

**VDW METROPOLITAN DISTRICT NO. 2
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. 2
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. 2 (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. 2 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. 2 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 17 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 financial schedule as listed 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.

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

John Cutler & Associates, LLC

July 29, 2024

BASIC FINANCIAL STATEMENTS

VDW METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION
As of December 31, 2023

	Governmental Activities	
	2023	2022
ASSETS		
Cash and Investments	\$ -	\$ -
Cash and Investments - Restricted	995,621	910,592
Service Fees Receivable	28,988	54,280
Property Taxes Receivable	1,046,650	907,710
Due from Other Government	4,791	6,878
TOTAL ASSETS	2,076,050	1,879,460
LIABILITIES		
Due to District No. 1	28,988	22,881
Noncurrent Liabilities		
Due within One Year	280,000	265,000
Due in More Than One Year	10,300,376	10,596,530
TOTAL LIABILITIES	10,609,364	10,884,411
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenues - Property Taxes	1,046,650	907,710
NET POSITION		
Net Investment in Capital Assets	(10,580,376)	(10,861,530)
Restricted for		
Emergencies	-	-
Debt Service	1,000,412	948,869
Unrestricted	-	-
TOTAL NET POSITION	\$ (9,579,964)	\$ (9,912,661)

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

VDW METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Governmental Activities	
	2023	2022
EXPENSES		
Governmental Activities		
General Government	\$ 534,757	\$ 1,060,355
Interest on Long-Term Debt	357,950	1,661,221
	<u>892,707</u>	<u>2,721,576</u>
TOTAL EXPENSES		
REVENUES		
GENERAL REVENUES		
Taxes	981,574	1,341,080
Service Fees - District No. 3	186,115	371,057
Investment Income	57,715	15,862
	<u>1,225,404</u>	<u>1,727,999</u>
TOTAL REVENUES		
CHANGE IN NET POSITION	332,697	(993,577)
NET POSITION, Beginning	<u>(9,912,661)</u>	<u>(8,919,084)</u>
NET POSITION, Ending	<u>\$ (9,579,964)</u>	<u>\$ (9,912,661)</u>

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

VDW METROPOLITAN DISTRICT NO. 2

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2023

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENT FUNDS	
			2023	2022
ASSETS				
Cash and Investments	\$ -	\$ -	\$ -	\$ -
Cash and Investments - Restricted	-	995,621	995,621	910,592
Service Fees Receivable	-	823	823	1,918
Due from Other Government	2,581	2,210	4,791	6,878
Due from District No.1	-	28,165	28,165	52,362
Property Taxes Receivable	624,075	422,575	1,046,650	907,710
TOTAL ASSETS	\$ 626,656	\$ 1,449,394	\$ 2,076,050	\$ 1,879,460
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to District No. 1	\$ 2,581	\$ 26,407	\$ 28,988	\$ 22,881
TOTAL LIABILITIES	2,581	26,407	28,988	22,881
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	624,075	422,575	1,046,650	907,710
FUND EQUITY				
Fund Balance				
Restricted for Emergencies	-	-	-	-
Restricted for Debt Service	-	1,000,412	1,000,412	1,292,872
Unassigned	-	-	-	-
TOTAL FUND EQUITY	-	1,000,412	1,000,412	1,292,872
TOTAL LIABILITIES & FUND EQUITY	\$ 626,656	\$ 1,449,394		

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

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable of \$10,225,000 and bond premium of \$355,376.

	<u>(10,580,376)</u>	<u>(10,861,530)</u>
Net position of governmental activities	<u>\$ (9,579,964)</u>	<u>\$ (9,568,658)</u>

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

VDW METROPOLITAN DISTRICT NO. 2

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

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENT FUNDS	
			2023	2022
REVENUES				
Property Taxes	\$ 489,047	\$ 418,659	\$ 907,706	\$ 1,245,595
Specific Ownership Taxes	39,798	34,070	73,868	95,485
Service Fees - District No. 3	-	186,115	186,115	371,057
Interest and Other Revenue	190	57,525	57,715	15,862
TOTAL REVENUES	529,035	696,369	1,225,404	1,727,999
EXPENDITURES				
Current				
Audit and Accounting Fees	-	5,500	5,500	-
Service Fees - District No. 1	519,250	-	519,250	170,449
County Treasurer's Fee	9,785	8,376	18,161	24,926
Trustee and Paying Agent Fees	-	8,000	8,000	-
Bond Issuance Costs	-	-	-	545,269
Debt Service				
Principal	-	265,000	265,000	9,954,000
Interest and Other Fiscal Charges	-	357,950	357,950	1,160,451
TOTAL EXPENDITURES	529,035	644,826	1,173,861	11,855,095
EXCESS OF REVENUES OVER (UNDER) EXPENSES	-	51,543	51,543	(10,127,096)
OTHER SOURCES (USES)				
Proceeds from Issuance of Debt	-	-	-	11,207,684
Transfers to District 1	-	-	-	(904,891)
TOTAL OTHER SOURCES (USES)	-	-	-	10,302,793
NET CHANGE IN FUND BALANCES	-	51,543	51,543	175,697
FUND BALANCES, Beginning	-	948,869	948,869	773,172
FUND BALANCES, Ending	\$ -	\$ 1,000,412	\$ 1,000,412	\$ 948,869

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

VDW METROPOLITAN DISTRICT NO. 2

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	\$ 51,543
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount includes the payment of bond principal \$265,000, and amortization of bond premium \$16,153 for the year.	<u>281,154</u>
Change in Net Position of Governmental Activities	<u><u>\$ 332,697</u></u>

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

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

VDW Metropolitan District No. 2 (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 Residential District, VDW Metropolitan District No. 1 operates as the Service 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. 2

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. 2

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.

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.

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.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

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

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. 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 did not report any amounts as nonspendable as of December 31, 2023.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

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

Fund Balance Classification (Continued)

- 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 the fund balances in the Debt Service 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. 2

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	\$ -
Investments	<u>995,621</u>
Total	<u>\$ 995,621</u>

VDW METROPOLITAN DISTRICT NO. 2

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 did not report any deposits with financial institutions.

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. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pools

The District had invested \$995,621 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 unobservable inputs.

The District has no investments requiring categorization as of December 31, 2023.

Restricted Cash and Investments

Investments in the amount of \$995,621 are restricted in the Debt Service fund for payment of the District's debt.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023:

	<u>Balance</u> <u>12/31/22</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/23</u>	<u>Due In</u> <u>One Year</u>
Series 2022A-1 - Senior					
Ltd. Tax G.O. Bonds	\$ 6,890,000	\$ -	\$ 265,000	\$ 6,625,000	\$ 280,000
Series 2022A-2 - Subordinate					
Ltd. Tax G.O. Bonds	3,600,000	-	-	3,600,000	-
Bond Premium	<u>371,530</u>	<u>-</u>	<u>16,154</u>	<u>355,376</u>	<u>-</u>
Totals	<u>\$ 10,861,530</u>	<u>\$ -</u>	<u>\$ 281,154</u>	<u>\$ 10,580,376</u>	<u>\$ 280,000</u>

Limited Tax General Obligation Bonds

\$7,220,000 Limited Tax General Obligation Bonds, Series 2022A-1, dated February 10, 2022 with interest ranging from 1.35% to 3.75%, consisting of term bonds issued in the original amount of \$7,220,000 due December 1, 2040.

\$3,600,000 Limited Tax General Obligation Bonds, Series 2022A-2, dated February 10, 2022, with interest of 4.00%, consisting of term bonds issued in the original amount of \$3,600,000 due December 1, 2045.

Proceeds of the bonds were used to refund the 2016 Bonds and the 2011 Bonds issued by District No. 1. The bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) Pledged District taxes from the ad valorem mill levy imposed by both the District and the Commercial District under the Capital Pledge Agreement, and (2) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District and Commercial Districts, each year in an amount sufficient to pay the principal and interest on the bonds as the same become due and payable. Based on the 2023 principal and interest repayment, the mill levy certified for debt service by the District was 16.892 mills. For collection year 2023, the District and the Commercial District levied 36.624 mills.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 4: LONG-TERM DEBT(Continued)

Future debt service requirements for the bonds are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 280,000	\$ 353,843	\$ 633,843
2025	285,000	349,083	634,083
2026	305,000	343,383	648,383
2027	310,000	336,520	646,520
2028	330,000	329,080	659,080
2029-2033	1,870,000	1,502,430	3,372,430
2034-2038	2,375,000	1,154,993	3,529,993
2039-2043	3,030,000	660,613	3,690,613
2044-2045	<u>1,440,000</u>	<u>87,000</u>	<u>1,527,000</u>
Total	<u>\$ 10,225,000</u>	<u>\$ 5,116,943</u>	<u>\$15,341,943</u>

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 5: 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 6: 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. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 6: 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 7: 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 \$8,500 was recorded in the VDW Metropolitan District No. 1.

NOTE 8: DEFICIT NET POSITION

At December 31, 2023, the District reports a deficit net position in the amount of \$9,579,964. This deficit amount is the result of the District being responsible for the repayment of debt that was issued to refund debt and for public improvements which are conveyed to other governmental entities. The District expects to reduce the deficit net position as the debt is being repaid.

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. 2

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	2023			2022 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	
REVENUES				
Property Taxes	\$ 489,049	\$ 489,047	\$ (2)	\$ 159,623
Specific Ownership Taxes	41,447	39,798	(1,649)	12,236
Interest and Other Income	10,000	190	(9,810)	85
TOTAL REVENUES	540,496	529,035	(11,461)	171,944
EXPENDITURES				
Current				
General Government				
Service Fees - District No. 1	520,715	519,250	1,465	168,750
County Treasurer's Fee	9,781	9,785	(4)	3,194
Contingency	10,000	-	10,000	-
TOTAL EXPENDITURES	540,496	529,035	11,461	171,944
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

VDW METROPOLITAN DISTRICT NO. 2

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

	2023		VARIANCE Positive (Negative)	2022 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Property Taxes	\$ 418,661	\$ 418,659	\$ (2)	\$ 1,085,972
Specific Ownership Taxes	35,482	34,070	(1,412)	83,249
Service Fees - District No. 3	185,869	186,115	246	371,057
Interest and Other Revenues	25,000	57,525	32,525	15,777
TOTAL REVENUES	665,012	696,369	31,357	1,556,055
EXPENDITURES				
Current				
General Government				
Audit and Accounting	-	5,500	(5,500)	-
Service Fees - District No. 1	-	-	-	1,699
Treasurer's Fees	8,373	8,376	(3)	21,732
Trustee and Paying Agent Fees	8,000	8,000	-	-
Bond Issuance Costs	-	-	-	545,269
Contingency	25,000	-	25,000	-
Debt Service				
Principal	265,000	265,000	-	9,954,000
Interest and Other Fiscal Charges	357,950	357,950	-	1,160,451
TOTAL EXPENDITURES	664,323	644,826	19,497	11,683,151
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	689	51,543	50,854	(10,127,096)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Debt	-	-	-	11,207,684
Transfers to District 1	-	-	-	(904,891)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	10,302,793
NET CHANGE IN FUND BALANCE	689	51,543	50,854	175,697
FUND BALANCE, Beginning	920,964	948,869	27,905	773,172
FUND BALANCE, Ending	<u>\$ 921,653</u>	<u>\$ 1,000,412</u>	<u>\$ 78,759</u>	<u>\$ 948,869</u>

See the accompanying independent auditors' report.