with the General Assembly to make any changes, as needed.

Response

Department of Local Affairs

Agree
Implementation Date: August 2028

The Department will work with the General Assembly and local government stakeholders before the 2028 legislative session to determine whether a statutory change is warranted to ensure the Division receives annual report waiver information from either approving local governments or districts.

Policy Consideration 14

The General Assembly may want to consider revising statute to direct the Division of Local Government (Division) within the Department of Local Affairs to track the annual report filings submitted pursuant to Section 32-1-207(3)(c), C.R.S., and follow up with delinquent filers. When considering amending statute, the General Assembly may want to consider whether the Division has the necessary resources to carry out new statutory responsibilities.

Policy Consideration 15

The General Assembly may want to consider revising statute to direct the Division of Local Government (Division) within the Department of Local Affairs to inform local governments of metropolitan districts that are not in compliance with the annual report filing requirement pursuant to Section 32-1-207(3)(c), C.R.S. Such a revision could require the Division to inform the approving local government when a district has not filed a required annual report, so that the approving local government can authorize the county treasurer to withhold tax funds pursuant to Section 32-1-209, C.R.S.

Alternatively, such a revision could allow the Division to authorize the county treasurer to prohibit the release of tax funds to a district until the district files its annual report with the Division pursuant to Section 32-1-207(3)(c), C.R.S. This withhold authority would be similar to the authority granted in Section 29-1-113(3), C.R.S., which allows the Division to authorize the county treasurer to withhold tax funds if a district does not file its annual budget with the Division.

Statutory revisions could also consider directing county treasurers to provide notice to the Division when they are required to withhold tax funds from a district related to filing requirements, so that the Division is informed of and can include documentation in its Local Government Information System related to the withholding, and inform the county treasurer when compliance is achieved and withholding no longer needs to happen.

Finding 7 – Annual Budget Filings

The Local Government Budget Law of Colorado requires that local governments—including metro districts—adopt an annual budget that sets forth the district's proposed expenditures, anticipated revenues, estimated beginning and ending fund balances, prior year actual figures, and a description of the budget's important features [Section 29-1-103(1), C.R.S.]. Statute prohibits the adoption of a budget with deficit spending; planned expenditures cannot be in excess of planned revenue or beginning fund balances [Section 29-1-103(2), C.R.S.]. The annual budget is an important tool for providing transparency of a district's complete financial plan and to ensure that the district is not planning to spend above anticipated revenue and available funds.

Metro districts, as local governments, must complete certain steps before the district can finalize its annual budget, and they must file their budgets when finalized, as follows:

- Determine anticipated tax revenue for the coming year. The county assessor annually assesses and certifies to the metro district the value of all taxable property within the district—based on the assessor's 2-year reassessment cycle required under Section 39-1-104(10.2), C.R.S.—and notifies the district to certify the district's mill levy tax rate to the county no later than December 15 [Section 39-5-128(1), C.R.S.]. The district then is expected to certify its mill levy tax rates with its county assessor based on the amount of money necessary to pay expenses related to construction, maintenance, operations, and financial obligations [Section 32-1-1201, C.R.S.]. This process allows the county assessor and the district to anticipate the amount of property taxes to be collected for the coming year. The county collects property taxes on behalf of the metro district based on the district's mill levy and the assessed value of property within the district and then remits that collected tax revenue to the district.

- Adopt an annual budget for the coming year. If a metro district is levying a property tax, it must adopt its budget before certifying the levy to the county, which means the district needs to adopt its budget for the coming year by December 15 [Section 29-1-108(2), C.R.S.]. If a metro district fails to adopt a budget before certifying its mill levy, then statute directs that 90 percent of the district's previously appropriated budget will be reappropriated for the current fiscal year of operation [Section 29-1-108(3), C.R.S.].

- File the annual budget with the Division. Statute requires metro districts to file their annual budgets with the Division [Section 29-1-113(1), C.R.S.]. Division staff review budget filings for completeness, including 3 years of financials and signed resolutions to certify the mill levy and adopt the budget, and to ensure that the budget does not include deficit spending. The Division communicates with metro districts by email regarding whether the Division has accepted or rejected the district's filings and what is needed when a filing is rejected.

Statute allows special districts that are in a predevelopment stage with no residents or businesses, no financial obligations, and no planned revenues or expenses for the coming fiscal year to be in inactive status [Sections 32-1-103(9.3) and 104(3), C.R.S.]. Statute exempts inactive districts from the

Local Government Budget Law, which includes the requirement to submit budgets annually to the Division [Section 32-1-104(5), C.R.S.]. Statute requires inactive districts to file an inactive notice—either a notice of inactive status if they are going from active status to inactive status, or file a notice of continuing inactive status—with the Division [Sections 32-1-104(3)(a) and (4), C.R.S.].

Districts file their budgets and inactive notices with the Division via LGIS. Division of Property Taxation, also within the Department of Local Affairs, releases an annual report, as required by Section 39-2-119, C.R.S., that provides annual statistical and summary property tax information for the State of Colorado. The report contains listings of assessed values by county in addition to the certification of mill levies and property tax revenues of the local taxing jurisdictions, including metro districts.

What audit work was performed and what was the purpose?

We reviewed the Local Government Budget Law, the Special District Act, and the Division's internal guidance for processing budget and inactive status submissions, and interviewed Division staff on the process used in 2025 for processing budget and inactive notice filings. We analyzed the Division's LGIS data, current as of October 2025, containing an inventory of all 2,450 active and inactive metro districts with a file in LGIS as of January 1, 2025, and the dates on which the Division received those districts' 2025 budgets or inactive notices. We randomly selected 10 of the 95 metro districts that did not file either a 2025 budget or inactive notice on time, and reviewed available information to determine if and how the Division followed up with these 10 metro districts and, as appropriate, if the Division followed up with the county treasurers that collected tax revenues for these metro districts. To verify how much tax revenue these 10 metro districts planned to collect in 2025, we reviewed the 2024 Division of Property Taxation's annual report, which includes the certification of mill levies and revenues for all local taxing jurisdictions as of January 1, 2025.

The purpose of our audit work was to determine whether metro districts filed their 2025 budgets or inactive notices with the Division, and the extent that the Division followed up with delinquent districts.

How were the results of the audit work measured?

Metro districts are required to annually file a budget or inactive notice with the Division. The Local Government Budget Law requires local governments, including metro districts, to file their budgets with the Division no later than 30 days following the beginning of the fiscal year [Section 29-1-113(1), C.R.S.], which runs January 1 through December 31 [Section 29-1-102(9), C.R.S.]. The Division has interpreted statute as requiring local governments to file their budgets with the Division no later than January 31 of each year.

Statute exempts inactive special districts from the Local Government Budget Law, including the requirement to submit budgets annually to the Division [Section 32-1-104(5), C.R.S.]. Statute

requires inactive districts to file an inactive notice—either an initial notice of inactive status or a notice of continuing inactive status—with the Division by December 15 of each year if the district will be inactive for the coming fiscal year [Sections 32-1-104(3)(a) and (4), C.R.S.]. The Division's internal guidance directs staff to treat a district's inactive notice as a "placeholder" for the district's budget. By January 31 of each year, the Division should have every active or inactive district's annual budget or inactive notice submitted to LGIS.

The Division should track timely filing of annual budgets and inactive notices and follow up with delinquent metro districts. For active special districts that do not file their annual budgets with the Division on time, statute first expects the Division to give notice to the district and then allows the Division to issue a withhold notice to relevant county treasurers [Section 29-1-113(3), C.R.S.]. The withhold notice explains that the district did not file a required annual budget on time and that the county treasurer is authorized to prohibit the release of tax funds to the district until the district files its annual budget.

To implement Section 29-1-113(3), C.R.S., the Division's internal guidance directs staff to first identify districts that did not file their annual budgets or inactive notices by February 10 of each year, which allows the Division time to process budget filings received right around the January 31 deadline, and then to send out late notices to those districts. If a district still does not file its annual budget when prompted by the late notice, the budget program guide directs staff to send withhold notices to the relevant county treasurers by March 15 of each year. The Division does not send late notices to districts that file prior to February 10.

What did the audit work identify and why does it matter?

Overall, we found a 96 percent compliance rate for metro districts filing their 2025 budget or inactive notice with the Division. Specifically, based on our review of LGIS data for the 2,450 active and inactive metro districts with a file in LGIS as of January 1, 2025, we found that 2,355 (96 percent) filed either their 2025 budget or inactive notice by February 10, 2025, of which 2,256 (92 percent) filed by the respective statutory deadlines (December 15 for inactive notices and January 31 for budgets), with the remaining 99 metro districts filing by February 10. Metro districts' timely filing of budgets or inactive notices to the Division is important because it allows the Division to properly maintain LGIS as a one-stop shop for key information about metro districts and helps ensure that metro districts are operating within their means, without deficit spending. The Division reviews budgets for compliance, and LGIS is intended to increase transparency for district residents on how their taxes are being used and provide the public accessible information regarding metro districts.

The Division tracked and followed up on 2025 annual budget filings as expected. A total of 95 of the 2,450 active and inactive metro districts (4 percent) with a file in LGIS as of January 1, 2025, did not file their 2025 budget or inactive notice on time with the Division. We randomly selected 10 of these 95 metro districts to review the Division's process for following up with delinquent metro districts. We found the Division followed its internal guidance by sending late

notice letters to the delinquent metro districts. The Division's initial late notice letters resulted in 5 of the 10 metro districts subsequently filing their 2025 annual budgets or inactive notices.

For the five metro districts that did not subsequently file after the Division's late notice, the Division sent a withhold notice on March 3, 2025, to each of the county treasurers that would collect these metro districts' 2025 taxes, as follows:

- Saddlehorn Ranch Metropolitan District No. 3. The Division sent notice to El Paso County, which responded that it would withhold all taxes generated by the district. According to the Division of Property Taxation's 2024 annual report, the district did not plan to collect any taxes in 2025. The district filed a late 2025 continuing inactive notice with the Division on December 16, 2025 (the 2025 inactive notice was due December 15, 2024).

- Johnstown Village Metropolitan District No. 3. The Division sent notice to Weld County, which responded that it would withhold all taxes generated by the district. According to the Division of Property Taxation's 2024 annual report, the district planned to collect $43,440 in taxes in 2025. The district filed a late 2025 annual budget with the Division on November 3, 2025 (the 2025 budget was due January 31, 2025).

- Penrose Metropolitan District. The Division sent notice to Weld County, which responded that it would withhold all taxes generated by the district. According to the Division of Property Taxation's 2024 annual report, the district did not plan to collect any taxes in 2025. The district submitted a late 2025 annual budget to the Division on September 24, 2025 (the 2025 budget was due January 31, 2025); the budget indicated that the district missed the deadline to certify mill levies, so the district would use developer advances, rather than property tax revenues, to fund 2025 operating costs.

- Avenues Metropolitan District No. 5. The Division sent notice to Arapahoe County, which responded that the county was not collecting any moneys for the district and, therefore, there were no funds to withhold. We confirmed that the district did not plan to collect any taxes in 2025, according to the Division of Property Taxation's 2024 annual report. As of March 2026, the district had still not submitted a 2025 budget or inactive notice to the Division. The Division flagged the district for possible administrative dissolution. We discuss the administrative dissolution process in Finding 3.

- Granby Ranch Metropolitan District No. 3. The Division sent notice to Grand County, which responded that the county was not collecting any moneys for the district and, therefore, there were no funds to withhold. We confirmed that the district did not plan to collect any taxes in 2025, according to the Division of Property Taxation's 2024 annual report. As of March 2026, the district had still not submitted a 2025 budget or inactive notice to the Division. The Division flagged the district for possible administrative dissolution.

The Division's processes to track budget and inactive filings and follow up with those metro districts that did not file timely submissions and with county treasurers, as applicable, resulted in 8 of the 10

metro districts eventually filing either a 2025 budget or inactive notice, with the remaining 2 districts being on the Division's list for possible administrative dissolution. The Division's work to track and follow up on metro districts' filing of budgets or inactive notices results in a high level of compliance for districts in filing their budgets with the Division.

Conclusion

We found a high level of compliance for metropolitan (metro) districts filing their 2025 budgets or inactive notices with the Division, and concluded that for the 2025 annual budget cycle, the Division tracked timely submission of metro districts' annual budgets and notices of inactive status and followed up with delinquent metro districts and issued notices to withhold taxes if budgets were not filed. We make no recommendations to the Division related to its tracking of metro district's annual budget filings and its related follow up with delinquent metro districts or county treasurers.

Response

Department of Local Affairs

The Department will continue to administer the local government budget program in accordance with its internal procedures.

Chapter 4
Metropolitan District Profiles

Overview

In this chapter we have compiled information on the governance and financing mechanisms for a targeted selection of 16 of the 2,247 metropolitan (metro) districts that were active as of October 2025. We selected these 16 districts because they were demonstrative of a variety of governance structures and financing structures utilized by metro districts, including:

- Stand-alone and consolidated service plan districts
- Title 29 Intergovernmental Authorities
- Covenant enforcement
- Senior and junior bonded indebtedness
- Bank loans
- Developer financing
- Public improvement fees

As part of our selection of metro districts that fell into one or more of the categories above, we identified metro districts that had fiscal health issues according to the Office of the State Auditor's (OSA) 2021-2023 Special Districts Fiscal Health Analysis report from October 2025, and that have undergone debt refunding.

To create these profiles, we reviewed publicly-available information for each district obtained from the Division of Local Government's (Division) Local Government Information System (LGIS), the OSA's Local Government Portal, the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access (EMMA), the Division of Property Taxation's online property tax maps, county assessor websites and reports, and the districts' own websites. Additionally, the Division provided metro district documents filed prior to 2012 from their OnBase archive system, which contained documentation from prior to the Division's implementation of LGIS.

Specifically, we reviewed:

- Audits and audit exemptions
- Annual reports

- Budgets
- Election filings
- Maps
- Service plans, amendments, and other organizational documents
- Mill levy certifications
- OSA's Colorado Special Districts Fiscal Health Analysis Calendar Years 2021-2023
- Official statements for bonds and other municipal securities

The purpose of our audit work was to provide information on how metro districts across the state may provide public improvements, including how district development and operations are managed through different governance structures, how districts finance improvements and issue debt, and the impact of district debt on taxpayers.

Accompanying the following metro district profiles is Appendix A: Glossary and Explanation of Common Concepts that defines key terms used within the profiles.

Amber Creek Metropolitan District

Amber Creek Overview	
Approving Local Government	City of Thornton
Service Plan Approved	Original: 2005 Most Recent Amended Version: 2017
Planned Development	437 homes and 18.7 acres of commercial zoned land containing a retail shopping center.
Completed Development	434 homes (332 single-family homes and 102 paired multi-family homes), and 18.7 acres of commercial zoned land containing a retail shopping center. The district reports that all planned development of the district is complete.
Public Improvements Provided by District	Public improvements provided by the district include streets, sidewalks, traffic controls, parks and recreation improvements, water, sewer, storm drainage, perimeter fencing, and a detention pond.
Estimated Cost of Public Improvements	$21.57 million (2017 service plan)
Mill Levy Limits	50 mills (50 mills for debt service, adjustable per statutory changes; no limitation for operations). Service plan allows for an unlimited debt service mill levy if the district's aggregate debt is 50 percent or less of the district's assessed valuation. The district has no maximum mill levy for operations, but is limited to $500,000 annually in property tax collected for operational costs; the operational mill levy is calculated by the district to reflect this limitation.
2026 Mill Levy	43.452 mills (31.427 mills for debt service and 12.025 mills for operations)
2026 Estimated Property Tax Collection	$1,270,518 ($918,912 for debt service and $351,606 for operations)
Covenant Enforcement	The district has covenant enforcement powers. Residents do not pay covenant enforcement fees or dues to the district for covenant enforcement, but the district does assess fines for covenant violations.
TABOR and Other Revenue Limitation Exemptions	Property tax revenue and all other income collected by the district is exempt from TABOR and any other statutory revenue limitations, per ballot measures in the district's 2005 and 2013 elections.

Source: Office of the State Auditor analysis of district documents including 2026 budget, 2024 audit, 2017 service plan, 2005 service plan, and 2017 Intergovernmental Agreement with the City of Thornton, election filings, and the 2025 bonds series official statement from Electronic Municipal Marketplace Access (EMMA).

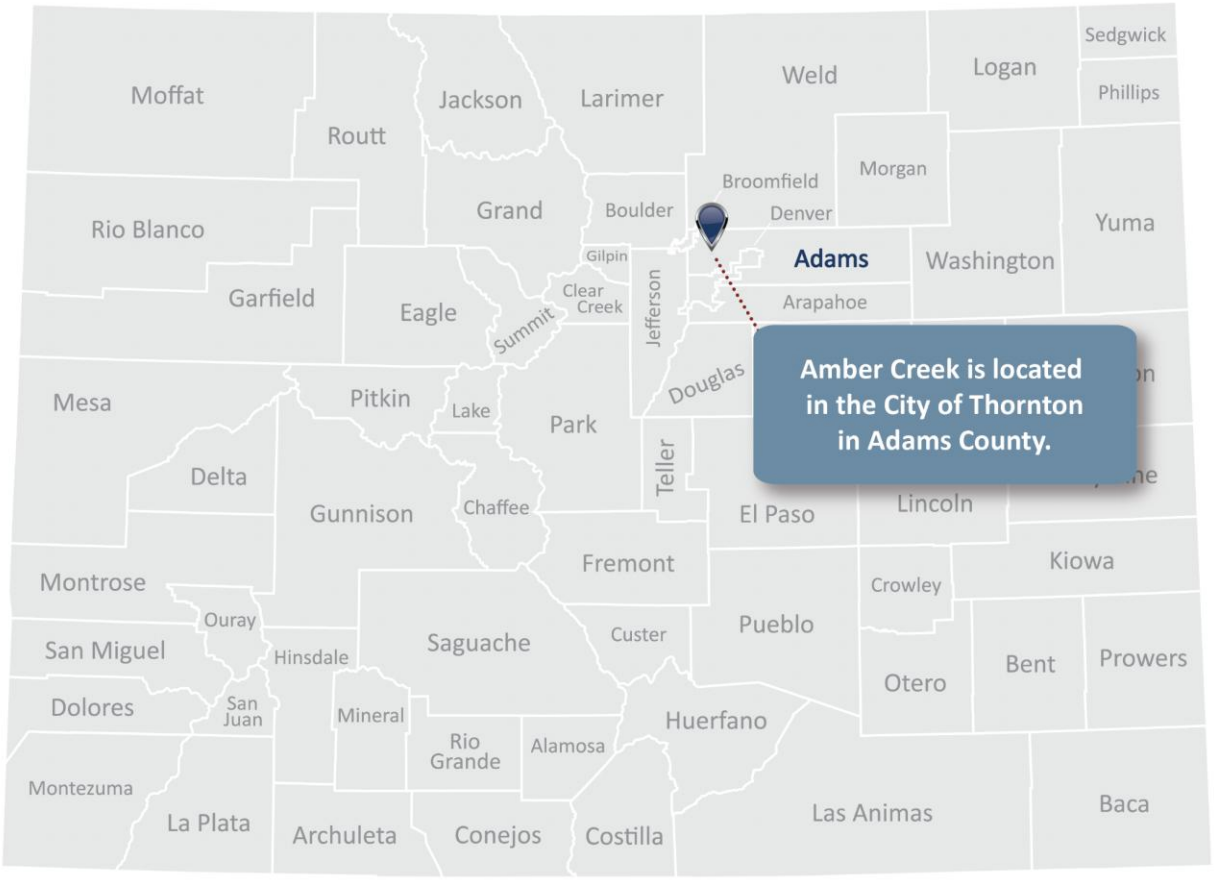
District Structure

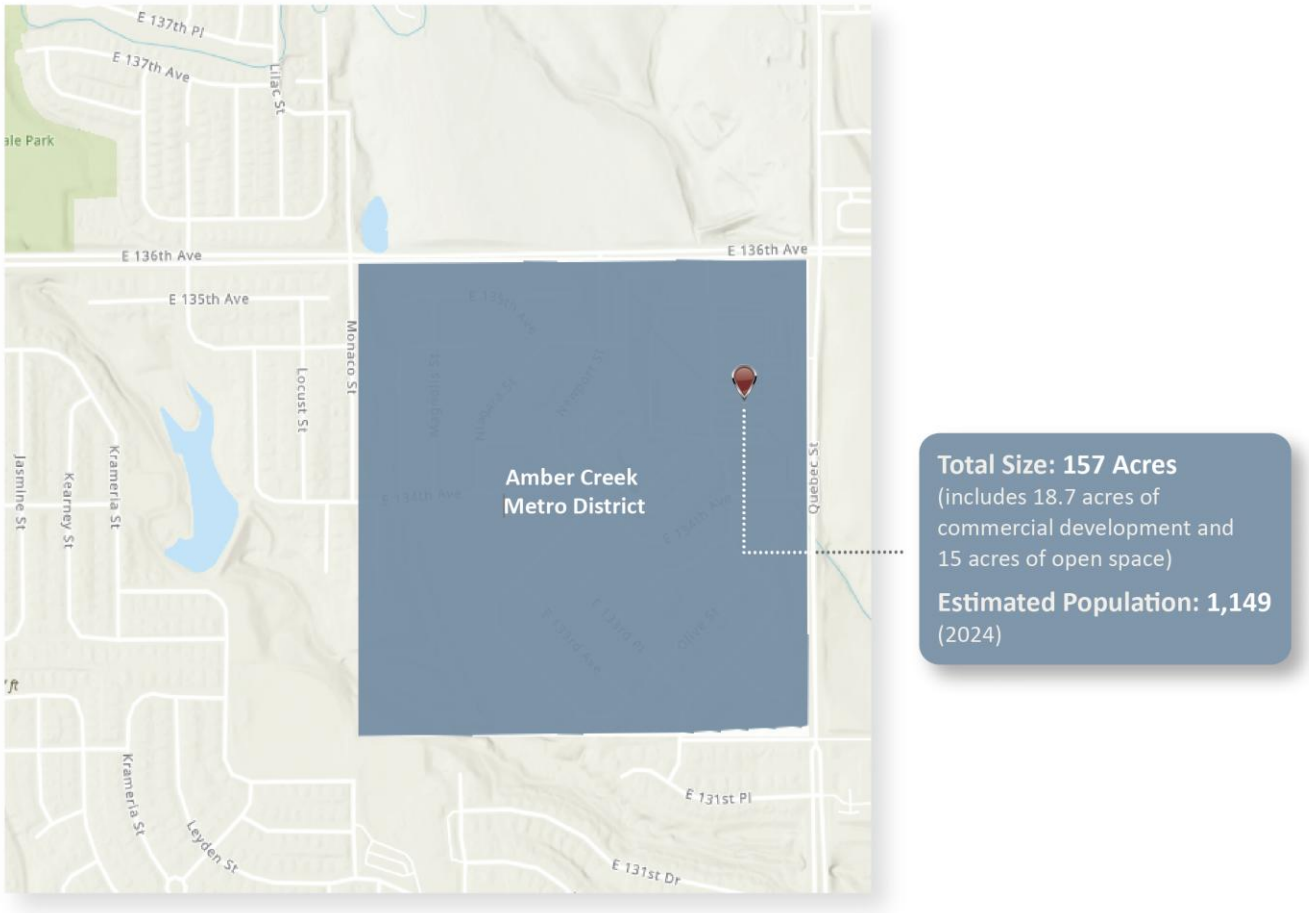
Amber Creek Metropolitan District (Amber Creek) is a stand-alone district; all management and funding of services are handled within the district and all revenues collected from residents are used by the district to provide services for the residents. The district entered into an intergovernmental agreement with the City of Thornton in 2017; as part of this agreement the district has agreed to transfer ownership and maintenance responsibilities of public infrastructure constructed by the district, such as streets, fire hydrants, and a public park to the City of Thornton upon completion of those improvements.

District Governance

Amber Creek should have a 5-member board of directors; however, the board had two vacancies, as of July 2026. All board members are homeowners in the district.

District Maps





Source: Office of the State Auditor rendering of information available from the Department of Local Affairs (Department) and the Governor's Office of Information Technology property taxation map, as of June 2026, which uses unaudited information reported by counties; descriptions available from Amber Creek Metropolitan District documents; and population estimates provided by the State Demography Office within the Department.

District Financing

Exhibit 4.1
Amber Creek Metropolitan District Debt Authorization

Debt Issued to Pay for Public Improvement	Total Amount, Inclusive of Interest, to be Paid on Debt for Public Improvements	Service Plan Debt Limit	Total Voter Approved Debt Limit
$12,695,000	$21,459,886	$20,000,000	$83,650,000

Source: Office of the State Auditor analysis of documents from Amber Creek Metropolitan District's website, including the 2026 budget and 2017 service plan, and the 2025 bond series official statement obtained from the Electronic Municipal Marketplace Access (EMMA).

The 2017 service plan established a debt issuance limit of $20 million (principal amount only, not inclusive of interest), with a maximum term of 40 years for any debt issued, and that interest rates should not exceed the market rate at time of issuance. Additionally, district voters approved a series of ballot measures in 2005 and 2013 to establish debt issuance limits for specific public improvements (e.g., $16.7 million for street improvements and $8.7 million for parks and recreation) totaling $83.7 million in debt issuance. While the sum total of this voter-authorized debt is $83.7 million, the district must still stay within its $20 million debt issuance limit set in the service plan. As of 2026, the district has issued $12.7 million in debt for public improvements, which is in the form of general obligation bonds issued in 2025 with a maximum interest rate of 5.25 percent, detailed in Exhibit 4.2. Over the 22-year term of these bonds, the district will pay more than $21 million in interest and principal.

Exhibit 4.2
Summary of Amber Creek Metropolitan District Debt

Type	Total Amount to be Paid	Total Principal	Total Interest to be Paid	Year Issued	Final Maturity
2025 General Obligation Bond Series	$21,459,886	$12,695,000	$8,764,886	2025	2047
Total	**$21,459,886**	**$12,695,000**	**$8,764,886**		

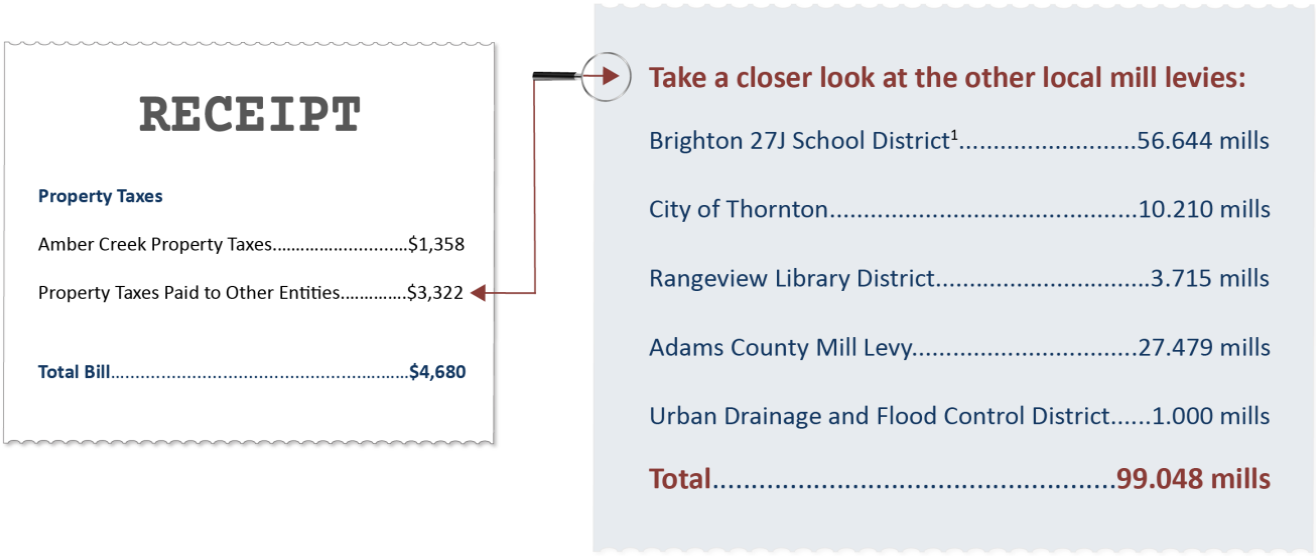
Source: Office of the State Auditor analysis of Amber Creek Metropolitan District's 2026 budget documents from the district's website and 2025 bond series official statement from the Electronic Municipal Marketplace Access (EMMA).

The 2025 bond series was issued for the purpose of refunding prior bonds issued in 2017 to fund development of the district's public improvements; the terms of the 2025 bonds are more favorable to the district than the prior indebtedness as the repayment terms will result in long-term cost savings to taxpayers.

Impact on Taxpayer

For 2026, Amber Creek will impose a total mill levy of 43.452 mills for property owners. There are five additional property tax entities overlapping with the district that will assess mill levies in 2026, adding to the overall tax burden, bringing the total 2026 mill levy for property owners to 142.500 mills. We calculated the costs for a hypothetical property valued at $500,000 in the district, including property taxes imposed by all property tax entities based on Tax Year 2025 residential property assessment rates, which totaled $4,680 for 2026. Exhibit 4.3 breaks down the taxes for a $500,000 property in the district and a breakdown of other overlapping mill levies.

Exhibit 4.3
Amber Creek Metropolitan District Resident Fees and Taxes, $500,000 Property Value[1]



Source: Office of the State Auditor analysis of mill levy and property tax information from Amber Creek Metropolitan District's website, 2026 budget, Department of Local Affairs (Department) and Governor's Office of Information Technology property taxation map, Adams County Assessor's website and the Department's LGIS Property Tax entities database.
[1] The 2025 tax year residential property assessment rate for school district mill levies was 7.05 percent while the residential property assessment rate for all other local governmental property tax entities was 6.25 percent.

Other Revenue Sources: In addition to property taxes, the district receives revenue from one-time facilities' fees for new non-residential construction, property violation fines assessed for violation of the district's covenants, specific ownership taxes remitted by Adams County, and interest income.

District Transparency Requirements

Is the metropolitan district up to date on requirements?	
2024 Audit to State Auditor	✓
2025 Budget to Division of Local Government (Division)	✓
2024 Annual Report to Division	✓
2025 Election Filings to Division (2025 notice to electors, May 2025 elections results, director oaths and bonds)	2025 notice to elector filed and May 2025 election cancellation notice filed. All board members have oaths on file. Board of directors has two vacancies.
Service Plan on LGIS (original and current)	No - LGIS is missing original and current service plans.
Has a Website	✓
Board Member Contact on Website	Yes, board member contact info can be found on website as of April 2026.

Source: Office of the State Auditor analysis of information available in the Division of Local Government's Local Government Information System (LGIS), in the Office of the State Auditor's Local Government portal, and on the Amber Creek Metropolitan District's website.

Buckhorn Valley Metropolitan District Nos. 1 and 2

Buckhorn Valley Overview	
Approving Local Government	Town of Gypsum
Service Plan Approved	Original: 2000 Most recent amendment: 2009
Planned Development	838 single family homes
Completed Development	464 single family homes completed (55 percent of planned total), with an additional 72 homes currently under development (64 percent of planned total when complete).
Public Improvements Provided by Districts	Completed public improvements include the build out of streets, sidewalks and traffic crossings, drainage and erosion control, fire hydrants, cattle fencing, gutters and curbs, electricity and natural gas connections, parks and open space, and an irrigation and water storage system. The districts' plans include future improvements to irrigation and water storage system.
Estimated Cost of Public Improvements	$29.6 million (2009 service plan)
Mill Levy Limits	45.375 mills (40 mills for debt service and 5.375 mills for operations, both adjustable per statutory changes). Service plan also allows for changes to the maximum operational mill levy if needed for higher operating expenses.
2026 Mill Levy	BV 1: 0 mills BV 2: 56.203 mills (39.849 mills for debt service and 16.354 mills for operations)
2026 Estimated Property Tax Collection	BV 1: $0 BV 2: $1,397,700 ($990,996 for debt service and $406,704 for operations)
Covenant Enforcement	No covenant enforcement provided by the districts. Homeowners are served by external Homeowner's Associations (HOAs).
TABOR and Other Revenue Limitation Exemptions	Property tax revenue and all other revenue collected by the districts for purpose of debt service is exempt from TABOR and any other statutory revenue limitations, per ballot measures in the districts' 2000 election.

Source: Office of the State Auditor analysis of the Buckhorn Valley consolidated 2000 service plan, 2009 amended service plan 2000 election filings and 2026 budgets; Buckhorn Valley 2's 2024 annual report, 2024 audit, and 2025 bond series official statement obtained from the Electronic Municipal Marketplace Access (EMMA); and information on the Buckhorn Valley Metropolitan District Nos. 1 and 2 websites.

District Structure

Buckhorn Valley consists of two metro districts in a consolidated service plan: Buckhorn Valley No. 1 (BV 1) and Buckhorn Valley No. 2 (BV 2). BV 1 consists of a single home on a 1.2-acre parcel within the larger area of BV 2. BV 1 acts as the operating district, managing the development and operations of public improvements. BV 2 contains all existing and planned residential development and serves as the financing district, providing the property tax base to fund public improvements and pay off debt issued to finance those improvements. An intergovernmental agreement between BV 1 and BV 2 establishes that BV 2 is responsible for issuing and repaying debt for public improvements and paying its own operating costs, and that BV 2 will transfer some of its revenues

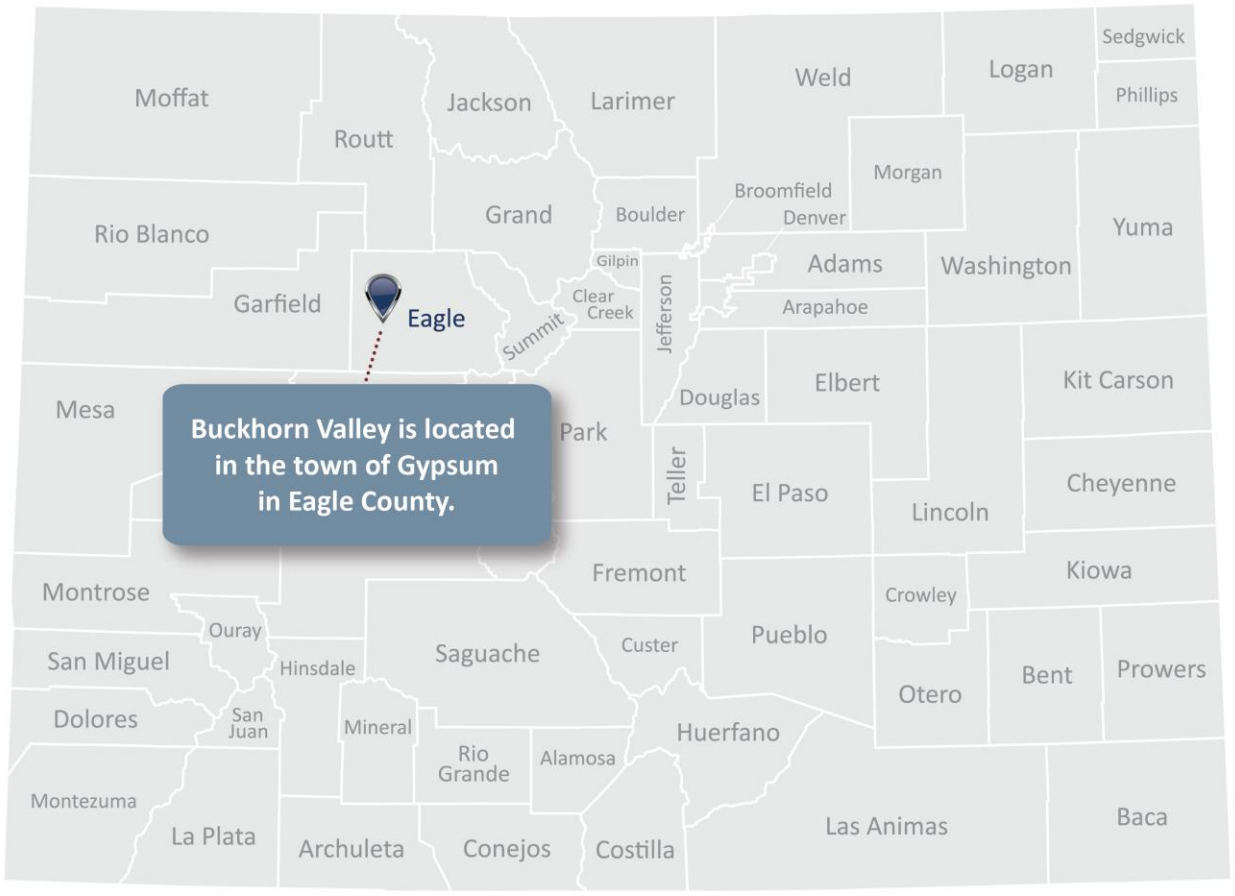
to BV 1 to offset the cost of maintenance and improvements to an irrigation system and related water infrastructure owned and operated by BV 1.

> **Future of Buckhorn Valley:** While Buckhorn Valley currently consists of two districts in a consolidated service plan, per their amended 2025 intergovernmental agreement, BV 1 plans to dissolve upon full buildout of the remaining undeveloped lots, at which time BV 2 will become a stand-alone district responsible for the development and operation of public improvements in the district.

District Governance

BV 1 and BV 2 should each have a 5-member board of directors; however, BV 2 had one vacancy, as of June 2026. Two of BV 1's five board members are owners or employees of companies involved in the districts' development. All of BV 2's board members are homeowners in the district.

District Maps





Source: Office of the State Auditor rendering of information available from the Department of Local Affairs (Department) and the Governor's Office of Information Technology property taxation map, as of June 2026, which uses unaudited information reported by counties; descriptions available from Buckhorn Valley Metropolitan District documents; and population estimates provided by the State Demography Office within the Department.

District Financing

Exhibit 4.4
Buckhorn Valley Debt Authorization

Debt Issued to Pay for Public Improvements	Total Amount, Inclusive of Interest, to be Paid on Debt for Public Improvements	Service Plan Debt Limit	Voter Approved Debt Limit
$15,125,000	$29,971,896	$26,000,000	$130,710,000

Source: Office of the State Auditor analysis of the 2009 amended consolidated service plan and 2000 election filings for Buckhorn Valley Metropolitan District Nos. 1 and 2, and Buckhorn Valley Metropolitan District No. 2's 2026 budget, 2020 audit, and official statement for the 2025 bond series obtained from the Electronic Municipal Marketplace Access (EMMA).

The 2009 service plan established a cumulative debt issuance limit of $26 million for the districts (principal amount only, not inclusive of interest), as well as a maximum interest rate of 18 percent and a maximum term of 40 years for any debt issued. Prior to the 2009 consolidated service plan, the districts' voters approved a series of ballot measures in 2000 to establish debt issuance limits for the development of specific public improvements (e.g., $6 million for street improvements and $16 million for water infrastructure) totaling $130.7 million in debt issuance. While the sum total of this voter-authorized debt is $130.7 million, the districts must still stay within their $26 million debt issuance limit set in the service plan. As of 2026, BV 2 had issued just over $15 million in debt for public improvements, which is in the form of a series of general obligation bonds issued in 2025 with an interest rate between 5 and 5.25 percent, detailed below in Exhibit 4.5. Over the 30-year term of these bonds, BV 2 will pay almost $30 million in interest and principal.

Exhibit 4.5
Summary of Buckhorn Valley District No. 2 Debt

Type	Total Amount to be Paid	Total Principal	Total Interest to be Paid	Year Issued	Final Maturity
2025 General Obligation Bond Series	$29,971,896	$15,125,000	$14,846,896	2025	2055
Total	**$29,971,896**	**$15,125,000**	**$14,846,896**		

Source: Office of the State Auditor analysis of Buckhorn Valley Metropolitan District No. 2's official statement for the 2025 bond series obtained from the Electronic Municipal Marketplace Access (EMMA).

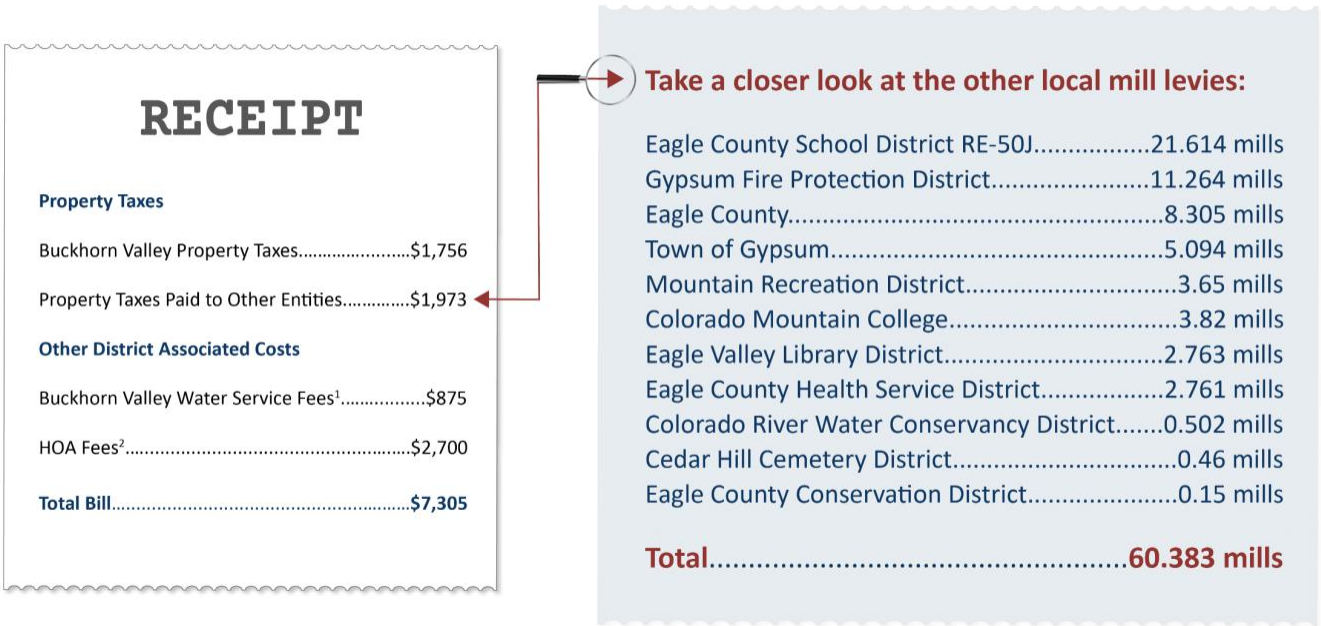
The 2025 bond series was issued for the purpose of refunding prior bonds and other indebtedness issued between 2003 and 2010 to fund development of the district's public improvements. The

terms of the 2025 bonds are more favorable to the district than the prior indebtedness as the repayment terms will result in a long-term cost savings to taxpayers.

Impact on Taxpayer

For 2026, BV 2—the district containing the residential properties—will impose a total mill levy of 56.203 mills for property owners. There are 11 additional property tax entities overlapping with the district that will assess mill levies in 2026, adding to the overall tax burden, bringing the total 2026 mill levy for property owners to 116.586 mills. We calculated the annual costs for a hypothetical property valued at $500,000 in the district, including property taxes imposed by all property tax entities based on Tax Year 2025 residential property assessment rates, in addition to other fees paid by taxpayers in the district, which totaled $7,305 for 2026. Exhibit 4.6 breaks down the costs for a $500,000 property in the district and a breakdown of other overlapping mill levies.

Exhibit 4.6
Buckhorn Valley Metropolitan District No. 2 Resident Taxes and Fees, $500,000[3] Value Property



Source: Office of the State Auditor analysis of information from the districts' websites, 2026 budget, Department of Local Affairs (Department) and Governor's Office of Information Technology property taxation map, the Department's LGIS Property Tax entities database, and the Eagle County Assessor's Office.

[1] Property owners pay monthly dues for irrigation and water service fees directly to BV 1. Monthly fees range from $5.37 to $72.93 depending on property type. The calculation uses the highest listed rate for a developed property of $72.93.

[2] There are four Homeowner Associations (HOA)s within the district. Dues are paid to the HOA. Dues vary by which HOA a property is located within; total dues range between $690 and $2,700 annually. This calculation uses the highest published dues of the four HOAs.

[3] The 2025 tax year residential property assessment rate for school district mill levies was 7.05 percent while the residential property assessment rate for all other local governmental property tax entities was 6.25 percent.

Other Revenue Sources: In addition to property tax revenue collected from property owners, BV 2 collects revenue in the form of one-time facility fees paid on the sale of lots or homes in the district, rental income from a RV storage lot owned and operated by the district, interest income, and specific ownership tax revenue remitted by Eagle County. In addition to water service fees paid by property owners, BV 1 also earns revenue from tap inspection fees.

District Transparency Requirements

Are the metropolitan districts up to date on requirements?	
2024 Audits to State Auditor	✓
2025 Budgets to Division of Local Government (Division)	✓
2024 Annual Reports to Division	✓
2025 Election Filings to Division (2025 notice to electors, May 2025 elections results, director oaths and bonds)	2025 notice to elector filed and May 2025 election cancellation notice filed by both BV 1 and BV 2. All BV 1 board members have oaths on file. Board has no vacancies. 4 of 5 BV 2 board members have oaths on file. Board has one vacancy.
Service Plan on LGIS (original and current)	No - LGIS is missing original and current consolidated service plans for BV 1 and BV 2.
Has a Website	✓
Board Member Contact on Website	No contact information for board members included on BV's 1 website as of April 2026; BV 2's website had board member contact information as of April 2026.

Source: Office of the State Auditor analysis of information available in the Division of Local Government's Local Government Information System (LGIS), in the Office of the State Auditor's Local Government portal, and on the Buckhorn Valley Metropolitan District Nos. 1 and 2 websites.

Gardens on Havana Metropolitan District Nos. 1–3

Gardens on Havana Overview	
Approving Local Government	City of Aurora
Service Plan Approved	2008
Planned Development	Approximately 1 million square feet of commercial development and up to 400 residential rental units.
Completed Development	227 rental units, including 217 apartments and 10 townhome units, and 52 acres of commercial space with a 500,000 square foot shopping center. All planned development of the districts is complete.
Public Improvements Provided by Districts	It is unclear what specific improvements (e.g., street improvements, traffic signals, water or sanitation infrastructure, parks and recreation) were constructed by the districts based on the districts' publicly available documents. Other available documentation explains that the districts were intended to provide new public improvements related to infill and redevelopment of the prior Buckingham Square Mall site.
Estimated Cost of Public Improvements	$25 million (2008 service plan)
Mill Levy Limits	50 mills for debt service, adjustable per statutory changes. No specific mill levy for operations. The service plan allows for an unlimited debt service mill levy if the district's aggregate debt is 50 percent or less of the district's assessed valuation.
2026 Mill Levy	District No. 1: 0.000 mills District No. 2: 26.174 mills for debt service and 0 mills for operations District No. 3: 44.324 mills for debt service and 0 mills for operations
2026 Estimated Property Tax Collection	District No. 1: $0 District No. 2: $120,946 for debt service District No. 3: $29,085 for debt service
Covenant Enforcement	No covenant enforcement provided by the districts.
TABOR and Other Revenue Limitation Exemptions	Property tax revenue and other revenues collected by the districts are exempt from TABOR and any other statutory revenue limitations, per ballot measures in the districts' 2008 election.

Source: Office of the State Auditor analysis of the Gardens on Havana consolidated 2008 service plan, 2024 consolidated annual report, 2017 bond series official statement obtained from the Electronic Municipal Marketplace Access (EMMA), and information from the districts' website and other publicly available information.

District Structure

Gardens on Havana consists of three metro districts in a consolidated service plan: Gardens on Havana No.1 (District 1), Gardens on Havana No. 2 (District 2), and Gardens on Havana No. 3 (District 3). District 1 is the management district, consisting of a small 1-acre parcel, managing the development of public improvements and administration of all the districts, while Districts 2 and 3 serve as the financing districts providing the property tax base to fund public improvements and pay off debt issued to finance those improvements. The districts entered into an intergovernmental agreement with the Aurora Urban Renewal Authority (AURA) in 2009 to share certain revenues to finance urban renewal and redevelopment projects in the City of Aurora. Specifically, the districts

receive a portion of AURA's sales and property tax revenues to offset the cost of the public improvements provided by the districts. Additionally, the districts entered into an intergovernmental agreement with the City of Aurora in 2008 to transfer ownership and maintenance responsibilities of all public infrastructure constructed by the districts, with the exception of parks and recreation improvements, to the City of Aurora upon completion of those improvements.

District Governance

The districts should each have a 5-member board of directors; however, all of the districts' boards only had two members, with three vacancies on each board, as of June 2026. All three boards are composed of the same two members, both of whom are employed by a construction management firm contracted by the districts' developer.

District Maps[1]





Source: Office of the State Auditor rendering of information available from the Department of Local Affairs (Department) and the Governor's Office of Information Technology property taxation map, as of June 2026, which uses unaudited information reported by counties; descriptions available from Gardens on Havana documents; and population estimates provided by the State Demography Office within the Department.

[1] According to districts' bond official statements, the territory of District 1 overlaps with District 2.

District Financing

Exhibit 4.7

Gardens on Havana Debt Authorization

Debt Issued to Pay for Public Improvements	Total Amount, Inclusive of Interest, to be Paid on Debt for Public Improvements	Service Plan Debt Limit	Voter Approved Debt Limit
$27,299,000	$41,689,758	$75,000,000	$450,000,000

Source: Office of the State Auditor analysis of Gardens on Havana consolidated service plan and Gardens on Havana District No. 3's 2024 audit and 2017 bond series official statement obtained from the Electronic Municipal Marketplace Access (EMMA).

The 2008 consolidated service plan for Districts 1, 2, and 3 established a cumulative debt issuance limit of $75 million (principal amount only, not inclusive of interest) for the three districts, in addition to requiring that interest rates should be set at market rate at the time of issuance and any debt issued will have a maximum term of 20 years, except for in the event of issuing debt for refunding, in which case the 20-year term can be exceeded. Additionally, district voters approved a series of ballot measures in 2008 to establish debt issuance limits for the development of specific public improvements (e.g., $75 million for water improvements and $75 million for parks and recreation improvements) totaling $450 million in debt issuance. While the sum total of this voter-authorized debt is $450 million, the districts must still stay within the $75 million debt issuance limit set in the service plan. As of 2026, District 3 has issued $27.3 million in debt for public improvements, which is in the form of a series of refunding revenue bonds issued in 2017 with interest rates between 3.625 percent and 7.75 percent, detailed in Exhibit 4.8. Over the 30-year term of these bonds, the district will pay almost $42 million in interest and principal.

Exhibit 4.8

Summary of Gardens on Havana District No. 3 Debt

Type	Total Amount to be Paid	Total Principal	Total Interest to be Paid	Year Issued	Final Maturity
2017A Special Revenue Bond Series	$35,797,155	$23,895,000	$11,902,155	2017	2047
2017B Subordinate Special Revenue Bond Series	$5,892,603	$3,404,000	$2,488,603	2017	2047
Total	**$41,689,758**	**$27,299,000**	**$14,390,758**		

Source: Office of the State Auditor analysis of Gardens on Havana District No. 3's 2017 official statement documents for bonds, obtained from the Electronic Municipal Marketplace Access (EMMA).

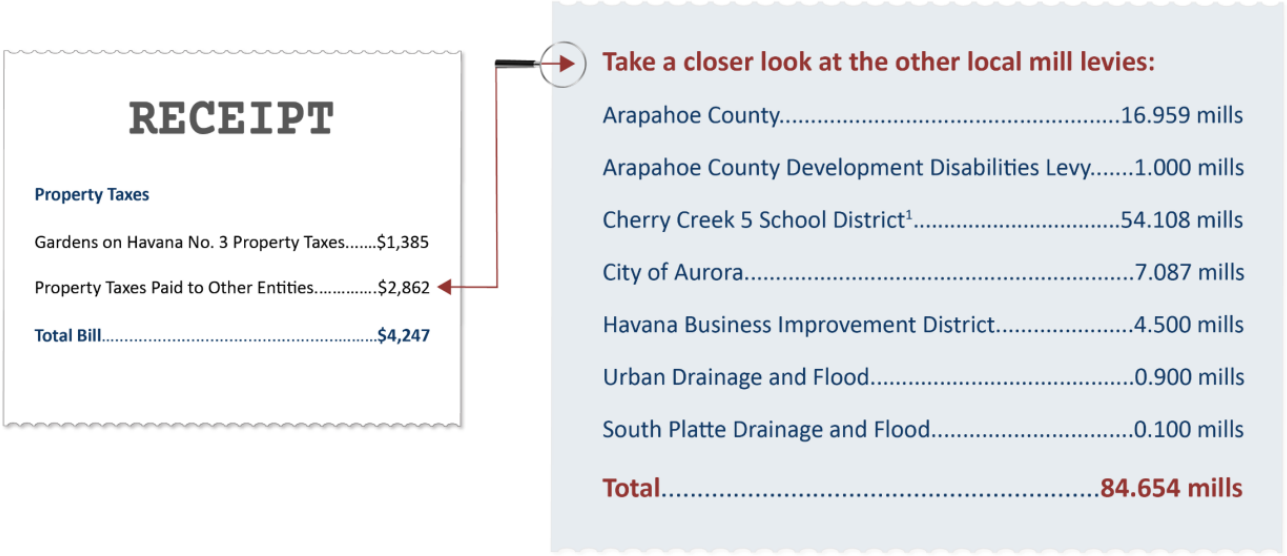
District No. 3 issued a 2017 series of senior and subordinate revenue bonds for the purpose of refunding prior bonds and loans issued between 2012 and 2014 to fund the initial development of the districts' public improvements. The district was allowed to issue debt surpassing the 20-year limit in the service plan as the bonds were issued for the purpose of refunding prior debt. Additionally, a portion of the 2017 bond series proceeds were used to repay prior developer advances from 2009. The 2017B series bonds are subordinate debt; payment of these bond is prioritized below the payment of the 2017A series bonds. Further, the 2017B series bonds are structured as cash flow bonds, meaning there are no scheduled payments of the bond principal amount and payments will only be made when sufficient funds are available.

Impact on Taxpayer

In 2026, Districts 2 and 3 will impose a mill levy, while District 1 will not impose a mill levy. District 3, the district containing the residential development, will impose a total mill levy of 44.324 mills for property owners. There are seven additional property tax entities overlapping with District 3, adding to the overall tax burden and bringing the total 2026 mill levy for property owners to 128.978 mills. We calculated the annual cost for a hypothetical property valued at $500,000 in District 3, including property taxes imposed by all property tax entities based on Tax Year 2025 residential property assessment rates, which totaled $4,247 for 2026. Exhibit 4.9 breaks down the costs for a $500,000 property in the district and a breakdown of other overlapping mill levies. All residential units in District 3 are rental units owned by a private company, and so property taxes are paid by the company and not directly by residents.

Exhibit 4.9

Gardens on Havana District No. 3 Resident Fees and Taxes, $500,000 Value Property



Source: Office of the State Auditor analysis of information from Gardens on Havana District No. 3's 2026 budget, Department of Local Affairs and the Governor's Office of Information Technology property tax map, 2026 Arapahoe County Mill Levy Report, and Arapahoe County Treasurer's Office.

[1] The 2025 tax year residential property assessment rate for school district mill levies was 7.05 percent while the residential property assessment rate for all other local governmental property tax entities was 6.25 percent.

District residents may also be impacted by the 0.5 percent public improvement fee (PIF) imposed by District 3 on all retail sales transactions made in District 2. For example, if a district resident shops at a retail store located in District 2, they, along with all shoppers, will pay a 0.5 percent PIF on their purchase. The PIF is collected by the retailer and remitted to District 3.

Other Revenue Sources: In addition to property taxes, the districts receive revenue from a 0.5 percent PIF privately imposed on eligible sales transactions in District 2; retailers collect and remit PIF revenue from relevant transactions to District 3, and District 3 also receives revenue from fees imposed on late remittance of PIF revenue. The districts also receive a portion of sales and property tax revenues remitted to District 3 by the Aurora Urban Renewal Authority, interest income, and specific ownership tax revenue remitted by Arapahoe County. In 2026, the districts cumulatively expect to collect about $150,031 in property taxes, $579,000 in PIF revenue, and $768,000 in taxes remitted by the Aurora Urban Renewal Authority.

District Transparency Requirements

Are the metropolitan districts up to date on requirements?	
2024 Audits to State Auditor	✓
2025 Budgets to Division of Local Government (Division)	✓
2024 Annual Reports to Division	✓
2025 Election Filings to Division (2025 notice to electors, May 2025 elections results, director oaths and bonds)	2025 notice to electors filed and May 2025 election cancellation notice filed by all districts. Oaths and bonds on file for each of the boards' two members. Each district's board has three vacancies.
Service Plans in LGIS	No - LGIS missing the consolidated service plan for the districts.
Has a Website	✓
Board Member Contact Information on Website	No, board member contact information was not included on the districts' shared website as of June 2026

Source: Office of the State Auditor analysis of information available in the Division of Local Government's Local Government Information System (LGIS), in the Office of the State Auditor's Local Government portal, and on the Gardens on Havana Metropolitan District Nos. 1–3 website.

Prairie Center Metropolitan District (PCMD) Nos. 1–8 and 10

Prairie Center Overview	
Approving Local Government	City of Brighton
Service Plan Approved	Original Service Plan: PCMD 1: 1985, PCMD 2: 2002, PCMD 3–8 and 10: 2006 Most Recent Amendment: PCMD 2–8 and 10: 2008
Planned Development	Up to 3,000 residential units, including single family homes, townhomes, and apartments; upwards of 3.6 million square feet of commercial space; and 174 acres of open space.
Completed Development	1,063 residential units, including single family homes, townhomes, and apartment rental units, and just under 1 million square feet of commercial space featuring retail shopping areas, hotels, and office space.
Public Improvements Provided by Districts	Drainage, sewer, water improvements, streets and traffic signals, and parks and recreation improvement including parks, trails, recreation facilities, and improvements to Lutz Reservoir.
Estimated Cost of Public Improvements	$260 million (2008 service plan)
Mill Levy Limits	60 mills for each district (50 mills for debt service, adjustable per statutory changes; no specific maximum for operational mill levies; cumulative mill levy for each district for debt service and operations cannot surpass 60 mills without approval of City of Brighton). Each district's service plan also allows for an unlimited debt service mill levy if a district's aggregate debt is 50 percent or less of its assessed valuation.
2026 Mill Levy	PCMD 1: 61.384 mills (61.384 for operations) PCMD 4: 64.443 mills (37.592 for debt service, 26.851 for operations) PCMD 5: 63.170 mills (50.536 for debt service, 12.634 for operations) PCMD 6: 60.000 mills (60 for operations) PCMD 7: 76.194 mills (63.495 for debt service, 12.699 for operations) PCMD 10: 37.727 mills (37.727 for operations)
2026 Estimated Property Tax Collection	PCMD 1: $682,895 for operations PCMD 4: $3,013,353 ($1,255,552 for debt service, $1,757,801 for operations) PCMD 5: $743,137 ($594,510 for debt service, $148,627 for operations) PCMD 6: $61,537 for operations PCMD 7: $1,036,375 ($863,646 for debt service, $172,729 for operations) PCMD 10: $349,161 for operations
Covenant Enforcement	PCMD 7 has covenant enforcement powers. Residents pay an annual operations fee for design review maintenance services in the district.
TABOR and Other Revenue Limitation Exemptions	Property tax revenue collected by the districts for purpose of debt service is exempt from TABOR and any other statutory revenue limitations, per ballot measures in the districts' 2004 and 2006 elections.

Source: Office of the State Auditor analysis of all Prairie Center Metropolitan District (PMCD) Nos. 1–8 and 10 service plans, 2026 budgets, 2004 and 2006 election filings, and 2024 audits; PCMD 3 2024 bond series official statement, PCMD 7 2021 bonds series official statement, PCMD 7 2020 bonds series official statement, and PCMD 3 2018 bond series official statement, all obtained from the Electronic Municipal Marketplace Access (EMMA); news coverage about the districts; and information on the districts' websites.

District Structure

Prairie Center Metropolitan District (PCMD) Nos. 1–8 and 10, comprise a multi-phase mixed use development consisting of nine metro districts. Each district has its own service plan, with multiple intergovernmental agreements across the nine districts that link the management and financing of the districts together and coordinate development across the districts. Per these agreements, Prairie Center Metro District No. 3 (PCMD 3)—a small, 2-acre parcel with no development—serves as the operating district for PCMD Nos. 1, 2, 4, 5, 6, 8, and 10, whereby PCMD 3 manages the development and operation of public improvements in those districts, and issues debt to fund those public improvements. Concurrently, PCMD Nos. 1, 4, 5, 6, and 10 are the financing districts, providing the property tax base to fund public improvements and pay off debt issued to finance those improvements by transferring their property tax and other revenues to PCMD 3; PCMD Nos. 2 and 8 currently have no planned development and do not levy property taxes. As part of these agreements, PCMD 7 manages and provides services to itself, and further issues and finances its own debt, and PCMD 3 shares with PCMD 7 a portion of its revenues received from facility fees on new residential construction, public improvement fees (PIF) on retail sales made within the district, and reimbursements from the City of Brighton.

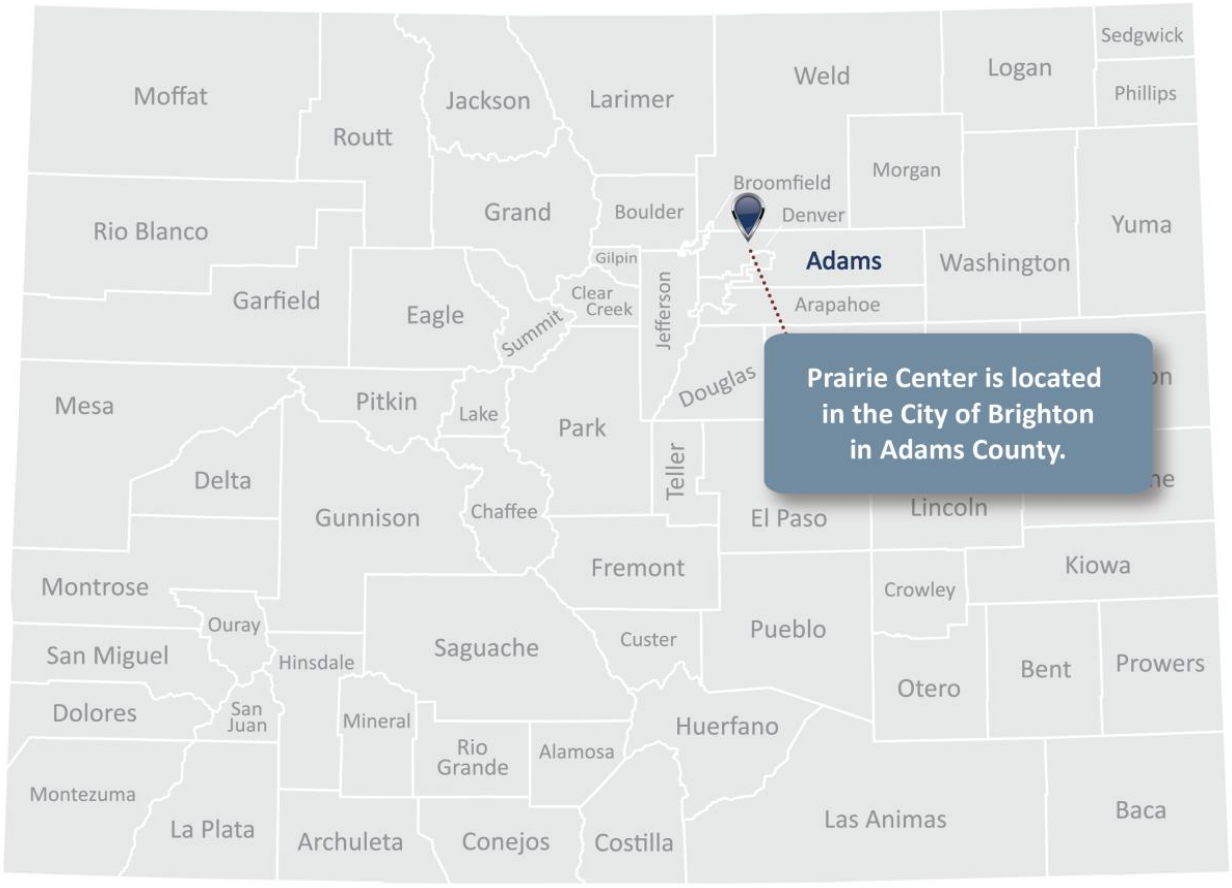
In addition, PCMD 3 has multiple agreements with the City of Brighton (City) regarding the construction and financing of public improvements, specifically that the City agrees to reimburse or share portions of certain revenues in exchange for the development of certain public improvements (e.g., drainage infrastructure and trail improvements). One of the agreements with the City also permits PCMD 3 to privately impose two PIFs in a service area encompassing most of the area of the PCMD districts for the purpose of financing public improvements across the districts. Further, the agreement structures one of the PIFs, called the Credit PIF, as a sales and use tax credit, in which the City grants a credit against the municipal sales and use taxes that would otherwise be payable on sales and use tax transactions; per the agreement, revenue from this PIF may only be used by PCMD 3 for specific public improvements such as arterial streets, traffic signals, water distribution infrastructure, and parks and open space. Additionally, per the agreement with the City, revenue from the other PIF, called the Add-On PIF, which is also imposed on retail sales, with the exception of food for home consumption, may be used for any public improvements provided by the districts, without restriction.

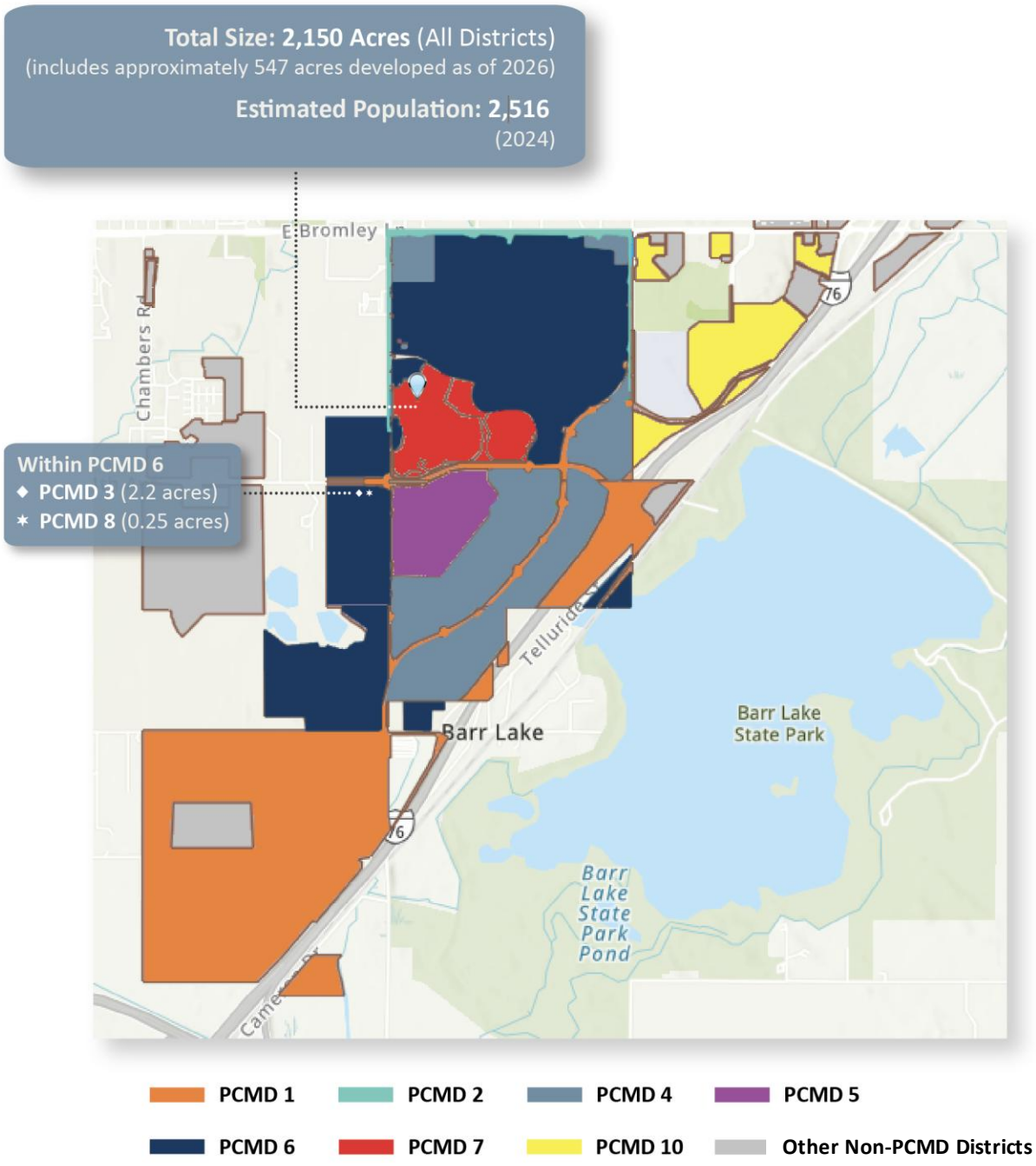
District Governance

All PCMD districts should each have a 5-member board of directors; however, each of the districts' boards had at least one vacancy, as of June 2026. PCMD 1–6, 8, and 10 each had three vacancies on their boards, and the boards of those eight districts were composed of the same two members, both of whom were employed by the districts' developer. PCMD 7 had one vacancy; one of the four current members also serves on the boards for PCMD 1–6, 8, and 10, and for the other 3 members, we could not determine if they are residents or are associated with the developer.

Prairie Center Over the Years: The Prairie Center districts originally started as just 1 district in 1985; however, an additional 9 districts were created between 2002 and 2006, bringing the total to 10 districts. To accommodate changes in the districts' long term development plans, there have been numerous changes to the boundaries of the districts, including the inclusion and exclusion of property based on certain phases of development. In addition, Prairie Center Metropolitan District No. 9 submitted a petition to dissolve the district in August 2019 and the Adams County district court ordered the district dissolved in September 2019. The districts' documents show that additional exclusions and inclusions of property may continue to occur as development progresses.

District Maps[1]





Source: Office of the State Auditor rendering of information available from the Department of Local Affairs (Department) and the Governor's Office of Information Technology property taxation map, as of June 2026, which uses unaudited information reported by counties; descriptions available from Prairie Center Metropolitan District (PCMD) documents; and population estimates provided by the State Demography Office within the Department.

[1] According to the districts' bond official statement's, PCMD 7's territory overlaps with PCMD 6.

District Financing

Exhibit 4.10
Prairie Center Debt Authorization

Debt Issued to Pay for Public Improvements	Total Amount, Inclusive of Interest, to be Paid on Debt for Public Improvements	Service Plan Debt Limit	Voter Approved Debt Limit
$152,705,000	$318,732,699	$750,000,000	$56,457,000,000

Source: Office of the State Auditor analysis of Prairie Center Metropolitan District (PCMD) Nos. 1–8 and 10 service plans, 2026 budgets, and 2024 audits; PCMD 3's 2016 audit; and PCMD 3 and PCMD 7's official statement documents obtained from the Electronic Municipal Marketplace Access (EMMA).

The districts' 2008 service plans established a collective debt issuance limit of $750 million (principal amount only, not inclusive of interest) for any debt to be issued across the nine Prairie Center districts, and further set a maximum term of 25 years for any debt issued and required that interest rates must be set at market rate at the time of issuance and not surpass an effective interest rate of 15 percent. Additionally, the districts' voters approved a series of ballot measures in 2006 and 2024 to establish debt issuance limits for the development of specific public improvements (e.g., $750 million for streets and $750 million for parks and recreation) totaling $56.5 billion in voter-approved debt issuance. While the sum total of this voter-authorized debt is $56.5 billion, the district must still stay within its $750 million debt issuance limit set in the service plan. As of 2026, the districts have collectively issued $152.7 million in debt for public improvements, which is in the form of revenue bonds and general obligation bonds, with interest rates between 4.125 percent and 9.5 percent, detailed in Exhibits 4.11 and 4.12. Over the life of these bonds and other indebtedness, the districts will pay more than $318.7 million in interest and principal.

Exhibit 4.11

Summary of Prairie Center Metropolitan District No. 3 Debt

Type	Total Amount to be Paid	Total Principal	Total Interest to be Paid	Year Issued	Final Maturity
PCMD 3 2007A Subordinate Revenue Bonds	**$105,370,545**	$40,610,000	$64,760,545[1]	2007	2031
PCMD 3 2007B Subordinate Revenue Bonds	**$7,454,198**	$2,905,000	$4,549,198[1]	2007	2031
PCMD 3 2017A Limited Property Tax Supported Primary Improvements Revenue Refunding Bonds	**$86,241,586**	$47,095,000	$39,146,586	2017	2041
PCMD 3 2017B Limited Property Tax Supported District Improvements Revenue Refunding Bonds	**$3,975,336**	$2,180,000	$1,795,336	2017	2041
PCMD 3 2018 Special Revenue Bonds	**$7,488,394**	$4,510,000	$2,978,394	2018	2042
PCMD 3 2024A Revenue Bonds	**$61,037,082**	$29,320,000	$31,717,082	2024	2046
PCMD 3 2024B Subordinate Revenue Bonds	**$20,550,314**	$9,870,000	$10,680,314	2024	2046
Total	**$292,117,455**	**$136,490,000**	**$155,627,455**		

Source: Office of the State Auditor analysis of Prairie Center Metropolitan District No. 3's 2016 audit, 2017, 2018, and 2024 official statement documents for bonds obtained from the Electronic Municipal Marketplace Access (EMMA).
[1] Based on earliest available debt schedules contained in the district's 2016 audit. The district had made no payments of the principal or interest accrued on the 2007A and 2007B bond series at that time. Public documents do not contain the sum total of interest that has been and will be paid on the 2007A and 2007B bonds.

PCMD 3 has outstanding long-term debt obligations in the form of a series of revenue bonds issued between 2007 and 2024. PCMD 3 issued bonds in 2007, 2018, and 2024 for the purpose of funding the construction of the public improvements in the districts. Additionally, PCMD 3 issued bonds in 2017 for the purpose of fully refunding prior debt issued by the district in 2006 to fund initial development costs of the districts. Revenue from the two PIF's imposed by PCMD 3 are the primary source of revenue pledged for the repayment of all the revenue bonds issued by the district. The 2007 bond series are subordinate bonds, meaning the district will prioritize payment of senior

debt over the payment of these subordinate bonds. A portion of the 2007 bond series was refunded using a portion of proceeds from the bonds issued in 2017 and 2024.

In addition to the revenue bonds listed in Exhibit 4.11, PCMD 3 also has long-term debt obligations in the form of developer advances, where starting in 2006, the developer agreed to advance funds to the district on a rolling basis for certain expenses in the event the district's revenue was not sufficient. Archived audit data from the Office of the State Auditor's Local Government Division show that between 2006 and 2019, PCMD 3 cumulatively borrowed about $70.6 million in funds through developer advances, at an interest rate of 3 percent. Additionally, in 2006, PCMD 3 took on responsibility for repaying an additional $9.4 million advanced by the developer to PCMD 1 and PCMD 2. PCMD 3's audit documents show that, as of December 2024, the outstanding amount for the districts' advances was $2 million in principal and about $13.6 million in interest. In addition to the developer advance principal and interest, the district also pays a funding fee for the developer advance every 2 years; the fee is equal to 1 percent of any unpaid amount of developer advance 2 years after funds were issued. The outstanding funding fee amount for the district was $1.4 million as of December 2024.

Exhibit 4.12
Summary of Prairie Center Metropolitan District No. 7 Debt

Type	Total Amount to be Paid	Total Principal	Total Interest to be Paid	Year Issued	Final Maturity
PCMD 7 2020 General Obligation Bonds	**$16,202,672**	$12,225,000	$3,977,672	2020	2044
PCMD 7 2021 Subordinate General Obligation Bonds	**$10,412,572**	$3,990,000	$6,422,572	2021	2046
Total	**$26,615,244**	**$16,215,000**	**$10,400,244**		

Source: Office of the State Auditor analysis of Prairie Center Metropolitan District No. 7's 2020 and 2021 official statement documents for bonds, obtained from the Electronic Municipal Marketplace Access (EMMA).

PCMD 7, which is responsible for developing and funding its own public improvements, has long-term debt obligations in the form of general obligation bonds issued in 2020 and 2021 for the purposes of funding the construction of public improvements and partially refunding developer advances issued between 2017 and 2021. Both the 2020 and 2021 bond series are structured as cash flow bonds, meaning there are no scheduled payments of the principal and are only permitted when revenue is available. Further, the bond series issued in 2021 is subordinate debt, as such payment of the 2020 bonds and any other senior debt that may be issued is prioritized over payment of the 2021 bond series, and no interest payments can be made on the 2021 bonds until the entirety of the 2020 bond series has been retired.

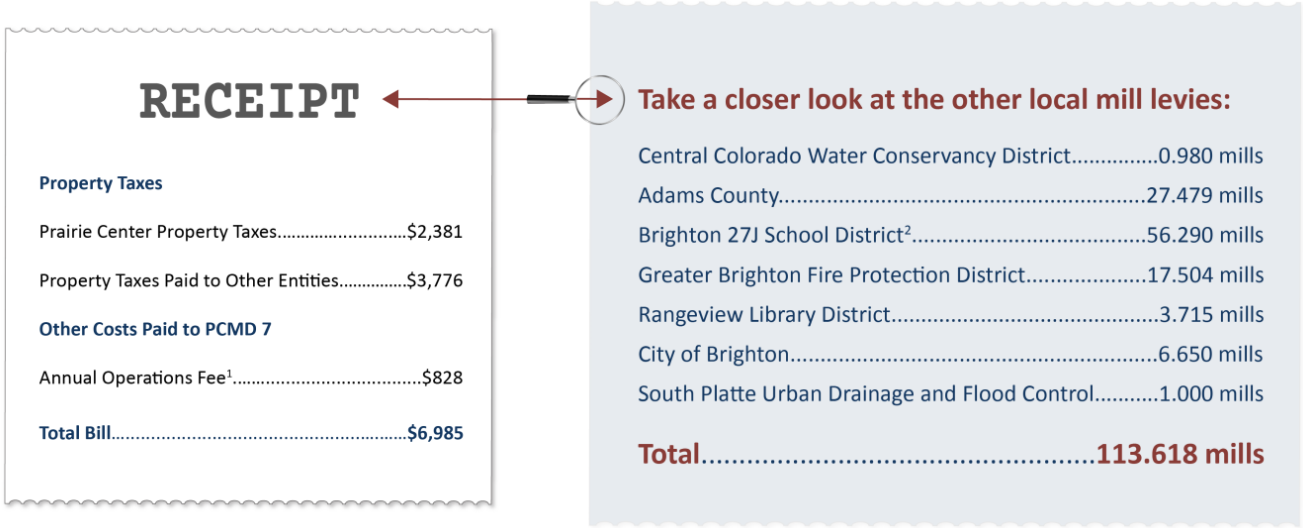
In addition to the bonds listed in Exhibit 4.12, PCMD 7 has long-term debt obligations in the form of a developer advance, where starting in 2017, the developer agreed to advance funds to the district

on a rolling basis for certain expenses in the event the district's revenue was not sufficient. Archived audit data from the Office of the State Auditor's Local Government Division show that between 2017 and 2024, PCMD 7 cumulatively borrowed about $24 million in funds through developer advances, at an interest rate of 3 percent. PCMD 7's audit documents show that, as of December 2024, the outstanding amount for these advances was around $14 million in principal and about $661,000 in interest. In addition to the developer advance principal and interest, the district also pays a funding fee for the developer advance every 2 years; the fee is equal to 1 percent of any unpaid amount of developer advance 2 years after funds were issued. The outstanding funding fee amount for the district was approximately $190,000 as of December 2024. All of PCMD 7's debt will be paid by its own revenues and not by any of the other Prairie Center districts.

Impact on Taxpayer

In 2026, six of the nine Prairie Center districts (PCMD 1, 4, 5, 6, 7, and 10) will impose a mill levy and collect property tax revenue, each at differing mill levy rates. The other three Prairie Center districts (PCMD 2, 3 and 8) will not assess 2026 mill levies. For example, in 2026, PCMD 7, the district with the most completed single-family residential units, will impose a total mill levy of 76.194 mills for property owners. There are seven additional property tax entities overlapping with the district that will add to the overall tax burden, bringing the total mill levy that PCMD 7 property owners will pay in 2026 to 189.812 mills. We calculated the annual costs for a hypothetical residential property valued at $500,000 in PCMD 7, including property taxes imposed by all property tax entities based on Tax Year 2025 residential property assessment rates, in addition to other fees paid by taxpayers to the PCMD 7, which totaled $6,985 for 2026. Exhibit 4.13, breaks down the cost for a $500,000 residential property in the district and a breakdown of other overlapping mill levies.

Exhibit 4.13
Prairie Center Metropolitan District No. 7 Resident Fees and Taxes



Source: Source: Office of the State Auditor analysis of information from Prairie Center Metropolitan District No. 7's 2026 budget, Department of Local Affairs and the Governor's Office of Information Technology property tax map, and Adams County Treasurer's Office.
[1] Property owners pay an annual operations fee of $828 to Prairie Center Metropolitan District No. 7 to cover community management, design review, and other administrative services.
[2] The 2025 tax year residential property assessment rate for school district mill levies was 7.05 percent while the residential property assessment rate for all other local governmental property tax entities was 6.25 percent.

Other Revenue Sources: In addition to property taxes and operations fees, the Prairie Center districts receive revenue from two PIFs: the 1.25 percent Credit PIF and the 1 percent Add-On PIF, imposed on retail transactions made across the districts. These PIFs are collected by a third-party agent and remitted to PCMD 3, which shares a portion of the revenue with PCMD 7. The districts also receive revenue from reimbursements by the City of Brighton for various improvements constructed by the districts, a portion of tax revenue remitted to the districts by the Brighton Urban Renewal Authority, one-time facilities fees paid for new construction, one-time administrative fees paid on home sales, interest income, and specific ownership tax revenue remitted by Adams County.

District Transparency Requirements

Are the metropolitan districts up to date on requirements?	
2024 Audits to State Auditor	✓
2025 Budgets to Division of Local Government (Division)	✓
2024 Annual Reports to Division	✓
2025 Election Filings to Division (2025 notice to electors, May 2025 elections results, director oaths and bonds)	2025 notice to elector filed for all districts. May 2025 election results filed for PCMD 1–4,6,8, and 10. May 2025 election cancellation notices filed for PCMD 5 and 7. All oaths and bonds on file for all current board members. PCMD 1–6, 8, and 10 boards each have three vacancies. PCMD 7 board has one vacancy.
Has a Website	✓
Service Plan in LGIS (original and current)	LGIS is missing original and current service plans for all districts.
Board Member Contact Information on Website	No, board member contact info not found on the websites for PCMD 1–8 and 10 as of May 2026.

Source: Office of the State Auditor analysis of information available in the Division of Local Government's Local Government Information System, in the Office of the State Auditor's Local Government portal, and on Prairie Center Metropolitan District Nos. 1–8 and 10's respective websites.

Wheatlands Metropolitan District

Wheatlands Overview	
Approving Local Government	City of Aurora
Service Plan Approved	Original: 2001 Most recent amendment: 2015
Planned Development	Up to 1,429 residential units, including 1,089 single family homes and 340 apartments, with an additional 66 lots for future residential development not yet determined (2008).
Completed Development (2026)	Total of 1,446 units, including 1,053 single family homes and 393 apartments. All planned development of the district is complete.
Public Improvements Provided by District	Streets and traffic controls, water and irrigation improvements, sanitary sewer, storm water retention facilities, and parks and recreation improvements including a community clubhouse, pool, neighborhood parks and athletic fields, trails, and a recreation center.
Estimated Cost of Public Improvements	$43 million (2004 service plan)
Mill Levy Limits	No maximum mill levy for debt service; no maximum mill levy for operations; 5 mills for contractual obligations, adjustable per statutory changes. The service plan allows for an unlimited debt service mill levy if the district's aggregate debt is 50 percent or less of the district's assessed valuation or in the event debts for public improvements are refinanced.
2026 Mill Levy	80 mills (33.750 mills for debt service, 39.908 mills for operations, 6.342 mills for contractual obligations)
2026 Estimated Property Tax Collection	$4,276,258 ($1,804,046 for debt service, $2,133,211 for operations, and $339,000 for contractual obligations)
Covenant Enforcement	The district has covenant enforcement powers. Residents pay an operations fee to cover costs of architectural review, covenant enforcement, and trash service, and a parks and recreation fee to cover the costs of operation and maintenance of the district's recreation center, parks, clubhouse, pool, and sports fields. The district also assesses fines for covenant violations.
TABOR and Other Revenue Limitation Exemptions	Property tax revenue and other revenues collected by the district are exempt from TABOR and other statutory revenue limitations, per ballot measures approved by voters in the district's 2001 and 2004 elections.

Source: Office of the State Auditor analysis of district documents including Wheatlands Metropolitan District's 2001 service plan, 2004 service plan, 2015 service plan, 2026 budget, 2024 audit, and 2015 bond series official statement from the Electronic Municipal Marketplace Access (EMMA), and the South Aurora Regional Improvement Authority (SARIA) 2026 budget.

District Structure

Wheatlands Metropolitan District (Wheatlands) is a stand-alone district; all management and funding of services are handled within the district and all revenues collected from residents are used by the district to provide services for the residents. The district entered into an intergovernmental agreement with the City of Aurora (City) in 2004; as part of this agreement the district transferred ownership of streets, water, and sewer improvements constructed by the district to the City upon completion of those improvements. The district is also party to a Title 29 Intergovernmental Authority—the South Aurora Regional Improvement Authority (SARIA)—along with 21 other

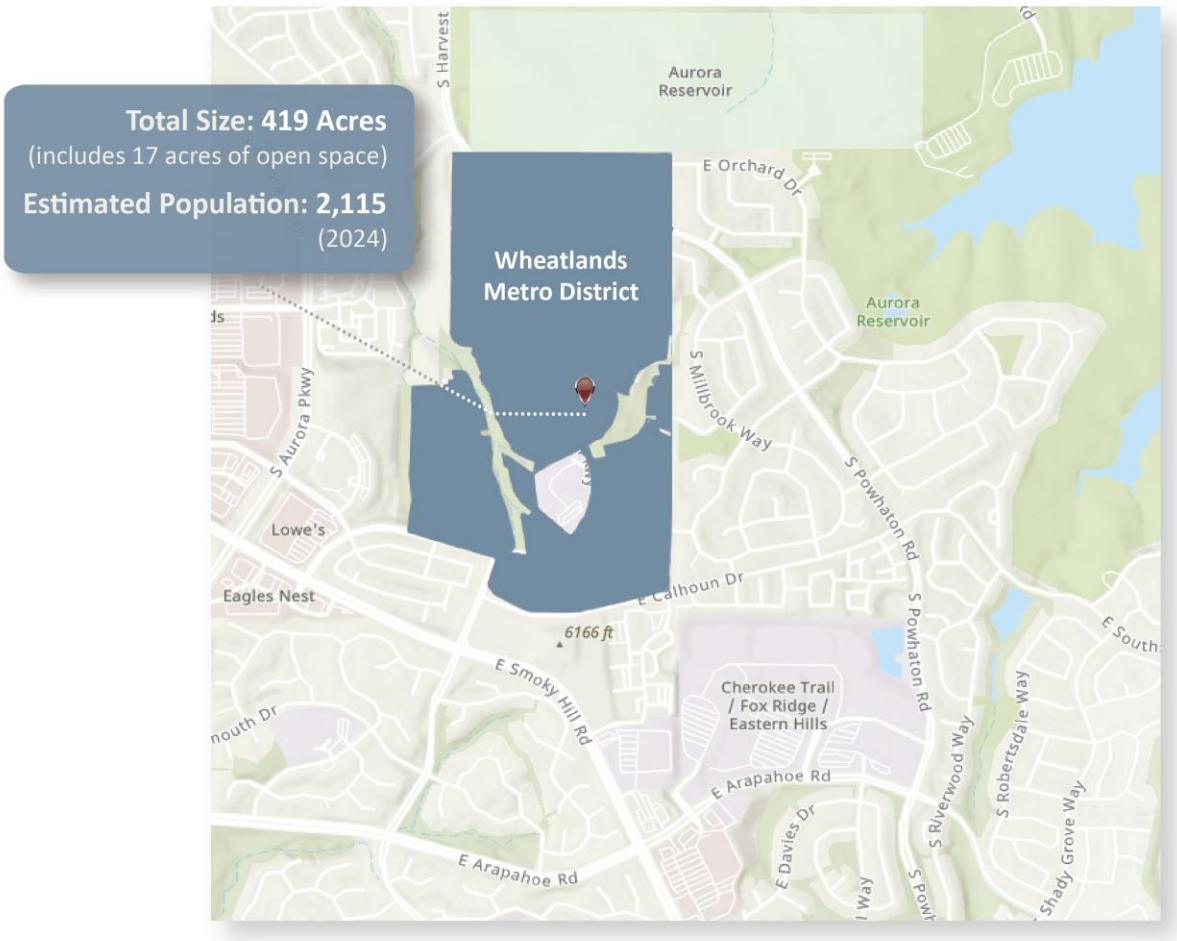
metro districts in the area, and the City. As part of SARIA, Wheatlands, and other member districts, impose a contractual mill levy on all taxpayers in the district and remits the revenue from that contractual mill levy to SARIA in order to fund regional improvements in the southeastern portion of Aurora that will collectively benefit the member districts and the City. The district also gained ownership of the Wheatlands YMCA recreation center in 2024, which was previously owned by Wheatlands Park and Recreation Authority that had financed, developed, and operated the recreation facility as a public improvement for Wheatlands Metropolitan District and Blackstone Metropolitan District.

District Governance

Wheatlands should have a 5-member board of directors and all board seats were filled, as of June 2026. All of the district's board members are homeowners or residents of the district, as of June 2026.

District Maps





Source: Office of the State Auditor rendering of information available from the Department of Local Affairs (Department) and the Governor's Office of Information Technology property taxation map, as of June 2026, which uses unaudited information reported by counties; descriptions available from Wheatlands Metropolitan District documents; and population estimates provided by the State Demography Office within the Department.

District Financing

Exhibit 4.14

Wheatlands Metropolitan District Debt Authorization

Debt Issued to Pay for Public Improvements	Total Amount, Inclusive of Interest, to be Paid on Debt for Public Improvements	Service Plan Debt Limit	Voter Approved Debt Limit
$31,608,000	$54,188,532	$85,000,000	$732,750,000

Source: Office of the State Auditor analysis of Wheatlands Metropolitan District documents including the 2026 budget, 2024 audit, and 2015 service plan.

The 2015 service plan amendment established a debt issuance limit of $85 million (principal amount only, not inclusive of interest). The 2004 service plan additionally established a maximum interest rate of 18 percent and a maximum term of 40 years for any debt issued. Additionally, district voters approved a series of ballot measures in 2004 to establish debt issuance limits for the development of specific public improvements (e.g., $55 million for street improvements and $55 million for water improvements) totaling $732.8 million in debt issuance. While the sum total of this voter-authorized debt is $732.8 million, the district must still stay within its $85 million limit set in the service plan. As of 2026, the district has issued $31.6 million in debt for public improvements, which is in the form of general obligation bonds, a general obligation loan, and a project revenue note, issued between 2015 and 2024, with interest rates between 4 and 6 percent, detailed in Exhibit 4.15. Over the lifetime of these debts, the district will pay more than $54 million in interest and principal.

Exhibit 4.15
Summary of Wheatlands Metropolitan District Debt

Type	Total Amount to be Paid	Total Principal	Total Interest to be Paid	Year Issued	Final Maturity
2015 Bond Series	$45,449,841	$24,635,000	$20,814,841	2015	2045
2024 Bank Loan	$7,303,984	$5,593,000	$1,710,984	2024	2030
2024 Revenue Note	$1,434,707	$1,380,000	$54,707	2024	2031
Total	**$54,188,532**	**$31,608,000**	**$22,580,532**		

Source: Office of the State Auditor analysis of Wheatlands Metropolitan District's 2026 budget, 2024 audit, and official statement for 2015 bond series obtained from the Electronic Municipal Marketplace Access (EMMA).

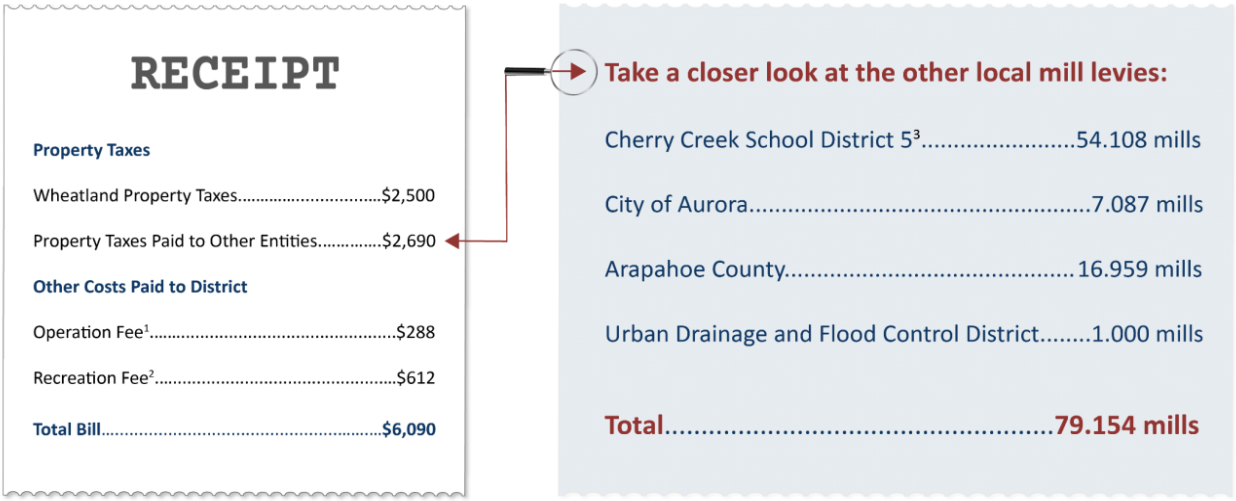
The 2015 bond series was issued for the purpose of refunding previous debt issued between 2005 and 2008 to fund development of public improvements. The 2024 bank loan was issued to pay for the acquisition of the Wheatlands YMCA recreation facility and the property that the recreation facility sits on. In addition to this loan, the district also issued a 2024 revenue note to refund prior debt issued in 2019 by the Wheatlands Parks and Recreation Authority for financing associated with the recreation facility. The 2024 revenue note is only payable with revenue collected from the district's parks and recreation fee, rather than property tax revenue.

Impact on Taxpayer

For 2026, Wheatlands will impose a total mill levy of 80 mills for property owners. There are four additional property tax entities overlapping with the district that will assess mill levies in 2026, adding to the overall tax burden, bringing the total mill levy that property owners will pay in 2026 to 159.154 mills. We calculated the annual costs for a hypothetical property valued at $500,000 in the district, including property taxes imposed by all property tax entities based on Tax Year 2025 residential property assessment rates, in addition to other fees paid by taxpayers to the district,

which totaled $6,090 for 2026. Exhibit 4.16 breaks down the costs for a $500,000 property in the district and a breakdown of other overlapping mill levies.

Exhibit 4.16
Wheatlands Metropolitan District Resident Fees and Taxes, $500,000 Value Property[1]



Source: Office of the State Auditor analysis of Arapahoe County Assessors mill levy information and Wheatlands Metropolitan District's 2026 budget information.
[1] The operations fee is only paid by single family residential units, not apartments.
[2] The recreation fee differs based on housing type; apartments pay $22.85 a month while single family residential units pay $51 per month. The figure in the exhibit reflects the costs for a single-family unit.
[3] The Tax Year 2025 residential property assessment rate for school district mill levies was 7.05 percent while the residential property assessment rate for all other local governmental property tax entities was 6.25 percent.

Other Revenue Sources: In addition to property tax and fee revenue paid by homeowners, Wheatlands collects revenue in the form of rental fees for the district's clubhouse and park facilities, one-time capital fees assessed upon the sale of residential units, fines and penalties assessed for violations of the district's covenants, and reimbursements from the Wheatlands YMCA recreation center for leases on gym equipment. The district also receives revenue from the specific ownership tax and interest income.

District Transparency Requirements

Is the metropolitan district up to date on requirements?	
2024 Audit to State Auditor	✓
2025 Budget to Division of Local Government (Division)	✓
2024 Annual Report to Division	✓
2025 Election Filings to Division (2025 notice to electors, May 2025 elections results, director oaths and bonds)	2025 notice to electors filed and May 2025 election cancellation notice filed All board members have oath on file. The board has no vacancies.
Service Plan on Website	LGIS missing current 2015 service plan amendment. Original 2001 and amended 2004 service plans on file.
Has a Website	✓
Board Member Contact on Website	Yes, board member contact info was found on website as of April 2026

Source: Office of the State Auditor analysis of information available in the Division of Local Government's Local Government Information System (LGIS), in the Office of the State Auditor's Local Government portal, and on the Wheatlands Metropolitan District website.

Appendix A

Glossary and Explanation of Common Concepts

Organization of Metropolitan Districts

Approving Local Government – The local government(s) that approves the metropolitan (metro) district's service plan, which is a first step in creating a metro district. The approving local government is either (1) the county or counties that has territory included within the metro district or (2) the municipality or municipalities in which the district is entirely contained [Sections 32-1-203(1) and 204.5(1), C.R.S.]. The governing board of the county/counties or municipality/municipalities approves the metro district's service plan.

Covenant Enforcement – Covenant enforcement powers are similar to the powers of a homeowner's association (HOA). Statute allows metro districts to acquire covenant enforcement through a declaration or a contract with a master association, which is an organization that oversees multiple HOAs, and/or planned communities [Section 32-1-1004(8)(a), C.R.S.]. A metro district can fund its covenant enforcement powers by assessing fees and fines on metro district taxpayers [Sections 32-1-1004(8)(b) and 1004.5(3)(a), C.R.S.].

Eligible Elector – An individual who is eligible to vote in metro district elections, meaning they are registered to vote and either (1) are a resident of the district, (2) own property in the district or are the spouse or civil partner of a person who owns property in the district, or (3) are under contract to purchase taxable property within the boundaries of the district [Section 32-1-103(5), C.R.S.].

Exclusion of Territory – A metro district is allowed to exclude properties from the district's boundaries [Section 32-1-501, C.R.S.]. In this situation, those excluded properties are still required to pay taxes on any existing debt issued prior to the property being excluded, though these properties will not pay taxes for debt issued after exclusion [Section 32-1-503, C.R.S.]. Residents of the excluded properties are also no longer able to vote in the metro district's elections, despite still paying taxes to the district.

Intergovernmental Agreement – An agreement between local governments to provide services and share costs, created under Article XIV, Section 18(2)(a) of the Colorado Constitution. Unlike a Title 29 for IGA, an intergovernmental agreement does not establish a separate legal entity. Some metro districts in a consolidated service plan may enter into an intergovernmental agreement with each other to define the relationship between the districts (e.g., which district coordinates development, which district(s) issues debt, transfer of revenue between districts, etc.). Some approving local governments may require metro districts to enter into intergovernmental agreements with them as a condition for approving the district's service plan.

Public Improvements – The types of services intended to provide a public benefit that a metro district is authorized to develop using the district's revenues and land. Statute requires metro districts to provide at least two of the following types of public improvements: fire protection, mosquito control, parks and recreation, safety, sanitation, solid waste disposal, street improvements, television relay, transportation, or water [Section 32-1-103(10), C.R.S.]. Public improvements are distinct from other developments that may be built in the district, such as private homes or retail space.

Service Plan – The document that acts as the charter governing the services and financial arrangements for a metro district. Statute requires the service plan to specify what services the district will provide and the financial plan the district will adhere to in order to pay for those services, such as how much debt will be issued, when the debt will be repaid, and how many mills will be assessed on taxpayers [Section 32-1-202, C.R.S.]. Districts must "conform so far as practicable to the approved service plan," and material modifications of the service plan as originally approved may be made only with petition to and approval of the governing board of the approving local government(s) [Section 32-1-207(2), C.R.S].

- **Consolidated Service Plan** – A service plan that governs a group of metro districts providing services to the same community. Often one district is designated as the operating district while the other districts are designated as financing districts.

- **Operating District** – Under a consolidated service plan, operating metro districts are typically designated to coordinate and manage the planning, development, and operation of public improvements for all metro districts operating under the consolidated service plan. Typically, the only eligible electors to serve on the board of operating districts are developers or their affiliates who own property or own a contract to purchase property within the operating district.

- **Financing District** – Under a consolidated service plan, financing metro districts are typically designated to provide the tax base to support the operating district, in that property taxes assessed on properties within financing districts are typically used to fund the development of improvements provided by the operating district. Financing districts often are intended to have permanent residents or commercial property owners who can be eligible electors to vote for and serve on the financing districts' boards.

- **Stand-Alone District** – A metro district where all management and funding of services are handled within the district and all revenues collected from residents are used by the district to provide services for the residents.

Subdistricts – A metro district can form one or more subdistricts within the district's boundaries in order to provide a portion of the metro district with additional services, paid for only by taxes assessed on the residents within the applicable subdistrict [Section 32-1-1101(1)(f), C.R.S.]. The metro district board serves as the governing body of its subdistricts and the subdistricts must adhere to the service plans of their metro districts.

Title 29 Intergovernmental Authority (Title 29 IGA) – A political subdivision that can be established through a contract agreed to by any combination of counties, municipalities, special districts (including metro districts), or political subdivisions to jointly provide services and share the costs or imposition of taxes [Sections 29-1-203 and 203.5, C.R.S.]. Title 29 IGAs cannot levy taxes, but can issue debt payable by taxes levied by the parent governments and can also asses fees [Sections 29-1-203.5(2)(b) and (3)(a), C.R.S.]. Title 29 IGAs are not subject to the transparency requirements set in the Title 32 Special Districts Act, such as filing annual reports, or notices to electors. However, Title 29 IGAs are required to follow the Colorado Local Government Audit Law and the Local Government Budget Law of Colorado.

Property Taxes and Revenue

Interest Income – A type of revenue that metro districts typically collect in the form of interest earned on the available funds in accounts owned by the district.

Mill Levy – A mill levy is a property tax rate based on dollars per thousand of assessed property valuation; 1 mill is $1 of tax per $1,000 in assessed property value. The necessary mill levy to sustain the debt and operations of a metro district may vary year-to-year depending on changes in the assessed value of properties in the district and changes to the district's financial obligations. Each year, metro districts must establish mill levy rates in their budgets and submit their mill levy rates to their relevant counties for certification [Sections 29-1-113(1) and 32-1-1201(3), C.R.S.]. Districts typically establish separate mill levies for different financial obligations, such as general operations, debt service, or contractual obligations.

- **Mill Levy Limits** – Typically set within the service plan, the mill levy limits may set the maximum property tax rate needed to cover the metro district's financial obligations and operation expenses. Service plans may allow metro districts to adjust or increase a maximum mill levy in response to statutory changes to property tax calculations. Metro districts may not need to impose the full maximum mill levy every year depending on their financial obligations and assessed value. Senate Bill 23-110, concerning transparency for metro districts, required metro district service plans submitted to the approving local government on or after January 1, 2024, to include the maximum mill levy for purposes of debt service in the service plan [Sections 32-1-202(2)(m) and 204.5(3)(a), C.R.S.]. Prior to 2024, service plans could have decided to not set any mill levy limits or only limit certain types of mill levies. For example, service plans might have set limits on a mill levy to pay debt but allow for an unlimited mill levy to pay for operations. Other types of mill levy limits may have been set within service plans, such as only requiring a maximum mill levy when the ratio of debt to assessed value is under or over a certain amount.

- **Maximum Mill Levy Adjustable per Statutory Change** – Metro district's service plans that set maximum mill levies typically includes provisions that state that the maximum mill levy is subject to adjustments in order to compensate for statutory changes relating to how property taxes are assessed. Adjusting the maximum mill levy in this way ensures the district can collect the same amount of tax revenue it would have collected prior to the State's changes to property

taxation. For example, if a district was created in 2005 when the assessment rate on properties' assessed value was 7.96 percent, with a service plan mill levy maximum of 50 mills, and in 2025 the statutory assessment rate for residential property was 6.25 percent, the district would calculate the difference in the number of mills needed in 2026 to collect the same amount of property taxes that it did in 2005 when the statutory assessment rate was 7.96 percent, and add that amount to the 50 mills to determine the 2026 maximum mill levy, which would be 63.680 mills in 2026.

- **Unlimited Mill Levy** – In addition to adjusting its maximum mill levy, some metro districts may also include other provisions for exceeding the maximum mill levy documented in the service plan, based on factors such as ratios of debt to valuation or changes in financial obligation.

- **Actual Value, Assessment Rate, and Assessed Value** – County assessors determine the actual value for properties within a metro district [Section 39-1-103(5), C.R.S.], and the actual value of properties with new construction will likely increase once the construction is complete. The assessment rate is the percentage of the actual property value that will be subject to taxation, and the assessed property value refers to the value achieved by multiplying a property's actual value by the appropriate assessment rate. To calculate mill levies, metro districts identify the necessary annual revenue needed and divide it by the total assessed value to determine the property tax rate, expressed as mills. For example, if the district needs $1 million in property tax revenue and the assessed property value of the district is $20 million, the property tax rate would be 0.05 (i.e. $1 million/$20 million), or 50 mills. Assessment rates are set in statute and may change from year-to-year (e.g., Section 39-1-104.2(s)(I), C.R.S., sets different property assessment rates in Tax Years 2025 and 2026). Assessment rates can also vary by type of property, such as residential, commercial, and agricultural.

Public Improvement Fee (PIF) – A type of revenue that some metro districts collect. Some districts have entered into contracts with businesses within the district or the district's approving local government(s) to impose a PIF on retail sales made within the district. Businesses within the metro district collect the fee from customers and remit it to the district. PIFs are not directly authorized or addressed in statute.

Statutory Revenue Limitations – Metro districts must adhere to revenue growth limitations set by Sections 29-1-301 and 1703(1.5), C.R.S. A metro district can ask its qualified electors, through ballot measures, whether to exempt the metro district from these statutory growth limitations [Sections 29-1-302(2)(b) and 1704(1), C.R.S.].

Specific Ownership Taxes – A type of revenue metro districts and other property tax entities receive annually from counties. The State assesses an annual tax on motor vehicles based on a vehicle's age and original value, known as a specific ownership tax. The revenue collected from this tax by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county then distributes its share of this revenue to the cities, school

districts, and special districts, including metro districts, in proportion to the property taxes levied by those entities in the county [Article X, Section 6, Colorado Constitution].

TABOR Exemptions – Article X, Section 20 of the Colorado Constitution, known as the Taxpayer's Bill of Rights (TABOR), sets several revenue restrictions for local governments. Under Section 29-1-302(2)(b), C.R.S., voters can decide, through ballot measures, to exempt their metro districts from TABOR restrictions.

Metropolitan District Debt

Developer Funding – Metro districts and developers often set up financial arrangements in which the developers formally or informally loan the district funds, typically for initial district formation and early development phases. These arrangements can come in different forms, such as a developer note—which is a more formal type of debt with a promissory note and/or other official documents that state the repayment terms and interest rate—or a developer advance, an informal agreement made between the developer and the district where repayment terms, interest rate, and use of the funds are not officially documented.

General Obligation (GO) Bond – Bonded indebtedness issued by states and local governments, including metro districts, that are backed by the entity's power to tax residents.

- **Senior Bond** – Bonded indebtedness with higher repayment priority, in which pledged revenues are used to pay these bonds before other subordinate debt. Senior bonds are the typical GO bond issued by metro districts. In the event that a metro district issues both senior and junior bonds, the metro district will prioritize repaying the senior bonds before repaying junior bonds.

- **Junior Bond** – Bonded indebtedness with subordinate repayment priority, in which pledged revenues are used to pay these bonds after other higher-priority debt. Junior bonds are typically GO bonds that are issued in addition to senior bonds, and are also known as subordinate bonds. Junior bonds are generally not paid until the senior bonds have been repaid or otherwise discharged, and in the event of a metro district going into default, the repayment of senior bonds is prioritized over junior bonds. As such, these bonds are riskier for the buyer, so the interest rates on junior bonds tend to be higher than on senior bonds.

Refunding Debt – The process of refinancing bonds or other indebtedness, where new debt is issued to retire outstanding debt, often with a goal to achieve overall cost savings on debt service (e.g., issuing new debt with a lower interest rate than prior debts). Refunding debt can also be used to relieve a district of burdensome repayment terms or to restructure debt service payments.

Revenue Bond or Revenue Note – Indebtedness backed by specific revenues, rather than general ad valorem tax revenue. For example, a metro district may issue debt in the form of a revenue note to build a golf course, and pledge revenue from the golf course to pay the revenue note.

Service Plan Debt Limit – Every service plan must include the proposed maximum amount of debt the district will issue, including a schedule of when debt will be issued and the proposed maximum interest rate for any debt issued [Sections 32-1-202(2)(b) and (f), C.R.S.]. Senate Bill 23-110 further required metro district service plans submitted to the approving local government on or after January 1, 2024, to include the maximum amount of debt, and the maximum term a debt service mill levy will be imposed [Sections 32-1-202(2)(n) and (o), C.R.S.]. The service plan debt limit typically only states the maximum principal amount of debt that can be issued, and does not explicitly set a limit on total debt service, which includes payments on principal and interest that will accrue on the balance of the debt throughout its life-cycle. Changes to the service plan debt limit could be considered a material modification to the service plan that must first be approved by the approving local government [Section 32-1-207(2)(a), C.R.S].

Voter-Authorized Debt Limit – If metro districts plan to issue debt that exceeds 1.5 percent of the assessed value of the districts' property, districts are required to ask voters to approve, through ballot measures, the authorized amount of debt that can be issued for specific purposes [Section 32-1-1101(2), C.R.S.]. On occasion, metro districts also ask voters to approve ballot measures that state how much property tax revenue may be collected annually for the purposes of paying said debt. Regardless of how much voter-authorized debt is approved, metro districts must adhere to the maximum debt limit established in their service plans. For example, electors in a metro district that has a $20 million service plan debt limit may be presented a ballot measure of whether to authorize the district to issue up to $20 million in debt for the purposes of parks and recreation improvements and a separate ballot measure to authorize up to $20 million in debt for water irrigation improvements. While voters could authorize a total of $40 million in debt, the metro district must still adhere to the $20 million service plan debt limit. Metro districts' voter-authorization to issue debt expires after 20 years, though metro districts can still issue refunding bonds after this expiration date [Section 32-1-1101(2), C.R.S.].