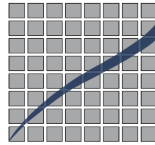


WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Woodmen Heights Metropolitan District No. 3

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. 3 ("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. 3

STATEMENT OF NET POSITION

DECEMBER 31, 2023

	Governmental Activities
<u>ASSETS</u>	
Cash and investments - restricted	\$ 1,427
Receivable from County Treasurer	2,107
Property taxes receivable	417,996
Due from District No. 2	106,804
Total assets	<u>528,334</u>
<u>LIABILITIES</u>	
Accounts payable	2,891
Due to District No. 1	10,000
Due to District No. 2	44,606
Total liabilities	<u>57,497</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	417,996
Total deferred inflows of resources	<u>417,996</u>
<u>NET POSITION</u>	
Restricted for:	
Emergency reserve	2,600
Debt service	11,280
Unrestricted	38,961
Total net position	<u>\$ 52,841</u>

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

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2023

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Government activities:					
Intergovernmental expenditures - park obligation platting fees to District No. 2	\$ 22,792	\$ -	\$ -	\$ -	\$ (22,792)
Intergovernmental expenditures - bridge obligations and Marksheffel Road extension fees to District No. 2	1,786	-	-	-	(1,786)
Intergovernmental expenditures - facility platting fees to District No. 2	17,857	-	-	-	(17,857)
General government	275,696	46,183	-	-	(229,513)
Total government activities	\$ 318,131	\$ 46,183	\$ -	\$ -	(271,948)
GENERAL REVENUES					
Property taxes					248,831
Specific ownership taxes					27,425
Total general revenues					276,256
Change in net position					4,308
Net position, beginning of year					48,533
Net position, end of year					\$ 52,841

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

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments - restricted	\$ 1,427	\$ -	\$ 1,427
Receivable from County Treasurer	356	1,751	2,107
Property taxes receivable	70,607	347,389	417,996
Due from District No. 2	106,804	-	106,804
Due from other funds	-	54,135	54,135
Total assets	<u>\$ 179,194</u>	<u>\$ 403,275</u>	<u>\$ 582,469</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 2,891	\$ -	\$ 2,891
Due to District No. 1	10,000	-	10,000
Due to District No. 2	-	44,606	44,606
Due to other funds	54,135	-	54,135
Total liabilities	<u>67,026</u>	<u>44,606</u>	<u>111,632</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	<u>70,607</u>	<u>347,389</u>	<u>417,996</u>
Total deferred inflows of resources	<u>70,607</u>	<u>347,389</u>	<u>417,996</u>
<u>FUND BALANCES</u>			
Restricted for:			
Emergency reserve	2,600	-	2,600
Debt service		11,280	11,280
Unassigned:			
Unrestricted	<u>38,961</u>	<u>-</u>	<u>38,961</u>
Total fund balances	<u>41,561</u>	<u>11,280</u>	<u>52,841</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 179,194</u>	<u>\$ 403,275</u>	<u>\$ 582,469</u>

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

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Facility fees	\$ -	\$ 15,432	\$ 15,432
Platting fees	3,251	-	3,251
Bridge obligation and Marksheffel Road extension fees	1,786	-	1,786
Park obligation platting fees	7,857	-	7,857
Facility platting fees	17,857	-	17,857
Property taxes	42,032	206,799	248,831
Specific ownership taxes	4,633	22,792	27,425
Total revenues	77,416	245,023	322,439
EXPENDITURES			
Current:			
Bank charges	32	-	32
County Treasurer fees	630	3,103	3,733
Dues and subscriptions	327	-	327
Election	2,991	-	2,991
Insurance	595	-	595
Intergovernmental expenditures - park obligation platting fees to District No. 2	22,792	-	22,792
Intergovernmental expenditures - bridge obligation and Marksheffel Road extension fees to District No. 2	1,786	-	1,786
Intergovernmental expenditures - facility platting fees to District No. 2	17,857	-	17,857
Intergovernmental expenditures - taxes to District No. 2	-	230,640	230,640
Professional fees	20,175	-	20,175
Management fees	17,203	-	17,203
Total expenditures	84,388	233,743	318,131
Net change in fund balances	(6,972)	11,280	4,308
Fund balances, beginning of year	48,533	-	48,533
Fund balances, end of year	\$ 41,561	\$ 11,280	\$ 52,841

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

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)

YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Platting fees	\$ -	\$ 3,251	\$ 3,251	\$ -
Bridge obligation and Marksheffel Road extension fees	-	1,786	1,786	-
Park obligation platting fees	-	7,857	7,857	-
Facility platting fees	-	17,857	17,857	-
Property taxes	44,233	42,032	42,032	-
Specific ownership taxes	3,096	4,633	4,633	-
Total revenues	47,329	77,416	77,416	-
EXPENDITURES				
Contingency	5,000	-	-	-
Bank charges	-	32	32	-
County Treasurer fees	664	630	630	-
Dues and subscriptions	500	327	327	-
Election	1,000	2,991	2,991	-
Insurance	5,000	595	595	-
Intergovernmental expenditures - park obligation platting fees to District No. 2	-	22,792	22,792	-
Intergovernmental expenditures - bridge obligation and Marksheffel Road extension fees to District No. 2	-	1,786	1,786	-
Intergovernmental expenditures - facility platting fees to District No. 2	-	17,857	17,857	-
Landscaping and maintenance	35,000	-	-	-
Professional fees	12,075	20,175	20,175	-
Management fees	17,160	17,203	17,203	-
Miscellaneous	-	-	-	-
Postage	300	-	-	-
Total expenditures	76,699	84,388	84,388	-
Net change in fund balance	\$ (29,370)	\$ (6,972)	(6,972)	\$ -
Fund balance, beginning of year			48,533	
Fund balance, end of year			\$ 41,561	

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

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. DEFINITION OF REPORTING ENTITY

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

The District was organized in conjunction with Woodmen Heights Metropolitan District No. 1 ("District No. 1") and Woodmen Heights Metropolitan District No. 2 ("District No. 2") (collectively, the "Districts"). District No. 1 is responsible for managing the construction and operation of facilities and improvements including road and bridge improvements, landscaping, sanitary and storm sewer, water systems, park and recreation, channel, and other drainage improvements needed for the area. District No. 2 and the District 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.

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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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.

The District amended its annual budget for the year ended December 31, 2023.

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.

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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Deferred inflows of resources

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

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.

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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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 - restricted	\$ 1,427
	<u>\$ 1,427</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	\$ 1,427
	<u>\$ 1,427</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 \$1,427 and a carrying balance of \$1,427.

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 no investments.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

4. DEBT AUTHORIZATION

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

	<u>Electoral Authorization</u>	<u>Service Plan Authorization</u>
Amount authorized	\$ 484,000,000	\$ 60,000,000
Authorization used for District No. 2 Series 2020 Obligations:		
Series 2005 Bonds	(29,820,000)	(29,820,000)
District No. 2 Series 2005 Bonds refunded with Series 2012 Bonds	-	29,820,000
District No. 2 Series 2012 Bonds	-	(887,680)
District No. 2 Series 2012 Bonds	(30,707,680)	(29,820,000)
District No. 2 Series 2015C Bonds	(5,596,215)	(5,596,215)
District No. 2 Series 2012 Bonds refunding with Series 2020 Obligations	-	29,719,895
District No. 2 Series 2020A Loan	(9,212,000)	(9,212,000)
District No. 2 Series 2021B-1 Bonds	(7,310,000)	(7,310,000)
District No. 2 Series 2021B-2 Bonds	<u>(6,714,000)</u>	<u>(6,714,000)</u>
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.

5. 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:		
Emergency reserve (Note 9)	\$	2,600
Debt service (Note 6)		<u>11,280</u>
	<u>\$</u>	<u>13,880</u>

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. AGREEMENTS

Joint Funding Agreement

On November 10, 2020, the District and District No. 2 entered into the Joint Funding Agreement, and each district acknowledged itself jointly and severally indebted in the aggregate principal amount of the 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 District and District No. 2 agree to impose the required mill levy against their respective taxable properties, to impose and collect the facility fees, and to transmit to the custodian all funding agreement revenue. The debt created constitutes a limited tax general obligation of the District and District No. 2, payable solely from and to the extent of the funding agreement revenue. The funding agreement revenue is pledged to the payment of the general obligations and any refundings or refinancings thereof in accordance with their authorizing resolutions and the respective financing documents, and the general obligations and any refundings or refinancings thereof constitute an irrevocable lien upon the funding agreement revenue, but not necessarily an exclusive such lien. The funding agreement revenue 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 moneys which any financing district determines, in its absolute discretion, to transfer to the trustee for application as funding agreement revenue.

Facility fees

Effective June 2, 2005, the District imposed a one-time fee on non-residential dwelling units constructed within the District's boundaries in the amount of \$0.50 per building square foot and automatically increasing by 5% on January 1, each year until no commercial and non-residential buildings remain to be constructed. The District imposed the fee to provide payment for the facilities and services provided by the District.

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. 2 approved a resolution that stipulates District No. 2 will collect and retain the park obligation platting fee revenue collected within its boundaries and that the District will remit park obligation platting fee revenue to District No. 2.

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. 2 approved a resolution that stipulates District No. 2 will collect and retain the bridge obligation and Marksheffel Road extension fee revenue collected within its boundaries and that the District will remit the bridge obligation and Marksheffel Road extension fee revenue to District No. 2.

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. 2 approved a resolution that stipulates District No. 2 will collect and retain the facility platting fee revenue collected within its boundaries and that the District will remit the facility platting fee revenue to District No. 2.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 3

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.

7. 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.

8. RISK MANAGEMENT

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

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

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

9. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

10. SUBSEQUENT EVENT

Subsequent to December 31, 2023, the District, District No. 1, and District No. 2 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, District No. 1, and District No. 2 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. 3

DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)

YEAR ENDED DECEMBER 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 217,628	\$ 206,799	\$ 206,799	\$ -
Specific ownership taxes	15,234	22,792	22,792	-
Facility fees		15,432	15,432	-
Total revenues	<u>232,862</u>	<u>245,023</u>	<u>245,023</u>	<u>-</u>
EXPENDITURES				
County Treasurer fees	3,264	3,103	3,103	-
Intergovernmental expenditures - taxes to District No. 2	<u>229,598</u>	<u>230,640</u>	<u>230,640</u>	<u>-</u>
Total expenditures	<u>232,862</u>	<u>233,743</u>	<u>233,743</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,280</u>	11,280	<u>\$ -</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ 11,280</u>	

See independent auditor's report.