

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

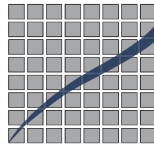
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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)	20
<hr/>	



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, 2022, 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, 2022, the respective changes in financial position, and the budgetary comparison for the general fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore

is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

BiggsKofford, P.C.

Colorado Springs, Colorado

July 27, 2023

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

DECEMBER 31, 2022

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 2,420,310
Cash and investments - restricted	2,776,873
Accounts receivable	1,176,272
Receivable from County Treasurer	23,747
Property taxes receivable	2,894,589
Due from District No. 3	5,566
Total assets	<u>9,297,357</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred balance on advance refunding bonds	2,145,822
Total deferred outflows of resources	<u>2,145,822</u>
<u>LIABILITIES</u>	
Accounts payable	48,422
Due to District No. 1	314,717
Accrued interest	1,220,371
Noncurrent liabilities:	
Due in more than one year	45,859,000
Due within one year	1,045,000
Total liabilities	<u>48,487,510</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	2,894,589
Total deferred inflows of resources	<u>2,894,589</u>
<u>NET POSITION</u>	
Restricted for:	
Debt service	3,818,376
Emergency reserve	6,100
Unrestricted	(43,763,396)
Total net position	<u>\$ (39,938,920)</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, 2022

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 - bridge fees to District No. 1	\$ 45,076	\$ -	\$ -	\$ -	\$ (45,076)
Intergovernmental expenditures - park fees to District No. 1	198,339	-	-	-	(198,339)
Intergovernmental expenditures - tier fees to District No. 1	2,124,965	-	-	-	(2,124,965)
General government	230,437	3,770,047	-	-	3,539,610
Interest and related costs on long-term debt	2,191,832	-	-	-	(2,191,832)
Total government activities	\$ 4,790,649	\$ 3,770,047	\$ -	\$ -	(1,020,602)
GENERAL REVENUES					
Property taxes					2,795,440
Specific ownership taxes					290,433
Intergovernmental revenues - District No. 1					1,293,534
Intergovernmental revenues - District No. 3					187,566
Wastewater recovery					26,200
Other income					15,676
Investment income					37,372
Total general revenues					4,646,221
Change in net position					3,625,619
Net position, beginning of year					(43,564,539)
Net position, end of year					\$ (39,938,920)

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, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 1,395,691	\$ 1,024,619	\$ 2,420,310
Cash and investments - restricted	-	2,776,873	2,776,873
Accounts receivable	1,176,272	-	1,176,272
Receivable from County Treasurer	6,863	16,884	23,747
Property taxes receivable	836,559	2,058,030	2,894,589
Due from District No. 3	5,566	-	5,566
Total assets	<u>\$ 3,420,951</u>	<u>\$ 5,876,406</u>	<u>\$ 9,297,357</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 48,422	\$ -	\$ 48,422
Due to District No. 1	314,717	-	314,717
Total liabilities	<u>363,139</u>	<u>-</u>	<u>363,139</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	836,559	2,058,030	2,894,589
Total deferred inflows of resources	<u>836,559</u>	<u>2,058,030</u>	<u>2,894,589</u>
<u>FUND BALANCES</u>			
Restricted for:			
Debt service	-	3,818,376	3,818,376
Emergency reserve	6,100	-	6,100
Unassigned:			
Unrestricted	2,215,153	-	2,215,153
Total fund balances	<u>2,221,253</u>	<u>3,818,376</u>	<u>6,039,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,420,951</u>	<u>\$ 5,876,406</u>	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Long term obligations	(46,904,000)
Accrued interest on bonds payable	(1,220,371)
Deferred balance on advance refunding bonds	2,145,822

Net position of governmental activities \$ (39,938,920)

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, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Facility fees	\$ 1,329,685	\$ -	\$ 1,329,685
Park fees	256,991	-	256,991
Bridge fees	58,406	-	58,406
Tier fees	2,124,965	-	2,124,965
Property taxes	807,903	1,987,537	2,795,440
Specific ownership taxes	83,937	206,496	290,433
Intergovernmental revenues - District No. 1	-	1,293,534	1,293,534
Intergovernmental revenues - District No. 3	-	187,566	187,566
Wastewater recovery	26,200	-	26,200
Other income	15,676	-	15,676
Investment income	-	37,372	37,372
Total revenues	4,703,763	3,712,505	8,416,268
EXPENDITURES			
Current:			
Audit and accounting	13,238	-	13,238
County Treasurer fees	12,119	29,813	41,932
Dues and subscriptions	1,238	-	1,238
Election	795	-	795
Insurance	17,751	-	17,751
Legal services	15,446	-	15,446
Management fees	107,428	-	107,428
Miscellaneous	421	-	421
Intergovernmental expenditures - bridge fees to District No. 1	45,076	-	45,076
Intergovernmental expenditures - park fees to District No. 1	198,339	-	198,339
Intergovernmental expenditures - tier fees to District No. 1	2,124,965	-	2,124,965
Postage	201	-	201
Professional fees	20,701	-	20,701
Repair and maintenance	6,522	-	6,522
Utilities	4,714	-	4,714
Debt service:			
Bond principal payments	-	985,000	985,000
Bond interest payments	-	1,418,641	1,418,641
Total expenditures	2,568,954	2,433,454	5,002,408
Excess of revenues over expenditures	2,134,809	1,279,051	3,413,860
Net change in fund balances	2,134,809	1,279,051	3,413,860
Fund balances, beginning of year	86,444	2,539,325	2,625,769
Fund balances, end of year	\$ 2,221,253	\$ 3,818,376	\$ 6,039,629

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, 2022

Net change in fund balances \$ 3,413,860

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

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.

Bond principal payments	985,000
Deferred balance on advance refunding of bonds	(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.

Change in accrued interest on bonds payable	(607,233)
---	-----------

Change in net position	\$ 3,625,619
------------------------	--------------

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, 2022

	Original and Final Budget	Actual	Variance
REVENUES			
Facility fees	\$ -	\$ 1,329,685	\$ 1,329,685
Park fees	-	256,991	256,991
Bridge fees	-	58,406	58,406
Tier fees	-	2,124,965	2,124,965
Property taxes	807,801	807,903	102
Specific ownership taxes	56,546	83,937	27,391
Wastewater recovery	-	26,200	26,200
Other income	-	15,676	15,676
Total revenues	864,347	4,703,763	3,839,416
EXPENDITURES			
Audit and accounting	19,000	13,238	5,762
County Treasurer fees	12,117	12,119	(2)
Dues and subscriptions	500	1,238	(738)
Capital facilities	100,000	-	100,000
Contingency	30,000	-	30,000
Election	7,500	795	6,705
Insurance	12,000	17,751	(5,751)
Landscaping and maintenance	425,000	-	425,000
Legal services	30,000	15,446	14,554
Management fees	120,000	107,428	12,572
Miscellaneous	-	421	(421)
Intergovernmental expenditures - bridge fees to District No. 1	-	45,076	(45,076)
Intergovernmental expenditures - park fees to District No. 1	-	198,339	(198,339)
Intergovernmental expenditures - tier fees to District No. 1	-	2,124,965	(2,124,965)
Postage	200	201	(1)
Professional fees	282,500	20,701	261,799
Repair and maintenance	50,000	6,522	43,478
Utilities	-	4,714	(4,714)
Total expenditures	1,088,817	2,568,954	(1,480,137)
Excess of revenues over expenditures	(224,470)	2,134,809	2,359,279
Net change in fund balance	\$ (224,470)	2,134,809	\$ 2,359,279
Fund balance, beginning of year		86,444	
Fund balance, end of year		\$ 2,221,253	

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, 2022

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. 3 were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the Districts' boundaries and perform the administrative services on behalf of the District and District No. 3.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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 incurred expenditures in excess of appropriations for the year ended December 31, 2022 in the general fund and debt service fund, which may be a violation of state budget law.

Pooled cash and investments

The District follows the practice of pooling cash and investments of 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. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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.

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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 2,420,310
Cash and investments - restricted	<u>2,776,873</u>
	<u>\$ 5,197,183</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2022, are as follows:

Deposits with financial institutions	\$ 2,420,310
Investments	<u>2,776,873</u>
	<u>\$ 5,197,183</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, 2022, the District's cash deposits had a bank balance of \$2,418,667 and a carrying balance of \$2,420,310.

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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

- 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, 2022, 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	\$ 1,739,070
Morgan Stanley Institutional Liquidity Funds Treasury Portfolio	Weighted average under 50 days	<u>1,037,803</u>
Total investments		<u>\$ 2,776,873</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.

4. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2022:

	<u>Balance 01-01-22</u>	<u>Additions</u>	<u>Repayments / Amortization</u>	<u>Balance 12-31-22</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Series 2020B-1 Bonds	\$ 7,310,000	\$ -	\$ 115,000	\$ 7,195,000	\$ 150,000
Series 2020B-2 Bonds	<u>6,714,000</u>	<u>-</u>	<u>-</u>	<u>6,714,000</u>	<u>-</u>
Total bonds	<u>14,024,000</u>	<u>-</u>	<u>115,000</u>	<u>13,909,000</u>	<u>150,000</u>
Other long-term obligations:					
Series 2020A Loan	<u>33,865,000</u>	<u>-</u>	<u>870,000</u>	<u>32,995,000</u>	<u>895,000</u>
Total other long-term obligations	<u>33,865,000</u>	<u>-</u>	<u>870,000</u>	<u>32,995,000</u>	<u>895,000</u>
Total long-term obligations	<u>\$ 47,889,000</u>	<u>\$ -</u>	<u>\$ 985,000</u>	<u>\$ 46,904,000</u>	<u>\$ 1,045,000</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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

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

Series 2020 Obligations pledged revenues

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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

- c. The District fails or refuses to receive or apply the revenue received pursuant to the Joint Funding Agreement from District No. 3 as required by the Joint Funding Agreement.
- d. The District fails or refuses to collect or apply the pledge revenue and revenue pledged as required by the debt agreements and the Joint Funding Agreement.
- e. Monies in the loan payment account, when combined with monies applied to the extent necessary, from the reserve fund, are insufficient to pay the interest and/or principal amount payable to the lender when due.
- 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 have 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 do not or are unable to, or admit in writing its inability, to pay its debts when due.
- l. Any financing document or any material provision, (i) ceases to be valid and binding on the District or District No. 3 or is declared null and void, or the validity or enforceability thereof is contested by District or District No. 3 (unless being contested by the District or District No. 3 in good faith), or the District or District No. 3 denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created under the financing documents fails to be fully enforceable with the priority required.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

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

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

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

Series 2020A Loan remedies

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

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

Notwithstanding the foregoing or anything else herein to the contrary, except for the application of the default rate and, if applicable, the post-maturity default rate, no remedy will lie at law or in equity for any event of default consisting solely of the failure of the District to pay the principal of, interest on the loan when due, or to replenish the reserve fund to the amount of the reserve requirement, it being acknowledged by the lender that (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>
2023	\$ 895,000	\$ 937,058	\$ 1,832,058
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 - 2032	6,210,000	3,643,294	9,853,294
2033 - 2037	21,825,000	1,738,364	23,563,364
Total	<u>\$ 32,995,000</u>	<u>\$ 9,798,142</u>	<u>\$ 42,793,142</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, 2022

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 2020 Bonds mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 150,000	\$ 449,688	\$ 599,688
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 - 2032	1,905,000	1,717,189	3,622,189
2033 - 2037	2,165,000	1,053,751	3,218,751
2038 - 2041	2,125,000	314,375	2,439,375
Total	<u>\$ 7,195,000</u>	<u>\$ 5,230,942</u>	<u>\$ 12,425,942</u>

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

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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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 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.

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, 2022 as follows:

Restricted net position:	
Debt service (Note 4)	\$ 3,818,376
Emergency reserve (Note 9)	<u>6,100</u>
	<u>\$ 3,824,476</u>

The District's unrestricted net position as of December 31, 2022, totaled a deficit of \$43,763,396.

6. INTERGOVERNMENTAL 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

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

limited tax general obligation of the District and District No. 3, payable solely from and to the extent of the funding agreement revenue. The funding agreement revenue is pledged to the payment of the general obligations and any refundings or refinancings thereof in accordance with their authorizing resolutions and the respective financing documents, and the general obligations and any refundings or refinancings thereof constitute an irrevocable lien upon the funding agreement revenue, but not necessarily an exclusive such lien. The funding agreement revenue consists of monies derived from the following sources, net of any collection costs: (i) required mill levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (iii) any other legally available monies which the District and District No. 3 determine to be treated as pledged revenues (Note 4).

Bridge obligation and Marksheffel Road Extension Fee

Effective August 7, 2013, Woodmen Heights Metropolitan District No. 1 imposed a one-time bridge obligation 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. The District will collect and remit the bridge fee revenue collected within its boundaries to District No. 1.

Park Obligation Platting Fee

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. The District will collect and remit the park fee revenue collected within its boundaries to District No. 1.

Facility fee

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 constructed within the District's boundaries to provide payment for the facilities and services provided by the District.

Wastewater recovery

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 developer and may have conflicts of interest in dealing with the District.

8. RISK MANAGEMENT

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

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.

See independent auditor's report.

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

9. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

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

* * * * *

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, 2022

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Facility fees	\$ 490,628	\$ -	\$ (490,628)
Property taxes	1,987,283	1,987,537	254
Specific ownership taxes	139,110	206,496	67,386
Intergovernmental revenues - District No. 1	-	1,293,534	1,293,534
Intergovernmental revenues - District No. 3	173,662	187,566	13,904
Investment income	96	37,372	37,276
Total revenues	2,790,779	3,712,505	921,726
<u>EXPENDITURES</u>			
County Treasurer fees	29,809	29,813	(4)
Contingency	10,000	-	10,000
Bond principal payments	870,000	985,000	(115,000)
Bond interest payments	1,418,641	1,418,641	-
Miscellaneous	1,000	-	1,000
Total expenditures	2,329,450	2,433,454	(104,004)
Excess of revenues over expenditures	461,329	1,279,051	817,722
Net change in fund balance	\$ 461,329	1,279,051	\$ 817,722
Fund balance, beginning of year		2,539,325	
Fund balance, end of year		\$ 3,818,376	

See independent auditor's report.