

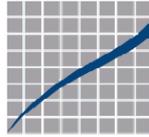
WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Woodmen Heights Metropolitan District, Nos. 1, 2 & 3
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Woodmen Heights Metropolitan Districts Nos. 1, 2 and 3 ("Districts") as of and for the year ended December 31, 2012, which collectively comprise the Districts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Districts as of December 31, 2012, the respective changes in financial position and the respective budgetary comparisons for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
October 10, 2013

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BASIC FINANCIAL STATEMENTS

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 712,485
Accounts receivable - County Treasurer	4,886
Property taxes receivable	702,970
Note receivable	3,492,836
Accrued interest receivable	58,507
Capital assets, not being depreciated:	
Construction in progress	1,228,891
Capital assets, net	<u>7,217,433</u>
 Total assets	 <u>13,418,008</u>
<u>LIABILITIES</u>	
Accounts payable	18,132
Accrued interest payable	1,558,339
Noncurrent liabilities:	
Accounts payable	616,278
Developer advances	5,079,300
General obligation limited tax bonds:	
Due within one year	65,000
Due in more than one year	<u>31,880,685</u>
 Total liabilities	 <u>39,217,734</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred revenues	3,492,836
Deferred tax revenues	<u>702,970</u>
 Total deferred inflows of resources	 <u>4,195,806</u>
<u>NET POSITION</u>	
Net investments in capital assets	(1,462,672)
Restricted for:	
Debt service	543,401
Emergency reserve	10,010
Unrestricted	<u>(29,086,271)</u>
 Total net position	 <u><u>\$ (29,995,532)</u></u>

The accompanying notes and independent auditor's report
should be read with this financial statement.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Change in Net assets of Primary Government - Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
General government	\$ 1,287,226	446,199	\$ -	\$ -	\$ (841,027)
Interest and related costs on long-term debt	2,735,803	-	-	-	(2,735,803)
Total primary government	\$ 4,023,029	\$ 446,199	\$ -	\$ -	(3,576,830)
GENERAL REVENUES:					
Property taxes					612,348
Specific ownership taxes					57,249
Recoveries					22,394
Interest earned on cash and investments					3,121
Interest earned on note receivable					122,742
Total general revenues					817,854
Changes in net position					(2,758,976)
Net position, beginning of year					(27,236,556)
Net position, end of year					<u><u>\$ (29,995,532)</u></u>

The accompanying notes and independent auditor's report should be read with this financial statement.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and investments	\$ 169,084	\$ -	\$ -	\$ 543,401	\$ 712,485
Accounts receivable - County Treasurer	-	4,886	-	-	4,886
Property taxes receivable	-	702,970	-	-	702,970
Total assets	169,084	707,856	-	543,401	1,420,341
<u>LIABILITIES</u>					
Accounts payable	18,132	-	-	-	18,132
Total liabilities	18,132	-	-	-	18,132
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred property tax revenue	-	702,970	-	-	702,970
Total deferred inflows of resources	-	702,970	-	-	702,970
<u>FUND BALANCE</u>					
Restricted for:					
Debt service	-	-	-	543,401	543,401
Emergency reserve	10,010	-	-	-	10,010
Assigned for debt service	-	4,886	-	-	4,886
Unassigned:					
General government	140,942	-	-	-	140,942
Total fund balances	150,952	4,886	-	543,401	699,239
Total liabilities and fund balances	\$ 169,084	\$ 707,856	\$ -	\$ 543,401	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Construction in progress	1,228,891
Capital assets, net	7,217,433

Liabilities and receivables are not due and payable in the current period and therefore are not reported in the funds:

Developer advances	(5,079,300)
Bonds payable	(31,945,685)
Accounts payable	(616,278)
Accrued interest payable	(1,558,339)
Accrued interest receivable	58,507

Net position of governmental activities	<u>\$(29,995,532)</u>
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The accompanying notes and independent auditor's report should be read with this financial statement.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Charges for services	\$ -	\$ 446,199	\$ -	\$ -	\$ 446,199
Property taxes	-	612,348	-	-	612,348
Specific ownership taxes	-	57,249	-	-	57,249
Recoveries	-	-	22,394	-	22,394
Net investment income	-	-	-	4,234	4,234
Other revenue	4,290	-	-	-	4,290
Total revenues	4,290	1,115,796	22,394	4,234	1,146,714
EXPENDITURES					
Current:					
Audit	11,900	-	-	-	11,900
Bank charges	198	-	-	7,633	7,831
Bond issuance costs	-	-	482,782	-	482,782
Capital outlay	-	-	-	-	-
Dues and subscription	881	-	-	-	881
Insurance	9,772	-	-	-	9,772
Landscaping and maintenance	142,717	-	-	-	142,717
Legal	59,715	-	-	-	59,715
Management fees	105,308	-	-	-	105,308
Office supplies	33	-	-	-	33
Other	-	-	-	-	-
Postage	837	-	-	-	837
Treasurer's fees	2,289	-	-	6,866	9,155
Debt service:	-	-	-	-	-
Bond principal	-	-	-	29,885,000	29,885,000
Interest expense	-	-	-	1,059,005	1,059,005
Total expenditures	333,650	-	482,782	30,958,504	31,774,936
Excess of revenues over (under) expenditures	(329,360)	1,115,796	(460,388)	(30,954,270)	(30,628,222)
OTHER FINANCING SOURCES (USES)					
Developer advances	142,717	-	-	-	142,717
Bond issuance	-	-	-	30,707,680	30,707,680
Transfers in (out)	199,731	(1,110,910)	458,040	453,139	-
Total other financing sources (uses)	342,448	(1,110,910)	458,040	31,160,819	30,850,397
Net change in fund balances	13,088	4,886	(2,348)	206,549	222,175
Fund balances, beginning of year	137,864	-	2,348	336,852	477,064
Fund balances, end of year	\$ 150,952	\$ 4,886	\$ -	\$ 543,401	\$ 699,239

The accompanying notes and independent auditor's report
should be read with this financial statement.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

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

Net change in fund balances - total governmental funds	\$	222,175
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Governmental funds report capital outlay as an expenditure. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the assets:

<u>Depreciation</u>		(386,033)
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The issuance of debt provides current financial resources to government funds, while the repayment of principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of debt is as follows:

<u>Principal payments on bonds</u>		29,885,000
<u>Bond proceeds</u>		(30,707,680)
<u>Developer advances</u>		(142,717)

Some revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in governmental funds:

<u>Accrued interest income</u>		121,630
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

<u>Change in long-term accounts payable</u>		(74,553)
<u>Change in accrued interest</u>		(1,676,798)

<u>Changes in net position of governmental activities</u>	\$	<u>(2,758,976)</u>
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The accompanying notes and independent auditor's report should be read with this financial statement.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Intergovernmental revenue	\$ 164,004	\$ 164,858	\$ -	\$ (164,858)
Other revenue	-	-	4,290	4,290
Net investment income	-	-	-	-
Total revenues	164,004	164,858	4,290	(160,568)
<u>EXPENDITURES</u>				
Audit	12,000	12,000	11,900	100
Bank charges	150	170	198	(28)
Dues and subscription	1,000	1,000	881	119
Insurance	6,000	10,000	9,772	228
Landscaping and maintenance	-	-	142,717	(142,717)
Legal	60,000	60,000	59,715	285
Management fees	96,000	96,000	105,308	(9,308)
Office supplies	-	-	33	(33)
Other	3,000	1,308	-	1,308
Postage	600	840	837	3
Treasurer's fees	2,299	2,287	2,289	(2)
Total expenditures	181,049	183,605	333,650	(150,045)
Excess of revenues over (under) expenditures	(17,045)	(18,747)	(329,360)	(310,613)
<u>OTHER FINANCING SOURCES (USES)</u>				
Developer advances	-	-	142,717	142,717
Transfers in	-	-	199,731	199,731
Net change in fund balance	\$ (17,045)	\$ (18,747)	13,088	\$ 31,835
Fund balance, beginning of year			137,864	
Fund balance, end of year			\$ 150,952	

The accompanying notes and independent auditor's report
should be read with this financial statement.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Charges for services	\$ -	\$ -	\$ 446,199	\$ 446,199
Property taxes	-	-	612,348	612,348
Specific ownership taxes	-	-	57,249	57,249
Net investment income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,115,796</u>	<u>1,115,796</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Developer advances	-	-	-	-
Transfers in	-	-	(1,110,910)	(1,110,910)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,886	<u>\$ 4,886</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 4,886</u>	

The accompanying notes and independent auditor's report
should be read with this financial statement.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. DEFINITION OF REPORTING ENTITY

Woodmen Heights Metropolitan District, Nos. 1, 2 and 3 (individually, "District #1", "District #2", and "District #3", respectively, the "Districts" collectively), quasi-municipal corporations and political subdivisions of the State of Colorado, were formed on December 2, 2004, and are governed pursuant to provisions of the Colorado Special District Act. The Districts' service area is located in Colorado Springs, El Paso County, Colorado ("County"). The Districts' were organized to construct public improvements including road and bridge improvements, landscaping, sanitary and storm sewer, water systems, park and recreation, channel and other drainage improvements needed for the area within the Districts.

District #1 entered into an intergovernmental agreement with District #2 and District #3. District #2 and District #3 were formed in conjunction with District #1 to serve the needs of the Woodmen Heights development for the purpose of financing, construction and operation of improvements and infrastructure serving the Districts. District #2 and District #3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

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

Based on the application of these criteria, the District #1 includes the following non-major component units in its financial statements.

District #2 collects property taxes that are then remitted to District #1. The significance of District #2's relationship with District #1 is such that exclusion from the reporting entity would be misleading.

District #3 collects property taxes that are then remitted to District #1. The significance of District #3's relationship with District #1 is such that exclusion from the reporting entity would be misleading.

See independent auditor's report

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. DEFINITION OF REPORTING ENTITY (CONTINUED)

The financial statements of District #2 and District #3 are blended into District #1's financial statements. Separate financial statements for District #1, District #2 and District #3 can be obtained from the Districts, Terry Schooler, District Manager at 455 E. Pikes Peak Avenue, Suite 308, Colorado Springs, Colorado 80903.

The Districts have no employees and all operational and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting and financial statement position

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

See independent auditor's report

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement position (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Districts consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenue. All other revenue items are considered to be measurable and available only when cash is received by the Districts. The Districts determined that developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The Districts report the following major governmental funds:

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

Special Revenue Fund - A special revenue fund is used to collect and disburse monies earmarked for specific purposes due to either legal or contractual arrangements. The special revenue fund is used to account for service revenues and property tax revenues. The Districts have chosen to use this type of fund because the revenue from these service fees are paid to other entities for services rendered and because the service fees are not established to cover the cost of the assets.

Capital Projects Fund - The capital projects fund accounts for the construction costs of public improvements undertaken and financed by the Districts.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Districts' policy to use restricted resources first, then unrestricted resources as they are needed.

See independent auditor's report

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

During the year ended December 31, 2012, supplementary appropriations approved by the Districts modified the general fund appropriation from \$181,049 to \$183,605 in the general fund and \$375,631 to \$534,447 the then debt services fund.

Pooled cash and investments

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

Investments are carried at fair value.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Districts as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets component of the Districts' net position.

See independent auditor's report

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (continued)

It is the policy of the City of Colorado Springs ("City") to accept maintenance responsibility for all capital improvements within the City, except for certain landscaping improvements specified in the Districts' service plan, upon the Districts' completion and conveyance of such improvements provided they meet the City's specifications.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, which range from 20 to 40 years.

Property tax

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

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

Interfund balances

The Districts report interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

See independent auditor's report

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund equity

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

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

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

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

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

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

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

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting pronouncements

Effective January 1, 2012, the Districts implemented the provisions of GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63") and early implemented the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65").

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements* ("Concepts Statement No. 4"). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the Districts' financial statements has been to replace the term "net assets" with "net position".

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these assets is debt issuance costs. Additionally, the Districts' receivable related to property taxes to be collected in 2013 is treated as a deferred inflow of resources.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	<u>\$ 712,485</u>

Cash and investments as of December 31, 2012 consist of the following:

Deposits with financial institutions	\$ 169,084
Investments	<u>543,401</u>
	<u>\$ 712,485</u>

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions

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

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

Investments

The Districts have not adopted a formal investment policy; however, the Districts follow state statutes regarding investments.

The Districts generally limit their concentration of investments to those with an asterisk below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Districts are not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another

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

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

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

4. NOTE RECEIVABLE

During 2005, the Districts entered into an Agreement for Payment in Lieu of Taxes ("PILOT Agreement") with a Colorado not-for-profit organization ("Organization") located within the boundaries of District #3. Because the Districts will recover the costs of infrastructure primarily through taxes assessed on property located within District #2 and District #3, and the Organization is exempt from payment of property taxes, the Organization has agreed to pay the Districts their share of the Districts' initial infrastructure costs over a 30-year period. The Organization's share of costs is based on estimated infrastructure costs of \$35,989,099 multiplied by the percentage of total property owned by the Organization within the Districts. The Organization issued a non-recourse promissory note ("Promissory Note"), which was based on the property owned by the Organization at the date of the PILOT Agreement plus additional acres the Organization intended to acquire at an assumed purchase date. The PILOT Agreement and the Promissory Note both contained provisions for modification of the Promissory Note if the Organization did not acquire the additional acres at the assumed date. The Organization did acquire the additional acres, but not at the assumed date; as a result, during the year ended December 31, 2008 the Promissory Note was revised.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. NOTE RECEIVABLE (CONTINUED)

The PILOT Agreement was also modified on March 15, 2012 due to the issuance of the Series 2012A and 2012B Bonds. All of the PILOT Agreement payments which are due and payable in cash on or after April 1, 2013, have been pledged to the payments of the Series 2012A and 2012B Bonds and will be used by the Districts for no other purpose except for PILOT Agreement payments permitted to be used for infrastructure improvements. The two payments of \$78,006 to be made on April 1, 2013 and April 1, 2014 are deemed to be interest only, and will not cause the principal balance to increase or decrease. This represents an interest rate lower than the 7.00% interest used on the original PILOT Agreement amortization schedule. The remaining principal of \$3,492,836 will then be repaid, at some imputed interest rate, by 22 annual payments of \$312,022 starting April 1, 2015 and ending April 1, 2036, with one final payment of \$75,694 on April 1, 2037. This results in an interest rate of approximately 6.9%.

The following is a summary of note receivable for the year ended December 31, 2012 as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 78,006	\$ 78,006
2014	-	78,006	78,006
2015	70,583	241,439	312,022
2016	75,462	236,560	312,022
2017	80,679	231,343	312,022
2018-2022	495,166	1,064,945	1,560,111
2023-2027	691,657	868,453	1,560,110
2028-2032	966,121	593,990	1,560,111
2033-2037	1,113,168	210,614	1,323,782
Total	<u>\$ 3,492,836</u>	<u>\$ 3,603,356</u>	<u>\$ 7,096,192</u>

Up to \$1,750,000 of proceeds under the PILOT Agreement may be used for infrastructure, the rest have been pledged to service the Series 2012A and 2012B Bonds (see Note 6).

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

5. CAPITAL ASSETS

Capital assets largely consist of completed infrastructure and construction in process of road and bridge improvements, water and wastewater systems, drainage and landscaping. Capital asset activity for the year ended December 31, 2012 is as follows:

	<u>Balance 1/1/12</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions Reclass- ifications</u>	<u>Balance 12/31/12</u>
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 917,982	\$ 310,909	\$ -	\$ 1,228,891
Total capital assets, not being depreciated	<u>917,982</u>	<u>310,909</u>	<u>-</u>	<u>1,228,891</u>
Capital assets, being depreciated:				
Water and sewer systems	1,950,532	-	-	1,950,532
Roads and drainage	<u>6,729,573</u>	<u>-</u>	<u>-</u>	<u>6,729,573</u>
Total capital assets, being depreciated	<u>8,680,105</u>	<u>-</u>	<u>-</u>	<u>8,680,105</u>
Less: accumulated depreciation	<u>1,076,639</u>	<u>386,033</u>	<u>-</u>	<u>1,462,672</u>
Total capital assets, being depreciated, net	<u>7,603,466</u>	<u>(386,033)</u>	<u>-</u>	<u>7,217,433</u>
Governmental activities capital assets, net	<u>\$ 8,521,448</u>	<u>\$ (75,124)</u>	<u>\$ -</u>	<u>\$ 8,446,324</u>

Depreciation expense for the year ended December 31, 2012 totaled \$386,033.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

6. LONG-TERM OBLIGATIONS

2005 Series Bonds

In 2005, the District issued revenue bonds with a face value of \$29,820,000. The bonds bear interest at an annual rate ranging from 6.75% to 7.00% to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2006. The bonds mature on December 1, 2030 and are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$5,000 on December 1, 2021 or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements beginning in 2020.

During the year ended December 31, 2012, these bonds were replaced with new bond issues, see below.

Series 2012A Bonds and Series 2012B Series Bonds

During 2012, the Districts issued new bonds to replace the 2005 Series Bonds with the existing bondholder. The bonds were reissued in two separate issuances: the Series 2012A and Series 2012B Bonds for a combined amount of \$30,707,680. The interest rate on the 2012A Bonds is 6.00% and the rate on the Series 2012B Bonds is 7.30%. The Series 2012A Bonds mature on December 1, 2041 and the Series 2012B Bonds mature on December 15, 2041. The Districts were also authorized in this reissue to be able to issue additional Series C Bonds which the Districts could use to settle the developer advances and other current liabilities. It is uncertain if or when the Districts will issue these additional Series C Bonds.

The interest on the Series 2012A and 2012B Bonds will be paid from pledged revenues including property taxes, specific ownership taxes, PILOT Agreement proceeds and facility fees received from District #2 and District #3. The Series 2012B Bonds are subordinate to the 2012A Bonds. The Series 2012A Bonds debt service payments began on June 15, 2012. The Series 2012B Bonds debt service payments are delayed until December 15, 2017 at which time the accrued interest and principal on the Series 2012B Bonds will have accrued to a total of \$36,000,000. Payments of interest and principal for the Series 2012B Bonds will begin in 2018.

The Series 2012A and 2012B Bonds require audited financial statements to be completed within 210 days of year-end. The Districts' did not meet this deadline for the year ended December 31, 2012.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

6. LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of bonds payable for the year ended December 31, 2012 as follows:

	Balance 1/1/12	Additions	Repayments/ Defeasance	Balance 12/31/12
Series 2005 Bonds	\$29,820,000	\$ -	\$29,820,000	\$ -
Series 2012A Bonds	-	6,700,000	65,000	6,635,000
Series 2012B Bonds	-	24,007,680	-	24,007,680
Series 2012B Bonds Accretion	-	1,303,005	-	1,303,005
	<u>\$29,820,000</u>	<u>\$32,010,685</u>	<u>\$29,885,000</u>	<u>\$ 31,945,685</u>

Annual requirements to amortize 2012A Series Bonds and 2012B Series Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 65,000	\$ 2,245,780	\$ 2,310,780
2014	65,000	2,376,761	2,441,761
2015	70,000	2,517,588	2,587,588
2016	80,000	2,668,679	2,748,679
2017	85,000	2,830,507	2,915,507
2018-2022	565,000	14,959,200	15,524,200
2023-2027	1,691,934	14,708,585	16,400,519
2028-2032	5,951,510	13,185,145	19,136,655
2033-2037	10,399,437	9,265,795	19,665,232
2038-2041	11,669,799	3,081,790	14,751,589
Total	<u>\$30,642,680</u>	<u>\$67,839,830</u>	<u>\$ 98,482,510</u>

Voters in the District authorized the Districts to incur a maximum of \$484,000,000 of debt. Subsequent to the issuance of the Series 2012A and 2012B Bonds, the District has \$423,472,320 in authorized but unissued debt. The Districts' total debt is limited by their service plan with the City to a maximum of \$60,000,000. As of December 31, 2012, the Districts have an additional \$30,180,000 of approved unissued debt per the service plan. The City has agreed that it will not count the 2012 bonds against the \$60,000,000 service plan limit.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. NET POSITION

The Districts have a net position consisting of three components: net investments in capital assets, restricted and unrestricted.

The net investments in capital assets component of net position consists of capital assets that are owned by the Districts, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2012, the Districts had net investments in capital assets as follows:

	Government Activities
Net investments in capital assets:	
Capital assets, net	\$ 7,217,433
Outstanding long-term obligations	(8,680,105)
Net investments in capital assets	\$ (1,462,672)

Restricted positions include net positions that are subject to restrictions for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Districts had a restricted net position of as of December 31, 2012 as follows:

	Government Activities
Restricted net position:	
Emergencies (see Note 13)	\$ 10,010
Debt service (see Note 6)	543,401
	\$ 553,411

The Districts' unrestricted net position as of December 31, 2012 totaled a deficit of \$29,086,271. This deficit amount was a result of the Districts' responsibility for the repayment of general obligation bonds related to assets contributed to other governments.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

8. INTERGOVERNMENTAL AGREEMENT

In 2005, District #1 entered into an Intergovernmental Agreement and a related Joint Funding Agreement with District #2 and District #3. District #2 and District #3 function as financing Districts. The intent of the agreements is for the Districts to coordinate activities with respect to the financing, construction, operation and maintenance of the public improvements necessary to serve development within District #2 and District #3, which is generally anticipated to consist of residential development in District #2 and commercial development in District #3.

Under the terms of the agreements, District #1 will own and be responsible for managing the financing, construction, operation and maintenance of facilities and improvements within District #2 and District #3. This includes the issuing of revenue bonds, payable from tax and other revenues generated by District #2 and District #3 and paid to District #1. It is the obligation of District #2 and District #3 to fully fund the construction, operation and maintenance of these facilities and improvements with such revenues to include facility fees, property taxes and PILOT Agreement revenues.

9. JOINT USE AGREEMENT

In 2005, the Districts entered into a Joint Use Agreement with a local school district to cooperate in the development and ownership of facilities in a park within the boundaries of the Districts. Under the terms of the agreement, the parties may construct certain specific recreational facilities outlined in the agreement within the park; the school district may also request to build additional facilities. Ownership and maintenance of a specific facility will lie with the party authorizing such construction.

10. ADVANCES DUE RELATED PARTIES

To continue the development within the Districts, the Districts' developers, under the direction of the board of directors of the Districts, have continued to make improvements within the Districts. These improvements are reimbursable by the Districts. The Districts have assigned multiple tiers to their developer advances. Based on the critical nature of each project, repayments will be made within the tier structure with the Districts repaying the tier one improvements first. The board of directors intends to authorize the Districts to pay these balances as soon as funds are available. The advances are classified as non-current, are unsecured and do not bear interest. However, management has accrued 7% simple interest on these notes in anticipation of a reimbursement agreement.

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

11. RISK MANAGEMENT

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

The Districts are members of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

12. CONTINGENCIES

The Districts are a counterclaim defendant in a lawsuit related to an easement and the relocation of certain roads that occurred during construction of improvements within the Districts. Property owners in the area believe that they have incurred damages due to improper moving of the road. During 2010, a lower court ruled that the Districts and developers improperly moved the right-of-way along Sorpresa Lane and Ski Lane. The court also allowed the defendants to assert claims for monetary and injunctive relief. These damages could include full restoration of Sorpresa Lane and Ski Lane to their historical locations. Due to the nature of this litigation, the Districts may not be fully covered by the Colorado Governmental Immunity Act. If the Districts are not covered by this act, the Districts plan to appeal such a ruling to a higher court. Outside counsel estimated that the potential loss could range from approximately \$230,000 to \$300,000, and that the loss could be split between eight to nine additional defendants. Outside counsel for the Districts has advised that at this stage in the proceedings it cannot offer an opinion as to the probable outcome. No amounts have been accrued for this liability because the amount is uncertain and the expected impact of the Districts' share of this liability is not material to the financial statements as a whole.

13. TAX, SPENDING AND DEBT LIMITATIONS

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

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WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

13. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

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

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

14. RESTATEMENT OF BEGINNING NET POSITION

The beginning balance of net assets has been restated from previously issued financial statements to correct for errors related to interest expense related to the bonds and developer advances as well as interest income related to the PILOT Agreement. There was no impact to the governmental financial statements. The effects of the correction on the government-wide financial statements as of and for the year ended December 31, 2012 are as follows:

Net position - December 31, 2011, as originally stated	\$ (28,238,552)
Restatement	<u>1,001,996</u>
Net position - December 31, 2011, as restated	<u>\$ (27,236,556)</u>

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See independent auditor's report

SUPPLEMENTARY INFORMATION

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Recoveries	-	-	22,394	22,394
Net investment income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	22,394	22,394
<u>EXPENDITURES</u>				
Bond issuance costs	-	-	482,782	(482,782)
Total expenditures	-	-	482,782	(482,782)
Revenues in excess (deficit) of expenditures	-	-	(460,388)	(460,388)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (out)	-	-	458,040	458,040
Total other financing sources	-	-	458,040	458,040
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ (2,348)	<u>\$ (2,348)</u>
Fund balance, beginning of year			2,348	
Fund balance, end of year			<u>\$ -</u>	

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Charges for services	\$ 328,670	\$ 446,199	\$ -	\$ (446,199)
Property taxes	459,824	454,893	-	(454,893)
Specific ownership taxes	32,187	43,678	-	(43,678)
Net investment income	78,006	5,782	4,234	(1,548)
<u>Total revenues</u>	<u>898,687</u>	<u>950,552</u>	<u>4,234</u>	<u>(946,318)</u>
<u>EXPENDITURES</u>				
Bank charges	-	7,633	7,633	-
Treasurer's fees	6,898	6,897	6,866	31
Bond principal	65,000	65,000	29,885,000	(29,820,000)
Interest expense	303,733	454,917	1,059,005	(604,088)
<u>Total expenditures</u>	<u>375,631</u>	<u>534,447</u>	<u>30,958,504</u>	<u>(30,424,057)</u>
<u>Revenues in excess (deficit) of expenditures</u>	<u>523,056</u>	<u>416,105</u>	<u>(30,954,270)</u>	<u>(31,370,375)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond issuance	-	-	30,707,680	30,707,680
Transfers in (out)	-	(110,756)	453,139	563,895
<u>Total other financing sources</u>	<u>-</u>	<u>(110,756)</u>	<u>31,160,819</u>	<u>31,271,575</u>
<u>Net change in fund balance</u>	<u>\$ 523,056</u>	<u>\$ 305,349</u>	<u>\$ 206,549</u>	<u>\$ (98,800)</u>
<u>Fund balance, beginning of year</u>			<u>336,852</u>	
<u>Fund balance, end of year</u>			<u>\$ 543,401</u>	

See independent auditor's report.