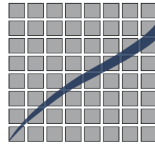


WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2023

TABLE OF CONTENTS

Independent auditor's report	i
<hr/>	
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	1
Statement of activities	2
<hr/>	
Fund financial statements	
Balance sheets - governmental funds	3
Statements of revenues, expenditures, and changes in fund balances - governmental funds	4
Reconciliation of the statements of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	5
General fund - statement of revenues, expenditures, and changes in fund balance (budget and actual)	6
Notes to financial statements	7
<hr/>	
SUPPLEMENTARY INFORMATION	
Debt service fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual)	23
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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Woodmen Heights Metropolitan District No. 2

El Paso County, Colorado

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, 2023, 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, 2023, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 30, 2024

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

DECEMBER 31, 2023

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 3,639,616
Cash and investments - restricted	3,190,934
Accounts receivable	235,762
Receivable from County Treasurer	23,283
Property taxes receivable	3,419,686
Due from District No. 3	44,606
Capital assets:	
Construction in progress	2,490,287
Total assets	<u>13,044,174</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred balance on advance refunding of bonds	1,979,814
Total deferred outflows of resources	<u>1,979,814</u>
<u>LIABILITIES</u>	
Accounts payable	34,851
Due to District No. 3	106,804
Accrued interest	75,970
Noncurrent liabilities:	
Due in more than one year	46,731,455
Due within one year	1,115,000
Total liabilities	<u>48,064,080</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	3,419,686
Total deferred inflows of resources	<u>3,419,686</u>
<u>NET POSITION</u>	
Restricted for:	
Debt service	5,804,478
Emergency reserve	23,800
Unrestricted	(42,288,056)
Total net position	<u>\$ (36,459,778)</u>

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, 2023

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government activities:				
General government	\$ 714,879	\$ 359,566	\$ -	\$ 2,383,483
Interest and related costs on long-term debt	2,148,337	-	-	-
Total government activities	<u>\$ 2,863,216</u>	<u>\$ 359,566</u>	<u>\$ -</u>	<u>\$ 2,383,483</u>
GENERAL REVENUES				
Intergovernmental revenues - park obligation platting fees from District No. 3				22,792
Intergovernmental revenues - bridge obligation and Marksheffel Road extension fees from District No. 3				1,786
Intergovernmental revenues - facility platting fees from District No. 3				17,857
Intergovernmental revenues - taxes from District No. 3				230,464
Property taxes				2,897,157
Specific ownership taxes				303,090
Investment income				126,163
Total general revenues				<u>3,599,309</u>
Change in net position				<u>3,479,142</u>
Net position, beginning of year				<u>(39,938,920)</u>
Net position, end of year				<u>\$ (36,459,778)</u>

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, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 3,639,616	\$ -	\$ 3,639,616
Cash and investments - restricted	23,800	3,167,134	3,190,934
Accounts receivable	235,762	-	235,762
Receivable from County Treasurer	6,729	16,554	23,283
Property taxes receivable	905,211	2,514,475	3,419,686
Due from District No. 3	44,606	-	44,606
Due from other funds	-	2,696,760	2,696,760
Total assets	\$ 4,855,724	\$ 8,394,923	\$ 13,250,647
LIABILITIES			
Accounts payable	\$ 34,851	\$ -	\$ 34,851
Due to District No. 3	106,804	-	106,804
Due to other funds	2,696,760	-	2,696,760
Total liabilities	2,838,415	-	2,838,415
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	905,211	2,514,475	3,419,686
Total deferred inflows of resources	905,211	2,514,475	3,419,686
FUND BALANCES			
Restricted for:			
Debt service	-	5,880,448	5,880,448
Emergency reserve	23,800	-	23,800
Unassigned:			
Unrestricted	1,088,298	-	1,088,298
Total fund balances	1,112,098	5,880,448	6,992,546
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,855,724	\$ 8,394,923	
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:			
Construction in progress			2,490,287
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Long term obligations			(47,846,455)
Accrued interest on bonds payable			(75,970)
Deferred balance on advance refunding of bonds			1,979,814
Net position of governmental activities			\$ (36,459,778)

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, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Facility fees	\$ -	\$ 315,582	\$ 315,582
Park obligation platting fees	12,567	-	12,567
Bridge obligation and Marksheffel Road extension fees	2,856	-	2,856
Facility platting fees	28,561	-	28,561
Intergovernmental revenues - park obligation platting fees from District No. 3	22,792	-	22,792
Intergovernmental revenues - bridge obligation and Marksheffel Road extension fees from District No. 3	1,786	-	1,786
Intergovernmental revenues - facility platting fees from District No. 3	17,857	-	17,857
Intergovernmental revenues - taxes from District No. 3	-	230,464	230,464
Property taxes	837,300	2,059,857	2,897,157
Specific ownership taxes	87,595	215,495	303,090
Investment income	-	126,163	126,163
Total revenues	1,011,314	2,947,561	3,958,875
<u>EXPENDITURES</u>			
Current:			
Capital outlay	106,804	-	106,804
County Treasurer fees	12,560	30,898	43,458
Dues and subscriptions	1,238	-	1,238
Election	1,716	-	1,716
Insurance	28,075	-	28,075
Management fees	123,600	-	123,600
Professional fees	66,793	-	66,793
Repair and maintenance	21,833	-	21,833
Landscaping and maintenance	428,165	-	428,165
Debt service:			
Bond principal payments	-	1,045,000	1,045,000
Bond interest payments	-	1,133,276	1,133,276
Paying agent fees	-	6,000	6,000
Total expenditures	790,784	2,215,174	3,005,958
Excess of revenues over expenditures	220,530	732,387	952,917
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers to other funds	(1,329,685)	1,329,685	-
Total other financing sources and uses	(1,329,685)	1,329,685	-
Net change in fund balances	(1,109,155)	2,062,072	952,917
Fund balances, beginning of year	2,221,253	3,818,376	6,039,629
Fund balances, end of year	\$ 1,112,098	\$ 5,880,448	\$ 6,992,546

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, 2023

Net change in fund balances	\$	952,917
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Amounts reported for governmental activities in the statement of activities are different because:

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 allocation of the cost of any depreciable assets over the estimated useful lives of the assets. Capital outlay and the conveyance of capital assets to other governments in the current period are as follows:

<u>Capital outlay</u>		106,804
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The issuance of long-term debt (such as bonds, leases, and developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

<u>Bond and loan principal payments</u>		1,045,000
<u>Deferred balance on advance refunding of bonds</u>		(166,008)

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

<u>Capital assets contributed to the District</u>		2,383,483
<u>Change in accrued interest on bonds payable</u>		(843,054)

<u>Change in net position</u>	<u>\$</u>	<u>3,479,142</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, 2023

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Facility fees	\$ -	\$ -	\$ -
Park obligation platting fees	-	12,567	12,567
Bridge obligation and Marksheffel Road extension fees	-	2,856	2,856
Facility platting fees	-	28,561	28,561
Intergovernmental revenues - park obligation platting fees from District No. 3	-	22,792	22,792
Intergovernmental revenues - bridge obligation and Marksheffel Road extension fees from District No. 3	-	1,786	1,786
Intergovernmental revenues - facility platting fees from District No. 3	-	17,857	17,857
Property taxes	836,559	837,300	741
Specific ownership taxes	58,559	87,595	29,036
Total revenues	895,118	1,011,314	116,196
<u>EXPENDITURES</u>			
Board of directors fee	6,000	-	6,000
Capital outlay	1,400,000	106,804	1,293,196
Contingency	30,000	-	30,000
County Treasurer fees	12,548	12,560	(12)
Dues and subscriptions	1,500	1,238	262
Election	7,500	1,716	5,784
Insurance	20,000	28,075	(8,075)
Landscaping and maintenance	425,000	428,165	(3,165)
Management fees	120,000	123,600	(3,600)
Postage	500	-	500
Professional fees	34,325	66,793	(32,468)
Repair and maintenance	50,000	21,833	28,167
Storm water	30,000	-	30,000
Total expenditures	2,137,373	790,784	1,346,589
Excess of revenues over expenditures	(1,242,255)	220,530	1,462,785
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers to other funds	-	(1,329,685)	(1,329,685)
Total other financing sources and uses	-	(1,329,685)	(1,329,685)
Net change in fund balance	\$ (1,242,255)	(1,109,155)	\$ 133,100
Fund balance, beginning of year		2,221,253	
Fund balance, end of year		\$ 1,112,098	

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, 2023

1. DEFINITION OF REPORTING ENTITY

Woodmen Heights Metropolitan 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, 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. The District 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. 2 were designated as the financing districts. Under this agreement, District No. 1 continued to own, operate, and maintain public improvements within the Districts' boundaries and perform the administrative services on behalf of the District and District No. 2. Since January 1, 2023, District No. 1 intended to dissolve and the District and District No. 2 operated without District No. 1 as the coordinating district.

At a board of directors meeting on November 8, 2023, the board of directors of District No. 1 approved a resolution to begin the dissolution of District No. 1. As part of the dissolution process, assets held by District No. 1 will be transferred to District No. 2.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

Measurement focus, basis of accounting, and financial statement position

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

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

The District reports the following major governmental funds:

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

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

Budgets

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

Pooled cash and investments

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

Property taxes

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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

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

Interfund balances and transactions

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

During the year ended December 31, 2023, \$1,329,685 was transferred from the general fund to the debt service fund in order to allocate facility fees collected during 2022 as pledged revenue restricted for the debt service fund.

Net position and fund balances

Net position

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

Fund balances

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

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

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

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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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

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

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

Use of estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date of these financial statements were available to be issued.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 3,639,616
Cash and investments - restricted	<u>3,190,934</u>
	<u>\$ 6,830,550</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2023, are as follows:

Deposits with financial institutions	\$ 3,663,416
Investments	<u>3,167,134</u>
	<u>\$ 6,830,550</u>

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, 2023, the District's cash deposits had a bank balance of \$3,665,714 and a carrying balance of \$3,663,416.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Investments

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

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

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

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

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

As of December 31, 2023, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
PNC Bank Premium Business Money Markets	Weighted average under 60 days	\$ 2,430,134
Morgan Stanley Institutional Liquidity Funds Treasury Portfolio	Weighted average under 50 days	<u>737,000</u>
Total investments		<u>\$ 3,167,134</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.

The Morgan Stanley Institutional Liquidity Funds Treasury Portfolio is a money market fund that is managed by Morgan Stanley, 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 50 days or less.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, is as follows:

	Balance 01-01-23	Additions	Dispositions	Reclassifications	Balance 12-31-23
<u>Governmental activities</u>					
Capital assets, not depreciable:					
Construction in progress	\$ -	\$ 2,490,287	\$ -	\$ -	\$ 2,490,287
Capital assets, not depreciable	<u>\$ -</u>	<u>\$ 2,490,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,490,287</u>

On September 21, 2023, the District entered into an agreement with TC LB Aspen Meadows LP in which TC LB Aspen Meadows LP contributed land with an estimated value of \$2,383,483 to the District.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2023:

	Balance 01-01-23	Additions	Repayments / Amortization	Balance 12-31-23	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2020B-1 Bonds	\$ 7,195,000	\$ -	\$ (150,000)	\$ 7,045,000	\$ 160,000
Series 2020B-2 Bonds	6,714,000	-	-	6,714,000	-
Accrued interest on Series 2020B-1 Bonds	18,737	451,082	(196,218)	273,601	-
Accrued interest on Series 2020B-2 Bonds	1,123,546	590,308	-	1,713,854	-
Total bonds	<u>15,051,283</u>	<u>1,041,390</u>	<u>(346,218)</u>	<u>15,746,455</u>	<u>160,000</u>
Other long-term obligations:					
Series 2020A Loan	32,995,000	-	(895,000)	32,100,000	955,000
Total other long-term obligations	<u>32,995,000</u>	<u>-</u>	<u>(895,000)</u>	<u>32,100,000</u>	<u>955,000</u>
Total long-term obligations	<u>\$ 48,046,283</u>	<u>\$ 1,041,390</u>	<u>\$ (1,241,218)</u>	<u>\$ 47,846,455</u>	<u>\$ 1,115,000</u>

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 7).

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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.

Series 2020 Obligations pledged revenues

Pledged revenue means moneys derived by the District and District No. 3 from the following sources:

- a. Funding agreement revenue derived from the 2020 Joint Funding Agreement (Note 7).
- b. Any other legally available moneys which the District or District No. 3 determines in its sole discretion to apply to pledged revenue.

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 mill levy is adjusted for changes in the ratio of actual value to assessed value of property within the District and District No. 3.

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.

Optional redemption of Series 2020A Loan

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:

<u>Date of Redemption</u>	<u>Premium Redemption</u>
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%

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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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. Moneys 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.

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.

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 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 has been vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof; or (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 does or is unable to, or admits 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 initiates, acquiesces, or consents 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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

- 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.

Series 2020A Loan default 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 (i) the amount of pledged revenue is limited; and (ii) acceleration will not be an available remedy for an event of default.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 955,000	\$ 911,640	\$ 1,866,640
2025	985,000	884,518	1,869,518
2026	1,050,000	856,544	1,906,544
2027	1,075,000	826,724	1,901,724
2028	1,145,000	796,194	1,941,194
2029 - 2033	6,460,000	3,466,930	9,926,930
2034 - 2035	20,430,000	1,118,534	21,548,534
 Total	 <u>\$ 32,100,000</u>	 <u>\$ 8,861,084</u>	 <u>\$ 40,961,084</u>

Series 2020B 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 maturing 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 maturing on December 1, 2040.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Redemption of Series 2020B Bonds

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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
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 Series 2020B-1 Bonds mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 160,000	\$ 440,313	\$ 600,313
2025	170,000	430,313	600,313
2026	225,000	419,688	644,688
2027	295,000	405,625	700,625
2028	325,000	387,188	712,188
2029 - 2033	2,055,000	1,598,126	3,653,126
2034 - 2038	2,135,000	918,438	3,053,438
2038 - 2040	1,680,000	181,563	1,861,563
Total	<u>\$ 7,045,000</u>	<u>\$ 4,781,254</u>	<u>\$ 11,826,254</u>

During the year ended December 31, 2023, the District remitted \$346,218 to the trustee to pay interest on the Series 2021B-1 Bonds. The trustee applied \$150,000 of the remittance towards principal on the Series 2021B-1 Bonds. The District has evaluated the remittance towards principal and decided to make an additional payment of interest only subsequent to December 31, 2023 of \$150,000 to pay the interest owed that was applied to principal.

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 therefore on December 16, 2050, such amounts will be deemed discharged and no longer be due and outstanding.

Series 2020B 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 Joint Funding Agreement, or to apply the pledged revenue as required by the indentures.
- ii. Any funding agreement default that is not adequately remedied.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

iii. 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.

iv. 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 Joint 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.

Series 2020B Bonds default 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

DECEMBER 31, 2023

Debt authorization

As of December 31, 2023, the Districts' debt authorized, authorization used, and amounts authorized but unissued are as follows:

	<u>Electoral Authorization</u>	<u>Service Plan Authorization</u>
Amount authorized	\$ 484,000,000	\$ 60,000,000
Authorization used:		
Series 2005 Bonds	(29,820,000)	(29,820,000)
Series 2005 Bonds refunded with Series 2012 Bonds	-	29,820,000
Series 2012 Bonds	-	(887,680)
Series 2012 Bonds	(30,707,680)	(29,820,000)
Series 2015C Bonds	(5,596,215)	(5,596,215)
Series 2012 Bonds refunding with Series 2020 Obligations	-	29,719,895
Series 2020A Loan	(9,212,000)	(9,212,000)
Series 2021B-1 Bonds	(7,310,000)	(7,310,000)
Series 2021B-2 Bonds	(6,714,000)	(6,714,000)
Authorized but unissued indebtedness	<u>\$ 394,640,105</u>	<u>\$ 30,180,000</u>

On November 2, 2004, the Districts' voters authorized the issuance of indebtedness at an interest rate not to exceed 18%. The service plan set the maximum mill levy at 30 mills.

6. NET POSITION

The District has net position consisting of restricted and unrestricted.

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2023 as follows:

Restricted net position:	
Debt service (Note 5)	\$ 5,804,478
Emergency reserve (Note 10)	23,800
	<u>\$ 5,828,278</u>

The District has a deficit in unrestricted net position as of December 31, 2023. This deficit is the result of the District being responsible for the repayment of bonds issued for public improvements, of which a significant portion were conveyed to other governmental entities and which costs were removed from the District's financial records.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. AGREEMENTS

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 means the moneys derived by the financing districts from the following sources: (i) the required mill levy; (ii) the facility fees; (iii) the portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (iv) any other legally available monies which any financing district determines, in its absolute discretion, to transfer to the trustee for application as funding agreement revenue (Note 4).

Facility fees

Effective June 2, 2005, the District imposed a one-time fee on residential dwelling units in the amount of \$2,000 for single-family residences and \$1,200 for multi-family residences and automatically increasing by 5% on January 1, each year until no dwelling units remain to be constructed. The District imposed the fee to provide payment for the facilities and services provided by the District.

During 2024, the District remitted to the trustee \$2,418,139 in facility fees that had been collected by the District since 2021.

Park obligation platting fees

Effective August 7, 2013, Woodmen Heights Metropolitan District No. 1 imposed a one-time park obligation fee in the amount of \$1,700 per acre on all unplatted ground within the Woodmen Heights Metropolitan Districts to provide payment for certain yet-to-be-constructed parks. Effective January 1, 2023, the District, District No. 1, and District No. 3 approved a resolution that stipulates the District will collect and retain the park obligation platting fee revenue collected within its boundaries and that District No. 3 will remit park obligation platting fee revenue to the District.

Bridge obligation and Marksheffel Road extension fees

Effective August 7, 2013, Woodmen Heights Metropolitan District No. 1 imposed a one-time bridge obligation and Marksheffel Road extension fee in the amount of \$500 per acre on all ground within the Woodmen Heights Metropolitan Districts to provide payment for the District's funding participation in the various costs associated with the provision and construction of the crossing over Sand Creek at Marksheffel Road. Effective January 1, 2023, the District, District No. 1, and District No. 3 approved a resolution that stipulates the District will collect and retain the bridge obligation and Marksheffel Road extension fee revenue collected within its boundaries and that District No. 3 will remit bridge obligation and Marksheffel Road extension fee revenue to the District.

Facility platting fees

Effective July 11, 2012, the District imposed a one-time facility platting fee in the amount of \$5,500 per acre for remaining unplatted ground within the Districts' boundaries for the payment and financing of public improvements. Effective January 1, 2023, the District, District No. 1, and District No. 3 approved a resolution that stipulates the District will collect and retain the facility platting fee revenue collected within its boundaries and that District No. 3 will remit the facility platting fee revenue to the District.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Wastewater recovery fees

The District has multiple agreements with Colorado Springs Utilities ("CSU") ranging from August 21, 2009 to May 1, 2010, in which the District conveyed water facilities extensions and appurtenances that it installed and paid for to CSU. CSU agreed to collect recovery charges from customers in order to reimburse the District for the conveyed capital assets.

8. RELATED PARTIES

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

9. RISK MANAGEMENT

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

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

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

10. 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. On November 2, 2004, 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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

11. SUBSEQUENT EVENT

Subsequent to December 31, 2023 the District, District No. 1, and District No. 3 entered into an agreement with the City of Colorado Springs regarding funding of the Marksheffel Road Sand Creek Crossing. Pursuant to the agreement, the District, Districts No. 1, and District No. 3 agreed to compensate the City \$269,610 for the provision and construction of the crossing over Sand Creek at Marksheffel Road.

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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, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>			
Facility fees	\$ 349,261	\$ 315,582	\$ (33,679)
Property taxes	2,058,030	2,059,857	1,827
Specific ownership taxes	144,062	215,495	71,433
Intergovernmental revenues - taxes from District No. 3	-	230,464	230,464
Investment income	20,000	126,163	106,163
Total revenues	2,571,353	2,947,561	376,208
<u>EXPENDITURES</u>			
County Treasurer fees	30,870	30,898	(28)
Bond interest payments	1,701,330	1,133,276	568,054
Bond principal payments	895,000	1,045,000	(150,000)
Paying agent fees	-	6,000	(6,000)
Total expenditures	2,627,200	2,215,174	412,026
Excess of revenues over expenditures	(55,847)	732,387	788,234
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers to other funds	-	1,329,685	1,329,685
Total other financing sources and uses	-	1,329,685	1,329,685
Net change in fund balance	\$ (55,847)	2,062,072	\$ 2,117,919
Fund balance, beginning of year		3,818,376	
Fund balance, end of year		\$ 5,880,448	

See independent auditor's report.