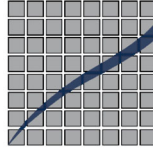


WOODMEN HILLS METROPOLITAN DISTRICT
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Woodmen Hills Metropolitan District

El Paso County, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Woodmen Hills Metropolitan District ("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 financial position of the business-type activities of the District as of December 31, 2022, respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Prior Period Financial Statements

The financial statements of the District as of and for the year ended December 31, 2021 were audited by other auditors whose report, dated July 12, 2022, expressed an unmodified opinion on those financial statements.

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 opinion. 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 opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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
September 29, 2023

WOODMEN HILLS METROPOLITAN DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 15,091,530	\$ 14,869,792
Accounts receivable	986,664	735,005
Prepaid expenses	189,450	21,303
Total current assets	<u>16,267,644</u>	<u>15,626,100</u>
Non-current assets:		
Cash and investments - restricted	212,829	1,868,967
Capital assets:		
Capital assets, not being depreciated	13,821,583	12,305,843
Capital assets, net of accumulated depreciation	<u>49,098,557</u>	<u>47,854,776</u>
Total non-current assets	<u>63,132,969</u>	<u>62,029,586</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred charge on refunding of debt	<u>158,978</u>	<u>213,485</u>
Total assets and deferred outflows of resources	<u>\$ 79,559,591</u>	<u>\$ 77,869,171</u>

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

WOODMEN HILLS METROPOLITAN DISTRICT

STATEMENTS OF NET POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 236,526	\$ 872,574
Interest payable	112,527	71,400
Customer deposits	-	9,000
Arbitration payable	1,379,327	-
Current portion of capital lease payable	560,000	535,000
Current portion of bond payable	520,000	570,000
<u>Total current liabilities</u>	<u>2,808,380</u>	<u>2,057,974</u>
Non-current liabilities:		
Capital lease payable, net of current portion	15,490,000	16,055,000
Bond payable, net of current portion	12,215,000	12,665,000
<u>Total non-current liabilities</u>	<u>27,705,000</u>	<u>28,720,000</u>
<u>Total liabilities</u>	<u>30,513,380</u>	<u>30,777,974</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	34,135,140	30,549,104
Restricted	212,829	191,467
Unrestricted	14,698,242	16,350,626
<u>Total net position</u>	<u>49,046,211</u>	<u>47,091,197</u>
<u>Total liabilities and net position</u>	<u>\$ 79,559,591</u>	<u>\$ 77,869,171</u>

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

WOODMEN HILLS METROPOLITAN DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
Water and wastewater use fees	\$ 6,792,523	\$ 6,319,780
Park and recreation fees	2,182,405	2,138,637
Other fees	764,270	621,589
Total operating revenues	<u>9,739,198</u>	<u>9,080,006</u>
<u>OPERATING EXPENSES</u>		
Arbitration expense	1,379,327	-
Depreciation	2,378,374	2,330,167
General and administrative	710,816	485,717
Operations	1,356,381	1,201,200
Repairs and maintenance	549,739	1,194,498
Utilities	663,131	461,686
Wages and employee expenses	2,053,616	2,089,365
Total operating expenses	<u>9,091,384</u>	<u>7,762,633</u>
Operating income	<u>647,814</u>	<u>1,317,373</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	38,078	29,620
Interest expense	(923,291)	(907,818)
Gain on sale of capital assets	45,000	22,523
Cost of capital lease and bond payable issuance	(63,500)	-
Net non-operating revenues (expenses)	<u>(903,713)</u>	<u>(855,675)</u>
Income before contributions	<u>(255,899)</u>	<u>461,698</u>
Tap fees	<u>2,210,913</u>	<u>1,408,990</u>
Change in net position	1,955,014	1,870,688
Net position, beginning of year	<u>47,091,197</u>	<u>45,220,509</u>
Net position, end of year	<u>\$ 49,046,211</u>	<u>\$ 47,091,197</u>

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

WOODMEN HILLS METROPOLITAN DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and operations	\$ 9,571,051	\$ 9,103,786
Payments to suppliers for goods and services	(4,176,774)	(3,080,039)
Payments to employees for services	(2,053,616)	(2,094,965)
Net cash flows from operating activities	<u>3,340,661</u>	<u>3,928,782</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal payments on capital lease and bond payable	(1,103,500)	(1,080,000)
Interest payments on capital lease and bond payable	(827,657)	(853,019)
Tap fees collected	2,210,913	1,408,990
Proceeds from sales of capital assets	45,000	300,000
Purchases of capital assets	(5,137,895)	(2,776,137)
Net cash flows from capital and related financing activities	<u>(4,813,139)</u>	<u>(3,000,166)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>38,078</u>	<u>29,620</u>
Net cash flows from investing activities	<u>38,078</u>	<u>29,620</u>
Net change in cash and investments	(1,434,400)	958,236
Cash and investments, beginning of year	<u>16,738,759</u>	<u>15,780,523</u>
Cash and investments, end of year	<u>\$ 15,304,359</u>	<u>\$ 16,738,759</u>

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

WOODMEN HILLS METROPOLITAN DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income	\$ 647,814	\$ 1,317,373
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	2,378,374	2,330,167
Changes in assets and liabilities related to operations:		
Accounts receivable	(251,659)	21,215
Prepaid expenses	(168,147)	(6,720)
Accounts payable and accrued expenses	(636,048)	264,182
Customer deposits	(9,000)	2,565
Arbitration payable	1,379,327	-
Net cash flows from operating activities	<u>\$ 3,340,661</u>	<u>\$ 3,928,782</u>
<u>NON-CASH TRANSACTIONS</u>		
Amortization of deferred charge as interest expense	<u>\$ 54,507</u>	<u>\$ 54,508</u>

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

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. DEFINITION OF REPORTING ENTITY

Woodmen Hills Metropolitan District ("District") is a quasi-municipal corporation and political subdivision of the State of Colorado, located within El Paso County, Colorado. The District was organized on November 8, 1995 and is governed by a board of directors that is elected by registered Colorado voters who own land or reside within the District's boundaries. The District was organized to provide water and wastewater services, design and construct street improvements and safety protection devices, and construct, operate and maintain park and recreational facilities and improvements within the District's boundaries.

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 financial reporting. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise in which the intent of the governing body is that the costs of providing services be recovered primarily through user charges.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to make estimates and assumptions that affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

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 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 appropriation is at the total fund expenditures level and lapses at year end.

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Cash and investments

Demand deposits, money market accounts, and cash on hand are deemed to be cash equivalents for the purpose of the statement of cash flows.

Accounts receivable

Accounts receivable are stated at the invoiced amount. The District performs periodic credit evaluations based on its customers' payment history. Management has determined accounts receivable are collectable and no allowance for doubtful accounts is deemed necessary.

Capital assets

All development costs in excess of \$5,000 which have useful lives greater than one year, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the lives of assets, are capitalized. Capital assets are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from three to 40 years.

Deferred outflows 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) 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.

Net position

The District has net position consisting of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in capital assets, net of related debt - This component consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of leases and bonds payable or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are those which have restrictions placed on their use by external constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of the balance of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the criteria of invested in capital assets, net of related debt or restricted above.

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

Subsequent events

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

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

3. CASH AND INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 15,091,530	\$ 14,869,792
Cash and investments - restricted	<u>212,829</u>	<u>1,868,967</u>
	<u>\$ 15,304,359</u>	<u>\$ 16,738,759</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 \$15,432,253 and a carrying balance of \$15,304,359. As of December 31, 2021, the District's cash deposits had a bank balance of \$16,931,413 and a carrying balance of \$16,738,759.

As of December 31, 2022, the District had no investments.

Restricted cash

As of December 31, 2022 and 2021, the District had restricted cash of \$212,829 and \$191,467, respectively, for lottery funds. As of December 31, 2021, the District had restricted cash of \$1,677,500 for bond reserves.

Investments

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

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

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

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

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

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2022, the District had no investments.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is as follows:

	01-01-22	Increases	Decreases	12-31-22
Non-depreciable assets:				
Water rights	\$ 4,206,085	\$ -	\$ -	\$ 4,206,085
Land	676,901	-	-	676,901
Work in progress	7,422,857	1,515,740	-	8,938,597
Total non-depreciable assets	12,305,843	1,515,740	-	13,821,583
Depreciable assets:				
Recreational facilities	4,993,714	2,705,118	-	7,698,832
Water and wastewater infrastructure	76,305,302	-	-	76,305,302
Vehicles and equipment	990,062	902,827	(175,541)	1,717,348
Total depreciable assets	82,289,078	3,607,945	(175,541)	85,721,482
Less accumulated depreciation:				
Recreational facilities	(4,276,584)	(497,093)	-	(4,773,677)
Water and wastewater infrastructure	(29,098,986)	(1,870,982)	-	(30,969,968)
Vehicles and equipment	(1,058,732)	(10,298)	189,750	(879,280)
Total accumulated depreciation	(34,434,302)	(2,378,373)	189,750	(36,622,925)
Capital assets, net	\$ 60,160,619	\$ 1,229,572	\$ 14,209	\$ 62,920,140

Capital asset activity for the year ended December 31, 2021, is as follows:

	01-01-21	Increases	Decreases	12-31-21
Non-depreciable assets:				
Water rights	\$ 4,206,085	\$ -	\$ -	\$ 4,206,085
Land	676,901	-	-	676,901
Work in progress	4,725,224	2,697,633	-	7,422,857
Total non-depreciable assets	9,608,210	2,697,633	-	12,305,843
Depreciable assets:				
Recreational facilities	4,982,628	11,086	-	4,993,714
Water and wastewater infrastructure	76,780,485	5,820	481,003	76,305,302
Vehicles and equipment	904,984	85,078	-	990,062
Total depreciable assets	82,668,097	101,984	481,003	82,289,078
Less accumulated depreciation:				
Recreational facilities	(4,075,880)	(200,704)	-	(4,276,584)
Water and wastewater infrastructure	(27,242,250)	(2,036,782)	180,046	(29,098,986)
Vehicles and equipment	(966,051)	(92,681)	-	(1,058,732)
Total accumulated depreciation	(32,284,181)	(2,330,167)	180,046	(34,434,302)
Capital assets, net	\$ 59,992,126	\$ 469,450	\$ 661,049	\$ 60,160,619

Depreciation expense for the years ended December 31, 2022 and 2021, totaled \$2,378,374 and \$2,330,167, respectively.

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

5. ARBITRATION PAYABLE

During 2022, Paint Brush Hills Metropolitan District ("Paint Brush Hills") and the District entered arbitration regarding whether the District overcharged residents of Paint Brush Hills for wastewater treatment fees. On December 1, 2022, the arbiter ruled in favor of Paint Brush Hills, and the District was found to be liable for breach of contract, attorney fees, interest, and other miscellaneous costs totaling \$1,379,327. Paint Brush Hills has indicated it may pursue further arbitration depending upon the outcome of a future rate study and upcoming wastewater treatment fee rate decision. The District intends to vigorously defend any future arbitrations.

6. CAPITAL LEASE AND BOND PAYABLE

The following is a summary of capital leases and bonds payable during the year ended December 31, 2022:

	Balance 01-01-22	Additions	Repayments	Balance 12-31-22	Due Within One Year
Lease purchase agreement, 2016	\$ 16,590,000	\$ -	\$ (540,000)	\$ 16,050,000	\$ 560,000
Water and Wastewater Enterprise Revenue Refunding Bonds, Series 2016	13,235,000	-	(500,000)	12,735,000	520,000
	<u>\$ 29,825,000</u>	<u>\$ -</u>	<u>\$ (1,040,000)</u>	<u>\$ 28,785,000</u>	<u>\$ 1,080,000</u>

The following is a summary of capital leases and bonds payable during the year ended December 31, 2021:

	Balance 01-01-21	Additions	Repayments	Balance 12-31-2021	Due Within One Year
Lease purchase agreement, 2016	\$ 17,115,000	\$ -	\$ (525,000)	\$ 16,590,000	\$ 535,000
Water and Wastewater Enterprise Revenue Refunding Bonds, Series 2016	13,790,000	-	(555,000)	13,235,000	570,000
	<u>\$ 30,905,000</u>	<u>\$ -</u>	<u>\$ (1,080,000)</u>	<u>\$ 29,825,000</u>	<u>\$ 1,105,000</u>

Lease Purchase Agreement

On March 29, 2016, the District entered into a Lease Purchase Agreement ("2016 Lease") with the Woodmen Hills Public Facilities Leasing Trust 2016 ("Trust") to replace, in its entirety, the 2009 lease and to construct additional wastewater facilities within the District. The lease term can be continued at the option of the District, at annual renewal terms which terminate on December 1, 2044. The 2016 Lease is a special, limited obligation of the District's Water and Wastewater Enterprise payable solely from pledged revenue. Pledged revenue consists of money the District has elected to appropriate for payment on the 2016 Lease on an annual basis. Base rental payments are due monthly during each renewal term and consist of principal and interest. All principal and interest are due on December 1, 2025, unless the District elects to waive the full payment of the bonds on that date.

The capital lease obligation does not constitute a general obligation or other indebtedness of the District within the meaning of any constitutional, statutory, or charter debt limitation. The District's obligation to make payments relating to the 2016 Lease is contingent each year upon the District appropriating the requisite funds. In the event of nonappropriation, the 2016 Lease terminates, and is payable solely from proceeds, if any, received from the trustee upon exercise of remedies.

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

In April 2022, the District amended the 2016 Lease. The amended lease bears interest at a fixed rate of 2.77% through April 4, 2022, and a fixed rate of 3.03% through the final maturity date of December 1, 2034. The following schedule of base rental payments assumes the District will not pay the full principal at December 1, 2025.

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 560,000	\$ 486,315	\$ 1,046,315
2024	575,000	469,347	1,044,347
2025	590,000	451,925	1,041,925
2026	610,000	434,048	1,044,048
2027	625,000	415,565	1,040,565
2028-2032	3,360,000	1,783,913	5,143,913
2033-2034	9,730,000	567,974	10,297,974
	<u>\$ 16,050,000</u>	<u>\$ 4,609,085</u>	<u>\$ 20,659,085</u>

2016 Lease 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 lease default under the indenture:

- i. Failure by the District to pay any base rentals or additional rentals, which have been specifically appropriated by the District for such purpose, during the initial term or any renewal term, within five business days of the date on which they are due
- ii. Failure by the District to vacate or surrender possession of the leased property by March 1 of any renewal term in respect of which an event of nonappropriation has occurred
- iii. Failure by the District to observe and perform any covenant, condition, or agreement on its part to be observed or performed hereunder, other than as referred to in (a) or (b), for a period of 60 days after written notice specifying such failure and requesting that it be remedied is received by the District from the trustee
- iv. Any representation or warranty made by the District in the 2016 Lease or any certificate, instrument, financial, or other statement furnished by the District to the trustee or the purchaser, proves to have been untrue or incomplete in any material respect when made or deemed made
- v. The District initiates, acquiesces, or consents to any proceedings to dissolve the District or to consolidate the District with other similar entities into a single entity or the District otherwise ceases to exist
- vi. The District (i) commence any cases, proceedings, or other actions 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 a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or seeks appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District makes a general assignment for the benefit of its creditors; or (ii) there commence against the District any case, proceeding, or other action of a nature referred to in clause (i) above and the same remains undismissed; or (iii) there commences against the District any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which has not been vacated, discharged, stayed or bonded pending appeal, within 60 days from the entry thereof; or (iv) the District 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 admits or is unable to admit in writing its inability to pay its debts as they become due

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Terminate the lease term and give notice to the District to vacate and surrender possession of the leased property which vacation and surrender the District agrees to complete within 60 days from the date of such notice
- ii. Sell, trade-in, repossess, or liquidate the trust's ownership interest in the leased property or any part thereof in any lawful manner
- iii. Lease or sublease the leased property or sell an assignment of any interest the trust has in the leased property
- iv. Recover from the enterprise: (a) the portion of base rentals and additional rentals, for which a specific appropriation has been effected by the District for such purpose, which would otherwise have been payable hereunder, during any period in which the District continues to occupy, use or possess the leased property, with the interest portion of such base rentals being calculated at the default rate; and (b) base rentals and additional rentals, for which a specific appropriation has been effected by the enterprise for such purpose, which would otherwise have been payable by the District hereunder during the remainder, after the District vacates and surrenders possession of the leased property, of the fiscal year in which such event of lease default occurs, with the interest portion of such base rentals being calculated at the default rate
- v. Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the leased property under the 2016 Lease and the indenture

Upon any event of lease default, the trustee shall also be entitled to any moneys in any funds or accounts created under the indenture (except the rebate fund).

Water and Wastewater Enterprise Revenue Refunding Bonds, Series 2016

On March 29, 2016, the District issued Water and Wastewater Enterprise Revenue Refunding Bonds, Series 2016 ("Series 2016 Bonds"), with an original par value of \$16,200,000. The Series 2016 Bonds were issued to refund the Series 2009 Water and Wastewater Bonds and the Series 2009 Recreational Facilities Enterprise Revenue Refunding Bonds. In April 2022, the District amended the Series 2016 Bonds. The amended bonds, bear interest at a fixed rate of 2.75% through April 4, 2022, and a fixed rate of 2.94% through the final maturity date of December 1, 2041.

The Series 2016 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 June 1, 2016, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

<u>Redemption Date</u>	<u>Redemption Price</u>
June 1, 2016 through November 30, 2025	103 %
December 1, 2025 through November 30, 2026	102 %
December 1, 2026 through November 30, 2027	101 %
December 1, 2027 and thereafter	100 %

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The District's long-term obligations on the Series 2016 Bonds mature as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 520,000	\$ 374,409	\$ 894,409
2024	535,000	359,121	894,121
2025	555,000	343,392	898,392
2026	575,000	327,075	902,075
2027	590,000	310,170	900,170
2028-2032	3,220,000	1,279,635	4,499,635
2033-2037	3,645,000	781,599	4,426,599
2038-2041	3,095,000	223,587	3,318,587
	<u>\$ 12,735,000</u>	<u>\$ 3,998,988</u>	<u>\$ 16,733,988</u>

Series 2016 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 indenture:

- i. Payment of the principal and any installment of interest on any bond is not made by the District when due
- ii. The District defaults in the performance and fails to impose, collect, or apply the gross revenue as required by the indenture
- iii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution and fails to remedy the same after notice thereof pursuant to the indenture
- iv. Any representation or warranty made by the District in the indenture or any certificate, instrument, financial, or other statement furnished by the District to the trustee or the purchaser, proves to have been untrue or incomplete in any material respect when made or deemed made
- v. An event of lease default occurs
- vi. the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws

Upon the occurrence and continuance of an event of default, the trustee has 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, acceleration will not be an available remedy for an event of default.

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

7. EMPLOYEE BENEFIT PLAN

The District offers a Section 457 deferred compensation plan for which employees are eligible after one year of employment. The District contributes 3% of eligible employee salary for the calendar year, and makes matching contributions up to an additional 1.5% of eligible employee salary reduction contributions. All contributions made under the plan are fully vested and nonrefundable. The District contributed \$6,650 and \$53,672 to the plan for the years ended December 31, 2022 and 2021, respectively.

8. NET POSITION

The District has net position consisting of: invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2022, the District had net position invested in capital assets, net of related debt as follows:

	<u>2022</u>	<u>2021</u>
Invested in capital assets, net of related debt:		
Capital assets	\$ 62,920,140	\$ 60,160,619
Related debt	<u>(28,785,000)</u>	<u>(29,611,515)</u>
Invested in capital assets, net of related debt	<u>\$ 34,135,140</u>	<u>\$ 30,549,104</u>

As of December 31, 2022 and 2021, restricted net position consists of:

	<u>2022</u>	<u>2021</u>
Lottery funds	<u>\$ 212,829</u>	<u>\$ 191,467</u>

9. RISK MANAGEMENT

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

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

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

10. SUBSEQUENT EVENT

Line of credit

On May 26, 2023, the District entered into a Tax-Exempt Non-Revolver Line of Credit, Series 2023, with a Huntington Public Capital Corporation in the aggregate principal amount of \$10,000,000, bearing interest at a rate of 4.89% per annum, and maturing on June 1, 2028.

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

11. 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.

Enterprise governments, defined as governmental-owned businesses that are authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined are excluded from the provisions of TABOR. The District is of the opinion that the enterprise operations qualify as an enterprise government.

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.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

WOODMEN HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET COMPARED TO ACTUAL
BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual	Variance
<u>OPERATING REVENUES</u>			
Water and wastewater use fees	\$ 6,861,955	\$ 6,540,864	\$ (321,091)
Park and recreation fees	2,293,008	2,182,405	(110,603)
Other fees	559,495	764,270	204,775
<u>Total operating revenues</u>	<u>9,714,458</u>	<u>9,487,539</u>	<u>(226,919)</u>
<u>OPERATING EXPENDITURES</u>			
General and administrative	571,311	74,768	496,543
Operations	1,456,444	1,356,381	100,063
Repairs and maintenance	1,146,965	549,739	597,226
Utilities	852,000	663,131	188,869
Wages and employee expenses	2,314,819	2,053,616	261,203
<u>Total operating expenditures</u>	<u>6,341,539</u>	<u>4,697,635</u>	<u>1,643,904</u>
<u>NON-OPERATING REVENUES AND EXPENDITURES</u>			
Interest income	55,000	38,078	(16,922)
Interest expense	(998,692)	(923,291)	(75,401)
Gain on sale of capital assets	-	45,000	45,000
Tap fees	1,250,000	2,210,913	960,913
Contingency	(177,488)	-	177,488
<u>Total non-operating revenues and expenditures</u>	<u>128,820</u>	<u>1,370,700</u>	<u>1,091,078</u>
<u>Income - budgetary basis</u>	<u>\$ 3,501,739</u>	<u>\$ 6,160,604</u>	<u>\$ (779,745)</u>

See independent auditor's report.

WOODMEN HILLS METROPOLITAN DISTRICT
RECONCILIATION OF AMOUNTS FROM US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2022

The accompanying Schedule Of Revenues And Expenditures - Budget Compared To Actual - Budgetary Basis on page 17 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of resulting differences in revenues and expenditures for the year ended December 31, 2022 is presented below.

Total revenue and receipts per financial statements (operating revenues, non-operating revenues and capital contributions)	\$ 12,033,189
Less:	
Revenue accruals and non-cash adjustments for the year ended December 31, 2022	(251,659)
Total actual revenue and receipts on the budgetary basis	<u>\$ 11,781,530</u>
Total expenses and capital expenditures per financial statements	\$ 10,078,175
Plus:	
Expense accruals and non-cash adjustments for the year ended December 31, 2022	(636,048)
Less:	
Arbitration expense	(1,379,327)
Depreciation	(2,378,374)
Cost of capital lease and bond payable issuance	(63,500)
Total actual expenses and capital expenditures on the budgetary basis	<u>\$ 5,620,926</u>

See independent auditor's report.