

VDW METROPOLITAN DISTRICT NOS. 1-3

www.vdwmd.live

NOTICE OF REGULAR MEETING AND AGENDA

<u>Board of Directors District Nos. 1&3</u>	<u>Office</u>	<u>Term Expiration</u>
Kim Perry	President & Chairperson	May 2027
Josh Kane	Treasurer/Asst. Secretary	May 2025
Vacant	Asst. Treasurer/Asst. Sec.	May 2027
Vacant	Asst. Secretary	May 2027
Tim DePeder	Secretary	May 2025

<u>Board of Directors District No. 2</u>	<u>Office</u>	<u>Term Expiration</u>
Kim Perry	President & Chairperson	May 2027
Josh Kane	Treasurer/Asst. Secretary	May 2025
Tim DePeder	Secretary	May 2025
Vacant	Asst. Secretary	May 2027
Clark Cummings	Asst. Secretary	May 2027

DATE: July 6, 2023 (Thursday)
TIME: 3:00 p.m.
PLACE: MS Teams and Teleconference Only

[Click here to join the meeting](#) (Please press the control key and click to access)
<https://tinyurl.com/3nn7yb5s> (This link can be copied into your web browser)
720-721-3140; Conference ID: 845 091 74# (if joining the meeting by phone)

I. ADMINISTRATIVE ITEMS

- A. Call to Order.
- B. Declaration of Quorum/Director Disclosure of any Potential Conflicts of Interest.
- C. Approval of Agenda. **(Pages 1-2)**
- D. Public Comment. Comments are limited to three (3) minutes per speaker.

II. CONSENT AGENDA

- A. Approval of Minutes – April 13, 2023 Special Meeting Minutes. **(Pages 3-6)**
- B. Ratification of Contracts.
- C. Consider Ratification of Claims Presented for Payment. **(Page 7)**
- D. Financial Statements as of March 31, 2023. **(Pages 8-17)**

III. DISTRICT MANAGER ITEMS

- A. Managers' Report. **(Pages 18-20)**

VDW Metropolitan District Nos. 1-3
July 6, 2023

IV. CAPITAL INFRASTRUCTURE ITEMS

- A. District Project Manager Update.
- B. Budget Approval and Contracting.
 - i. Sculptor Rail Crossing.
 - a. Consider Approval of Project Budget (\$350,000.00).

V. FINANCE MANAGER ITEMS

- A. Finance Manager's Report.
- B. Review and Consider Approval of 2022 Audited Financials. **(Pages 21-74)**

VI. LEGAL ITEMS

- A. Discussion Regarding SB23-110 – Annual Community Meeting Requirement.

VII. ITEMS FROM DIRECTORS

VIII. OTHER MATTERS

- IX. EXECUTIVE SESSION**, pursuant to Section §24-6-402(4)(b), C.R.S., for the purpose of receiving legal advice related to pending legislation and pending litigation.

X. ADJOURNMENT

The next Regular Meeting is scheduled for November 2, 2023

RECORD OF PROCEEDINGS

MINUTES OF THE COORDINATED SPECIAL MEETING OF VDW METROPOLITAN DISTRICT NOS. 1-3

HELD
April 13, 2023

The Boards of Directors of the VDW Metropolitan District Nos. 1-3, held a special meeting, open to the public, via MS Teams and teleconference at 12:30 p.m. on Thursday, April 13, 2023.

ATTENDANCE: Directors in Attendance for District Nos. 1 & 3:
Kim Perry, President & Chairperson
Josh Kane, Treasurer/Asst. Secretary
Wendy Messinger, Asst. Secretary
Tim DePeder, Secretary

Directors Absent and Excused:
Abby Kirkbride, Asst. Treasurer/Asst. Secretary

Directors in Attendance for District No. 2:
Kim Perry, President & Chairperson
Josh Kane, Treasurer/Asst. Secretary
Tim DePeder, Secretary
Wendy Messinger, Asst. Secretary
Clark Cummings, Asst. Secretary

Also, in Attendance Were:
Alan Pogue; Icenogle Seaver Pogue, P.C.
Sarah Bromley, Kieyesia Conaway, Irene Buenavista, Wendy McFarland
and Stanley Holder; Pinnacle Consulting Group, Inc.

CALL MEETING The meeting was called to order at 12:36 p.m. by Director Perry, , noting that
TO ORDER a quorum was present. The Directors in attendance confirmed their
qualifications to serve.

COMBINED The Districts are meeting in a combined Board meeting. Unless otherwise
MEETING noted, the matters set forth below shall be deemed to be the actions of VDW
Metropolitan District No. 1, with concurrence by VDW Metropolitan District
Nos. 2 and 3.

MEETING NOTICE Ms. Bromley reported that the Notice and Agenda of the Special Board Meeting had been posted on the District’s website.

CONFLICT OF INTEREST DISCLOSURE Mr. Pogue noted that notices of potential conflicts of interest for all Board Members were filed with the Colorado Secretary of State at least 72 hours in advance of the meeting, disclosing that potential conflicts of interest may exist, as some Board Members are employees of McWhinney Real Estate Services, Inc. which is associated with the primary landowner and developer of land within the Districts. Mr. Pogue advised the Boards that pursuant to Colorado law, certain disclosures by the Board Members might be required prior to taking official action at a meeting. The Boards reviewed the agenda for the meeting, following which each Board Member present confirmed the contents of the written disclosures previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Additionally, the Boards determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Boards to act.

AGENDA The Boards considered the agenda. Following review and discussion, upon motion duly made by Director Kane, seconded by Director DePeder and, upon vote, unanimously carried, it was

RESOLVED to approve the agenda, as presented.

PUBLIC COMMENT There were no public comments to come before the Boards.

CONSENT AGENDA The Boards considered the following items on the consent agenda:

- A. Approval of Minutes – November 11, 2022, Special Meeting.
- B. Ratification of Contracts and Contract Modifications.
- C. Ratification of Claims Presented for Payment.
- D. Financial Statements as of December 31, 2022.

Following review and discussion, upon motion duly made by Director Cummings, seconded by Director Kane and, upon vote, unanimously carried, it was

RESOLVED to approve the consent agenda, as presented.

CAPITAL INFRASTRUCTURE ITEMS District Project Manager Update: There was no District Project Manager Update to bring before the Boards.

FINANCIAL ITEMS

Finance Managers Report: Ms. Buenavista presented the Finance Manager’s Report to the Boards and answered questions.

2022 Audit Exemption for District No. 3: Ms. Buenavista presented the ratification of the 2022 Audit exemption for District No. 3 to the Boards and answered questions. Following review and discussion, upon motion duly made by Director Messinger, seconded by Director Kane and, upon vote, unanimously carried, it was

RESOLVED to approve the ratification of the 2022 Audit Exemption for District No. 3.

LEGAL ITEMS

Public Hearing to Consider Petition for the Inclusion of Land into VDW Metropolitan District No. 2 for certain real property owned by VDW Properties, LLC: Director Perry opened the Inclusion Hearing to the public. Mr. Pogue stated that notice of the hearing was published on April 7, 2023 in accordance with state law. Mr. Pogue reviewed the Petition with the Board and reviewed the statutory criteria for inclusion of real property. Following Mr. Pogue’s review with the Board, and there being no public input, Director Perry closed the public hearing. Following review and discussion by the Board, upon motion duly made by Director Kane, seconded by Director Cummings and, upon vote, unanimously carried, it was

RESOLVED to approve the Resolution Approving the Inclusion of Land into VDW Metropolitan District No. 2 for certain real property owned by VDW Properties, LLC.

DISTRICT
MANAGER ITEMS

Manager’s Report: Ms. Bromley presented the Manager’s Report to the Boards and answered questions.

District Operations Update: Ms. Bromley presented the District Operations Update and answered questions.

DIRECTOR ITEMS

There were no Director Items to bring before the Boards.

OTHER MATTERS

There were no Other Matters to bring before the Boards.

ADJOURNMENT

There being no further business to come before the Boards, the meeting was adjourned at 12:53 p.m.

Respectfully submitted,

Kieyesia Conaway
Recording Secretary for the Meeting

VDW Metropolitan District No. 1
Check/Voucher Register - Summary Check Detail
From 3/29/2023 Through 6/28/2023

Check Date	Check #	Vendor Name	Invoice Reference	Description	Check Amount
4/10/2023	ACH 041023 001	Bill.com, LLC	23048966077	Software - ACH	92.16
4/24/2023	ACH 042423 001	City of Loveland Water & Power Dept	0093187-037558 03.23	Utilities - ACH	48.51
4/25/2023	ACH 042523 001	Affordable Pest Control	38361	Pest Control	199.00
4/25/2023	ACH 042523 002	Environmental Designs, Inc.	163517	Manicured Landscaping O&M	5,261.74
4/25/2023	ACH 042523 002	Environmental Designs, Inc.	164613	Snow Removal	240.00
4/25/2023	ACH 042523 003	Icenogle Seaver Pogue, P.C.	23257	Legal	2,561.08
4/25/2023	ACH 042523 004	Pinnacle Consulting Group, Inc.	24194	Finance/Facilities/Mgmt/Admin	8,878.96
4/25/2023	ACH 042523 004	Pinnacle Consulting Group, Inc.	24335	Finance/Facilities/Mgmt/Admin	8,913.01
4/25/2023	ACH 042523 005	SWPPP Colorado, LLC	6592	Storm Structure Maintenance	144.20
4/25/2023	ACH 042523 005	SWPPP Colorado, LLC	6599	Ditch Maintenance	15,000.00
4/25/2023	ACH 042523 006	Utility Notification Center of Colorado	223031437	Utilities - Location Notification	38.70
4/26/2023	ACH 042623 001	City of Loveland Water & Power Dept	0093187-043979 03.23	Utilities - ACH	29.20
4/26/2023	ACH 042623 002	City of Loveland Water & Power Dept	0093187-046007 03.23	Utilities - ACH	30.42
4/26/2023	ACH 042623 003	City of Loveland Water & Power Dept	0103496-039570 03.23	Utilities - ACH	30.42
5/9/2023	ACH 050923 001	Bill.com, LLC	23059334960	Software - ACH	109.34
5/22/2023	ACH 052223 001	City of Loveland Water & Power Dept	0093187-037558 04/23	Utilities - ACH	79.06
5/22/2023	ACH 052223 002	City of Loveland Water & Power Dept	0093187-046007 04/23	Utilities - ACH	60.97
5/22/2023	ACH 052223 003	City of Loveland Water & Power Dept	0103496-039570 04/23	Utilities - ACH	130.97
5/23/2023	ACH 052323 001	Affordable Pest Control	38762	Pest Control	199.00
5/23/2023	ACH 052323 002	Environmental Designs, Inc.	164295	Manicured Landscaping O&M	5,261.74
5/23/2023	ACH 052323 002	Environmental Designs, Inc.	164804	Manicured Landscaping O&M	546.59
5/23/2023	ACH 052323 002	Environmental Designs, Inc.	165031	Site Cleanup	112.50
5/23/2023	ACH 052323 002	Environmental Designs, Inc.	165134	Utilities - Locating Coordination	253.36
5/23/2023	ACH 052323 003	Icenogle Seaver Pogue, P.C.	23482	Legal	4,960.91
5/23/2023	ACH 052323 004	OLM, Inc.	41188	Manicured Landscaping Inspection/Consulting - Monthly	614.80
5/23/2023	ACH 052323 005	Pinnacle Consulting Group, Inc.	24400	Capital District Management	1,087.50
5/23/2023	ACH 052323 005	Pinnacle Consulting Group, Inc.	24485	Finance/Facilities/Mgmt/Admin	8,882.11
5/23/2023	ACH 052323 006	Utility Notification Center of Colorado	223041479	Utilities - Location Notification	21.93
5/26/2023	ACH 052623 001	Little Thompson Water District	1774.01 04.2023	Utilities - ACH	16.93
5/26/2023	ACH 052623 002	City of Loveland Water & Power Dept	0093187-043979 04/23	Utilities - ACH	35.47
6/6/2023	ACH 060623 001	Bill.com, LLC	23069691936	Software - ACH	108.14
6/22/2023	ACH 062223 001	City of Loveland Water & Power Dept	0093187-037558 05/23	Utilities - ACH	48.51
6/23/2023	ACH 062323 001	City of Loveland Water & Power Dept	0093187-043979 05/23	Utilities - ACH	29.55
6/23/2023	ACH 062323 002	City of Loveland Water & Power Dept	0093187-046007 05/23	Utilities - ACH	73.19
6/23/2023	ACH 062323 003	City of Loveland Water & Power Dept	0103496-039570 05/23	Utilities - ACH	914.70
6/27/2023	ACH 062723 001	Little Thompson Water District	1774.01 05.2023	Utilities - ACH	31.84
6/28/2023	ACH 062823 001	Affordable Pest Control	39248	Pest Control	199.00
6/28/2023	ACH 062823 002	Environmental Designs, Inc.	165524	Manicured Landscaping O&M	5,261.74
6/28/2023	ACH 062823 002	Environmental Designs, Inc.	166233	Irrigation Repairs & Replacement	85.34
6/28/2023	ACH 062823 002	Environmental Designs, Inc.	166298	Native Area O&M	570.18
6/28/2023	ACH 062823 003	Icenogle Seaver Pogue, P.C.	23585	Legal	1,835.81
6/28/2023	ACH 062823 004	Norfield Development Partners, LLC	1673	Utilities - Location Notification	375.00
6/28/2023	ACH 062823 005	OLM, Inc.	41330	Manicured Landscaping Inspection/Consulting - Monthly	614.80
6/28/2023	ACH 062823 006	Pinnacle Consulting Group, Inc.	24625	Finance/Facilities/Mgmt/Admin	8,885.75
6/28/2023	ACH 062823 007	SWPPP Colorado, LLC	6633	Mowing and Weed Control	3,430.00
6/28/2023	ACH 062823 008	Utility Notification Center of Colorado	223051523	Utilities - Location Notification	34.83
Report Total					<u>\$ 86,338.96</u>



Management Financial Statements

BOARD OF DIRECTORS
VDW METROPOLITAN DISTRICT NOS. 1-3

We have prepared the accompanying management financial statements for the periods ending as of December 31, 2022 and March 31, 2023. We have also prepared the accompanying 2023 adopted budgets of revenues, expenditures and funds available prepared on the modified accrual basis.

These financial statements are designed for management purposes and are intended for those who are knowledgeable about these matters. We have not audited, reviewed or compiled the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America. Substantially all the disclosures required by accounting principles generally accepted in the United States of America have been omitted. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the financial position and results of operations.

A handwritten signature in blue ink, appearing to be "J. P. A.", is positioned above the typed name and date.

Pinnacle Consulting Group, Inc.
June 23, 2023

Offices Located in Loveland and Denver

Main office located at 550 W. Eisenhower Blvd., Loveland, CO 80537
(970)669-3611 (303)333-4380

www.PCGI.com

Serving our clients and community through excellent dependable service.

VDW METROPOLITAN DISTRICT NO. 1						
BALANCE SHEET						
		Unaudited Actual 12/31/2022	Unaudited Actual 03/31/2023			
Assets						
Current Assets						
Checking- First Bank	\$	84,321	\$	34,709		
Colotrust		1,366,523		1,631,761		
Service Fees Receivable - District #2		881		17,898		
Service Fees Receivable - District #3		369		1,013		
Prepaid Expense		13,305		-		
Due from VDW #2		22,000		22,000		
Total Current Assets	\$	1,487,399	\$	1,707,381		
Long-term Assets						
Landscaping & Monumentation	\$	2,709,897	\$	2,709,897		
Stormwater Line		50,236		50,236		
Accumulated Depreciation		(1,229,131)		(1,229,131)		
Total Long-term Assets	\$	1,531,002	\$	1,531,002		
Total Assets	\$	3,018,401	\$	3,238,383		
Liabilities						
Current Liabilities						
Accounts Payable	\$	24,050	\$	41,689		
Due to VDW #2		52,363		19,480		
Total Current Liabilities	\$	76,413	\$	61,169		
Total Liabilities	\$	76,413	\$	61,169		
Fund Equity						
Net Investment in Fixed Assets	\$	1,531,002	\$	1,531,002		
Fund Balance		1,410,987		1,646,212		
Total Fund Balances	\$	2,941,989	\$	3,177,214		
Total Liabilities and Fund Equity	\$	3,018,401	\$	3,238,383		
		=		=		

VDW METROPOLITAN DISTRICT NO. 1						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
GENERAL FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Service Fees District #2	\$ 168,750	\$ 520,715	\$ 520,715	\$ 248,589	\$ 202,069	\$ 46,520
Service Fees District #3	71,375	165,051	165,051	51,188	54,368	(3,180)
Interest & Other Income	39,110	4,750	64,017	16,004	1,187	14,817
Total Revenues	\$ 279,236	\$ 690,516	\$ 749,783	\$ 315,782	\$ 257,625	\$ 58,157
Expenditures						
Operations & Maintenance:						
Landscape Maintenance	\$ 70,479	\$ 82,870	\$ 79,370	\$ 16,457	\$ 20,643	\$ (4,186)
Hardscape Maintenance	10,069	13,000	5,500	840	3,250	(2,410)
Undeveloped Public Land Maint	5,292	7,000	7,000	-	-	-
Storm Water Facility Maint	720	18,100	21,530	15,144	4,527	10,617
Misc Services	117	500	250	-	-	-
Repairs and Replacements	34,766	35,000	36,500	-	-	-
Utilities	49,454	55,462	50,000	926	1,500	(574)
Facilities Management	29,250	31,500	31,500	7,875	7,875	-
Administration:						
Accounting & Financial Mgmt	41,860	47,000	47,000	11,750	11,750	0
Auditing	5,500	6,000	6,000	-	-	-
District Management	29,380	28,000	28,000	7,000	7,000	0
Director Fees	1,361	1,600	1,600	138	150	(12)
Election Costs	3,213	18,000	18,000	2,211	4,500	(2,289)
Legal Services	18,129	20,000	20,000	4,608	5,000	(393)
Insurance and Bonds	10,184	12,602	13,305	13,305	12,602	703
Engineering	360	1,500	1,500	-	-	-
Office, Dues & Other	4,562	5,500	5,500	303	1,374	(1,071)
Transfer to Capital Fund	-	250,000	250,000	-	-	-
Contingency	-	20,000	-	-	-	-
Total Operating Expenditures	\$ 314,696	\$ 653,634	\$ 622,555	\$ 80,556	\$ 80,171	\$ 386
Revenue Over/(Under) Expenditures	\$ (35,461)	\$ 36,882	\$ 127,228	\$ 235,225	\$ 177,454	\$ 57,771
Beginning Fund Balance	\$ 473,446	\$ 380,449	\$ 437,985	\$ 437,985	\$ 380,449	\$ 57,536
Ending Fund Balance	\$ 437,985	\$ 417,331	\$ 565,213	\$ 673,210	\$ 557,903	\$ 115,307
						=
Components of Ending Fund Balance						
TABOR Reserve - 3% of revenue	\$ 8,377	\$ 20,715	\$ 20,715	\$ 9,473	\$ 9,473	\$ -
Operating Reserve - 25% of expenses	163,409	163,409	155,639	163,409	163,409	-
Repairs and Replacement Reserve	266,199	233,207	388,859	500,328	385,021	115,307
Total Components of Ending Fund Balance	\$ 437,985	\$ 417,331	\$ 565,213	\$ 673,210	\$ 557,903	\$ 115,307
Mill Levy						
Operating	0.000	0.000	0.000	0.000		
Assessed Value	\$ 20	\$ 18	\$ 18	\$ 18		

VDW METROPOLITAN DISTRICT NO. 1						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
DEBT SERVICE FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Service Fees District #2	\$ 1,699	\$ -	\$ -	\$ -	\$ -	\$ -
Service Fees District #3	-	-	-	-	-	-
Interest & Other Income	1	-	-	-	-	-
Transfer from District #2	904,891	-	-	-	-	-
Total Revenue	\$ 906,591	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures						
Interest Expense - 2011 Bonds	\$ 14,371	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Principal	910,000	-	-	-	-	-
Trustee & Paying Agent Fees	500	-	-	-	-	-
Contingency	-	-	-	-	-	-
Total Expenditures	\$ 924,871	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Over/(Under) Expenditures	\$ (18,280)	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 18,280	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						=

VDW METROPOLITAN DISTRICT NO. 1						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
CAPITAL PROJECTS FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Capital Reimbursement	\$ 151,968	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer from General Fund	-	250,000	250,000	-	-	-
Total Revenues	\$ 151,968	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -
Expenditures						
District Management	\$ 3,255	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -
District Engineering	-	2,500	2,500	-	-	-
District Planning/Engineering Mgmt	-	7,500	7,500	-	-	-
Office, Dues & Other	-	-	-	-	-	-
Capital Outlay	-	350,000	350,000	-	-	-
Contingency	-	20,000	-	-	-	-
Total Expenditures	\$ 3,255	\$ 385,000	\$ 365,000	\$ -	\$ -	\$ -
Revenue Over/(Under) Expenditures	\$ 148,713	\$ (135,000)	\$ (115,000)	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 824,289	\$ 963,757	\$ 973,002	\$ 973,002	\$ 963,757	\$ 9,245
Ending Fund Balance	\$ 973,002	\$ 828,757	\$ 858,002	\$ 973,002	\$ 963,757	\$ 9,245
						=

VDW METROPOLITAN DISTRICT NO. 2						
BALANCE SHEET						
	Unaudited Actual 12/31/2022	Unaudited Actual 03/31/2023				
Assets						
Current Assets						
UMB 2022 Bond - Bond Fund	\$ 910,592	\$ 1,208,828				
Property Taxes Receivable	907,711	907,711				
Due from County	6,878	33,220				
Receivable - Service Fees	1,917	1,141				
Due from VDW #1	52,362	19,480				
Total Current Assets	\$ 1,879,461	\$ 2,170,379				
Total Assets	\$ 1,879,461	\$ 2,170,379				
Liabilities						
Current Liabilities						
Deferred Property Taxes	\$ 907,711	\$ 907,711				
Service Fees Payable to VDW #1	881	17,898				
Due to VDW #1	22,000	22,000				
Total Current Liabilities	\$ 930,592	\$ 947,609				
Long-term Liabilities						
Bonds Payable	\$ 10,490,000	\$ 10,490,000				
Bond Premium	371,530	371,530				
Total Long-term Liabilities	\$ 10,861,530	\$ 10,861,530				
Total Liabilities	\$ 11,792,122	\$ 11,809,139				
Fund Equity						
Net Investment in Fixed Assets	\$ (10,861,530)	\$ (10,861,530)				
Fund Balance	948,868	1,222,770				
Total Fund Balances	\$ (9,912,662)	\$ (9,638,760)				
Total Liabilities and Fund Equity	\$ 1,879,460	\$ 2,170,379				
	=	=				

VDW METROPOLITAN DISTRICT NO. 2						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
GENERAL FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Property Tax	\$ 159,623	\$ 489,049	\$ 489,049	\$ 243,657	\$ 195,620	\$ 48,038
Specific Ownership Tax	12,237	41,447	41,447	9,805	10,362	(557)
Interest & Other	85	10,000	-	-	-	-
Total Revenues	\$ 171,945	\$ 540,496	\$ 530,496	\$ 253,463	\$ 205,981	\$ 47,481
Expenditures						
Treasurer's Fees	\$ 3,194	\$ 9,781	\$ 9,781	\$ 4,873	\$ 3,912	\$ 961
Service Fees to District No. 1	168,750	520,715	520,715	248,589	202,069	46,520
Contingency	-	10,000	-	-	-	-
Total Expenditures	\$ 171,945	\$ 540,496	\$ 530,496	\$ 253,463	\$ 205,981	\$ 47,481
Revenue Over/(Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						=
Mill Levy						
Operating	6.453	19.732	19.732	19.732		
Debt Service	43.902	16.892	16.892	16.892		
Total Mill Levy	50.355	36.624	36.624	36.624		
Assessed Value	\$ 24,736,289	\$ 24,784,584	\$ 24,784,584	\$ 24,784,584		
Property Tax Revenue						
Operating	\$ 159,623	\$ 489,049	\$ 489,049	\$ 489,049		
Debt Service	1,085,973	418,661	418,661	418,661		
Total Property Tax Revenue	\$ 1,245,596	\$ 907,711	\$ 907,711	\$ 907,711		

VDW METROPOLITAN DISTRICT NO. 2						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
DEBT SERVICE FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Property Tax	1,085,972	418,661	418,661	208,588	167,464	41,124
Specific Ownership Tax	83,249	35,481	35,481	8,394	8,870	(476)
Service Fee Revenue from #3	371,057	185,869	185,869	57,644	72,367	(14,723)
Bond Proceeds	11,207,684	-	-	-	-	-
Interest & Other	15,777	25,000	41,789	10,447	6,250	4,197
Total Revenues	\$ 12,763,738	\$ 665,012	\$ 681,800	\$ 285,074	\$ 254,951	\$ 30,122
Expenditures						
Treasurer's Fees	\$ 21,731	\$ 8,373	\$ 8,373	\$ 4,172	\$ 2,093	\$ 2,079
Interest Expense - 2016A Bond	754,800	-	-	-	-	-
Interest Expense - 2016B Bond	112,707	-	-	-	-	-
Bond Refunding - 2016A/B	9,624,000	-	-	-	-	-
Bond Principal - 2022A Bond	330,000	265,000	265,000	-	-	-
Interest Expense - 2022A-1 Bond	176,544	213,950	213,950	-	-	-
Interest Expense - 2022A-2 Bond	116,400	144,000	144,000	-	-	-
Cost of Issuance	545,269	-	-	-	-	-
Pmt to Dist. 1 - 2011 Bonds	1,699	-	-	-	-	-
Trustee & Paying Agent Fees	-	8,000	8,000	7,000	7,000	-
Transfer to Dist. 1 - 2007 Bonds	904,891	-	-	-	-	-
Contingency	-	25,000	-	-	-	-
Total Expenditures	\$ 12,588,041	\$ 664,323	\$ 639,323	\$ 11,172	\$ 9,093	\$ 2,079
Revenue Over/(Under) Expenditures	\$ 175,697	\$ 689	\$ 42,477	\$ 273,902	\$ 245,858	\$ 28,044
Beginning Fund Balance	\$ 773,171	\$ 920,964	\$ 948,868	\$ 948,868	\$ 920,964	\$ 27,904
Ending Fund Balance	\$ 948,868	\$ 921,653	\$ 991,345	\$ 1,222,770	\$ 1,166,822	\$ 55,948
						=
Components of Ending Fund Balance						
Surplus Fund	\$ 746,500	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Fund	202,368	157,253	226,945	458,370	1,166,822	55,948
Required Reserve	-	764,400	764,400	764,400	764,400	-
Total Components of Ending Fund Balance	\$ 948,868	\$ 921,653	\$ 991,345	\$ 1,222,770	\$ 1,931,222	\$ 55,948

VDW METROPOLITAN DISTRICT NO. 3						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
GENERAL FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Property Tax	\$ 67,584	\$ 156,461	\$ 156,461	\$ 49,399	\$ 50,000	\$ (601)
Specific Ownership Tax	5,120	11,719	11,719	2,777	5,368	(2,591)
Interest & Other	23	10,000	-	-	-	-
Total Revenues	\$ 72,727	\$ 178,180	\$ 168,180	\$ 52,176	\$ 55,368	\$ (3,192)
Expenditures						
Treasurer's Fees	\$ 1,352	\$ 3,129	\$ 3,129	\$ 988	\$ 1,000	\$ (12)
Service Fees to District No. 1	71,375	165,051	165,051	51,188	54,368	(3,180)
Contingency	-	10,000	-	-	-	-
Total Expenditures	\$ 72,727	\$ 178,180	\$ 168,180	\$ 52,176	\$ 55,368	\$ (3,192)
Revenue Over/(Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						=
Mill Levy						
Operating	6.453	15.000	15.000	15.000		
Debt Service	33.547	16.892	16.892	16.892		
Total Mill Levy	40.000	31.892	31.892	31.892		
Assessed Value	\$ 11,091,909	\$ 10,430,712	\$ 10,430,712	\$ 10,430,712		
Property Tax Revenue						
Operating	\$ 71,576	\$ 156,461	\$ 156,461	\$ 156,461		
Debt Service	372,100	176,196	176,196	176,196		
Total Property Tax Revenue	\$ 443,676	\$ 332,656	\$ 332,656	\$ 332,656		

VDW METROPOLITAN DISTRICT NO. 3						
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS						
DEBT SERVICE FUND						
	(a)	(b)	(c)	(d)	(e)	(d-e)
	2022	2023	2023	Actual	Budget	Variance
	Unaudited	Adopted	Projected	Through	Through	Through
	Actual	Budget	Actual	3/31/2023	3/31/2023	3/31/2023
Revenues						
Property Tax	\$ 351,349	\$ 176,196	\$ 176,196	\$ 55,630	\$ 70,478	\$ (14,848)
Specific Ownership	26,619	13,197	13,197	3,127	3,299	(172)
Interest & Other	117	25,000	-	-	-	-
Total Revenues	\$ 378,085	\$ 214,393	\$ 189,393	\$ 58,757	\$ 73,777	\$ (15,020)
Expenditures						
County Treasurer's Fees	\$ 7,029	\$ 3,524	\$ 3,524	\$ 1,113	\$ 1,410	\$ (297)
Pmt of Services Dist 2	371,056	185,869	185,869	57,644	72,367	(14,723)
Contingency	-	25,000	-	-	-	-
Total Expenditures	\$ 378,085	\$ 214,393	\$ 189,393	\$ 58,757	\$ 73,777	\$ (15,020)
Revenue Over/(Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						=



To: VDW Metropolitan District Board of Directors
 From: Pinnacle Consulting Group, Inc.
 Subject: Managers' Report
 Board Meeting Date: July 6, 2023

General District Matters

- **Primary Contact:** Please contact Sarah Bromley, District Manager, at sarahbromley@pcgi.com or vdwmdadmin@pcgi.com for any District matters which include operations, Board of Directors relations, financial management, compliance, and constituent relations.
- **Client Service Team:** Since the last board meeting, there have been no staff changes to the Client Service Team.
- **District Matters:** The District's management team executed District matters since the April 6, 2023, Board meeting. Monthly, District management provides the following services:
 - Adheres to administrative and compliance matters.
 - Processes monthly payables and financial reports.
 - Oversees District budget and operational expenditures.
 - Oversees District operations per the approved Service Plan and District needs.
 - Collaborates with legal counsel on legal matters.
 - Oversee preparation and distribution of board packets including agenda, minutes, reports, contracts, and agreements prior to board meetings.
 - The Manager consistently communicates with the Board including periodic status reports at each board meeting.
- **Management & Administration Updates & Activities:** Recently the District's management team has prioritized the following items:
 - The Management Team is working diligently to plan an appropriate date and time to hold the Senate Bill 23-110 required public meeting discussing public infrastructure projects, budget and finances, and to hold a public forum. When appropriate dates and times have been identified, we will send a schedule inquiry to the Boards and legal team to select a date and time that accommodates everyone's schedule.
- **Conference Calls/Coordination Meetings:** District Management attended the McWhinney Districts Conference Call on June 7, 2023.
- **Website Analytics:** Website analytics allows management to review website activity throughout the year.

Last Month	YTD
26 + Visits	181 + Visits
22 + Unique Visitors	150 + Unique Visitors
54 + Page Views	424 + Page Views

VDW Metropolitan District
 c/o Pinnacle Consulting Group, Inc.
 Main office located at 550 W. Eisenhower Blvd., Loveland, CO 80537
 Phone: (970) 685-2770
 Email: vdwmdadmin@pcgi.com

Serving our clients and community through excellent dependable service.

- **Compliance Matters:** Annually, District Management ensures the District meets required statutory responsibilities and tracks compliance accordingly.

Compliance Matters	Responsible	Due Date	Completion
File Boundary Map	PCGI	01/01/2023	Completed
Post Transparency Notice	PCGI	01/15/2023	Completed
File Certified Copy of Adopted Budget	PCGI	01/31/2023	Completed
Renew SDA Membership	PCGI	03/01/2023	Completed
File Audit Exemptions	PCGI	03/31/2023	Completed
Submit Audit to Governing Board	PCGI	06/30/2023	Completed
File Audit	PCGI	07/30/2023	
File Annual Report	PCGI	10/01/2023	
Draft 2024 Budgets Distributed to Board of Directors	PCGI	10/15/2023	
Renew Property & Liability Insurance	PCGI	12/01/2023	
Certify Mill Levies	PCGI	12/15/2023	
Adopt Budget	PCGI	12/31/2023	
Ensure Website Compliance	PCGI	12/31/2023	
Payables	PCGI/Board	Monthly	Sent to Board third week of the month

Operations & Maintenance Updates & Activities

- **Budget and Contract Notes:**
 - Major irrigation repairs necessary for efficient and reliable system operations may exceed the planned irrigation repairs budget. Current projected savings on other line items will likely cover irrigation repair overages. R&R reserves may also be utilized for these costs. PCGI team will closely monitor the O&M budget for rest of the year to determine if a budget amendment is necessary. PCGI team will keep board informed of any status changes on this issue.
- **Updates through June:**
 - EDI's Spring irrigation audit determined major repairs to main lines and lateral lines needed in various areas of the system; repairs were fully completed late June.
 - Native seeding project along Hwy 34 frontage has been delayed due to cost concerns. Coordination with EDI continues as we develop an option that will be operationally and financially practical for the District.
 - Farmers ditch maintenance, under District scope was completed in May by SWPPP.
 - Annual floral was installed at "Van de Water" monument sign.
 - Two rounds of native area and ROW/field mowing have been completed through June.
 - Tree removals and plant removals/replacements to be coordinated and completed in July.
 - OLM inspections scores so far this season are as follows; April: 93%, May: 93%, June: 90%

VDW Metropolitan District
 c/o Pinnacle Consulting Group, Inc.
 Main office located at 550 W. Eisenhower Blvd., Loveland, CO 80537
 Phone: (970) 685-2770
 Email: vdwmadmin@pcgi.com

Serving our clients and community through excellent dependable service.



VDW Metropolitan District
c/o Pinnacle Consulting Group, Inc.
Main office located at 550 W. Eisenhower Blvd., Loveland, CO 80537
Phone: (970) 685-2770
Email: vdwmdadmin@pcgi.com

Serving our clients and community through excellent dependable service.

**VDW METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado**

BASIC FINANCIAL STATEMENTS

December 31, 2022

TABLE OF CONTENTS**PAGE****INTRODUCTORY SECTION**

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditors' Report

Basic Financial Statements

Government–Wide Financial Statements

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements

Balance Sheet – Governmental Funds 3

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds 4Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds to the Statement of Activities 5

Notes to the Financial Statements 6 – 15

Required Supplemental Information

General Fund – Budgetary Comparison Schedule 16

Individual Fund Schedules

Debt Service Fund – Budgetary Comparison Schedule 17

Capital Projects Fund – Budgetary Comparison Schedule 18

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 financial schedules and supplemental information 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 supplementary information and other information 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 supplementary information and other information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Luttrell & Associates, LLC

June 30, 2023

BASIC FINANCIAL STATEMENTS

VDW METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,398,482
Cash and Investments - Restricted	52,363
Service Fees Receivable	23,250
Prepaid Expenses	13,305
Capital Assets, net of Accumulated Depreciation	<u>1,531,002</u>
 TOTAL ASSETS	 <u>3,018,402</u>
LIABILITIES	
Accounts Payable	<u>76,412</u>
 TOTAL LIABILITIES	 <u>76,412</u>
NET POSITION	
Net Investment in Capital Assets	1,531,002
Restricted for	
Emergencies	8,327
Capital Projects	973,002
Unrestricted	<u>429,659</u>
 TOTAL NET POSITION	 <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, 2022

	<u>Governmental Activities</u>
EXPENSES	
Governmental Activities	
General Government	\$ 456,458
Interest on Long-Term Debt	14,371
	<hr/>
TOTAL EXPENSES	470,829
	<hr/>
REVENUES	
GENERAL REVENUES	
Contribution from District No. 2	904,891
Service Fees - Districts No. 2 and 3	241,825
Capital Reimbursements	151,968
Investment Income	39,111
	<hr/>
TOTAL REVENUES	1,337,795
	<hr/>
CHANGE IN NET POSITION	866,966
NET POSITION, Beginning	2,075,024
	<hr/>
NET POSITION, Ending	<u>\$ 2,941,990</u>

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

VDW METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2022

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 425,003	\$ -	\$ 973,479	\$ 1,398,482
Cash and Investments - Restricted	-	52,363	-	52,363
Service Fees Receivable	1,250	-	-	1,250
Due from District No.2	22,000	-	-	22,000
Prepaid Expenses	13,305	-	-	13,305
	<u>\$ 461,558</u>	<u>\$ 52,363</u>	<u>\$ 973,479</u>	<u>\$ 1,487,400</u>
TOTAL ASSETS				
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 23,572	\$ 52,363	\$ 477	\$ 76,412
	<u>23,572</u>	<u>52,363</u>	<u>477</u>	<u>76,412</u>
TOTAL LIABILITIES				
FUND EQUITY				
Fund Balance				
Nonspendable	13,305	-	-	13,305
Restricted for Emergencies	8,327	-	-	8,327
Restricted for Capital Projects	-	-	973,002	973,002
Unassigned	416,354	-	-	416,354
	<u>437,986</u>	<u>-</u>	<u>973,002</u>	<u>1,410,988</u>
TOTAL FUND EQUITY				
TOTAL LIABILITIES & FUND EQUITY				
	<u>\$ 461,558</u>	<u>\$ 52,363</u>	<u>\$ 973,479</u>	

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.

1,531,002

Net position of governmental activities

\$ 2,941,990

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, 2022

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Service Fees - Districts No. 2 and 3	\$ 240,126	\$ 1,699	\$ -	\$ 241,825
Capital Reimbursements	-		151,968	151,968
Interest and Other Revenue	39,110	1	-	39,111
TOTAL REVENUES	279,236	1,700	151,968	432,904
EXPENDITURES				
Current				
General Government	314,696	500	3,255	318,451
Debt Service				
Principal	-	910,000	-	910,000
Interest and Other Fiscal Charges	-	14,371	-	14,371
TOTAL EXPENDITURES	314,696	924,871	3,255	1,242,822
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(35,460)	(923,171)	148,713	(809,918)
OTHER SOURCES (USES)				
Transfers from District 2	-	904,891	-	904,891
TOTAL OTHER SOURCES (USES)	-	904,891	-	904,891
NET CHANGE IN FUND BALANCES	(35,460)	(18,280)	148,713	94,973
FUND BALANCES, Beginning	473,446	18,280	824,289	1,316,015
FUND BALANCES, Ending	<u>\$ 437,986</u>	<u>\$ -</u>	<u>\$ 973,002</u>	<u>\$ 1,410,988</u>

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, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 94,973
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.	(138,007)
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 is the payment of bond principal.	<u>910,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ 866,966</u></u>

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

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022.
- 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 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, 2022.
- 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, 2022

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, 2022 consisted of the following:

Deposits	\$ 84,322
Investments	<u>1,366,523</u>
Total	<u>\$ 1,450,845</u>

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, 2022, 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.

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

At December 31, 2022, the District had deposits with financial institutions with a carrying amount of \$84,322. The bank balances with the financial institutions were \$84,322. All of these amounts were covered by federal depository insurance.

InvestmentsInterest 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, 2022

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 \$1,366,523, 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, 2022.

Restricted Cash and Investments

Investments in the amount of \$52,363 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, 2022**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2022, is summarized below:

	<u>Balances</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2022</u>
Governmental Activities				
Capital Assets, depreciated Infrastructure	\$ 2,760,133	\$ -	\$ -	\$ 2,760,133
Less Accumulated Depreciation Infrastructure	<u>1,091,124</u>	<u>138,007</u>	<u>-</u>	<u>1,229,131</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,669,009</u>	<u>\$ (138,007)</u>	<u>\$ -</u>	<u>\$ 1,531,002</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due In</u> <u>One Year</u>
Series 2011 – Limited Property Tax Rev. Bonds	\$ 910,000	\$ -	\$ 910,000	\$ -	\$ -

\$1,200,000 Limited Tax Revenue Bonds, Series 2011, dated August 30, 2011, with interest not to exceed 12.00% consisting of term bonds issued in the original amount of \$1,200,000. These bonds were paid in full with the issuance of the District No. 2 2022 bonds.

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 \$22,082,922.

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.

VDW METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022**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, 2022. 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.

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, 2022, the Emergency Reserve of \$8,500 was recorded in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

Potential subsequent events were considered through June 30, 2023. 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, 2022

	2022		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Service Fees	\$ 168,403	\$ 240,126	\$ 71,723
Specific Ownership Taxes	75,512		(75,512)
Interest and Other Income	5,000	39,110	34,110
TOTAL REVENUES	<u>248,915</u>	<u>279,236</u>	<u>30,321</u>
EXPENDITURES			
Current			
General Government			
Accounting and Financials Management	47,360	47,360	-
District Management	29,380	29,380	-
Facilities Management	29,250	29,250	-
Office and Other	27,000	15,627	11,373
Insurance	11,255	10,184	1,071
Legal	20,000	18,128	1,872
Utilities	53,847	49,454	4,393
Landscaping	87,040	80,548	6,492
Repairs and Replacement	56,100	34,765	21,335
Contingency	25,000	-	25,000
TOTAL EXPENDITURES	<u>386,232</u>	<u>314,696</u>	<u>71,536</u>
NET CHANGE IN FUND BALANCE	(137,317)	(35,460)	101,857
FUND BALANCE, Beginning	<u>484,904</u>	<u>473,446</u>	<u>(11,458)</u>
FUND BALANCE, Ending	<u>\$ 347,587</u>	<u>\$ 437,986</u>	<u>\$ 90,399</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, 2022

	2022			VARIANCE Positive (Negative)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Service Fees - District No. 3	\$ 124,789	\$ 124,789	\$ 1,699	(123,090)
Interest and Other Revenues	5,000	100	1	(99)
TOTAL REVENUES	<u>129,789</u>	<u>124,889</u>	<u>1,700</u>	<u>(123,189)</u>
EXPENDITURES				
Current				
General Government				
Trustee and Paying Agent Fees	2,000	2,000	500	1,500
Contingency	5,000	-	-	-
Debt Service				
Principal	50,000	910,000	910,000	-
Interest and Other Fiscal Charges	72,800	72,800	14,371	58,429
TOTAL EXPENDITURES	<u>129,800</u>	<u>984,800</u>	<u>924,871</u>	<u>59,929</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11)</u>	<u>(859,911)</u>	<u>(923,171)</u>	<u>(63,260)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from District 2		841,631	904,891	63,260
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>841,631</u>	<u>904,891</u>	<u>63,260</u>
NET CHANGE IN FUND BALANCE	(11)	(18,280)	(18,280)	-
FUND BALANCE, Beginning	<u>17,202</u>	<u>18,280</u>	<u>18,280</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 17,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

VDW METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2022

	2022		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Capital Reimbursements	\$ -	\$ 151,968	\$ 151,968
EXPENDITURES			
Current			
General Government			
District Management	5,000	-	5,000
District Engineering	10,000	3,255	6,745
Contingency	100,000	-	100,000
TOTAL EXPENDITURES	115,000	3,255	111,745
NET CHANGE IN FUND BALANCE	(115,000)	148,713	263,713
FUND BALANCE, Beginning	825,527	824,289	(1,238)
FUND BALANCE, Ending	<u>\$ 710,527</u>	<u>\$ 973,002</u>	<u>\$ 262,475</u>

See the accompanying independent auditors' report.

**VDW METROPOLITAN DISTRICT NO. 2
Larimer County, Colorado**

BASIC FINANCIAL STATEMENTS

December 31, 2022

TABLE OF CONTENTS**PAGE****INTRODUCTORY SECTION**

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditors' Report

Basic Financial Statements

Government–Wide Financial Statements

Statement of Net Position 1

Statement of Activities 2

Fund Financial Statements

Balance Sheet – Governmental Funds 3

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds 4Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds to the Statement of Activities 5

Notes to the Financial Statements 6 – 17

Required Supplemental Information

General Fund – Budgetary Comparison Schedule 18

Individual Fund Schedules

Debt Service Fund – Budgetary Comparison Schedule 19

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 18 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 schedules and supplemental information 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 supplementary information and other information 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 supplementary information and other information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Luttrell & Associates, LLC

June 30, 2023

BASIC FINANCIAL STATEMENTS

VDW METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

As of December 31, 2022

	Governmental Activities	
	2022	2021
ASSETS		
Cash and Investments	\$ -	\$ -
Cash and Investments - Restricted	910,592	788,426
Service Fees Receivable	54,280	1,671
Property Taxes Receivable	907,710	1,245,595
Due from Other Government	6,878	5,878
TOTAL ASSETS	1,879,460	2,041,570
LIABILITIES		
Due to District No. 1	22,881	22,803
Accrued Interest	-	44,499
Noncurrent Liabilities		
Due within One Year	265,000	545,000
Due in More Than One Year	10,596,530	9,102,757
TOTAL LIABILITIES	10,884,411	9,715,059
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenues - Property Taxes	907,710	1,245,595
NET POSITION		
Net Investment in Capital Assets	(10,861,530)	(9,692,256)
Restricted for		
Emergencies	-	-
Debt Service	948,869	773,172
Unrestricted	-	-
TOTAL NET POSITION	\$ (9,912,661)	\$ (8,919,084)

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

VDW METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Governmental Activities	
	2022	2021
EXPENSES		
Governmental Activities		
General Government	\$ 1,060,355	\$ 286,192
Interest on Long-Term Debt	1,661,221	512,187
	<u>2,721,576</u>	<u>798,379</u>
TOTAL EXPENSES		
REVENUES		
GENERAL REVENUES		
Taxes	1,341,080	1,252,620
Service Fees - District No. 3	371,057	318,233
Investment Income	15,862	907
	<u>1,727,999</u>	<u>1,571,760</u>
TOTAL REVENUES		
CHANGE IN NET POSITION	(993,577)	773,381
NET POSITION, Beginning	<u>(8,919,084)</u>	<u>(9,692,465)</u>
NET POSITION, Ending	<u>\$ (9,912,661)</u>	<u>\$ (8,919,084)</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, 2022

	<u>GENERAL</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENT FUNDS</u>	
			<u>2022</u>	<u>2021</u>
ASSETS				
Cash and Investments	\$ -	\$ -	\$ -	\$ -
Cash and Investments - Restricted	-	910,592	910,592	788,426
Service Fees Receivable	-	1,918	1,918	-
Due from Other Government	881	5,997	6,878	5,878
Due from District No.1	-	52,362	52,362	1,671
Property Taxes Receivable	489,049	418,661	907,710	1,245,595
TOTAL ASSETS	<u>\$ 489,930</u>	<u>\$ 1,389,530</u>	<u>\$ 1,879,460</u>	<u>\$ 2,041,570</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to District No. 1	<u>\$ 881</u>	<u>\$ 22,000</u>	<u>\$ 22,881</u>	<u>\$ 22,803</u>
TOTAL LIABILITIES	<u>881</u>	<u>22,000</u>	<u>22,881</u>	<u>22,803</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues - Property Taxes	<u>489,049</u>	<u>418,661</u>	<u>907,710</u>	<u>1,245,595</u>
FUND EQUITY				
Fund Balance				
Restricted for Emergencies	-	-	-	-
Restricted for Debt Service	-	948,869	948,869	773,172
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND EQUITY	<u>-</u>	<u>948,869</u>	<u>948,869</u>	<u>773,172</u>
TOTAL LIABILITIES				
& FUND EQUITY	<u>\$ 489,930</u>	<u>\$ 1,389,530</u>		

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 \$10,490,000 and bond premium of \$371,530.

	<u>(10,861,530)</u>	<u>(9,692,256)</u>
Net position of governmental activities	<u>\$ (9,912,661)</u>	<u>\$ (8,919,084)</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, 2022

	GENERAL FUND	DEBT SERVICE FUND	TOTAL GOVERNMENT FUNDS	
			2022	2021
REVENUES				
Property Taxes	\$ 159,623	\$ 1,085,972	\$ 1,245,595	\$ 1,164,108
Specific Ownership Taxes	12,236	83,249	95,485	88,512
Service Fees - District No. 3	-	371,057	371,057	318,233
Interest and Other Revenue	85	15,777	15,862	907
TOTAL REVENUES	<u>171,944</u>	<u>1,556,055</u>	<u>1,727,999</u>	<u>1,571,760</u>
EXPENDITURES				
Current				
Service Fees - District No. 1	168,750	1,699	170,449	257,396
County Treasurer's Fee	3,194	21,732	24,926	23,296
Trustee and Paying Agent Fees	-	-	-	5,500
Bond Issuance Costs	-	545,269	545,269	-
Debt Service				
Principal	-	9,954,000	9,954,000	765,000
Interest and Other Fiscal Charges	-	1,160,451	1,160,451	513,177
TOTAL EXPENDITURES	<u>171,944</u>	<u>11,683,151</u>	<u>11,855,095</u>	<u>1,564,369</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES				
	<u>-</u>	<u>(10,127,096)</u>	<u>(10,127,096)</u>	<u>7,391</u>
OTHER SOURCES (USES)				
Proceeds from Issuance of Debt	-	11,207,684	11,207,684	-
Transfers to District 1	-	(904,891)	(904,891)	-
TOTAL OTHER SOURCES (USES)	<u>-</u>	<u>10,302,793</u>	<u>10,302,793</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	<u>-</u>	<u>175,697</u>	<u>175,697</u>	<u>7,391</u>
FUND BALANCES, Beginning	<u>-</u>	<u>773,172</u>	<u>773,172</u>	<u>765,781</u>
FUND BALANCES, Ending	<u>\$ -</u>	<u>\$ 948,869</u>	<u>\$ 948,869</u>	<u>\$ 773,172</u>

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, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 175,697
Bond Proceeds are recorded as revenue in the governmental funds but increase long-term debt in the Statement of Net Position.	(11,207,684)
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 \$765,000, and change in bond premium \$990 for the year.	<u>10,038,410</u>
Change in Net Position of Governmental Activities	<u><u>\$ (993,577)</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, 2022

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, 2022

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, 2022

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, 2022**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, 2022.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, 2022.
- 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, 2022

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, 2022 consisted of the following:

Deposits	\$ -
Investments	<u>910,592</u>
Total	<u>\$ 910,592</u>

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022**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, 2022, 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, 2022, the District did not report any deposits with financial institutions.

InvestmentsInterest 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, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)**Investments** (Continued)

As of December 31, 2022, the District had investments in Federated Government Obligations Fund, a Money Market Mutual Fund, which was rated AAAM by Standard and Poor's and Aaa by Moody's Investor Services.

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 invested \$910,592 in a Money Market Mutual Fund. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost, in accordance with Rule 2a-7 under the 1940 Act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by Prime Series and Government Series are categorized as Level 2.

Restricted Cash and Investments

Investments in the amount of \$910,592 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, 2022

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due In</u> <u>One Year</u>
Series 2017A - Senior					
Ltd. Tax G.O. Bonds	\$ 6,870,000	\$ -	\$ 6,870,000	\$ -	\$ -
Series 2017B - Subordinate					
Ltd. Tax G.O. Bonds	2,754,000	-	2,754,000	-	-
2017 Bond Premium	23,757	-	23,757	-	-
Series 2022A-1 - Senior					
Ltd. Tax G.O. Bonds	\$ -	6,890,000	330,000	6,890,000	265,000
Series 2022A-2 - Subordinate					
Ltd. Tax G.O. Bonds	-	3,600,000	-	3,600,000	-
Bond Premium	-	387,684	16,154	371,530	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 9,647,757</u>	<u>\$ 11,207,684</u>	<u>\$ 9,993,911</u>	<u>\$ 10,861,530</u>	<u>\$ 265,000</u>

Limited Tax General Obligation Bonds

\$7,465,000 Limited Tax General Obligation Bonds, Series 2016A, dated March 24, 2016, with interest ranging from 3.125% to 5.000%, consisting of term bonds issued in the original amount of \$7,465,000 due December 1, 2045. These bonds were paid in full with the issuance of the 2022 bonds.

\$3,869,000 Limited Tax General Obligation Bonds, Series 2016B, dated March 24, 2016, with interest of 7.250%, consisting of term bonds issued in the original amount of \$3,869,000 due December 1, 2045. Under the 2016B Subordinate Indenture, any amount of principal of, or interest on the 2016B Bonds which remains unpaid on December 15, 2056, shall be deemed discharged. These bonds were paid in full with the issuance of the 2022 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.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022:

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due In</u> <u>One Year</u>
Series 2016A - Senior					
Ltd. Tax G.O. Bonds	\$ 6,870,000	\$ -	\$ 6,870,000	\$ -	\$ -
Series 2016B - Subordinate					
Ltd. Tax G.O. Bonds	2,754,000	-	2,754,000	-	-
2016 Bond Premium	23,757	-	23,757	-	-
Series 2022A-1 - Senior					
Ltd. Tax G.O. Bonds	\$ -	7,220,000	330,000	6,890,000	265,000
Series 2022A-2 - Subordinate					
Ltd. Tax G.O. Bonds	-	3,600,000	-	3,600,000	-
Bond Premium	-	387,684	16,154	371,530	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 9,647,757</u>	<u>\$ 11,207,684</u>	<u>\$ 9,993,911</u>	<u>\$ 10,861,530</u>	<u>\$ 265,000</u>

Limited Tax General Obligation Bonds

\$7,465,000 Limited Tax General Obligation Bonds, Series 2016A, dated March 24, 2016, with interest ranging from 3.125% to 5.000%, consisting of term bonds issued in the original amount of \$7,465,000 due December 1, 2045. These bonds were paid in full with the issuance of the 2022 bonds.

\$3,869,000 Limited Tax General Obligation Bonds, Series 2016B, dated March 24, 2016, with interest of 7.250%, consisting of term bonds issued in the original amount of \$3,869,000 due December 1, 2045. Under the 2016B Subordinate Indenture, any amount of principal of, or interest on the 2016B Bonds which remains unpaid on December 15, 2056, shall be deemed discharged. These bonds were paid in full with the issuance of the 2022 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.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 4: LONG-TERM DEBT(Continued)

Proceeds of the bonds were used to refund the 2016 Bonds and the 201 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 44.184 mills. For collection year 2023, the District and the Commercial District levied 36.624 mills.

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>
2023	\$ 265,000	\$ 357,950	\$ 622,950
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
2028-2032	1,795,000	1,553,275	3,348,275
2033-2037	2,255,000	1,236,915	3,491,915
2038-2042	2,890,000	772,725	3,662,725
2043-2045	<u>2,105,000</u>	<u>171,200</u>	<u>2,276,200</u>
Total	<u>\$ 10,490,000</u>	<u>\$ 5,474,893</u>	<u>\$15,964,893</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

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, 2022. 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.

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, 2022, the Emergency Reserve of \$8,500 was recorded in the VDW Metropolitan District No. 1.

NOTE 8: DEFICIT NET POSITION

At December 31, 2022, the District reports a deficit net position in the amount of \$9,912,661. 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.

VDW METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022**NOTE 9: SUBSEQUENT EVENTS**

Potential subsequent events were considered through June 30, 2023. 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, 2022

	2022			2021 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	
REVENUES				
Property Taxes	\$ 159,623	\$ 159,623	\$ -	\$ 158,968
Specific Ownership Taxes	11,972	12,236	264	12,087
Interest and Other Income	10,000	85	(9,915)	93
TOTAL REVENUES	181,595	171,944	(9,651)	171,148
EXPENDITURES				
Current				
General Government				
Service Fees - District No. 1	168,403	168,750	(347)	167,967
County Treasurer's Fee	3,192	3,194	(2)	3,181
Contingency	10,000	-	10,000	-
TOTAL EXPENDITURES	181,595	171,944	9,651	171,148
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, 2022

	2022			VARIANCE Positive (Negative)	2021 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Property Taxes	\$ 1,085,972	\$ 1,085,972	\$ 1,085,972	\$ -	\$ 1,005,140
Specific Ownership Taxes	81,448	81,448	83,249	1,801	76,425
Service Fees - District No. 3	353,933	353,933	371,057	17,124	318,233
Interest and Other Revenues	25,000	800	15,777	14,977	814
 TOTAL REVENUES	 <u>1,546,353</u>	 <u>1,522,153</u>	 <u>1,556,055</u>	 <u>33,902</u>	 <u>1,400,612</u>
EXPENDITURES					
Current					
General Government					
Service Fees - District No. 1	-	86,156	1,699	84,457	89,429
Treasurer's Fees	21,719	21,719	21,732	(13)	20,115
Trustee and Paying Agent Fees	7,000	7,000	-	7,000	5,500
Bond Issuance Costs	-	540,269	545,269	(5,000)	-
Contingency	25,000	-	-	-	-
Debt Service					
Principal	1,183,002	9,954,000	9,954,000	-	765,000
Interest and Other Fiscal Charges	505,313	1,160,451	1,160,451	-	513,177
 TOTAL EXPENDITURES	 <u>1,742,034</u>	 <u>11,769,595</u>	 <u>11,683,151</u>	 <u>86,444</u>	 <u>1,393,221</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(195,681)</u>	 <u>(10,247,442)</u>	 <u>(10,127,096)</u>	 <u>120,346</u>	 <u>7,391</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the Issuance of Debt	-	11,207,684	11,207,684	-	-
Transfers to District 1	(86,156)	(924,371)	(904,891)	19,480	-
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(86,156)</u>	 <u>10,283,313</u>	 <u>10,302,793</u>	 <u>19,480</u>	 <u>-</u>
NET CHANGE IN FUND BALANCE	(281,837)	35,871	175,697	139,826	7,391
FUND BALANCE, Beginning	<u>1,028,337</u>	<u>773,171</u>	<u>773,172</u>	<u>1</u>	<u>765,781</u>
FUND BALANCE, Ending	<u>\$ 746,500</u>	<u>\$ 809,042</u>	<u>\$ 948,869</u>	<u>\$ 139,827</u>	<u>\$ 773,172</u>

See the accompanying independent auditors' report.