

Report of Independent Auditors
and Financial Statements
with Supplementary Information

Woodmen Hills Metropolitan District

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Woodmen Hills Metropolitan District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Woodmen Hills Metropolitan District (the District), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2023, and the changes in its nets position and cash flows 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective January 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS, 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.

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 as a whole. The supplementary information 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 financial statements. The 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matter – 2022 Financial Statements

The financial statements of the District as of and for the year ended December 31, 2022 were audited by other auditors whose report dated September 29, 2023 expressed an unmodified opinion on those statements.

Baker Tilly US, LLP

Albuquerque, New Mexico

August 7, 2025

Financial Statements

Woodmen Hills Metropolitan District
Statements of Net Position
December 31, 2023 and 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 17,885,264 | \$ 15,091,530 |
| Cash and cash equivalents - restricted | 3,524,000 | - |
| Accounts receivable | 1,220,977 | 986,664 |
| Prepaid expenses | 263,007 | 189,450 |
| Total current assets | 22,893,248 | 16,267,644 |
| NONCURRENT ASSETS | | |
| Cash and cash equivalents – restricted | 267,248 | 212,829 |
| Capital assets | | |
| Capital assets, not being depreciated | 13,955,561 | 13,821,583 |
| Capital assets, net of accumulated depreciation | 54,068,933 | 49,098,557 |
| Total noncurrent assets | 68,291,742 | 63,132,969 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding of debt | 104,471 | 158,978 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 91,289,461 | \$ 79,559,591 |

See accompanying notes.

Woodmen Hills Metropolitan District
Statements of Net Position
December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 499,302 | \$ 236,526 |
| Interest payable | 174,142 | 112,527 |
| Customer deposits | 61,600 | - |
| Arbitration payable | - | 1,379,327 |
| Current portion of capital lease payable | 575,000 | 560,000 |
| Current portion of bond payable | <u>535,000</u> | <u>520,000</u> |
| Total current liabilities | <u>1,845,044</u> | <u>2,808,380</u> |
| NONCURRENT LIABILITIES | | |
| Line of credit | 10,000,000 | - |
| Capital lease payable, net of current portion | 14,915,000 | 15,490,000 |
| Bond payable, net of current portion | <u>11,680,000</u> | <u>12,215,000</u> |
| Total noncurrent liabilities | <u>36,595,000</u> | <u>27,705,000</u> |
| Total liabilities | <u>38,440,044</u> | <u>30,513,380</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 30,319,494 | 34,135,140 |
| Restricted | 3,791,248 | 212,829 |
| Unrestricted | <u>18,738,675</u> | <u>14,698,242</u> |
| Total net position | <u>52,849,417</u> | <u>49,046,211</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 91,289,461</u></u> | <u><u>\$ 79,559,591</u></u> |

See accompanying notes.

Woodmen Hills Metropolitan District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------|---------------|
| OPERATING REVENUES | | |
| Water and wastewater use fees | \$ 8,050,080 | \$ 6,792,523 |
| Park and recreation fees | 2,499,636 | 2,182,405 |
| Other fees | 677,008 | 764,270 |
| Total operating revenues | 11,226,724 | 9,739,198 |
| OPERATING EXPENSES | | |
| Depreciation | 2,879,647 | 2,378,374 |
| Wages and other payroll expenses | 2,409,724 | 2,053,616 |
| Operations | 1,719,205 | 1,356,381 |
| General and administrative | 720,475 | 710,816 |
| Repairs and maintenance | 616,327 | 549,739 |
| Utilities | 599,713 | 663,131 |
| Arbitration expense | - | 1,379,327 |
| Total operating expenses | 8,945,091 | 9,091,384 |
| Operating income | 2,281,633 | 647,814 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 425,724 | 38,078 |
| Interest expense | (1,268,937) | (923,291) |
| Gain on sale of capital assets | 14,441 | 45,000 |
| Cost of capital lease and bond payable issuance | (136,905) | (63,500) |
| Net non-operating expenses | (965,677) | (903,713) |
| Net income (expenses) before tap fees | 1,315,956 | (255,899) |
| Tap fees | 2,487,250 | 2,210,913 |
| CHANGE IN NET POSITION | 3,803,206 | 1,955,014 |
| NET POSITION, beginning of year | 49,046,211 | 47,091,197 |
| NET POSITION, end of year | \$ 52,849,417 | \$ 49,046,211 |

See accompanying notes.

Woodmen Hills Metropolitan District
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and operations | \$ 9,601,127 | \$ 9,571,051 |
| Payments to suppliers for goods and services | (3,621,678) | (4,176,774) |
| Payments to employees for services | 228,734 | (2,053,616) |
| Net cash flows from operating activities | 6,208,183 | 3,340,661 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Borrowings on line of credit | 10,000,000 | - |
| Principal payments on capital lease and bond payable | (1,080,000) | (1,103,500) |
| Interest payments on capital lease and bond payable | (1,289,720) | (827,657) |
| Tap fees collected | 2,487,250 | 2,210,913 |
| Proceeds from sales of capital assets | 14,441 | 45,000 |
| Purchases of capital assets | (7,984,001) | (5,137,895) |
| Net cash flows from capital and related financing activities | 2,147,970 | (4,813,139) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | 425,724 | 38,078 |
| Cash flows from investing activities | 425,724 | 38,078 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 8,781,877 | (1,434,400) |
| CASH AND CASH EQUIVALENTS, beginning of year | 15,304,359 | 16,738,759 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 24,086,236 | \$ 15,304,359 |

See accompanying notes.

Woodmen Hills Metropolitan District
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|--------------|--------------|
| RECONCILIATION OF OPERATING INCOME TO NET | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income | \$ 2,281,633 | \$ 647,814 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Depreciation | 2,409,724 | 2,378,374 |
| Changes in assets and liabilities related to operations | | |
| Accounts receivable | (234,313) | (251,659) |
| Prepaid expenses | (73,557) | (168,147) |
| Accounts payable and accrued expenses | 262,776 | (636,048) |
| Customer deposits | 61,600 | (9,000) |
| Arbitration payable | (1,379,327) | 1,379,327 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 3,328,536 | \$ 3,340,661 |
| NONCASH TRANSACTIONS | | |
| Amortization of deferred charge as interest expense | \$ 54,507 | \$ 54,507 |

See accompanying notes.

Woodmen Hills Metropolitan District

Notes to Financial Statements

Note 1 – Definition of Reporting Entity

Woodmen Hills Metropolitan District (the 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 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.

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. 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 nonoperating 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 nonoperating revenues and expenses or capital contributions.

Woodmen Hills Metropolitan District

Notes to Financial Statements

Use of estimates – The preparation of financial statements in accordance with U.S. 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.

Cash and cash equivalents – Demand deposits, money market accounts, and cash on hand are deemed to be cash equivalents for the purpose of the statements 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 credit loss 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 3 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.

Woodmen Hills Metropolitan District

Notes to Financial Statements

New accounting pronouncement adopted – The District adopted GASB 96, *Subscription-Based IT Arrangements* as of January 1, 2023. The accounting pronouncement requires a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital asset, as specified in the contract for a period of time in an exchange or exchange-like transaction. These contracts would include cloud-based accounting software, cybersecurity software, cloud stage services, online payroll processing, and human resource software or other enterprise resource planning software. The term is the period in which the District has a noncancellable right to use the underlying information technology asset. The District did not have significant agreements under this accounting pronouncement.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents are classified in the accompanying financial statements as follows as of December 31:

| | 2023 | 2022 |
|-----------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 17,885,264 | \$ 15,091,530 |
| Cash and equivalents – restricted | 3,791,248 | 212,829 |
| | \$ 21,676,512 | \$ 15,304,359 |

Deposits with financial institutions – The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2023, the District's cash deposits had a bank balance of \$21,669,809 and a carrying balance of \$21,676,512. 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.

Restricted cash – As of December 31, 2023 and 2022, the District had restricted cash of \$267,248 and \$212,829, respectively, for lottery funds. As of December 31, 2023 and 2022, the District had restricted cash of \$3,791,248 and \$3,330, respectively, for bond reserves and water rights purchase (Note 5).

Woodmen Hills Metropolitan District Notes to Financial Statements

Note 4 – Capital Assets

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

| | January 1, 2023 | Increases | Decreases | December 31, 2023 |
|---------------------------------------|----------------------|----------------------|-----------------------|----------------------|
| Non-depreciable assets | | | | |
| Water rights | \$ 4,206,085 | \$ 1,170 | \$ - | \$ 4,207,255 |
| Land | 676,901 | 431,255 | - | 1,108,156 |
| Work in progress | 8,938,597 | 6,938,730 | (7,237,177) | 8,640,150 |
| Total non-depreciable assets | 13,821,583 | 7,371,155 | (7,237,177) | 13,955,561 |
| Depreciable assets | | | | |
| Recreational facilities | 7,698,832 | 1,198,162 | (24,621) | 8,872,373 |
| Water and wastewater infrastructure | 76,305,302 | 4,788,211 | (5,978) | 81,087,535 |
| Vehicles and equipment | 1,717,348 | 1,863,650 | (412,048) | 3,168,950 |
| Total depreciable assets | 85,721,482 | 7,850,023 | (442,647) | 93,128,858 |
| Less accumulated depreciation | | | | |
| Recreational facilities | (4,773,677) | (398,422) | 24,621 | (5,147,478) |
| Water and wastewater infrastructure | (30,969,968) | (2,286,488) | 5,978 | (33,250,478) |
| Vehicles and equipment | (879,280) | (194,737) | 412,048 | (661,969) |
| Total accumulated depreciation | (36,622,925) | (2,879,647) | 442,647 | (39,059,925) |
| Capital assets, net | \$ 62,920,140 | \$ 12,341,531 | \$ (7,237,177) | \$ 68,024,494 |

Woodmen Hills Metropolitan District Notes to Financial Statements

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

| | January 1, 2022 | Increases | Decreases | December 31, 2022 |
|---------------------------------------|----------------------|---------------------|------------------|----------------------|
| 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 | \$ 2,745,312 | \$ 14,209 | \$ 62,920,140 |

Depreciation expense for the years ended December 31, 2023 and 2022, totaled \$2,879,647 and \$2,378,374, respectively.

Note 5 – Commitments and Contingencies

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. In 2023, the District completed payment of the settlement balance totaling \$1,379,327.

Water Rights Purchase

During 2023, the District entered into a water rights purchase contract for a purchase price of \$7,347,760. Balances paid under the contract during 2023 totaled \$3,825,410. The remaining balance of \$3,522,350 was paid during January 2024. As of December 31, 2023, water rights are included in non-depreciable assets.

Woodmen Hills Metropolitan District Notes to Financial Statements

Lease Commitments

The District has various lease agreements related to equipment. The following is a summary of future payments:

| | Total |
|------|-----------|
| 2024 | \$ 58,632 |
| 2025 | 22,740 |
| 2026 | 13,160 |
| | \$ 94,532 |

Rent expense totaled \$49,000 and \$51,000 for the years ended December 31, 2023 and 2022, respectively.

Note 6 – Capital Lease and Bond Payable

The following is a summary of capital leases and bonds payable during the year ended December 31, 2023:

| | Balance January 1, 2023 | Additions | Repayments | Balance December 31, 2023 | Due Within One Year |
|--|-------------------------------|-----------|----------------|---------------------------------|------------------------|
| Lease purchase agreement, 2016 | \$ 16,050,000 | \$ - | \$ (560,000) | \$ 15,490,000 | \$ 575,000 |
| Water and Wastewater Enterprise Revenue Refunding Bonds, Series 2016 | 12,735,000 | - | (520,000) | 12,215,000 | 535,000 |
| | \$ 28,785,000 | \$ - | \$ (1,080,000) | \$ 27,705,000 | \$ 1,110,000 |

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

| | Balance January 1, 2022 | Additions | Repayments | Balance December 31, 2022 | 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 |
| | \$ 29,825,000 | \$ - | \$ (1,040,000) | \$ 28,785,000 | \$ 1,080,000 |

Woodmen Hills Metropolitan District

Notes to Financial Statements

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 non-appropriation, the 2016 Lease terminates, and is payable solely from proceeds, if any, received from the trustee upon exercise of remedies.

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 as of December 1, 2025.

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 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 | 645,000 | 396,627 | 1,041,627 |
| 2029-2033 | 3,430,000 | 1,682,105 | 5,112,105 |
| 2034 | 9,015,000 | 136,577 | 9,151,577 |
| | <u>\$ 15,490,000</u> | <u>\$ 3,986,194</u> | <u>\$ 19,476,194</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 non-appropriation 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.

Woodmen Hills Metropolitan District Notes to Financial Statements

- 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.

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.

Woodmen Hills Metropolitan District

Notes to Financial Statements

- 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% |

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

| <u>Year Ending</u> <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| 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 | 610,000 | 292,824 | 902,824 |
| 2029-2033 | 3,305,000 | 1,184,967 | 4,489,967 |
| 2034-2038 | 3,735,000 | 674,436 | 4,409,436 |
| 2039-2041 | 2,310,000 | 132,594 | 2,442,594 |
| | <u>\$ 12,215,000</u> | <u>\$ 3,624,579</u> | <u>\$ 15,839,579</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.

Woodmen Hills Metropolitan District

Notes to Financial Statements

- 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.

Note 7 – Line of Credit

On May 26, 2023, the District entered into a Tax-Exempt Non-Revolver Line of Credit, Series 2023, with 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. The line of credit is recorded as a non-current debt on the statements of net position.

Woodmen Hills Metropolitan District
Notes to Financial Statements

Note 8 – Employee Benefit Plan

The District offers a Section 457 deferred compensation plan for which employees are eligible after one year of employment. The District will match up to 4.5% of eligible employee contributions per calendar year. All contributions made under the plan are fully vested and nonrefundable. The District contributed \$10,996 and \$6,650 to the plan for the years ended December 31, 2023 and 2022, respectively.

Note 9 – Net Position

The District has net position consisting of balances 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, the District had net position invested in capital assets, net of related debt as follows:

| | 2023 | 2022 |
|---|---------------|---------------|
| Invested in capital assets, net of related debt | | |
| Capital assets | \$ 68,024,494 | \$ 62,920,140 |
| Related debt | (37,705,000) | (28,785,000) |
| Invested in capital assets, net of related debt | \$ 30,319,494 | \$ 34,135,140 |

As of December 31, 2023 and 2022, restricted net position consists of:

| | 2023 | 2022 |
|-----------------------|--------------|------------|
| Lottery funds | \$ 267,248 | \$ 212,829 |
| Water rights purchase | 3,524,000 | - |
| | \$ 3,791,248 | \$ 212,829 |

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; 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.

Woodmen Hills Metropolitan District

Notes to Financial Statements

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.

Note 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.

Note 12 – Subsequent Events

In November 2024, the District awarded a construction contract related to the Theriot Concrete Water Tank. The construction award is \$2,343,573 with construction being completed in November 2025.

In January 2025, the District purchased property for \$1,000,000 in Peyton, Colorado. The total costs were \$1,001,562, which includes the land and settlement costs.

In January 2025, the District entered into an engineering consultation agreement for approximately \$741,000 related to the regional water reclamation facility.

Supplementary Information

Woodmen Hills Metropolitan District
Schedule of Revenues and Expenditures –
Budget Compared to Actual Budgetary Basis
Year Ended December 31, 2023

| | Budgeted Amounts | | Actual | Variance |
|--|----------------------------|----------------------------|----------------------------|------------------------------|
| | Original | Final Budget | | |
| OPERATING REVENUES | | | | |
| Water and wastewater use fees | \$ 7,847,087 | \$ 7,806,482 | \$ 7,815,767 | \$ (9,285) |
| Park and recreation fees | 2,990,632 | 2,990,632 | 2,499,636 | 490,996 |
| Other fees | 85,000 | 759,510 | 677,008 | 82,502 |
| Total operating revenues | <u>10,922,719</u> | <u>11,556,624</u> | <u>10,992,411</u> | <u>564,213</u> |
| OPERATING EXPENDITURES | | | | |
| General and administrative | 2,003,944 | 2,003,944 | 720,475 | 1,283,469 |
| Operations | 2,778,856 | 2,778,856 | 1,981,981 | 796,875 |
| Repairs and maintenance | 1,160,885 | 1,160,885 | 616,327 | 544,558 |
| Utilities | 1,037,500 | 1,037,500 | 599,713 | 437,787 |
| Wages and payroll expenses | 2,873,544 | 2,873,544 | 2,409,724 | 463,820 |
| Total operating expenditures | <u>9,854,729</u> | <u>9,854,729</u> | <u>6,328,220</u> | <u>3,526,509</u> |
| NON-OPERATING REVENUES AND EXPENDITURES | | | | |
| Interest income | 25,000 | 25,000 | 425,724 | (400,724) |
| Interest expense | (860,724) | (860,724) | (1,268,937) | 408,213 |
| Gain on sale of capital assets | - | - | 14,441 | (14,441) |
| Tap fees | 2,808,092 | 2,808,092 | 2,487,250 | 320,842 |
| Contingency | 205,000 | 205,000 | - | 410,000 |
| Total non-operating revenues and expenditures | <u>2,177,368</u> | <u>2,177,368</u> | <u>1,658,478</u> | <u>723,890</u> |
| INCOME – BUDGETARY BASIS | <u><u>\$ 3,245,358</u></u> | <u><u>\$ 3,879,263</u></u> | <u><u>\$ 6,322,669</u></u> | <u><u>\$ (2,238,406)</u></u> |

Woodmen Hills Metropolitan District
Reconciliation of Amounts from U.S. GAAP Basis to Budgetary Basis
Year Ended December 31, 2023

The accompanying schedule of revenues and expenditures – budget compared to actual budgetary basis 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 U.S. GAAP, a reconciliation of resulting differences in revenues and expenditures for the year ended December 31, 2023, is presented below.

| | |
|---|----------------------|
| Total revenue and receipts per financial statements (operating revenues, non-operating revenues and capital contributions) | \$ 14,154,139 |
| Less | |
| Revenue accruals and non-cash adjustments for the year ended December 31, 2023 | <u>(234,313)</u> |
| Total actual revenue and receipts on the budgetary basis | <u>\$ 13,919,826</u> |
| Total expenses and capital expenditures per financial statements | \$ 10,350,933 |
| Plus | |
| Expense accruals and non-cash adjustments for the year ended December 31, 2023 | 262,776 |
| Less | |
| Depreciation | (2,879,647) |
| Cost of capital lease and bond payable issuance | <u>(136,905)</u> |
| Total actual expenses and capital expenditures on the budgetary basis | <u>\$ 7,597,157</u> |

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