

VDW METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado

BASIC FINANCIAL STATEMENTS

December 31, 2023

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
VDW Metropolitan District No. 1
Larimer County, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the VDW Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the VDW Metropolitan District No. 1 as of December 31, 2023, and the respective changes in financial position, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 VDW Metropolitan District No. 1 and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental 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, who 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 is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedules as listed in the table of contents, are presented for purposes of additional analysis and are 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.

The individual fund schedules have 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 individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Luttrell & Associates, LLC

July 29, 2024

BASIC FINANCIAL STATEMENTS

VDW METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2023

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Investments	\$ 1,870,578	\$ 1,398,482
Cash and Investments - Restricted	28,165	52,363
Service Fees Receivable	29,720	23,250
Prepaid Expenses	11,132	13,305
Capital Assets, net of Accumulated Depreciation	<u>1,392,995</u>	<u>1,531,002</u>
 TOTAL ASSETS	 <u>3,332,590</u>	 <u>3,018,402</u>
LIABILITIES		
Accounts Payable	<u>44,093</u>	<u>76,412</u>
 TOTAL LIABILITIES	 <u>44,093</u>	 <u>76,412</u>
NET POSITION		
Net Investment in Capital Assets	1,392,995	1,531,002
Restricted for		
Emergencies	23,183	8,327
Capital Projects	1,270,598	973,002
Unrestricted	<u>601,721</u>	<u>429,659</u>
 TOTAL NET POSITION	 <u>\$ 3,288,497</u>	 <u>\$ 2,941,990</u>

The accompanying notes are an integral part of the financial statements.

VDW METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Governmental Activities	
	2023	2022
EXPENSES		
Governmental Activities		
General Government	\$ 477,546	\$ 456,458
Interest on Long-Term Debt	-	14,371
 TOTAL EXPENSES	 477,546	 470,829
REVENUES		
GENERAL REVENUES		
Contribution from District No. 2	-	904,891
Service Fees - Districts No. 2 and 3	684,519	241,825
Capital Reimbursements	51,271	151,968
Investment Income	88,263	39,111
 TOTAL REVENUES	 824,053	 1,337,795
 CHANGE IN NET POSITION	 346,507	 866,966
NET POSITION, Beginning	2,941,990	2,075,024
NET POSITION, Ending	\$ 3,288,497	\$ 2,941,990

The accompanying notes are an integral part of the financial statements.

VDW METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2023

	GENERAL	DEBT	CAPITAL	TOTAL	
	FUND	SERVICE	PROJECTS	GOVERNMENTAL FUNDS	
		FUND	FUND	2023	2022
ASSETS					
Cash and Investments	\$ 599,868	\$ -	\$ 1,270,710	\$ 1,870,578	\$ 1,398,482
Cash and Investments - Restricted	-	28,165	-	28,165	52,363
Service Fees Receivable	3,312	-	-	3,312	1,250
Due from District No.2	26,408	-	-	26,408	22,000
Prepaid Expenses	11,132	-	-	11,132	13,305
TOTAL ASSETS	\$ 640,720	\$ 28,165	\$ 1,270,710	\$ 1,939,595	\$ 1,487,400
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ 15,816	\$ 28,165	\$ 112	\$ 44,093	\$ 76,412
TOTAL LIABILITIES	15,816	28,165	112	44,093	76,412
FUND EQUITY					
Fund Balance					
Nonspendable	11,132	-	-	11,132	13,305
Restricted for Emergencies	23,183	-	-	23,183	8,327
Restricted for Capital Projects	-	-	1,270,598	1,270,598	973,002
Unassigned	590,589	-	-	590,589	416,354
TOTAL FUND EQUITY	624,904	-	1,270,598	1,895,502	1,410,988
TOTAL LIABILITIES & FUND EQUITY	\$ 640,720	\$ 28,165	\$ 1,270,710		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	1,392,995	1,531,002
Net position of governmental activities	<u>\$ 3,288,497</u>	<u>\$ 2,941,990</u>

The accompanying notes are an integral part of the financial statements.

VDW METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	
				2023	2022
REVENUES					
Service Fees - Districts No. 2 and 3	\$ 684,519	\$ -	\$ -	\$ 684,519	\$ 241,825
Capital Reimbursements	-	-	51,271	51,271	151,968
Interest and Other Revenue	88,263	-	-	88,263	39,111
TOTAL REVENUES	772,782	-	51,271	824,053	432,904
EXPENDITURES					
Current					
General Government	335,864	-	3,675	339,539	318,451
Debt Service					
Principal	-	-	-	-	910,000
Interest and Other Fiscal Charges	-	-	-	-	14,371
TOTAL EXPENDITURES	335,864	-	3,675	339,539	1,242,822
EXCESS OF REVENUES OVER (UNDER) EXPENSES	436,918	-	47,596	484,514	(809,918)
OTHER SOURCES (USES)					
Transfers In	-	-	250,000	250,000	904,891
Transfers Out	(250,000)	-	-	(250,000)	-
TOTAL OTHER SOURCES (USES)	(250,000)	-	250,000	-	904,891
NET CHANGE IN FUND BALANCES	186,918	-	297,596	484,514	94,973
FUND BALANCES, Beginning	437,986	-	973,002	1,410,988	1,316,015
FUND BALANCES, Ending	\$ 624,904	\$ -	\$ 1,270,598	\$ 1,895,502	\$ 1,410,988

The accompanying notes are an integral part of the financial statements.

VDW METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 484,514
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the depreciation expense for the year.	<u>(138,007)</u>
Change in Net Position of Governmental Activities	<u>\$ 346,507</u>

The accompanying notes are an integral part of the financial statements.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

VDW Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by order and decree of the District Court of Larimer County on June 20, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Loveland (City), Larimer County, Colorado. The District was established to provide construction, installation, financing and operation of public improvements, including streets, traffic and safety controls, water, sanitation, storm drainage, transportation, television relay and translator, park and recreation facilities, and mosquito and pest control. The District's service plan was approved by the City. Pursuant to the consolidated service plan for VDW Metropolitan Districts No. 1, 2 and 3, the District operates as the Service District, VDW Metropolitan District No. 2 operates as the Residential District and VDW Metropolitan District No. 3 operates as the Commercial District.

The accounting policies of the District conform to Generally Accepted Accounting Principles ("GAAP") as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the payment of the District's bonds.

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

Cash and Investments

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

Investments are recorded at fair value.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The District also capitalizes all infrastructure costs. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type in the Statement of Net Position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portion for various purposes, the Districts' Board of Directors ("Board") has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Classification (Continued)

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District reports prepaid expenses as nonspendable as of December 31, 2023.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District has also classified the fund balances in the Capital Projects Fund as restricted.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2023.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15, District Management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgets are legally adopted for all funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at December 31, 2023 consisted of the following:

Deposits	\$ 60,781
Investments	<u>1,837,962</u>
Total	<u>\$ 1,898,743</u>

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2023, the District had deposits with financial institutions with a carrying amount of \$60,781. The bank balances with the financial institutions were \$60,781. All of these amounts were covered by federal depository insurance.

Investments

Interest Rate Risk

The District adopted an investment policy on November 3, 2017.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The above investments are authorized for all funds and fund types used by Colorado local governments.

Local Government Investment Pools

The District had invested \$1,837,962, in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

The District doesn't have any investments requiring categorization at December 31, 2023.

Restricted Cash and Investments

Investments in the amount of \$28,165 are restricted in the Debt Service fund for payment of the District's debt.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, is summarized below:

	<u>Balances</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2023</u>
Governmental Activities				
Capital Assets, depreciated Infrastructure	\$ 2,760,133	\$ -	\$ -	\$ 2,760,133
Less Accumulated Depreciation Infrastructure	<u>1,229,131</u>	<u>138,007</u>	<u>-</u>	<u>1,367,138</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,531,002</u>	<u>\$ (138,007)</u>	<u>\$ -</u>	<u>\$ 1,392,995</u>

NOTE 5: LONG-TERM DEBT

Authorized Debt

On May 7, 2002, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$32,944,452 at an interest rate not to exceed 12% per annum. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$16,000,000.

NOTE 6: RELATED PARTIES

The developers of the property which constitutes the District are VDW Properties, LLC, and VDW Retail, LLC., which are managed by McWhinney Real Estate, Inc. (“MRES”). The members of the Board are employees of MRES, and may be otherwise associated with the developers and have disclosed any potential conflicts of interest in taking action on matters brought before the Board.

NOTE 7: 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 natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2023. 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 the past three years.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 7: RISK MANAGEMENT (Continued)

The District pays annual premiums to the Pool for liability, property, and public officials' 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 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 8: COMMITMENTS AND CONTINGENCIES

Tax Payer Bill of Rights (TABOR) Amendment

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an Emergency Reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2023, the Emergency Reserve of \$23,183 was recorded in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 29, 2024. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

VDW METROPOLITAN DISTRICT NO. 1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2023

	2023		VARIANCE Positive (Negative)	2022 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Service Fees	\$ 685,766	\$ 684,519	\$ (1,247)	\$ 240,126
Interest and Other Income	4,750	88,263	83,513	39,110
TOTAL REVENUES	<u>690,516</u>	<u>772,782</u>	<u>82,266</u>	<u>279,236</u>
EXPENDITURES				
Current				
General Government				
Accounting and Financials Management	51,000	52,500	(1,500)	47,360
District Management	30,000	28,000	2,000	29,380
Facilities Management	31,500	31,500	-	29,250
Office and Other	25,600	6,025	19,575	15,627
Insurance	14,102	13,305	797	10,184
Legal	20,000	15,198	4,802	18,128
Utilities	55,462	45,290	10,172	49,454
Landscaping	102,870	80,334	22,536	80,548
Repairs and Replacement	53,100	63,712	(10,612)	34,765
Contingency	20,000	-	20,000	-
TOTAL EXPENDITURES	<u>403,634</u>	<u>335,864</u>	<u>67,770</u>	<u>314,696</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>286,882</u>	<u>436,918</u>	<u>150,036</u>	<u>(35,460)</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	36,882	186,918	(99,964)	(35,460)
FUND BALANCE, Beginning	<u>380,449</u>	<u>437,986</u>	<u>57,537</u>	<u>473,446</u>
FUND BALANCE, Ending	<u>\$ 417,331</u>	<u>\$ 624,904</u>	<u>\$ (42,427)</u>	<u>\$ 437,986</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

VDW METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	2023		VARIANCE Positive (Negative)	2022 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Service Fees - District No. 3	\$ -	\$ -	-	1,699
Interest and Other Revenues	-	-	-	1
TOTAL REVENUES	-	-	-	1,700
EXPENDITURES				
Current				
General Government				
Trustee and Paying Agent Fees	-	-	-	500
Contingency	-	-	-	-
Debt Service				
Principal	-	-	-	910,000
Interest and Other Fiscal Charges	-	-	-	14,371
TOTAL EXPENDITURES	-	-	-	924,871
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(923,171)
OTHER FINANCING SOURCES (USES)				
Transfers from District 2	-	-	-	904,891
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	904,891
NET CHANGE IN FUND BALANCE	-	-	-	(18,280)
FUND BALANCE, Beginning	-	-	-	18,280
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.

VDW METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	2023		VARIANCE Positive (Negative)	2022 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Capital Reimbursements	\$ -	\$ 51,271	\$ 51,271	\$ 151,968
EXPENDITURES				
Current				
General Government				
District Management	5,000	3,675	1,325	-
District Engineering	10,000		10,000	3255
Capital Outlay	350,000			
Contingency	20,000		20,000	-
TOTAL EXPENDITURES	385,000	3,675	31,325	3,255
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(385,000)	47,596	82,596	148,713
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	250,000	250,000	-
TOTAL OTHER FINANCING SOURCES (USES)	250,000	250,000	250,000	-
NET CHANGE IN FUND BALANCE	(135,000)	297,596	332,596	148,713
FUND BALANCE, Beginning	963,757	973,002	9,245	824,289
FUND BALANCE, Ending	\$ 828,757	\$ 1,270,598	\$ 341,841	\$ 973,002

See the accompanying independent auditors' report.