

## WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1-3

### 2022 CONSOLIDATED ANNUAL REPORT

Pursuant to §32-1-207(3)(c) and the Consolidated Service Plan for Woodmen Heights Metropolitan District Nos. 1-3 (collectively the “**Districts**”), the Districts are required to provide an annual report to the with regard to the following matters:

For the year ending December 31, 2022, the Districts make the following report:

#### §32-1-207(3) Statutory Requirements

**1. Boundary changes made.**

None.

**2. Intergovernmental Agreements entered into or terminated.**

District No. 3 entered into an agreement with MW Retail Business Improvement District for public improvement operations and maintenance.

**3. Access information to obtain a copy of rules and regulations adopted by the board.**

None.

**4. A summary of litigation involving public improvements owned by the Districts.**

To our actual knowledge, based on review of the court records in El Paso County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts’ public improvements as of December 31, 2022.

**5. Status of the construction of public improvements by the Districts.**

The Districts are in the process of acquiring land to build a park at the intersection of Marksheffel and Cowpoke. Park project has been designed and in 2023 will be bid out.

**6. A list of facilities or improvements constructed by the Districts that were conveyed or dedicated to the county or municipality.**

Sand Creek bridge crossing on North Marksheffel.

**7. The final assessed valuation of the Districts as of December 31<sup>st</sup> of the reporting year.**

District No. 1’s certified assessed valuation for 2022: \$1,050

District No. 2’s certified assessed valuation for 2022: \$75,148,990

District No. 3’s certified assessed valuation for 2022: \$8,846,690

**8. A copy of the current year's budget.**

A copy of the 2022 Budgets are attached hereto as **Exhibit A**

**9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.**

The 2022 Audits are in process with the auditor. The 2021 Audits are attached hereto as **Exhibit B**.

**10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the Districts.**

None.

**11. Any inability of the Districts to pay their obligations as they come due under any obligation which continues beyond a ninety (90) day period.**

None.

**12. Copies of any certifications of an external financial advisor provided as required by the privately placed debt limitation provision in the Consolidated Service Plan.**

None.

**EXHIBIT A**  
**2022 Budget**

## BUDGET MESSAGE

(Pursuant to § 29-1-103(1) (e), C.R.S.)

### Woodmen Heights Metropolitan District No. 1

The attached 2022 Budget for Woodmen Heights Metropolitan District No. 1 includes these important features:

- The primary sources of revenue for the district are platting fees, and income transferred from Woodmen Heights Metropolitan District No. 2 and No. 3
- Transfer payment of debt service obligations

The Budgetary basis of accounting timing measurement method used is:

- Cash basis
- Modified accrual basis
- Encumbrance basis
- Accrual basis

The District uses funds to budget and report on the financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions. The various funds determine the total District budget. All of the district's funds are considered Governmental Funds and are reported using the current financial resources and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Revenues are considered available when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than the interest on long term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The services to be provided/ delivered during the budget year are the following:

- Contracted legal and management services including state required reporting, financial and accounting reports, billing and other services.
- Repayment of developer advance and pay-off of debt obligations

**WOODMEN HEIGHTS METROPOLITAN DISTRICT  
2021 AMENDED BUDGET AND 2022 BUDGET  
DISTRICT 1 - GENERAL FUND**

	2020 ACTUAL	2021 ACTUAL	2021 AMENDED	2021 BUDGET	2022 BUDGET
<b>\$5,000/ACRE PLATTING FEE (55 Acres)</b>	360,600.00	-	-	275,000.00	
<b>\$500/ACRE PLATTING FEE-PARK</b>	36,060.00	-	-	27,500.00	
<b>\$1,700/ACRE CITY FEE FOR PARKS</b>	121,907.00	-	-	93,500.00	
<b>\$500/ACRE CITY FEE FOR BRIDGE</b>	35,855.00	-	-	27,500.00	
<b>TOTAL CREDITS GIVEN FOR TIER DEBT</b>					
	2020 ACTUAL	2021 ACTUAL	2021 AMENDED	2021 BUDGET	2022 BUDGET
<b>GENERAL FUND BEGINNING BALANCE</b>	375,720.84	671,562.83	671,562.83	489,110.59	654,983.91
<b>REVENUES</b>					
PLATTING FEES	554,422.00			423,500.00	
O&M MILL LEVY				100.00	
COST RECOVERIES					
DRAINAGE CREDITS- SOLD					
INTEREST INCOME	266.80	399.52	700.00		700.00
O&M MILL LEVY (10) - DISTRICT 2	-				
O&M MILL LEVY (10) - DISTRICT 3	-				
TRANSFER IN FROM DISTRICT 2	671,709.77			20,000.00	
TRANSFER IN FROM DISTRICT 3	32,948.94			-	
TOTAL REVENUES	1,259,347.51	399.52	700.00	443,600.00	700.00
<b>TOTAL REVENUE &amp; FUND BALANCE</b>	1,635,068.35	671,962.35	672,262.83	932,710.59	655,683.91
<b>EXPENDITURES</b>					
O&M DISTRICT 2 (landscaping, utilities, snow removal )	262,196.27			-	
BOARD OF DIRECTORS FEE	3,300.00	2,900.00	3,400.00	3,000.00	6,000.00
DISTRICT MANAGEMENT/ACCOUNTING	80,000.00	9,951.90	13,011.90	24,000.00	13,500.00
OFFICE/POSTAGE	140.60	(255.16)	(255.16)	500.00	500.00
AUDIT	16,526.00			6,000.00	8,500.00
GENERAL LIABILITY INSURANCE	13,523.20			3,000.00	
SDA DUES	3,435.44	899.65	899.65	1,000.00	
LEGAL	19,900.00	(963.59)	(963.59)	10,000.00	
ELECTIONS				-	1,000.00
STORM WATER FEES	5,229.30			-	
TREASURER'S FEES	-			-	
BANK SERVICE CHARGES		4,000.00	4,000.00	200.00	
REPAY DEVELOPER ADVANCES/OLD VENDORS	553,585.70			302,500.00	
CONTINGENCY				200,000.00	
MISCELLANEOUS/ENGINEERING	5,669.01	445.64	445.64		
<b>TOTAL EXPENDITURES</b>	963,505.52	16,978.44	20,538.44	550,200.00	29,500.00
<b>ENDING FUND BALANCE</b>	671,562.83	654,983.91	651,724.39	382,510.59	626,183.91
3% EMERGENCY RESERVE	28,905.17	509.35	616.15	16,506.00	885.00

**WOODMEN HEIGHTS METROPOLITAN DISTRICT  
2021 AMENDED BUDGET AND 2022 BUDGET  
DISTRICT 1 - SERIES 2012A AND 2012B BONDS FUND**

	2020 ACTUAL	2021 ACTUAL	2021 AMENDED	2021 BUDGET	2022 BUDGET
<b>REVENUE FUNDS BEGINNING BALANCE</b>					
<b>REVENUES</b>					
CENTER FOR STRATEGIC MINISTRY					
D2- PROPERTY TAXES	1,921,653.01			-	-
D2- SPECIFIC OWNERSHIP TAXES	208,886.92			-	-
D2- DELINQUENT TAX AND INTEREST	37.52			-	-
D2- PY TAX ABATEMENT AND INTEREST	(246.21)			-	-
D3- PROPERTY TAXES	92,613.91			-	-
D3- SPECIFIC OWNERSHIP TAXES	6,631.24			-	-
D3- DELINQUENT TAX AND INTEREST	38.70			-	-
D2- IMPACT FEES RESIDENTIAL (\$3,959.87/unit) 100	181,022.40			-	-
D2- IMPACT FEES RES MULTI (\$2,375.92/unit) 30	696,936.24			-	-
D3- IMPACT FEES COMMERCIAL (\$1.00/SF) 40,000	-			-	-
BOND REFUNDING					
INTEREST INCOME	5,788.53				
<b>TOTAL REVENUES</b>	<b>3,113,362.26</b>	-	-	-	-
<b>TOTAL REVENUE &amp; FUND BALANCE</b>	<b>3,113,362.26</b>	-	-	-	-
<b>EXPENDITURES</b>					
2012A BOND INTEREST	182,250.00			-	
REPAYMENT OF DEVELOPER ADVANCES					
BANK SERVICE CHARGES/BOND FEES	6,000.00				
BOND REFUNDING					
TRANSFER TO DISTRICT 2					
CONTINGENCY					
BOND ISSUANCE COSTS					
TREASURERS FEES	29,998.93				
<b>TOTAL EXPENDITURES</b>	<b>218,248.93</b>			-	-
<b>TRANSFER TO SURPLUS FUND</b>				-	-
<b>ENDING FUND BALANCE</b>	<b>2,895,113.33</b>			-	-

**BUDGET MESSAGE**  
(Pursuant to § 29-1-103(1) (e), C.R.S.)

Woodmen Heights Metropolitan District No. 2

The attached 2022 Budget for Woodmen Heights Metropolitan District No. 2 includes these important features:

- The primary sources of revenue for the district are tax revenues, building permit fees, and platting fees
- Development of a capital construction plan and construction of priority projects with the use of borrowed funds.
- Funding of landscape maintenance including any possible repairs
- Transfer of revenues earned to Woodmen Heights Metropolitan District No. 1
- Payment of debt service obligations.

The Budgetary basis of accounting timing measurement method used is:

- Cash basis
- Modified accrual basis
- Encumbrance basis
- Accrual basis

The District uses funds to budget and report on the financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions. The various funds determine the total District budget. All of the district's funds are considered Governmental Funds and are reported using the current financial resources and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Revenues are considered available when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than the interest on long term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The services to be provided/ delivered during the budget year are the following:

- Contracted legal and management services including state required reporting, financial and accounting reports, billing and other services.
- Capital construction for a new park located in Shiloh Mesa subdivision
- Capital construction to change community garden into possible splash pad, fountain, or other water feature.





**WOODMEN HEIGHTS METROPOLITAN DISTRICT  
2021 AMENDED BUDGET AND 2022 BUDGET  
DISTRICT 2 - DEBT SERVICE FUND**

	2020 ACTUAL	2021 ACTUAL	2021 AMENDED	2021 BUDGET	2022 BUDGET
<b>DEBT SERVICE BEGINNING BALANCE</b>	-	85,613.38	85,613.38	-	377,283.68
<b>REVENUES</b>					
BOND ISSUANCE					
PROPERTY TAXES	1,921,653.01	1,678,289.96	1,678,289.60	1,674,579.68	1,987,282.62
SPECIFIC OWNERSHIP TAXES	208,886.92	149,102.95	98,804.00	117,220.58	139,109.78
DELINQUENT TAX AND INTEREST	37.52	577.92	577.92	-	-
PY TAX ABATEMENT AND INTEREST	(246.21)		-	-	-
INTEREST INCOME		45,000.00	45,000.00	-	96.00
PLATTING FEES		272,101.06	272,101.06	-	
IMPACT FEES RESIDENTIAL (\$4157.86/unit) 100	181,022.40	483,873.99	483,873.99	791,974.00	415,786.00
IMPACT FEES RES MULTI (\$2,494.72/unit) 30	696,936.24	254,223.44	254,223.44	71,277.60	74,841.60
<b>TOTAL REVENUES</b>	<b>3,008,289.88</b>	<b>2,883,169.32</b>	<b>2,832,870.01</b>	<b>2,655,051.86</b>	<b>2,617,116.00</b>
<b>EXPENDITURES</b>					
2020A BOND INTEREST		1,245,198.30	1,245,198.30	72,113.00	961,766.00
2020A BOND PRINCIPAL		570,000.00	570,000.00	1,743,086.00	870,000.00
2020B - 1 BOND INTEREST		456,875.00	456,875.00	457,188.00	456,875.00
2020B - 1 BOND PRINCIPAL		-	-	-	-
2020B - 2 BOND INTEREST		-	-	-	-
2020B - 2 BOND PRINCIPAL		-	-	-	-
2012 - BOND INTEREST		178,800.00	178,800.00		
CO TREASURER'S FEE	28,609.13	25,123.28	25,123.28	25,118.70	29,809.24
COST OF ISSUANCE		45,000.00	45,000.00		
CONTINGENCY				100.00	10,000.00
MISCELLANEOUS	17,750.00				1,000.00
<b>TOTAL EXPENDITURES</b>	<b>46,359.13</b>	<b>2,520,996.58</b>	<b>2,520,996.58</b>	<b>2,297,605.70</b>	<b>2,328,450.24</b>
<b>TRANSFER TO DISTRICT 1 DEBT SERVICE FUND</b>	2,876,317.36				
<b>TRANSFER FROM DISTRICT 3 DEBT SERVICE FUND</b>		65,410.25	65,410.25		173,662.42
<b>ENDING FUND BALANCE</b>	<b>85,613.38</b>	<b>427,582.99</b>	<b>377,283.68</b>	<b>357,446.16</b>	<b>462,328.18</b>
ASSESSED VALUATION DISTRICT 2	57,549,940	61,793,490	61,793,490	61,147,290	72,565,640.00
MILL LEVY	33.397	27.386	27.386	33.397	27.386
TOTAL MILL LEVY	44.529	38.518	38.518	44.529	38.518

**BUDGET MESSAGE**  
(Pursuant to § 29-1-103(1) (e), C.R.S.)

Woodmen Heights Metropolitan District No. 3

The attached 2022 Budget for Woodmen Heights Metropolitan District No. 3 includes these important features:

- The primary sources of revenue for the district are tax revenues, building permit fees, and platting fees
- Transfer revenue earned from building permits and platting fees to fund Woodmen Heights Metropolitan District No. 1

The Budgetary basis of accounting timing measurement method used is:

- Cash basis
- Modified accrual basis
- Encumbrance basis
- Accrual basis

The District uses funds to budget and report on the financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions. The various funds determine the total District budget. All of the district's funds are considered Governmental Funds and are reported using the current financial resources and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. Revenues are considered available when they are collectible within the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than the interest on long term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The services to be provided/ delivered during the budget year are the following:

- Contracted legal and management services including state required reporting, financial and accounting reports, billing and other services.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT  
2021 AMENDED BUDGET AND 2022 BUDGET  
DISTRICT 3 - GENERAL FUND**

	2020 ACTUAL	2021 ACTUAL	2021 AMENDED	2021 BUDGET	2022 BUDGET
<b>GENERAL FUND BEGINNING BALANCE</b>	<b>(0.00)</b>			-	6,515.39
<b>REVENUES</b>					
PROPERTY TAXES (10 MILLS)	31,120.46	37,623.58	37,623.58	45,786.00	66,914.20
SPECIFIC OWNERSHIP TAXES	2,278.85	3,425.29	4,567.05	3,205.02	4,683.99
DELINQUENT TAX AND INTEREST	12.90	30.48	30.48		
TAX & INTEREST ABATEMENT		(14,115.27)	(14,115.27)		
COURT ORDER JUDGEMENT TAXES (2 MILLS)					
<b>TOTAL REVENUES</b>	<b>33,412.21</b>	<b>26,964.08</b>	<b>28,105.84</b>	<b>48,991.02</b>	<b>71,598.19</b>
<b>TOTAL REVENUE &amp; FUND BALANCE</b>	<b>33,412.21</b>	<b>26,964.08</b>	<b>28,105.84</b>	<b>48,991.02</b>	<b>78,113.58</b>
<b>EXPENDITURES</b>					
STORMWATER & FACILITY MAINTENANCE					35,000.00
BOARD OF DIRECTORS FEE			-	3,000.00	-
DISTRICT MANAGEMENT/ACCOUNTING		9,840.00	13,200.00	5,000.00	15,000.00
OFFICE/POSTAGE			100.00	100.00	300.00
AUDIT			-		
GENERAL LIABILITY INSURANCE			5,000.00	5,000.00	5,000.00
SDA DUES		226.10	226.10	1,000.00	500.00
LEGAL		1,986.45	2,500.00	10,000.00	2,500.00
ELECTION					1,000.00
CO TREASURER'S FEE	463.27	564.79	564.35	686.79	1,003.71
CONTINGENCY			-	50.00	1,500.00
MISCELLANEOUS (JUDGEMENT)					1,500.00
<b>TOTAL EXPENDITURES</b>	<b>463.27</b>	<b>12,617.34</b>	<b>21,590.45</b>	<b>24,836.79</b>	<b>63,303.71</b>
<b>TRANSFER TO DISTRICT 1 GENERAL FUND</b>	<b>32,948.94</b>				
<b>ENDING FUND BALANCE</b>	<b>0.00</b>	<b>14,346.74</b>	<b>6,515.39</b>	<b>24,154.23</b>	<b>14,809.87</b>
<b>ASSESSED VALUATION DISTRICT 3</b>	<b>3,547,080.00</b>	<b>3,887,570.00</b>	<b>3,887,570.00</b>	<b>4,578,600.00</b>	<b>6,691,420.00</b>
MILL LEVY	10.00	10.00	10.00	10.00	10.00
MILL LEVY					

**WOODMEN HEIGHTS METROPOLITAN DISTRICT  
2021 AMENDED BUDGET AND 2022 BUDGET  
DISTRICT 3 - DEBT SERVICE FUND**

	2020 ACTUAL	2021 ACTUAL	2021 AMENDED OCTOBER 2021	2021 BUDGET	2022 BUDGET
<b>DEBT SERVICE BEGINNING BALANCE</b>	-	-	-	-	5,372.96
<b>REVENUES</b>					
PROPERTY TAXES	92,613.91	92,552.81	95,634.22	112,633.56	164,608.93
SPECIFIC OWNERSHIP TAXES	6,631.24	8,426.10	11,235.00	7,884.35	11,522.63
DELINQUENT TAX AND INTEREST	38.70	74.98	74.98		
TAX AND INTEREST ABATEMENT		(34,726.48)	(34,726.48)		
D3- IMPACT FEES COMMERCIAL (\$0.95/SF)40,000SF	-		-	38,000.00	
<b>TOTAL REVENUES</b>	<b>99,283.85</b>	<b>66,327.41</b>	<b>72,217.72</b>	<b>158,517.91</b>	<b>176,131.56</b>
<b>EXPENDITURES</b>					
CO TREASURER'S FEE	1,389.80	1,389.42	1,434.51	1,689.50	2,469.13
CONTINGENCY					
MISCELLANEOUS					
<b>TOTAL EXPENDITURES</b>	<b>1,389.80</b>		<b>1,434.51</b>	<b>1,689.50</b>	<b>2,469.13</b>
<b>TRANSFER TO DISTRICT 1 DEBT SERVICE FUND</b>	<b>97,894.06</b>	-			
<b>TRANSFER TO DISTRICT 2 DEBT SERVICE FUND</b>		65,410.25	65,410.25	156,828.41	173,662.42
<b>ENDING FUND BALANCE</b>	<b>(0.00)</b>	<b>917.16</b>	<b>5,372.96</b>	-	<b>5,372.96</b>
<b>ASSESSED VALUATION DISTRICT 3</b>	<b>3,547,080.000</b>	<b>3,887,570.000</b>	<b>3,887,570.000</b>	<b>4,578,600.000</b>	<b>6,691,420.00</b>
MILL LEVY	30.000	24.600	24.600	24.600	24.600
TOTAL MILL LEVY	40.000	34.600	34.600	34.600	34.60

**EXHIBIT B**  
**2021 Audits/Exemption Applications**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**

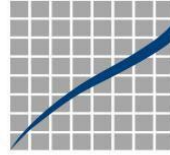
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Woodmen Heights Metropolitan District No. 1**  
Colorado Springs, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Woodmen Heights Metropolitan District No. 1 ("District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary Information*

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 27, 2022

## **BASIC FINANCIAL STATEMENTS**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 970,721
Cash and investments - restricted	1,331,060
Due from District No. 2	211,352
Due from District No. 3	50,415
Capital assets, net	992,615
<b>Total assets</b>	<b>3,556,163</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	1,815
Noncurrent liabilities:	
Developer advances	1,507,005
Bridge fees due to Colorado Springs	239,902
<b>Total liabilities</b>	<b>1,748,722</b>
<b><u>NET POSITION</u></b>	
Net investments in capital assets	(514,390)
Restricted for:	
Debt service	1,580,427
Emergency reserve	12,400
Unrestricted	729,004
<b>Total net position</b>	<b>\$ 1,807,441</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b><u>PRIMARY GOVERNMENT</u></b>					
General government	\$ 9,255,739	\$ -	\$ -	\$ -	\$ (9,255,739)
<b>Total governmental activities</b>	<b>\$ 9,255,739</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(9,255,739)</b>
<b><u>GENERAL REVENUES</u></b>					
Intergovernmental - District No. 2					599,969
Intergovernmental - District No. 3					50,415
Investment income					773
Other income					13,680
<b>Total general revenues</b>					<b>664,837</b>
<b>Changes in net position</b>					<b>(8,590,902)</b>
<b>Net position, beginning of year</b>					<b>10,398,343</b>
<b>Net position, end of year</b>					<b>\$ 1,807,441</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 970,721	\$ -	\$ 970,721
Cash and investments - restricted	12,400	1,318,660	1,331,060
Due from District No. 2	-	211,352	211,352
Due from District No. 3	-	50,415	50,415
Total assets	<u>\$ 983,121</u>	<u>\$ 1,580,427</u>	<u>2,563,548</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,815	\$ -	1,815
Total liabilities	<u>1,815</u>	<u>-</u>	<u>1,815</u>
<b><u>FUND BALANCE</u></b>			
Restricted for:			
Debt service	-	1,580,427	1,580,427
Emergency reserve	12,400	-	12,400
Unassigned:			
General government	968,906	-	968,906
Total fund balances	<u>981,306</u>	<u>1,580,427</u>	<u>2,561,733</u>
Total liabilities and fund balances	<u>\$ 983,121</u>	<u>\$ 1,580,427</u>	

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

Capital assets are recorded as assets on the statement of net position, but are recorded as expenditures in the funds:

Capital assets, net	992,615
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Developer advances	(1,507,005)
Bridge fees due to Colorado Springs	(239,902)

Net position of governmental activities	<u>\$ 1,807,441</u>
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>			
Intergovernmental - District No. 2	\$ 388,617	\$ 211,352	\$ 599,969
Intergovernmental - District No. 3	-	50,415	50,415
Investment income	-	773	773
Other income	13,680	-	13,680
<b>Total revenues</b>	<b>402,297</b>	<b>262,540</b>	<b>664,837</b>
<b><u>EXPENDITURES</u></b>			
Bank charges	4,000	-	4,000
Dues and fees	4,450	-	4,450
Insurance	249	-	249
Landscaping and maintenance	388,617	-	388,617
Legal	1,436	-	1,436
Management fees	12,207	-	12,207
Other	1,359	-	1,359
Debt service:			
Developer advance payments	-	132,915	132,915
<b>Total expenditures</b>	<b>412,318</b>	<b>132,915</b>	<b>545,233</b>
<b>Net change in fund balances</b>	<b>(10,021)</b>	<b>129,625</b>	<b>119,604</b>
Fund balances, beginning of year	991,327	1,450,802	2,442,129
<b>Fund balances, end of year</b>	<b>\$ 981,306</b>	<b>\$ 1,580,427</b>	<b>\$ 2,561,733</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

Net change in fund balances - governmental funds	\$	119,604
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Amounts reported for governmental activities in the statement of activities are different because:

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

Developer advance payments		132,915
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocations of the cost of any depreciable assets over the estimated useful lives of the assets. The effect of these differences is as follows:

Depreciation expense		(144,582)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The effect of these differences is as follows:

Capital asset conveyed to other governments		(8,458,937)
Bridge fees due to Colorado Springs		(239,902)

Change in net position of governmental activities	\$	(8,590,902)
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The accompanying notes and independent auditor's report  
should be read with these financial statements.



**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget Original and Final</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b><u>REVENUES</u></b>			
Development fees	\$ 423,500	\$ -	\$ (423,500)
Intergovernmental - District No. 2	20,100	388,617	368,517
Other income	-	13,680	13,680
<b>Total revenues</b>	<b>443,600</b>	<b>402,297</b>	<b>(41,303)</b>
<b><u>EXPENDITURES</u></b>			
Accounting and audit	6,000	-	6,000
Bank charges	200	4,000	(3,800)
Contingency	200,000	-	200,000
Developer advance payments	302,500	-	302,500
Dues and fees	4,000	4,450	(450)
Insurance	3,000	249	2,751
Landscaping and maintenance	-	388,617	(388,617)
Legal	10,000	1,436	8,564
Management fees	24,000	12,207	11,793
Other	500	1,359	(859)
<b>Total expenditures</b>	<b>550,200</b>	<b>412,318</b>	<b>137,882</b>
<b>Net change in fund balance</b>	<b>\$ (106,600)</b>	<b>(10,021)</b>	<b>\$ (179,185)</b>
Fund balance, beginning of year		991,327	
Fund balance, end of year		<b>\$ 981,306</b>	

See independent auditor's report

# WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2021

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#### 1. DEFINITION OF REPORTING ENTITY

Woodmen Heights Metropolitan District No. 1 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in July 2004, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County").

The District was organized in conjunction with Woodmen Heights Metropolitan District No. 2 ("District No. 2") and Woodmen Heights Metropolitan District No. 3 ("District No. 3") (collectively, the "Districts"). The District is responsible for managing the construction and operation of facilities and 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. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed for capital improvements and for operation, maintenance, and administrative costs.

Effective August 4, 2021, the Districts entered into a District Coordinating Services Agreement. Under this agreement, the District became the coordinating district, and District No. 2 and District No. 3 were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the Districts' boundaries and perform the administrative services on behalf of District No. 2 and District No. 3.

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

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

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

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Government-wide and fund financial statements

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Government-wide and fund financial statements (continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District 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: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and b) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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

Measurement focus, basis of accounting and financial statement position

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

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

The District reports the following major governmental funds:

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Budgets

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

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

Pooled cash and investments

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

Capital assets

Capital assets, which include property, 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 District as assets with an initial individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets of 20 years.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Net position

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

Fund balances

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

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

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

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

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

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 970,721
Cash and investments - restricted	<u>1,331,060</u>
	<u>\$ 2,301,781</u>

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

Deposits with financial institutions	\$ 983,121
Investments	<u>1,318,660</u>
	<u>\$ 2,301,781</u>

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

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

As of December 31, 2021, the District's cash deposits had a bank balance of \$977,866 and a carrying balance of \$983,121.

Investments

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Investments (continued)

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

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Governmental money markets	Weighted average under 60 days	<u>\$ 1,318,660</u>

The Wells Fargo Government Money Markets is a money market fund that is managed by Wells Fargo Funds Management, LLC, and each share is equal in value to \$1. The fund is rated AAAM and invests in high-quality, short-term US government securities. The average maturity of the underlying securities is 90 days or less.

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, is as follows:

	<u>Balance 1/1/2021</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions Reclass- ifications</u>	<u>Balance 12/31/2021</u>
<b>Governmental activities</b>				
Capital assets, being depreciated:				
Water and sewer systems	\$ 2,611,105	\$ -	\$ (2,611,105)	\$ -
Roads and drainage	10,263,398	-	(7,371,889)	2,891,509
Less accumulated depreciation	<u>(5,550,739)</u>	<u>(144,582)</u>	<u>3,796,427</u>	<u>(1,898,894)</u>
Capital assets, net	<u>\$ 7,323,764</u>	<u>\$ (144,582)</u>	<u>\$ (6,186,567)</u>	<u>\$ 992,615</u>
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 2,272,370</u>	<u>\$ -</u>	<u>\$ (2,272,370)</u>	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2021, totaled \$144,582.

Capital assets conveyed to the County for the year ended December 31, 2021, totaled \$8,458,937.

**5. LONG-TERM OBLIGATIONS**

Developer advances

The Districts' developers, under the direction of the boards of directors of the Districts, have made improvements within the Districts. These improvements are reimbursable by the Districts. The Districts have assigned multiple tiers to developer advances to prioritize which items should be repaid first based on relative urgency to the Districts. The boards of directors intend to authorize the Districts to pay these balances as soon as funds are available. The developer advances are unsecured and do not bear interest. Accordingly, the advances are classified as noncurrent in the statement of net position.

Bridge fees due to Colorado Springs

The District expects to remit bridge fees collected to the City of Colorado Springs ("City") in relation to the reimbursement for Marksheffel Road bridge improvements previously paid by the City. As of December 31, 2021, the bridge fees collected to date and expected to be remitted to the City totaled \$239,902. The District is still in negotiations with City regarding this obligation.

See independent auditor's report.



**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**6. NET POSITION**

The District has net position consisting of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2021, the District had net position invested in capital assets, net of related debt as follows:

Invested in capital assets, net of related debt:

Capital assets	\$ 992,615
Related long-term obligations	<u>(1,507,005)</u>

Invested in capital assets, net of related debt \$ (514,390)

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

Restricted net position:

Debt service (Note 5)	\$ 1,580,427
Emergency reserve (Note 9)	<u>12,400</u>

\$ 1,592,827

**7. RELATED PARTIES**

The developers of the property within the District is Case International Company, KF 103-CV, LLC, and Morley Companies Family Development, LLLP (Note 5). The members of the board of directors are officers, employees or associated with the developer and may have conflicts of interest in dealing with the District.

**8. RISK MANAGEMENT**

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**8. RISK MANAGEMENT (CONTINUED)**

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

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

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

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

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

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

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

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See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget Original and Final</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b><u>REVENUES</u></b>			
Development fees	\$ -	\$ -	\$ -
Intergovernmental - District No. 2	-	211,352	211,352
Intergovernmental - District No. 3	-	50,415	50,415
Investment income	-	773	773
<b>Total revenues</b>	<b>-</b>	<b>262,540</b>	<b>262,540</b>
<b><u>EXPENDITURES</u></b>			
Developer advance payments	-	132,915	(132,915)
<b>Total expenditures</b>	<b>-</b>	<b>132,915</b>	<b>(132,915)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>129,625</b>	<b>\$ 129,625</b>
Fund balance, beginning of year		1,450,802	
Fund balance, end of year		<b>\$ 1,580,427</b>	

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**

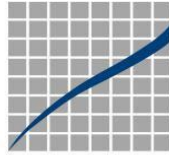
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Woodmen Heights Metropolitan District No. 2**  
Colorado Springs, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Woodmen Heights Metropolitan District No. 2 ("District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



## Other Matters

### *Required Supplementary Information*

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

### *Supplementary Information*

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 27, 2022

## **BASIC FINANCIAL STATEMENTS**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and investments - restricted	\$ 2,749,181
Receivable from County Treasurer	22,098
Due from District No. 3	3,884
Accounts receivable	75,610
Property taxes receivable	2,793,236
 Total assets	 5,644,009
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred balance on advance refunding of bonds	2,311,830
 Total deferred outflows of resources	 2,311,830
<b><u>LIABILITIES</u></b>	
Accounts payable	13,652
Due to District No. 1	211,352
Accrued interest payable	613,138
Noncurrent liabilities:	
Due within one year	985,000
Due in more than one year	46,904,000
 Total liabilities	 48,727,142
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	2,793,236
 Total deferred inflows of resources	 2,793,236
<b><u>NET POSITION</u></b>	
Restricted for:	
Debt service	1,926,187
Emergency reserve	18,100
Unrestricted	(45,508,826)
 Total net position	 \$ (43,564,539)

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b><u>PRIMARY GOVERNMENT</u></b>					
General government	\$ 838,735	\$ 1,155,601	\$ -	\$ -	\$ 316,866
Interest and related costs on long-term debt	2,260,711	-	-	-	(2,260,711)
<b>Total governmental activities</b>	<b>\$ 3,099,446</b>	<b>\$ 1,155,601</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,943,845)</b>
<b><u>GENERAL REVENUES</u></b>					
Property taxes					2,382,245
Specific ownership taxes					279,513
Intergovernmental - District No. 3					69,106
Recoveries					8,723
Investment income					487
<b>Total general revenues</b>					<b>2,740,074</b>
<b>Changes in net position</b>					<b>796,229</b>
<b>Net position, beginning of year</b>					<b>(44,360,768)</b>
<b>Net position, end of year</b>					<b>\$ (43,564,539)</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and investments - restricted	\$ 18,100	\$ 2,731,081	\$ 2,749,181
Receivable from County Treasurer	6,386	15,712	22,098
Due from District No. 3	-	3,884	3,884
Accounts receivable	75,610	-	75,610
Property taxes receivable	807,267	1,985,969	2,793,236
<b>Total assets</b>	<b>\$ 907,363</b>	<b>\$ 4,736,646</b>	<b>5,644,009</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 13,652	\$ -	13,652
Due to District No. 1	-	211,352	211,352
<b>Total liabilities</b>	<b>13,652</b>	<b>211,352</b>	<b>225,004</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	807,267	1,985,969	2,793,236
<b>Total deferred inflows of resources</b>	<b>807,267</b>	<b>1,985,969</b>	<b>2,793,236</b>
<b><u>FUND BALANCE</u></b>			
Restricted for:			
Debt service	-	2,539,325	2,539,325
Emergency reserve	18,100	-	18,100
Unassigned:			
General government	68,344	-	68,344
<b>Total fund balances</b>	<b>86,444</b>	<b>2,539,325</b>	<b>2,625,769</b>
<b>Total liabilities and fund balances</b>	<b>\$ 907,363</b>	<b>\$ 4,736,646</b>	
Amounts reported in governmental activities in the statement of net position are different because:			
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Long-term obligations			(47,889,000)
Deferred balance on advance refunding of bonds			2,311,830
Accrued interest payable			(613,138)
<b>Net position of governmental activities</b>			<b>\$ (43,564,539)</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Development fees	\$ -	\$ 1,155,601	\$ 1,155,601
Property taxes	688,480	1,693,765	2,382,245
Specific ownership taxes	80,781	198,732	279,513
Intergovernmental - District No. 3	-	69,106	69,106
Recoveries	8,723	-	8,723
Investment income	-	487	487
<b>Total revenues</b>	<b>777,984</b>	<b>3,117,691</b>	<b>3,895,675</b>
<b>EXPENDITURES</b>			
Accounting and audit	17,150	-	17,150
Bank charges	4	-	4
County Treasurer's fees	10,360	25,374	35,734
Dues	240	-	240
Engineering costs	-	-	-
Insurance	15,094	-	15,094
Intergovernmental - District No. 1	388,617	211,352	599,969
Legal	29,268	-	29,268
Management fees	105,600	-	105,600
Postage	138	-	138
Other fees	14,387	-	14,387
Repairs and maintenance	2,523	-	2,523
Utilities	18,628	-	18,628
Debt service:			
Bond principal payments	-	570,000	570,000
Interest expense	-	1,621,550	1,621,550
<b>Total expenditures</b>	<b>602,009</b>	<b>2,428,276</b>	<b>3,030,285</b>
<b>Net change in fund balances</b>	<b>175,975</b>	<b>689,415</b>	<b>865,390</b>
Fund balances, beginning of year	(89,531)	1,849,910	1,760,379
Fund balances, end of year	<b>\$ 86,444</b>	<b>\$ 2,539,325</b>	<b>\$ 2,625,769</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

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<u>Net change in fund balances - governmental funds</u>	\$	865,390
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Amounts reported for governmental activities in the statement of activities are different because:

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

<u>Bond principal payments</u>		570,000
<u>Deferred balance on advance refunding of bonds</u>		(290,128)

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

<u>Accrued interest payable - change in liability</u>		<u>(349,033)</u>
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<u>Change in net position of governmental activities</u>	<u>\$</u>	<u>796,229</u>
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Property taxes	\$ 680,692	\$ 682,442	\$ 688,480	\$ 6,038
Specific ownership taxes	47,648	80,812	80,781	(31)
Recoveries	-	8,719	8,723	4
<b>Total revenues</b>	<b>728,340</b>	<b>771,973</b>	<b>777,984</b>	<b>6,011</b>
<b><u>EXPENDITURES</u></b>				
Accounting and audit	8,500	8,500	17,150	(8,650)
Bank charges	-	-	4	(4)
Board of director fees	350,000	350,000	-	350,000
County Treasurer's fees	10,210	10,210	10,360	(150)
Dues	2,500	2,500	240	2,260
Insurance	12,000	12,000	15,094	(3,094)
Intergovernmental - District No. 1	-	-	388,617	(388,617)
Legal	30,000	30,000	29,268	732
Management fees	50,000	103,163	105,600	(2,437)
Postage	100	100	138	(38)
Other fees	7,500	7,500	14,387	(6,887)
Repairs and maintenance	-	-	2,523	(2,523)
Utilities	-	-	18,628	(18,628)
<b>Total expenditures</b>	<b>470,810</b>	<b>523,973</b>	<b>602,009</b>	<b>(78,036)</b>
<b>Net change in fund balance</b>	<b><u>\$ 257,530</u></b>	<b><u>\$ 248,000</u></b>	<b>175,975</b>	<b><u>\$ (72,025)</u></b>
Fund balance, beginning of year			(89,531)	
Fund balance, end of year			<b><u>\$ 86,444</u></b>	

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



# WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 2021

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#### 1. DEFINITION OF REPORTING ENTITY

Woodmen Heights Metropolitan the District No. 2 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in July 2004, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County").

The District was organized in conjunction with Woodmen Heights Metropolitan District No. 1 ("District No. 1") and Woodmen Heights Metropolitan District No. 3 ("District No. 3") (collectively, the "Districts"). District No. 1 is responsible for managing the construction and operation of facilities and 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. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed for capital improvements and for operation, maintenance, and administrative costs.

Effective August 4, 2021, the Districts entered into a District Coordinating Services Agreement. Under this agreement, District No. 1 became the coordinating district, and the District and District No. 3 were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the Districts' boundaries and perform the administrative services on behalf of the District and District No. 3.

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

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

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

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Government-wide and fund financial statements

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Government-wide and fund financial statements (continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District 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: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and b) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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

Measurement focus, basis of accounting and financial statement position

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

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

The District reports the following major governmental funds:

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Budgets

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

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

Pooled cash and investments

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

Property taxes

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Deferred outflows and inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. Accordingly, that item, deferred balance on advance refunding of bonds, is deferred and recognized as an outflow of resources over the term of the refinanced bonds.

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

Net position

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

Fund balances

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

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Fund balances (continued)

*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 District's policy to use the most restrictive classification first.

**3. CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments - restricted	<u>\$ 2,749,181</u>
	<u><u>\$ 2,749,181</u></u>

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

Deposits with financial institutions	\$ 1,248,206
Investments	<u>1,500,975</u>
	<u><u>\$ 2,749,181</u></u>

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Deposits with financial institutions

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

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

As of December 31, 2021, the District's cash deposits had a bank balance of \$1,271,131 and a carrying balance of \$1,248,206.

Investments

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

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Investments (continued)

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Governmental money markets	Weighted average under 60 days	<u>\$ 1,500,975</u>

The PNC Bank Premium Business Money Markets is a money market fund that is managed by PNC, and each share is equal in value to \$1. The fund is rated AAAM and invests in high-quality, short-term US government securities. The average maturity of the underlying securities is 90 days or less.

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS**

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

	Balance 1/1/2021	Additions	Repayments/ Accretion	Balance 12/31/2021	Due within one year
<b>General obligation bonds</b>					
Series 2020B-1					
Bonds	\$ 7,310,000	\$ -	\$ -	\$ 7,310,000	\$ 115,000
Series 2020B-2					
Bonds	6,714,000	-	-	6,714,000	-
Subtotal	14,024,000	-	-	14,024,000	115,000
<b>Other debt</b>					
Series 2020A					
Loan	34,435,000	-	(570,000)	33,865,000	870,000
Subtotal	34,435,000	-	(570,000)	33,865,000	870,000
<b>Total long-term obligations</b>	<b>\$ 48,459,000</b>	<b>\$ -</b>	<b>\$ (570,000)</b>	<b>\$ 47,889,000</b>	<b>\$ 985,000</b>

Series 2020 Obligations

On November 10, 2020, the District issued Series 2020A Loan ("Series 2020A Loan"); Series 2020B-1 Subordinate General Obligation Limited Tax Refunding and Improvement Bonds ("Series 2020B-1 Bonds"); and Series 2020B-2 Subordinate General Obligation Limited Tax Refunding and Improvement Bonds ("Series 2020B-2 Bonds"), (collectively, the "Series 2020 Obligations"). The Series 2020 Obligations were issued for the purpose of: (i) paying the costs of refunding the previously issued bonds; and (ii) paying issuance and other costs in connection with the Series 2020 Obligations. On the issuance date, the District and District No. 3 entered into an agreement ("Joint Funding Agreement"), and each district acknowledged itself jointly and severally indebted in the aggregate principal amount of the Series 2020 Obligations issued by the District (Note 6).

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

See independent auditor's report.



**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Series 2020 Obligations (continued)

The Series 2020 Obligations are secured by and payable from the pledged revenues consisting of monies derived by the District and District No. 3 from the following sources, net of any collection costs: (1) required mill levy, (2) facility fees, (3) the portion of the specific ownership tax which is collected as a result of imposition of the required mill levy and (4) any other legally available monies which the District and District No. 3 determine to be treated as pledged revenues. The Series 2020 Obligations are also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District and District No. 3 each year in an amount sufficient to pay the principal, premium if any, and interest on the Series 2020 Obligations as they become due and payable and to make up any deficiencies in the reserve fund. The maximum required mill levy is 33.398 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District and District No. 3. For collection year 2021, the District and District No. 3 levied 27.386 and 24.600 mills, respectively, for the debt service funds.

*Series 2020A Loan*

The Series 2020A Loan was issued in the amount of \$34,435,000. The loan bears interest at a rate of 3.59% per annum, payable to the extent of pledged revenues available on each December 15, and matures on December 1, 2035.

The District may, at its option, prepay the Series 2020A Loan, in whole or, with the consent of the lender, in part, on any payment date subject to the yield maintenance fee, if any, and a prepayment premium equal to a percentage of the principal as follows:

Date of Redemption	Redemption Premium
Through and including December 1, 2023	3.00%
June 1, 2024 to December 1, 2024	2.00%
June 1, 2025 to December 1, 2025	1.00%
June 1, 2026 and thereafter	0.00%

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2020 Obligations (continued)

*Series 2020A Loan (continued)*

The District's long-term obligations on the 2020A Series Loan are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 870,000	\$ 949,412	\$ 1,819,412
2023	895,000	924,349	1,819,349
2024	955,000	898,079	1,853,079
2025	985,000	870,531	1,855,531
2026	1,050,000	841,634	1,891,634
2027-2031	5,930,000	3,727,500	9,657,500
2032-2035	<u>23,180,000</u>	<u>2,067,520</u>	<u>25,247,520</u>
	<u>\$ 33,865,000</u>	<u>\$ 10,279,025</u>	<u>\$ 44,144,025</u>

*Series 2020A Loan events of default*

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

- a. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as required by the debt agreements and the Joint Funding Agreement.
- b. District No. 3 fails or refuses to impose the required mill levy as required by the debt agreements and the Joint Funding Agreement.
- c. The District fails or refuses to receive or apply the revenue received pursuant to the Joint Funding Agreement from District No. 3 as required by the Joint Funding Agreement.
- d. The District fails or refuses to collect or apply the pledge revenue and revenue pledged as required by the debt agreements and the Joint Funding Agreement.
- e. Monies in the loan payment account, when combined with monies applied to the extent necessary, from the reserve fund, are insufficient to pay the interest and/or principal amount payable to the lender when due.

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Series 2020 Obligations (continued)

*Series 2020A Loan events of default (continued)*

f. The District fails to observe or perform any of the material covenants, agreements, duties, or conditions on the part of the District in the agreement or the other financing documents to which it is a party, and the District fails to remedy the same to the satisfaction of the lender within 30 days after the District receives written notice from the lender of the occurrence of such failure.

g. Any representation or warranty made by the District in any financing document or any certificate, instrument, financial, or other statement furnished by the District to the lender, proves to have been untrue or incomplete in any material respect when made or deemed made.

h. The pledged revenue, the collateral, or any other security interest created fails to be fully enforceable with the priority required.

i. Any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest (including, without limitation, an appeal), pay, or satisfy such judgment or court order for 30 days (until which point that such order has been vacated or satisfied).

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Series 2020 Obligations (continued)

*Series 2020A Loan events of default (continued)*

k. (i) Either the District or District No. 3 commences any case, proceeding, or other action (a) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District or District No. 3 makes a general assignment for the benefit of its creditors; or (ii) commencement against the District or District No. 3 any case, proceeding, or other action of a nature remains undismissed; or (iii) commencement against the District or District No. 3 any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which have been vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof; (iv) the District or District No. 3 takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the District or District No. 3 generally do not or are unable to, or admit in writing its inability to pay its debts when due.

l. Any financing document or any material provision, (i) ceases to be valid and binding on the District or District No. 3 or is declared null and void, or the validity or enforceability thereof is contested by District or District No. 3 (unless being contested by the District or District No. 3 in good faith), or the District or District No. 3 denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created under the financing documents fails to be fully enforceable with the priority required.

m. The District or District No. 3 initiate, acquiesce, or consent to any proceedings to dissolve itself or to consolidate itself with other similar entities into a single entity, or the District or District No. 3 otherwise cease to exist.

n. The District fails to replenish the reserve fund to the reserve requirement within 180 days of any draw thereon.

o. Any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established become subject to any writ, judgment, warrant, attachment, execution, or similar process.

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2020 Obligations (continued)

*Series 2020A Loan remedies*

In addition to the application of the default rate, which means a rate per annum equal to the applicable fixed interest rate plus 4.00% per annum, or the post-maturity default rate, which means a rate per annum equal to the Wall Street Prime Rate in effect plus 2.00% per annum but limited to 7.29% per annum, upon the occurrence and during the continuance of any event of default, the lender, at its option, may do any one or more of the following:

- a. Exercise any and all remedies available.
- b. Apply all amounts constituting collateral to the amounts due, in any order of priority determined by the lender.
- c. Proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce its rights.
- d. Take any other action or exercise any other remedy available under the financing documents, at law or in equity.

Notwithstanding the foregoing or anything else herein to the contrary, except for the application of the default rate and, if applicable, the post-maturity default rate, no remedy will lie at law or in equity for any event of default consisting solely of the failure of the District to pay the principal of, interest on the loan when due, or to replenish the reserve fund to the amount of the reserve requirement, it being acknowledged by the lender that the amount of pledged revenue is limited; and (ii) acceleration will not be an available remedy for an event of default.

*Series 2020 General Obligation Bonds*

The Series 2020 Bonds were issued as follows: (a) Series 2020 B-1 Bonds in the amount of \$7,310,000; bearing interest at a rate of 6.25% per annum, payable to the extent of pledged revenues available on each December 15, and mature on December 1, 2040; and (b) Series 2020B-2 Bonds in the amount of \$6,714,000, bearing interest at a rate of 7.50% per annum, payable to the extent of pledged revenues available on each December 15, and mature on December 1, 2040.

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2020 Obligations (continued)

*Series 2020 General Obligation Bonds (continued)*

*Series 2020 Bonds optional redemption* - The Series 2020B-1 and Series 2020 B-2 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on or after December 15, 2025, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 15, 2025 to December 14, 2026	3.00%
December 15, 2026 to December 14, 2027	2.00%
December 15, 2027 to December 14, 2028	1.00%
December 15, 2028 and thereafter	0.00%

The District's long-term obligations on the 2020B-1 Series will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 115,000	\$ 456,560	\$ 571,560
2023	150,000	449,277	599,277
2024	160,000	441,080	601,080
2025	170,000	429,847	599,847
2026	225,000	419,688	599,847
2027-2031	1,750,000	1,826,564	599,847
2032-2036	2,210,000	1,191,876	3,540,056
2037-2040	2,530,000	472,500	3,578,309
	\$ 7,310,000	\$ 5,687,392	\$ 10,689,823

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Series 2020 Obligations (continued)

*Series 2020 General Obligation Bonds (continued)*

The Series 2020B-2 Bonds are structured as cash flow bonds, meaning that no regularly scheduled payments of principal are due prior to the maturity date of December 15, 2040, and interest payments not paid when due will accrue and compound until sufficient pledged revenue is available for payment. Accordingly, a maturity schedule is not provided for these amounts. In the event any amounts due and owing on the 2020B-2 Bonds remain outstanding after the application of all pledged revenue available therefor on December 16, 2050, such amounts will be deemed discharged and no longer be due and outstanding.

*Series 2020 Bonds events of default*

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

- i. The District or District No. 3 fails or refuses to impose the required mill levy or to apply the revenues derived therefrom as required by the funding agreement, or to apply the pledged revenue as required by the indentures.
- ii. The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the indentures or bond resolutions, and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied is given to the District by the trustee or the owners of 25% in aggregate principal amount of the bonds then outstanding.
- iii. The District or District No. 3 files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds or the funding agreement.

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Series 2020 Obligations (continued)

*Series 2020 Bonds remedies*

For so long as the Series 2020A Loan is outstanding: (i) no remedy or action taken may unduly prejudice the rights of the lender under the Series 2020A Loan agreement; and (ii) upon the occurrence and continuance of an event of default, if there is also loan agreement default outstanding, no remedy may be exercised without prior consent of the lender until the due and owing principal of and interest on the loan and such other amounts due and owing under the Series 2020A Loan agreement to the lender have been fully paid and satisfied. Upon the occurrence and continuance of an event of default, the trustee will have the following rights and remedies which may be pursued:

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

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

See independent auditor's report.



**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. NET POSITION**

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

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

Restricted net position:

Debt service (Note 4)	\$ 1,926,187
Emergency reserves (Note 9)	<u>18,100</u>
	<u>\$ 1,944,287</u>

The District's unrestricted net position as of December 31, 2021, totaled a deficit of \$45,508,826. This deficit amount was a result of the District's joint funding of the Series 2020 Obligations.

**6. JOINT FUNDING AGREEMENT**

On November 10, 2020, the District and District No. 3 entered into the Joint Funding Agreement, and each district acknowledged itself jointly and severally indebted in the aggregate principal amount of the Series 2020 Obligations. The District and District No. 3 agree to impose the required mill levy against their respective taxable properties, to impose and collect the facility fees, and to transmit to the custodian all funding agreement revenue. The debt created constitutes a limited tax general obligation of the District and District No. 3, payable solely from and to the extent of the funding agreement revenue. The funding agreement revenue is pledged to the payment of the general obligations and any refundings or refinancings thereof in accordance with their authorizing resolutions and the respective financing documents, and the general obligations and any refundings or refinancings thereof constitute an irrevocable lien upon the funding agreement revenue, but not necessarily an exclusive such lien. The funding agreement revenue consists of monies derived from the following sources, net of any collection costs: (i) required mill levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (iii) any other legally available monies which the District and District No. 3 determine to be treated as pledged revenues (Note 4).

**7. RELATED PARTIES**

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**8. RISK MANAGEMENT**

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

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

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

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

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

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

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

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

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See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b><u>REVENUES</u></b>				
Development fees	\$ 863,252	\$ 863,252	\$ 1,155,601	\$ 292,349
Property taxes	1,674,580	1,674,580	1,693,765	19,185
Specific ownership taxes	117,221	117,221	198,732	81,511
Intergovernmental - District No. 3	-	-	69,106	69,106
Investment income	-	-	487	487
<b>Total revenues</b>	<b><u>2,655,053</u></b>	<b><u>2,655,053</u></b>	<b><u>3,117,691</u></b>	<b><u>462,638</u></b>
<b><u>EXPENDITURES</u></b>				
Bond principal payments	1,743,086	1,743,086	570,000	1,173,086
County Treasurer's fees	25,119	25,119	25,374	(255)
Contingency	100	100	-	100
Intergovernmental - District No. 1	-	-	211,352	(211,352)
Interest expense	529,301	752,692	1,621,550	(868,858)
<b>Total expenditures</b>	<b><u>2,297,606</u></b>	<b><u>2,520,997</u></b>	<b><u>2,428,276</u></b>	<b><u>92,721</u></b>
<b>Net change in fund balance</b>	<b><u>\$ 357,447</u></b>	<b><u>\$ 134,056</u></b>	<b>689,415</b>	<b><u>\$ 555,359</u></b>
Fund balance, beginning of year			<u>1,849,910</u>	
Fund balance, end of year			<b><u>\$ 2,539,325</u></b>	

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**

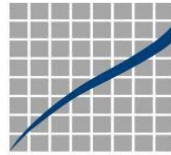
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**DECEMBER 31, 2021**

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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Woodmen Heights Metropolitan District No. 3**  
Colorado Springs, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Woodmen Heights Metropolitan District No. 3 ("District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



## Other Matters

### *Required Supplementary Information*

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

### *Supplementary Information*

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 27, 2022

## **BASIC FINANCIAL STATEMENTS**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<u><b>Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
Cash and investments - restricted	\$ 63,415
Receivable from County Treasurer	1,246
Property taxes receivable	<u>242,777</u>
 Total assets	 <u>307,438</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	1,490
Due to District No. 1	50,415
Due to District No. 2	<u>3,884</u>
 Total liabilities	 <u>55,789</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	<u>242,777</u>
 Total deferred inflows of resources	 <u>242,777</u>
<b><u>NET POSITION</u></b>	
Restricted for:	
Emergency reserve	600
Unrestricted	<u>8,272</u>
 Total net position	 <u>\$ 8,872</u>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b><u>PRIMARY GOVERNMENT</u></b>					
General government	\$ 140,725	\$ 50,415	\$ -	\$ -	\$ (90,310)
<b>Total governmental activities</b>	<u>\$ 140,725</u>	<u>\$ 50,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(90,310)</u>
<b><u>GENERAL REVENUES</u></b>					
Property taxes					83,386
Specific ownership taxes					15,796
<b>Total general revenues</b>					<u>99,182</u>
<b>Changes in net position</b>					<u>8,872</u>
<b>Net position, beginning of year</b>					<u>-</u>
<b>Net position, end of year</b>					<u>\$ 8,872</u>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments - restricted	\$ 9,116	\$ 54,299	\$ 63,415
Receivable from County Treasurer	1,246	-	1,246
Property taxes receivable	70,167	172,610	242,777
<b>Total assets</b>	<b>\$ 80,529</b>	<b>\$ 226,909</b>	<b>\$ 307,438</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,490	\$ -	\$ 1,490
Due to District No. 1		50,415	50,415
Due to District No. 2	-	3,884	3,884
<b>Total liabilities</b>	<b>1,490</b>	<b>54,299</b>	<b>55,789</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	70,167	172,610	242,777
<b>Total deferred inflows of resources</b>	<b>70,167</b>	<b>172,610</b>	<b>242,777</b>
<b><u>FUND BALANCE</u></b>			
Restricted for:			
Emergency reserve	600	-	600
Unassigned:			
General government	8,272	-	8,272
<b>Total fund balances</b>	<b>8,872</b>	<b>-</b>	<b>8,872</b>
<b>Total liabilities and fund balances</b>	<b>\$ 80,529</b>	<b>\$ 226,909</b>	<b>\$ 307,438</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>			
Development fees	\$ -	\$ 50,415	\$ 50,415
Property taxes	24,101	59,285	83,386
Specific ownership taxes	4,565	11,231	15,796
<b>Total revenues</b>	<b>28,666</b>	<b>120,931</b>	<b>149,597</b>
<b><u>EXPENDITURES</u></b>			
County Treasurer's fees	573	1,410	1,983
Dues and subscriptions	226	-	226
Insurance	2,630	-	2,630
Intergovernmental - District No. 1	-	50,415	50,415
Intergovernmental - District No. 2	-	69,106	69,106
Legal	3,165	-	3,165
Management fees	13,200	-	13,200
<b>Total expenditures</b>	<b>19,794</b>	<b>120,931</b>	<b>140,725</b>
<b>Net change in fund balances</b>	<b>8,872</b>	<b>-</b>	<b>8,872</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 8,872</b>	<b>\$ -</b>	<b>\$ 8,872</b>

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget Original and Final</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b><u>REVENUES</u></b>			
Property taxes	\$ 45,786	\$ 24,101	\$ (21,685)
Specific ownership taxes	3,205	4,565	1,360
Total revenues	48,991	28,666	(20,325)
<b><u>EXPENDITURES</u></b>			
Board fees	3,000	-	3,000
Contingency	50	-	50
County Treasurer's fees	687	573	114
Dues and subscriptions	1,000	226	774
Insurance	5,000	2,630	2,370
Legal	10,000	3,165	6,835
Management fees	5,000	13,200	(8,200)
Office and postage	100	-	100
Total expenditures	24,837	19,794	5,043
Excess of revenues over (under) expenditures	24,154	8,872	(15,282)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers (to) from other funds	(237,738)	-	237,738
Total other financing sources (uses)	(237,738)	-	237,738
Net change in fund balance	<u>\$ (213,584)</u>	8,872	<u>\$ 222,456</u>
Fund balance, beginning of year		-	
Fund balance, end of year		<u>\$ 8,872</u>	

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

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. DEFINITION OF REPORTING ENTITY**

Woodmen Heights Metropolitan District No. 3 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in July 2004, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County").

The District was organized in conjunction with Woodmen Heights Metropolitan District No. 1 ("District No. 1") and Woodmen Heights Metropolitan District No. 2 ("District No. 2") (collectively, the "Districts"). District No. 1 is responsible for managing the construction and operation of facilities and 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. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed for capital improvements and for operation, maintenance, and administrative costs.

Effective August 4, 2021, the Districts entered into a District Coordinating Services Agreement. Under this agreement, District No. 1 became the coordinating district, and District No. 2 and the District were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the Districts' boundaries and perform the administrative services on behalf of the District and District No. 3.

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

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

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

See independent auditor's report.



**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Government-wide and fund financial statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and b) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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

Measurement focus, basis of accounting and financial statement position

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

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

The District reports the following major governmental funds:

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

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

Budgets

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

Pooled cash and investments

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Property taxes

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

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

Deferred inflows of resources

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

Net position

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

Fund balances

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Fund balances (continued)

*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 District's policy to use the most restrictive classification first.

**3. CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments - restricted	<u><u>\$ 63,415</u></u>
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The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2021, are as follows:

Deposits with financial institutions	<u><u>\$ 63,415</u></u>
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See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Deposits with financial institutions

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

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

As of December 31, 2021, the District's cash deposits had a bank balance of \$63,910 and a book balance of \$63,415.

Investments

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

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

Investments (continued)

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

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

As of December 31, 2021, the District had no investments.

**4. NET POSITION**

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

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

Restricted net position:

Emergency reserve (Note 8)	<u><u>\$ 600</u></u>
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See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**5. JOINT FUNDING AGREEMENT**

On November 10, 2020, the District and District No. 2 entered into a Joint Funding Agreement, and each district acknowledged itself jointly and severally indebted in the aggregate principal amount of the general obligations issued by District No. 2. The District and District No. 2 agree to impose the required mill levy against their respective taxable properties, to impose and collect the facility fees, and transmit to the custodian all funding agreement revenue. The debt created constitutes a limited tax general obligation of the District and District No. 2, payable solely from and to the extent of the funding agreement revenue. The funding agreement revenue is pledged to the payment of the general obligations and any refundings or refinancings thereof in accordance with their authorizing resolutions and the respective financing documents, and the general obligations and any refundings or refinancings thereof constitute an irrevocable lien upon the funding agreement revenue, but not necessarily an exclusive such lien. The funding agreement revenue consists of monies derived from the following sources, net of any collection costs: (i) required mill levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (iii) any other legally available monies which the District and District No. 2 determine to be treated as pledged revenues. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District and District No. 2 each year in an amount sufficient to pay the principal, premium if any, and interest on the general obligations as they become due and payable and to make up any deficiencies in the reserve fund. The maximum required mill levy is 33.398 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District and District No. 2. For collection year 2021, the District and District No. 2 levied 24.600 and 27.386 mills, respectively, for the debt service funds.

**6. RELATED PARTIES**

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

**7. RISK MANAGEMENT**

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

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

See independent auditor's report.

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**7. RISK MANAGEMENT (CONTINUED)**

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

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

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

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

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

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

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See independent auditor's report.



## **SUPPLEMENTARY INFORMATION**

**WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget Original and Final</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b><u>REVENUES</u></b>			
Development fees	\$ -	\$ 50,415	\$ 50,415
Property taxes	112,634	59,285	(53,349)
Specific ownership taxes	7,884	11,231	3,347
Impact fees	38,000	-	(38,000)
<b>Total revenues</b>	<b>158,518</b>	<b>120,931</b>	<b>(37,587)</b>
<b><u>EXPENDITURES</u></b>			
County Treasurer's fees	1,690	1,410	280
Intergovernmental - District No. 1	-	50,415	(50,415)
Intergovernmental - District No. 2	156,828	69,106	87,722
<b>Total expenditures</b>	<b>158,518</b>	<b>120,931</b>	<b>37,587</b>
Excess of revenues over (under) expenditures	-	-	-
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers (to) from other funds	(237,738)	-	237,738
<b>Total other financing sources (uses)</b>	<b>(237,738)</b>	<b>-</b>	<b>237,738</b>
<b>Net change in fund balance</b>	<b><u>\$ (237,738)</u></b>	<b>-</b>	<b><u>\$ 237,738</u></b>
Fund balance, beginning of year		-	
Fund balance, end of year		<b><u>\$ -</u></b>	

See independent auditor's report