

WOODMEN ROAD METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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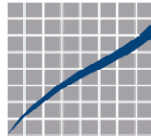
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Office of the State Auditor

July 31, 2018

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Woodmen Road Metropolitan District

Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Woodmen Road Metropolitan District ("District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2017, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

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

BiggsKofford, P.C.

Colorado Springs, Colorado
July 31, 2018

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BASIC FINANCIAL STATEMENTS

WOODMEN ROAD METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 182,477
Cash and investments - restricted	3,325,110
Accounts receivable - County Treasurer	15,943
Property taxes receivable	1,830,013
Capital assets, net	200,898
Total assets	5,554,441
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred balance on advance refunding of bonds	692,960
Total deferred outflows of resources	692,960
<u>LIABILITIES</u>	
Accounts payable	8,122
Accrued interest payable	54,086
Noncurrent liabilities:	
Due within one year	1,110,000
Due in more than one year	13,392,640
Total liabilities	14,564,848
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property tax revenues	1,830,013
Total deferred inflows of resources	1,830,013
<u>NET POSITION</u>	
Net investments in capital assets, net of related debt	(56,340)
Restricted for:	
Debt service	3,360,095
Emergency reserve	3,140
Unrestricted	(13,454,355)
Total net position	\$ (10,147,460)

The accompanying notes and independent auditor's report
should be read with this financial statement.

WOODMEN ROAD METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Change in Net Position of Primary Government - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
General government	\$ 144,601	\$ 929,361	\$ -	\$ -	\$ 784,760
Interest and related costs on long-term debt	824,708	-	-	-	(824,708)
Total primary government	\$ 969,309	\$ 929,361	\$ -	\$ -	(39,948)
GENERAL REVENUES:					
Property taxes					1,510,046
Specific ownership taxes					204,215
Investment earnings					24,056
Total general revenues					1,738,317
Changes in net position					1,698,369
Net position, beginning of year					(11,845,829)
Net position, end of year					<u><u>\$(10,147,460)</u></u>

The accompanying notes and independent auditor's report should be read with this financial statement.

WOODMEN ROAD METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 182,477	\$ -	\$ 182,477
Cash and investments - restricted	-	3,325,110	3,325,110
Accounts receivables - County Treasurer	-	15,943	15,943
Property taxes receivable	-	1,830,013	1,830,013
Total assets	\$ 182,477	\$ 5,171,066	5,353,543
<u>LIABILITIES</u>			
Accounts payable	8,122	-	8,122
Total liabilities	8,122	-	8,122
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property tax revenues	-	1,830,013	1,830,013
Total deferred inflows of resources	-	1,830,013	1,830,013
<u>FUND BALANCE</u>			
Restricted for:			
Debt service	-	3,341,053	3,341,053
Emergency reserve	3,140	-	3,140
Unassigned:			
General government	171,215	-	171,215
Total fund balances	174,355	3,341,053	3,515,408
Total liabilities and fund balances	\$ 182,477	\$ 5,171,066	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

<u>Capital assets, net</u>	200,898
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Long-term liabilities (and the related deferred intflows of resources), including bonds payable (and related deferred balance on advance refunding of bonds) are not due and payable in the current period and, therefore, are not reported in the funds.

<u>Bonds payable</u>	(14,502,640)
<u>Deferred balance on advance refunding of bonds</u>	692,960
<u>Accrued interest payable</u>	(54,086)

<u>Net position of governmental activities</u>	<u>\$ (10,147,460)</u>
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The accompanying notes and independent auditor's report
should be read with this financial statement.

WOODMEN ROAD METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
<u>REVENUES</u>			
Property taxes	\$ -	\$ 1,510,046	\$ 1,510,046
Specific ownership taxes	-	204,215	204,215
Building permits and platting fees	-	929,361	929,361
Net investment income	-	24,056	24,056
Total revenues	-	2,667,678	2,667,678
<u>EXPENDITURES</u>			
Current:			
Audit	7,725	-	7,725
Bank charges	42	8,564	8,606
Dues	377	-	377
Insurance	2,020	-	2,020
Legal	10,464	-	10,464
Management fees	84,000	-	84,000
Postage	12	-	12
Treasurer's fees	-	22,655	22,655
Debt service:			
Bond principal	-	1,045,000	1,045,000
Interest	-	685,480	685,480
Total expenditures	104,640	1,761,699	1,866,339
Excess of revenues over (under) expenditures	(104,640)	905,979	801,339
Fund balances, beginning of year	259,953	2,454,116	2,714,069
Fund balances, end of year	<u>\$ 155,313</u>	<u>\$ 3,360,095</u>	<u>\$ 3,515,408</u>

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WOODMEN ROAD METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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

Net change in fund balances - total governmental funds	\$	801,339
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<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful lives of the assets.</p>		
Depreciation expense		(8,742)
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<p>The issuance of debt provides current financial resources to governmental funds, while the repayment of principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of debt is as follows.</p>		
Principal payment bonds payable		1,045,000
<hr/>		
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrued interest payable		3,037
Accretion and interest expense - bond premiums and advance refunding		(142,265)
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Changes in net position of governmental activities	\$	1,698,369
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WOODMEN ROAD METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Net investment income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<u>EXPENDITURES</u>				
Audit	7,500	7,725	7,725	-
Bank charges	100	42	42	-
Miscellaneous expenses	500	-	-	-
Dues	400	377	377	-
Insurance	3,000	2,020	2,020	-
Legal	10,000	10,464	10,464	-
Management fees	84,000	84,000	84,000	-
Postage	50	12	12	-
Total expenditures	105,550	104,640	104,640	-
Excess of revenues over (under) expenditures	(105,550)	(104,640)	(104,640)	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (out)	105,550	104,640	-	(104,640)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(104,640)	<u>\$ (104,640)</u>
Fund balance, beginning of year			259,953	
Fund balance, end of year			<u>\$ 155,313</u>	

The accompanying notes and independent auditor's report
should be read with this financial statement.

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. DEFINITION OF REPORTING ENTITY

Woodmen Road Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was formed on November 8, 2001, 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 for the purpose of providing for the acquisition, construction, installation, operation and maintenance of certain public improvements for the benefit of the property owners and inhabitants of the District. The improvements in the District's service plan include street improvements, including draining and landscaping, and safety protection (traffic control devices).

The District follows the 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 a 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes, ownership 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 inflows of resources and liabilities plus deferred outflows of resources of the District is reported as net position.

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

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (continued)

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

Measurement focus, basis of accounting and financial statement position

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

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

The District reports the following major governmental funds:

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

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

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures, 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, 2017 in the debt service fund, which may be a violation of the local government budget law.

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled cash and investments

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

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair value at the date of contribution.

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

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

It is the policy of the City of Colorado Springs ("City") and County to accept maintenance responsibility for all capital improvements within the City and County, except for certain landscaping improvements specified in the District's service plan, upon the District's completion and conveyance of such improvements provided they meet the City's and County's specifications.

Property taxes

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

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes (Continued)

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

Equity

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 balance

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

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

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

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

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

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

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund balance (continued)

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, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 182,477
Cash and investments - restricted	<u>3,325,110</u>
	<u><u>\$ 3,507,587</u></u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 1,650,545
Investments	<u>1,857,042</u>
	<u><u>\$ 3,507,587</u></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.

At December 31, 2017, the District's cash deposits had a bank balance of \$1,650,545 and a carrying balance of \$1,650,545.

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

As of December 31, 2017, the District had the following investments:

Investments	Maturity	Fair Value
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	\$ 1,575,815
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>300,269</u>
		<u><u>\$ 1,876,084</u></u>

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust ("CSAFE") (the "Trust"), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST") (the "Trust"), an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs. The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

See independent auditor's report

WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

4. CAPITAL ASSETS

Capital assets consist of public improvements. Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance 1/1/17	Additions/ Reclass- ifications	Dispositions Reclass- ifications	Balance 12/31/17
Public Improvements	\$ 257,238	\$ -	\$ -	\$ 257,238
Less: accumulated depreciation	(47,598)	(8,742)	-	(56,340)
Capital assets, net	\$ 209,640	\$ (8,742)	\$ -	\$ 200,898

Depreciation expense for the year ended December 31, 2017 totaled \$8,742.

5. LONG-TERM OBLIGATIONS

2008B Series Bonds

In 2008, the District issued General Obligation Limited Tax Refunding Bonds, Series - 2008B in order to defease the District's Series - 2003 and 2004 Bonds. The 2008B Bonds were issued with a face value of \$12,025,000 and at a discount of \$170,685. The bonds bear interest at an annual rate ranging from 3.50% to 5.25% to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2009. The bonds mature on December 1, 2027 and are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$1,000, on December 1, 2018 or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements.

2010 Series Bonds

In 2010, the District issued General Obligation Limited Tax Refunding Bonds, 2010 Series in order to defease the District's 2008 Series Bonds. The 2010 Bonds were issued with a face value of \$9,720,000 and at a discount of \$157,754. The bonds bear interest at annual rates ranging from 2.00% to 3.75% to be paid to the bondholders semi-annually on each June 1 and December 1, beginning December 1, 2010. The bonds mature on December 1, 2027 and are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$1,000 on December 1, 2020 or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements.

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WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. LONG-TERM OBLIGATIONS (CONTINUED)

The bonds are payable from the pledged revenue, consisting of the moneys derived by the District from the required mill levy, the portion of the specific ownership taxes attributable to the required mill levy, and any other legally available moneys which the District determines to credit to the bond fund. The required mill levy consists of an ad valorem mill levy, not to exceed 25 mills, imposed upon all taxable property of the District which is intended to be sufficient, together with amounts on deposit in the bond fund, the specific ownership taxes, the investment earnings and other legally available amounts anticipated to be credited to the bond fund to pay the principal and interest of the bonds as they become due.

The District is required, pursuant to the bond agreements, to maintain bond and reserve cash accounts. The reserve accounts are required to be maintained as long as the bonds are outstanding.

The following is a summary of changes in bonds payable during the year ended December 31, 2017:

	Balance 1/1/17	Additions	Repayments/ Accretion	Balance 12/31/17	Due within one year
2008B Series Bond	\$ 9,010,000	\$ -	\$ 510,000	\$ 8,500,000	\$ 570,000
2008B Series Bond discount	(74,010)	-	(10,514)	(63,496)	-
2010 Series Bond	6,665,000	-	535,000	6,130,000	540,000
2010 Series Bond discount	(75,193)	-	(11,329)	(63,864)	-
	<u>\$ 15,525,797</u>	<u>\$ -</u>	<u>\$ 1,023,157</u>	<u>\$ 14,502,640</u>	<u>\$ 1,110,000</u>

The following is a summary of deferred balance on advance refunding of bonds for the year ended December 31, 2017:

	Balance 1/1/17	Additions	Defeasance	Balance 12/31/17	Due within one year
2008B Series Bond advance refunding	\$ 247,451	\$ -	\$ 35,153	\$ 212,298	\$ -
2010 Series Bond advance refunding	565,931	-	85,269	480,662	-
	<u>\$ 813,382</u>	<u>\$ -</u>	<u>\$ 120,422</u>	<u>\$ 692,960</u>	<u>\$ -</u>

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WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. LONG-TERM OBLIGATIONS (CONTINUED)

Annual requirements to amortize 2008B Series Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 570,000	\$ 441,975	\$ 1,011,975
2019	600,000	416,325	1,016,325
2020	665,000	384,825	1,049,825
2021	695,000	349,913	1,044,913
2022	785,000	313,425	1,098,425
2022-2026	<u>5,185,000</u>	<u>885,937</u>	<u>6,070,937</u>
Total	<u>\$ 8,500,000</u>	<u>\$ 2,792,400</u>	<u>\$ 11,292,400</u>

Annual requirements to amortize 2010 Series Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 540,000	\$ 207,055	\$ 747,055
2019	550,000	192,205	742,205
2020	560,000	175,705	735,705
2021	585,000	158,205	743,205
2022	580,000	139,193	719,193
2022-2026	<u>3,315,000</u>	<u>385,290</u>	<u>3,700,290</u>
Total	<u>\$ 6,130,000</u>	<u>\$ 1,257,653</u>	<u>\$ 7,387,653</u>

Voters in the District authorized the District to incur a maximum of \$25,000,000 of debt. The District has \$3,255,000 in authorized but unissued debt. The District does not have any intention to issue additional debt at this time.

6. NET POSITION

The District has a net position consisting of three components - net investment in capital assets, restricted and unrestricted net position.

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

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. NET POSITION (CONTINUED)

As of December 31, 2017, the District had a net investment in capital assets calculated as follows:

	Government Activities
Net investment in capital assets:	
Capital assets, net	\$ 200,898
Outstanding long-term obligations	(257,238)
Net investments in capital assets	\$ (56,340)

Restricted positions include the net position that is subject to restrictions for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of as of December 31, 2017:

	Government Activities
Restricted net position:	
Debt service (see Note 5)	\$ 3,360,095
Emergencies (see Note 9)	3,140
	\$ 3,363,235

The District's unrestricted net position as of December 31, 2017 totaled a deficit of \$13,454,355. This deficit amount was a result of District #2 being responsible for the repayment of general obligation bonds. These bonds were issued to refinance prior debt and to fund the costs of certain public improvements within the District. These improvements are contributed to the County upon completion.

7. INTERGOVERNMENTAL AGREEMENT

In February of 2003, the District entered into an intergovernmental agreement with the City and the County for the purpose of designing, financing and constructing the public improvements of the District. Under the terms of the agreement, the District is to coordinate the design of improvements with the City, the County, and the City of Colorado Springs Department of Utilities. The agreement indicates a minimum commitment from the County of \$5 million and proposed additional non-District funding of approximately \$14 million. The County will use good faith efforts to annually obtain Transportation Improvement Plan grants from the State of Colorado and federal governments or budget its own funds in order to complete the improvements. As of December 31, 2014 all these improvements in the District had been completed.

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WOODMEN ROAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
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8. RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

9. TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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SUPPLEMENTARY INFORMATION

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WOODMEN ROAD METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Property taxes	\$ 1,507,313	\$ 1,518,068	\$ 1,510,046	\$ (8,022)
Specific ownership taxes	105,512	204,215	204,215	-
Building permits and platting fees	594,020	1,048,896	929,361	(119,535)
Net investment income	6,000	24,056	24,056	-
Total revenues	2,212,845	2,795,235	2,667,678	(127,557)
<u>EXPENDITURES</u>				
Bank charges	1,500	8,293	8,564	(271)
Treasurer's fees	22,610	22,655	22,655	-
Bond principal	1,045,000	1,045,000	1,045,000	-
Bond fees	2,000	-	-	-
Interest	685,480	685,480	685,480	-
Total expenditures	1,756,590	1,761,428	1,761,699	(271)
Revenues in excess (deficit) of expenditures	456,255	1,033,807	905,979	(127,828)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (out)	(105,550)	103,334	-	(103,334)
Total other financing sources	(105,550)	103,334	-	(103,334)
Net change in fund balance	\$ 350,705	\$ 1,137,141	\$ 905,979	\$ (231,162)
Fund balance, beginning of year			2,454,116	
Fund balance, end of year			\$ 3,360,095	

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