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

# FINANCIAL STATEMENTS

# DECEMBER 31, 2020

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Woodmen Heights Metropolitan District, Nos. 1, 2 & 3 ("Districts") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Districts as of December 31, 2020, the respective changes in financial position and the respective budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

BiggsKofford, P.C.

Colorado Springs, Colorado
July 30, 2021

# BASIC FINANCIAL STATEMENTS

# WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
## STATEMENT OF NET POSITION
## DECEMBER 31, 2020

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and investments | $ 1,933,560 |
| Cash and investments - restricted | 2,331,007 |
| Accounts receivable | 5,355 |
| Accounts receivable - County Treasurer | 28,522 |
| Property taxes receivable | 2,514,672 |
| Capital assets, not being depreciated: | |
| Construction in progress | 2,272,370 |
| Capital assets, net | 7,323,764 |
| Total assets | 16,409,250 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred loss on refunding | 2,601,958 |
| Total deferred outflows of resources | 2,601,958 |
| **LIABILITIES** | |
| Accounts payable | 95,936 |
| Accrued interest payable | 264,105 |
| General obligation limited tax bonds: | |
| Due within one year | 570,000 |
| Due in more than one year | 47,889,000 |
| Other noncurrent liabilities: | |
| Developer advances | 1,639,920 |
| Total liabilities | 50,458,961 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred property tax revenues | 2,514,672 |
| Total deferred inflows of resources | 2,514,672 |
| **NET POSITION** | |
| Net investments in capital assets | (5,550,739) |
| Restricted for: | |
| Debt service | 1,875,192 |
| Emergency reserve | 30,223 |
| Unrestricted | (30,317,101) |
| Total net position | $ (33,962,425) |

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

## WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
### STATEMENT OF ACTIVITIES
### YEAR ENDED DECEMBER 31, 2020

| | | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| **FUNCTIONS/PROGRAMS** | | | | | |
| **PRIMARY GOVERNMENT** | | | | | |
| General government | $ 1,628,043 | $ 1,504,549 | $ - | $ - | $ (123,494) |
| Interest and related costs on long-term debt | 3,650,553 | - | - | - | (3,650,553) |
| **Total primary government** | $ 5,278,596 | $ 1,504,549 | $ - | $ - | (3,774,047) |
| **GENERAL REVENUES** | | | | | |
| Property taxes | | | | | 2,705,992 |
| Specific ownership taxes | | | | | 293,991 |
| Investment income | | | | | 10,342 |
| Other income | | | | | 347,958 |
| **Total general revenues** | | | | | 3,358,283 |
| **Changes in net position** | | | | | (415,764) |
| **Net position, beginning of year** | | | | | (33,546,661) |
| **Net position, end of year** | | | | | $ (33,962,425) |

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

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

## BALANCE SHEETS
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2020

| | General Fund | Special Revenue Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and investments | $ 121,511 | $ 2,025,151 | $ - | $ 2,146,662 |
| Cash and investments - restricted | - | - | 2,117,905 | 2,117,905 |
| Accounts receivable | 5,355 | - | - | 5,355 |
| Accounts receivable - County Treasurer | - | 7,130 | 21,392 | 28,522 |
| Property taxes receivable | - | 726,761 | 1,787,911 | 2,514,672 |
| Total assets | $ 126,866 | $ 2,759,042 | $ 3,927,208 | 6,813,116 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 95,936 | $ - | $ - | 95,936 |
| Total liabilities | 95,936 | - | - | 95,936 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred property tax revenues | - | 726,761 | 1,787,911 | 2,514,672 |
| Total deferred inflows of resources | - | 726,761 | 1,787,911 | 2,514,672 |
| **FUND BALANCE** | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 2,139,297 | 2,139,297 |
| Emergency reserve | 30,223 | - | - | 30,223 |
| Assigned for: | | | | |
| General fund | - | 2,032,281 | - | 2,032,281 |
| Unassigned: | | | | |
| General government | 707 | - | - | 707 |
| Total fund balances | 30,930 | 2,032,281 | 2,139,297 | 4,202,508 |
| Total liabilities and fund balances | $ 126,866 | $ 2,759,042 | $ 3,927,208 | |

| | |
|---|---|
| Amounts reported in governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | |
| Capital assets, net | 7,323,764 |
| Construction in progress | 2,272,370 |
| Long-term liabilities, including bonds payable, and related amounts such as deferred loss on refunding, are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Deferred loss on refunding | 2,601,958 |
| Bonds payable | (48,459,000) |
| Developer advances | (1,639,920) |
| Accrued interest payable | (264,105) |
| Net position of governmental activities | $ (33,962,425) |

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

# WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
## STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## YEAR ENDED DECEMBER 31, 2020

| | General Fund | Special Revenue Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Development fees | $ - | $ 394,317 | $ 1,110,232 | $ 1,504,549 |
| Property taxes | - | 676,484 | 2,029,508 | 2,705,992 |
| Specific ownership taxes | - | 73,496 | 220,495 | 293,991 |
| Investment income | - | - | 10,342 | 10,342 |
| Other income | 9,400 | - | - | 9,400 |
| Total revenues | 9,400 | 1,144,297 | 3,370,577 | 4,524,274 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Audit | 16,526 | - | - | 16,526 |
| Bank charges | 389,770 | - | - | 389,770 |
| County Treasurer's fees | - | 10,148 | 30,446 | 40,594 |
| Dues | 3,435 | - | - | 3,435 |
| Insurance | 30,593 | - | - | 30,593 |
| Landscaping and maintenance | 381,671 | - | - | 381,671 |
| Legal | 37,329 | - | - | 37,329 |
| Management fees | 120,000 | - | - | 120,000 |
| Other | 13,207 | - | - | 13,207 |
| Postage | 675 | - | - | 675 |
| Professional fees | 10,118 | - | - | 10,118 |
| Repayment of developer advances | - | - | 618,219 | 618,219 |
| Capital Outlay: | | | | |
| Parks | 4,093 | - | - | 4,093 |
| Debt service: | | | | |
| Bond principal payments | - | - | 43,525,217 | 43,525,217 |
| Bond issuance costs | - | - | 596,976 | 596,976 |
| Interest expense | - | - | 6,281,555 | 6,281,555 |
| Total expenditures | 1,007,417 | 10,148 | 51,052,413 | 52,069,978 |
| Excess of revenues over (under) expenditures | (998,017) | 1,134,149 | (47,681,836) | (47,545,704) |

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

## WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
### STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
### GOVERNMENTAL FUNDS
### YEAR ENDED DECEMBER 31, 2020

| | General Fund | Special Revenue Fund | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Bond proceeds | - | - | 48,459,000 | 48,459,000 |
| Total other financing sources (uses) | - | - | 48,459,000 | 48,459,000 |
| Net change in fund balances | (998,017) | 1,134,149 | 777,164 | 913,296 |
| Fund balances, beginning of year | 1,028,947 | 898,132 | 1,362,133 | 3,289,212 |
| Fund balances, end of year | $ 30,930 | $ 2,032,281 | $ 2,139,297 | $ 4,202,508 |

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

# WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
## RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
## YEAR ENDED DECEMBER 31, 2020

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 913,296 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. In the statements 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. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows: | | |
| Depreciation expense | | (580,032) |
| 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 net effect of these differences is the treatment of long-term debt and related items as follows: | | |
| Bond proceeds | | (48,459,000) |
| Bond principal payments | | 43,525,217 |
| Repayment of developer advances | | 618,219 |
| Deferred loss on refunding | | 2,601,958 |
| 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: | | |
| Noncurrent accounts payable - change in liability | | 338,558 |
| Accrued interest payable - change in liability | | 626,020 |
| Changes in net position of governmental activities | $ | (415,764) |

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

# WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## YEAR ENDED DECEMBER 31, 2020

| | Budget | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Other income | $ - | $ - | $ 9,400 | $ 9,400 |
| Investment income | - | 267 | - | (267) |
| Total revenues | - | 267 | 9,400 | 9,133 |
| **EXPENDITURES** | | | | |
| Audit | 16,500 | 16,526 | 16,526 | - |
| Bank charges | 200 | 25 | 389,770 | (389,745) |
| Board of directors fees | 3,000 | 3,800 | - | 3,800 |
| Capital outlay | 700,000 | - | 4,093 | (4,093) |
| County Treasurer's fees | 10,142 | - | - | - |
| Dues | 4,000 | 4,000 | 3,435 | 565 |
| Elections | 10,000 | - | - | - |
| Insurance | 25,000 | 25,000 | 30,593 | (5,593) |
| Landscaping and maintenance | 350,000 | 390,000 | 381,671 | 8,329 |
| Legal | 60,000 | 30,000 | 37,329 | (7,329) |
| Management fees | 120,000 | 120,000 | 120,000 | - |
| Other | 11,000 | 12,669 | 13,207 | (538) |
| Postage | 500 | 250 | 675 | (425) |
| Professional fees | - | - | 10,118 | (10,118) |
| Repayment of developer advances | 423,500 | 553,586 | - | 553,586 |
| Contingency | 261,918 | - | - | - |
| Total expenditures | 1,995,760 | 1,155,856 | 1,007,417 | 148,439 |
| Net change in fund balance | $ (1,995,760) | $ (1,155,589) | (998,017) | $ 157,572 |
| Fund balance, beginning of year | | | 1,028,947 | |
| Fund balance, end of year | | | $ 30,930 | |

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

# WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
## SPECIAL REVENUE FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## YEAR ENDED DECEMBER 31, 2020

| | Budget | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Development fees | $1,023,500 | $ 554,422 | $ 394,317 | $ (160,105) |
| Investment income | 400 | - | - | - |
| Property taxes | 711,253 | 714,557 | 676,484 | (38,073) |
| Specific ownership taxes | - | - | 73,496 | 73,496 |
| Total revenues | 1,735,153 | 1,268,979 | 1,144,297 | (124,682) |
| **EXPENDITURES** | | | | |
| County Treasurer's fees | - | - | 10,148 | (10,148) |
| Total expenditures | - | - | 10,148 | (10,148) |
| Net change in fund balance | $1,735,153 | $1,268,979 | $1,134,149 | $ (134,830) |
| Fund balance, beginning of year | | | 898,132 | |
| Fund balance, end of year | | | $2,032,281 | |

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

### 1. DEFINITION OF REPORTING ENTITY

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

The Districts were formed to serve the needs of the Woodmen Heights development for the purpose of financing, construction and operation of improvements and infrastructure serving the Districts. District #1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District #2 and District #3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District #2 and District #3 are not component units of District #1.

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

District #2 and District #3 collect property taxes that are then remitted to District #1. The significance of District #2's and District #3's relationships with District #1 are such that exclusion from the reporting entity would be misleading.

Based on the application of these criteria, the financial statements of District #2 and District #3 are blended into District #1's financial statements. Separate financial statements for District #1, District #2 and District #3 can be obtained from the Districts (Kevin Walker, District Manager at 614 N. Tejon St., Colorado Springs, Colorado 80903).

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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

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

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

Measurement focus, basis of accounting and financial statement position

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

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

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

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

The Districts report the following major governmental funds:

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

*Special revenue fund* - A special revenue fund accounts for the general fund activity of District #2 and District #3 because these Districts are being presented as blended component units of District #1.

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

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

Budgets

In accordance with state budget law, the Districts' boards of directors hold public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The Districts' boards 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 Districts amended their annual budget for the year ended December 31, 2020.

The Districts incurred expenditures in excess of appropriations for the year ended December 31, 2020 in the special revenue fund and the debt service fund, which my be a violation of local government budget law. The District has indicated that it plans to amend the budget further.

Pooled cash and investments

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

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

### Property taxes

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

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

### 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 Districts as assets with an initial, individual cost of more than $500 and a useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

### Deferred inflows of resources

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

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

Equity

*Net position*

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

*Fund balance*

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: 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 boards of directors. The constraint may be removed or changed only through formal action of the boards 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 boards of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

## 3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Statement of net position: | |
| Cash and investments | $ 1,933,560 |
| Cash and investments - restricted | 2,331,007 |
| Total cash and investments | $ 4,264,567 |

Cash and investments as of December 31, 2020 consist of the following:

| | |
|---|---|
| Deposits with financial institutions | $ 1,820,549 |
| Investments | 2,444,018 |
| | $ 4,264,567 |

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, 2020, the Districts' cash deposits had a bank balance of $2,030,416 and a book balance of $1,820,549.

Investments

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

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

## 3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the boards 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 United States and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2020, the Districts had the following in investments:

| Investment | Maturity | Amount |
|---|---|---|
| Governmental money markets | Weighted average under 60 days | $ 2,444,018 |

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.

## 4. NOTE RECEIVABLE

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

On March 15, 2012 the PILOT Agreement was modified due to the issuance of the Series 2012A and 2012B Bonds. All of the PILOT Agreement payments due and payable in cash on or after April 1, 2013, were pledged to the payments of the Series 2012A and 2012B Bonds and will be used by the Districts for no other purpose except for PILOT Agreement payments permitted to be used for infrastructure improvements.

On August 17, 2015, the PILOT Agreement was modified due to the sale of 19.85 acres of land securing the Organization's obligation. This amendment reduced the principal amount of the PILOT agreement by $592,909, amended the 2005 deed of trust and resulted in new payment terms.

On July 21, 2016, the PILOT Agreement was modified due to the sale of 27.03 acres of land securing the Organization's obligation. This amendment reduced the principal amount of the PILOT agreement by $790,752, amended the 2005 deed of trust and resulted in new payment terms.

On July 19, 2017, the PILOT Agreement was modified due to the sale of 28.61 acres of land securing the Organization's obligation. This amendment reduced the principal amount of the PILOT agreement by $814,581, amended the 2005 deed of trust and resulted in new payment terms.

On January 1, 2020, the PILOT Agreement was modified due to the sale of 15.09 acres of land securing the Organization's obligation. This amendment reduced the principal amount of the PILOT to $611,54 as of August 17, 2018. This modification also stipulated payment terms and credits against future payments related to infrastructure improvements funded by the Organization and therefore increasing the property value and tax base.

## 4. NOTE RECEIVABLE

On November 5, 2020, the PILOT Agreement was modified to reflect the transfer of infrastructure by the Organization to the City on behalf of the District. As a result of this modification, the District received eligible infrastructure improvements sufficient to repay the Promissory Note in full and, accordingly, the PILOT Agreement is considered to be satisfied.

## 5. CAPITAL ASSETS

Capital assets largely consist of completed infrastructure and construction in process of road and bridge improvements, water and wastewater systems, drainage and landscaping. Capital asset activity for the year ended December 31, 2020 is as follows:

| | Balance 1/1/2020 | Additions/ Reclass- ifications | Dispositions Reclass- ifications | Balance 12/31/2020 |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | 2,272,370 | $ 599,988 | $ (599,988) | $ 2,272,370 |
| Total capital assets, not being depreciated | 2,272,370 | 599,988 | (599,988) | 2,272,370 |
| Capital assets, being depreciated: | | | | |
| Water and sewer systems | 2,611,105 | - | - | 2,611,105 |
| Roads and drainage | 10,263,398 | - | - | 10,263,398 |
| Total capital assets, being depreciated | 12,874,503 | - | - | 12,874,503 |
| Less: accumulated depreciation | 4,970,707 | 580,032 | - | 5,550,739 |
| Total capital assets, being depreciated, net | 7,903,796 | (580,032) | - | 7,323,764 |
| Governmental activities capital assets, net | $ 10,176,166 | $ 19,956 | $ (599,988) | $ 9,596,134 |

Depreciation expense for the year ended December 31, 2020 totaled $580,032.

See independent auditor's report.

## 6. LONG-TERM OBLIGATIONS

The following is a summary of changes in bonds payable during the year ended December 31, 2020:

| | Balance 1/1/2020 | Additions | Repayments/ Accretion | Balance 12/31/2020 | Due within one year |
|---|---|---|---|---|---|
| Series 2012A Bonds | $ 6,075,000 | $ - | $ (6,075,000) | $ - | $ - |
| Series 2012B Bonds | 19,841,680 | - | (19,841,680) | - | - |
| Series 2012B Accretion | 11,992,321 | - | (11,992,321) | - | - |
| Series 2014C Bonds | 5,616,216 | - | (5,616,216) | - | - |
| 2020 Loan | - | 34,435,000 | - | 34,435,000 | 570,000 |
| Series 2020B-1 Bonds | - | 7,310,000 | - | 7,310,000 | - |
| Series 2020B-2 Bonds | - | 6,714,000 | - | 6,714,000 | - |
| | $ 43,525,217 | $ 48,459,000 | $(43,525,217) | $ 48,459,000 | $ 570,000 |

Series 2012A Bonds and Series 2012B Series Bonds

During 2012, the Districts issued new bonds to replace the 2005 Series Bonds with the existing bondholder. The bonds were reissued in two separate issuances: Series 2012A and Series 2012B Bonds for a combined amount of $30,707,680. The interest rate on the 2012A Bonds is 6.00% per annum and the rate on the Series 2012B Bonds is 7.30% per annum. The Series 2012A Bonds mature on December 1, 2041 and the Series 2012B Bonds mature on December 15, 2041. The Districts were also authorized in this reissue to be able to issue Series C Bonds which the Districts could use to settle the developer advances and other current liabilities. The Series C Bonds were authorized during 2014 as outlined below.

## 6. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2012A Bonds and Series 2012B Series Bonds (continued)

The interest on the Series 2012A and 2012B Bonds will be paid from pledged revenues including property taxes, specific ownership taxes, PILOT Agreement proceeds and facility fees received from District #2 and District #3. The Series 2012B Bonds are subordinate to the 2012A Bonds. The Series 2012A Bonds debt service payments began on June 15, 2012. The Series 2012B Bonds debt service payments were delayed until December 15, 2017, at which time the accrued interest and principal on the Series 2012B Bonds had accreted to a total of $36,000,000. Payments of interest and principal for the Series 2012B Bonds began in 2018. These bonds were defeased during 2020 with the issuance of the 2020 Series Bonds.

Series 2014C Bonds

During 2015, the Districts issued Series C bonds (which were authorized in 2014) of $6,100,000 for the purpose of reimbursing the Districts' developers. These bonds bear interest at 3.00% per annum. Interest is payable annually beginning December 15, 2015. These bonds mature December 15, 2041.

The interest on Series 2014C Bonds will be paid from the second subordinate pledged revenues including the Funding Agreement and PILOT Agreement proceeds. The Series 2014C bonds are subordinate to both the Series 2012A and Series 2012B Bonds, and payment on the Series 2014C Bonds will not be allowed until Series A and Series B bonds have been fully repaid. Accordingly, these amounts are excluded from the maturity schedule below. These bonds were paid in full during 2020 with the issuance of the 2020 Series Bonds.

2020 Loan

During 2020 the District entered into a taxable loan agreement with a financial institution in the amount of $34,435,000. The loan bears interest at a rate of 3.59% per annum and matures on December 1 2035. The proceeds of the bond were used to defease the District's Series 2012A and Series 2012B Bonds and repay its Series 2014C Bonds.

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

## 6. LONG-TERM OBLIGATIONS (CONTINUED)

2020 Loan (continued)

The loan is secured by and payable from the pledged revenues consisting of monies derived by the Districts from the following sources, net of any collection costs: (1) required mill levy, (2) capital 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 determines to be treated as pledged revenues. The loan is also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the Districts each year in an amount sufficient to pay the principal, premium if any, and interest on the loan as the same 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 Districts.

Annual requirements on the 2020 Loan are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 570,000 | $ 1,250,293 | $ 1,820,293 |
| 2022 | 870,000 | 1,213,186 | 2,083,186 |
| 2023 | 895,000 | 1,181,880 | 2,076,880 |
| 2024 | 955,000 | 1,152,729 | 2,107,729 |
| 2025 | 985,000 | 1,115,199 | 2,100,199 |
| 2026-2030 | 5,695,000 | 5,008,722 | 10,703,722 |
| 2031-2035 | 24,465,000 | 3,837,986 | 28,302,986 |
| | $ 34,435,000 | $ 14,759,995 | $ 49,194,995 |

The loan is  subject to repayment prior to maturity, at the option of the District, upon payment of accrued interest and a repayment premium of a percentage of the principal amount so redeemed, as follows:

| Date of Repayment | Payment Premium |
|---|---|
| Through December 1, 2023 | 3.00% |
| June 1, 2024 to December 1, 2024 | 2.00% |
| June 1, 2025 to December 1, 2025 | 1.00% |

See independent auditor's report.

## 6. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020B-1 Bonds

During 2020, the Districts issued subordinate general obligation limited tax refunding bonds, Series 2020B-1 in the amount of $7,310,000. The bonds bears interest at a rate of 6.25% per annum and mature on December 15, 2040. The Bonds are subject to redemption prior to maturity, at the option of the District on or after December 15, 2025, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal. The proceeds of the bond were used to defease the Districts' Series 2012A and Series 2012B Bonds and repay its Series 2014C Bonds.

The District is required, pursuant to the bond agreements, to maintain loan payment and reserve 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.

The bonds are secured by and payable from the pledged revenues consisting of monies derived by the Districts from the following sources, net of any collection costs: (1) required mill levy, (2) capital 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 Districts determines to be treated as pledged revenues. The bonds 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 Districts each year in an amount sufficient to pay the principal, premium if any, and interest on the loan as the same 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 Districts. The Series 2020B-1 bonds are subordinate to the 2020 Loan.

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

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ - | $ 463,220 | $ 463,220 |
| 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 - 2030 | 1,570,000 | 1,921,447 | 3,491,447 |
| 2031 - 2035 | 2,215,000 | 1,325,056 | 3,540,056 |
| 2036 - 2040 | 2,930,000 | 648,309 | 3,578,309 |
| | $ 7,310,000 | $ 6,134,796 | $ 13,444,796 |

## 6. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020B-1 Bonds (continued)

The bonds are subject to redemption prior to maturity, at the option of the District 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% |

Series 2020B-2 Bonds

During 2020, the Districts issued subordinate general obligation limited tax refunding bonds, Series 2020B-2 in the amount of $6,714,000. The bonds bears interest at a rate of 7.50% per annum and mature on December 15, 2040. The proceeds of the bond were used to defease the Districts' Series 2012A and Series 2012B Bonds and repay its Series 2014C Bonds.

The District is required, pursuant to the bond agreements, to maintain loan payment and reserve 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.

The bonds are secured by and payable from the pledged revenues consisting of monies derived by the Districts from the following sources, net of any collection costs: (1) required mill levy, (2) capital 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 Districts determine to be treated as pledged revenues. The bonds 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 Districts each year in an amount sufficient to pay the principal, premium if any, and interest on the loan as the same 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 Districts. The Series 2020B-2 bonds are subordinate to the 2020 Loan and the Series 2020B-1 bonds and will be paid as funds become available. Accordingly, a maturity schedule is not provided for these amounts.

## 6. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020B-2 Bonds (continued)

The bonds are subject to redemption prior to maturity, at the option of the Districts 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% |

Authorized debt

Voters authorized the Districts to incur a maximum of $484,000,000 of debt. As of December 31, 2020 the District has $397,746,999 in authorized but unissued debt. The Districts' total debt is limited by their service plans with the City to a maximum of $60,000,000. The City has agreed that it will not count the 2012 bonds against the $60,000,000 service plan limit.

## 7. NET POSITION

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

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

As of December 31, 2020, the Districts had net investments in capital assets as follows:

| | Government Activities |
|---|---|
| Net investments in capital assets: | |
| Capital assets, net | $ 7,323,764 |
| Outstanding noncurrent obligations | (12,874,503) |
| Net investments in capital assets | $ (5,550,739) |

See independent auditor's report.

## 7. NET POSITION (CONTINUED)

Restricted positions include net positions that are subject to restrictions for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Districts had a restricted net position of as of December 31, 2020 as follows:

| | |
|---|---|
| Restricted net position: | |
| Emergencies (Note 12) | $ 30,223 |
| Debt service (Note 6) | 1,875,192 |
| | $ 1,905,415 |

The Districts' unrestricted net position as of December 31, 2020 totaled a deficit of $30,317,101. This deficit amount was a result of the Districts' responsibility for the repayment of general obligation bonds related to assets contributed to other governments.

## 8. INTERGOVERNMENTAL AGREEMENT

In 2005, District #1 entered into an Intergovernmental Agreement and a related Joint Funding Agreement with District #2 and District #3. On March 15, 2012, the Joint Funding Agreement was amended and restated due to the issuance of the Series 2012A Bonds. District #2 and District #3 function as financing Districts. The intent of the agreements is for the Districts to coordinate activities with respect to the financing, construction, operation and maintenance of the public improvements necessary to serve development within District #2 and District #3, which is generally anticipated to consist of residential development in District #2 and commercial development in District #3.

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

## 9. JOINT USE AGREEMENT

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

## 10. RELATED PARTIES

The Developers of the property which constitutes the Districts are Case International Company, KF 103-CV, LLC and Morley Companies Family Development, LLLP. Certain members of the boards of directors are officers of, employees of, or associated with the developers and may have conflicts of interest in dealing with the Districts.

Developer advances

To continue the development within the Districts, 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. Accordingly, the advances are classified as non-current. The developer advances are unsecured and do not bear interest.

## 11. RISK MANAGEMENT

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

The Districts are members of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

## 12. 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.

## 12. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

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

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

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# SUPPLEMENTARY INFORMATION

# WOODMEN HEIGHTS METROPOLITAN DISTRICT, NOS. 1, 2 & 3
## DEBT SERVICE FUND
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## YEAR ENDED DECEMBER 31, 2020

| | Budget | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Development fees | $ 483,013 | $ 896,936 | $ 1,110,232 | $ 213,296 |
| Property taxes | 2,028,402 | 2,028,505 | 2,029,508 | 1,003 |
| Specific ownership taxes | 141,989 | 147,449 | 220,495 | 73,046 |
| Investment income | - | 5,789 | 10,342 | 4,553 |
| Total revenues | 2,653,404 | 3,078,679 | 3,370,577 | 291,898 |
| **EXPENDITURES** | | | | |
| County Treasurer's fees | 30,426 | - | 30,446 | (30,446) |
| Bank charges | 6,000 | - | - | - |
| Repayment of developer advances | - | - | 618,219 | (618,219) |
| Bond refunding | - | 49,574,000 | 43,410,217 | 6,163,783 |
| Bond principal payments | 115,000 | 115,000 | 115,000 | - |
| Bond issuance costs | - | - | 596,976 | (596,976) |
| Contingency | 2,000 | - | - | - |
| Interest expense | 2,992,500 | 364,500 | 6,281,555 | (5,917,055) |
| Total expenditures | 3,145,926 | 50,053,500 | 51,052,413 | (998,913) |
| Excess of revenues over (under) expenditures | (492,522) | (46,974,821) | (47,681,836) | (707,015) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Bond proceeds | - | 49,574,000 | 48,459,000 | (1,115,000) |
| Transfer to (from) other funds | - | (2,599,179) | - | 2,599,179 |
| Total other financing sources | - | 46,974,821 | 48,459,000 | 1,484,179 |
| Net change in fund balance | $ (492,522) | $ - | 777,164 | $ 777,164 |
| Fund balance, beginning of year | | | 1,362,133 | |
| Fund balance, end of year | | | $ 2,139,297 | |

See independent auditor's report.