

**City Center West Residential Metropolitan District No. 2
Weld County, Colorado**

**Financial Statements
December 31, 2022**




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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City Center West Residential Metropolitan District No. 2
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of City Center West Residential Metropolitan District No. 2 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of City Center West Residential Metropolitan District No. 2, as of December 31, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund 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. 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 City Center West Residential Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 City Center West Residential Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City Center West Residential Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Center West Residential Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was made for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the District's basic financial statements taken as a whole.

Haynie & Company

Littleton, Colorado
July 11, 2023

BASIC FINANCIAL STATEMENTS

City Center West Residential Metropolitan District No. 2
Statement of Net Position
December 31, 2022

Assets	Governmental Activities
Cash and investments	\$ 131,543
Cash and investments - restricted	505,609
Due from County	649
Accounts receivable	13,670
Prepaid expense	3,427
Property taxes receivable	263,463
Developer advances receivable	13,846
Construction in progress	5,823,648
Total assets	\$ 6,755,855
Liabilities	
Accounts payable	\$ 33,579
Accrued interest payable	783,789
Non-current liabilities:	
Due in more than one year	7,575,799
Total liabilities	8,393,167
Deferred Inflows of Resources	
Deferred property taxes	263,463
Total deferred inflows of resources	263,463
Net Position	
Net investment in capital assets	(1,629,086)
Restricted for:	
Emergency	5,325
Debt service	485,748
Unrestricted	(762,762)
Total Net Position (Deficit)	(1,900,775)
Total Liabilities, deferred inflows of resources and Net Position	\$ 6,755,855

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

City Center West Residential Metropolitan District No. 2
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and other fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 192,358	\$ 48,821	\$ -	\$ -	\$ (143,537)
Interest and related costs on long term debt	485,735	-	-	-	(485,735)
	<u>\$ 678,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(629,272)</u>
General revenues:					
Property taxes					154,030
Specific ownership taxes					9,116
Interest and other income					7,464
					170,610
Total general revenues					170,610
Change in net position					(458,662)
Net position - beginning of year					(1,442,113)
Net position (deficit) - end of year					<u>\$ (1,900,775)</u>

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

City Center West Residential Metropolitan District No. 2

Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position December 31, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 7,880	\$ 598	\$ 123,065	\$ 131,543
Cash and investments - restricted	7,000	498,609	-	505,609
Due from County	108	541	-	649
Accounts Receivable	13,670	-	-	13,670
Prepaid expense	3,427	-	-	3,427
Property taxes receivable	43,837	219,626	-	263,463
Developer advance receivable	13,321	-	525	13,846
Due from other funds	7,000	-	-	7,000
Total assets	\$ 96,243	\$ 719,374	\$ 123,590	\$ 939,207
Liabilities				
Accounts payable	\$ 26,054	\$ 7,000	\$ 525	\$ 33,579
Due to other funds	-	7,000	-	7,000
Total liabilities	26,054	14,000	525	40,579
Deferred Inflows of Resources				
Deferred property taxes	43,837	219,626	-	263,463
Total deferred inflows of resources	43,837	219,626	-	263,463
Fund Balances				
Nonspendable	3,427	-	-	3,427
Restricted:				
Emergency reserves	5,325	-	-	5,325
Debt service	-	485,748	-	485,748
Assigned	-	-	123,065	123,065
Unassigned	17,600	-	-	17,600
Total Fund Balances	26,352	485,748	123,065	635,165
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 96,243	\$ 719,374	\$ 123,590	\$ 939,207
Total governmental fund balance per above				\$ 635,165
Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:				
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds				5,823,648
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:				
Bonds payable, net of unamortized premium				(7,180,345)
Developer advances				(395,454)
Accrued interest				(783,789)
Net position of governmental activities				\$ (1,900,775)

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

City Center West Residential Metropolitan District No. 2
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Property tax revenue	\$ 25,629	\$ 128,401	\$ -	\$ 154,030
Specific ownership tax revenue	1,517	7,599	-	9,116
Fees and other income	48,821	-	-	48,821
Interest income	<u>505</u>	<u>6,928</u>	<u>31</u>	<u>7,464</u>
Total Revenues	<u>76,472</u>	<u>142,928</u>	<u>31</u>	<u>219,431</u>
Expenditures				
Accounting	29,250	-	-	29,250
Audit	6,400	-	-	6,400
District management	39,845	-	-	39,845
Facilities management	26,813	-	-	26,813
Election	1,584	-	-	1,584
Property Transfer/Title	10,758	-	-	10,758
Insurance	2,117	-	-	2,117
Legal	11,730	-	-	11,730
Office, dues and other	5,741	-	-	5,741
ARC reviews	7,468	-	-	7,468
Constituent communication	3,640	-	-	3,640
Covenant enforcement	2,535	-	-	2,535
Treasurer's fees	384	1,926	-	2,310
Operations and maintenance	9,389	-	-	9,389
Misc. Expenditures	19,858	-	-	19,858
Capital outlay	-	-	599,832	599,832
Bond interest	-	207,500	-	207,500
Trustee fees	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total Expenditures	<u>177,512</u>	<u>216,426</u>	<u>599,832</u>	<u>993,770</u>
Excess of revenues over (under) expenditures	(101,040)	(73,498)	(599,801)	(774,339)
Other financing sources (uses)				
Developer advances	<u>98,027</u>	<u>-</u>	<u>12,920</u>	<u>110,947</u>
Total other financing sources (uses)	<u>98,027</u>	<u>-</u>	<u>12,920</u>	<u>110,947</u>
Net change in fund balances	(3,013)	(73,498)	(586,881)	(663,392)
Fund balances:				
Beginning of the year	<u>29,365</u>	<u>559,246</u>	<u>709,946</u>	<u>1,298,557</u>
End of the year	<u>\$ 26,352</u>	<u>\$ 485,748</u>	<u>\$ 123,065</u>	<u>\$ 635,165</u>

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

City Center West Residential Metropolitan District No. 2
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022

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

Net change in fund balance—total governmental funds	\$	(663,392)
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlays is not reported as an expenditure.

Capital outlay		586,912
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Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.

Amortization of bond premium		9,375
Accrued bond interest - change in liability		(259,957)
Developer advances		(110,947)
Accrued interest on developer advances		(20,653)
		(458,662)

Change in net position of governmental activities	\$	(458,662)
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The accompanying notes are an integral part of these financial statements.

City Center West Residential Metropolitan District No. 2
Statement of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 25,629	\$ 25,629	\$ -
Specific ownership taxes	1,538	1,517	(21)
Fees and other income	24,000	48,821	24,821
Interest income	-	505	505
Total Revenues	51,167	76,472	25,305
Expenditures			
Accounting	28,730	29,250	(520)
Audit	6,400	6,400	-
District management	57,200	39,845	17,355
Facilities management	31,200	26,813	4,387
Election	5,000	1,584	3,416
Property Transfer/Title	2,600	10,758	(8,158)
Insurance	2,600	2,117	483
Legal	15,000	11,730	3,270
Office, dues and other	5,350	5,741	(391)
ARC reviews	3,120	7,468	(4,348)
Constituent communication	8,320	3,640	4,680
Covenant enforcement	3,120	2,535	585
Treasurer's fees	384	384	-
Operations and maintenance	95,000	9,389	85,611
Misc. Expenditures	6,560	19,858	(13,298)
Contingency	10,000	-	10,000
Total Expenditures	280,584	177,512	103,072
Excess Revenue Over (Under)			
Expenditures	(229,417)	(101,040)	128,377
Other financing sources (uses)			
Developer advances	231,684	98,027	(133,657)
Total other financing sources (uses)	231,684	98,027	(133,657)
Net change in fund balances	2,267	(3,013)	(5,280)
Fund Balances—Beginning of year	6,219	29,365	23,146
Fund Balances—End of Year	\$ 8,486	\$ 26,352	\$ 17,866

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

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements
December 31, 2022

1. Definition of Reporting Entity

City Center West Residential Metropolitan District No. 2 (the District), a quasi-municipal corporation, was organized in November 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the City of Greeley, Weld County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of the public improvements in the most economic manner possible.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

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

2. Summary of Significant Accounting Policies

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the 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 a liability is incurred, regardless of the timing of related cash flows.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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 general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental fund.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund presented on the modified accrual basis of accounting unless otherwise indicated.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners, to put the tax lien on the individual properties as of January 1 for the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 131,543
Cash and investments - restricted	<u>505,609</u>
Total cash and investments	<u>\$ 637,152</u>

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	<u>\$ 637,152</u>
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The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

As of December 31, 2022, the District's cash deposits had a carrying balance of \$637,152 and bank balance of \$634,016, of which \$255,342 was FDIC insured and the remainder collateralized under the PDPA.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

4. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2022 follows:

	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022
Capital assets not being depreciated:				
Construction in Progress	\$ 5,236,736	\$ 586,912	\$ -	\$ 5,823,648
Capital assets, net	<u>\$ 5,236,736</u>	<u>\$ 586,912</u>	<u>\$ -</u>	<u>\$ 5,823,648</u>

5. Long-Term Liabilities

Limited Tax General Obligation Bonds, Series 2019A and Series 2019B

On December 17, 2019, the District issued Limited Tax General Obligation Bonds, Series 2019A and Subordinate Limited Tax General Obligation Bonds, Series 2019B for \$4,150,000 and \$2,850,000, respectively. The proceeds will be used by the District to finance public improvements within the District.

The Bonds shall accrue interest at the rates of 5.000% (Series 2019A) and 7.750% (Series 2019B). Series A requires interest-only payments from June 1, 2020 – June 1, 2025 followed by principal and interest payments through maturity on December 1, 2049. Series B requires interest-only payments beginning December 15, 2025 through December 15, 2040, followed by principal and interest payments through maturity on December 15, 2049.

The Series 2019A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities, no earlier than December 1, 2024. The bonds are also subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2025 and on each December 1 thereafter. Payment of par and accrued interest amounts can be redemmed in accordance to the schedule found within the bond indenture. As of December 31, 2022, the District has accrued and unpaid interest related to the Series 2019A bonds in the amount of \$17,292.

The Series 2019B bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities. The District may redeem no earlier than December 15, 2024. The bonds are not subject to a mandatory redemption. The Series 2019B bonds are subordinate to the Series 2019A bonds and therefore payment of the Series 2019B bond principal and interest is made annually with funds remaining after payment of the Series 2019A bonds. As of December 31, 2022, the District has accrued and unpaid interest related to the Series 2019B bonds in the amount of \$783,790.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Liabilities (continued)

Developer Advances

Operation Funding Agreement

In December 2019, the District entered into a Funding and Reimbursement Agreement of Operations and Maintenance with CCW Development, LLC (the Developer), pursuant to which the Developer agreed to advance funds to cover anticipated revenue shortfalls for the years 2020 and thereafter, without outstanding amounts due under the agreement accruing interest at a rate of prime + 2% per annum. Requests for advances or reimbursements are made on an annual basis with any extensions or renewals being considered at the time of budget review and approval of the District at its annual budget meeting.

Advance and Reimbursement Agreement (Capital Costs)

In December 2019, the District entered into an Advance and Reimbursement Agreement (Capital Costs) with CCW Development, LLC (the Developer), pursuant to which the Developer agreed to advance funds in an amount not to exceed \$20,000,000, in one or more installments. Under the agreement, the funds are to be used exclusively for incurred costs in the furtherance of the District's permitted purposes.

In addition, the Developer may agree to renew its obligation hereunder on an annual basis, in which case the obligation termination date shall be amended to no earlier than December 31 of the subsequent year.

The agreement prescribes that advances accrue interest at a simple interest rate of 2%, plus the current Federal Reserve Board Prime Rate from the date of each advance and any unpaid accrued interest will be added to the principal in the event that the advances are subsequently refunded by subordinate debt.

Advance and Reimbursement Agreement (Operations and Maintenance Costs)

In December 2019, the District entered into an Advance and Reimbursement Agreement (Capital Costs) with CCW Development, LLC (the Developer), pursuant to which the Developer agreed to advance funds in an amount not to exceed \$500,000, in one or more installments. Under the agreement, the funds are to be used exclusively for administrative, operations and maintenance costs associated with public facilities within the District.

In addition, the Developer may agree to renew its obligation hereunder on an annual basis, in which case the obligation termination date shall be amended to no earlier than December 31 of the subsequent year.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Liabilities (continued)

The agreement prescribes that advances accrue interest at a simple interest rate of 2%, plus the current Federal Reserve Board Prime Rate from the date of each advance and any unpaid accrued interest will be added to the principal in the event that the advances are subsequently refunded by subordinate debt.

Facilities Acquisition Agreement

On November 20, 2019, the Facilities Acquisition Agreement (the Agreement) was entered into between the District and Saunders Commercial Development Company LLC (Saunders). Under the terms of the Agreement, the District agrees to acquire improvements completed by Saunders. Additionally, the District will reimburse Saunders for certified construction costs from these improvements, plus accrued interest, to the extent of available proceeds from bond issuances. The advances under the agreement accrue interest at 8% per annum.

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Series 2019A Bonds	\$ 4,150,000	\$ -	\$ -	\$ 4,150,000	\$ -
Series 2019B Bonds	2,850,000	-	-	2,850,000	-
Bond premium	189,719	-	9,374	180,345	9,374
	7,189,719	-	9,374	7,180,345	9,374
Developer Advances	263,855	151,285	19,686	395,454	-
	<u>\$ 7,453,574</u>	<u>\$ 151,285</u>	<u>\$ 11,346</u>	<u>\$ 7,575,799</u>	<u>\$ 9,374</u>

Below is a summary of the future maturities:

	Principal	Interest	Total
2023	\$ -	\$ 207,500	\$ 207,500
2024	-	207,500	207,500
2025	15,000	207,500	222,500
2026	60,000	207,500	267,500
2027	65,000	203,750	268,750
2028-2032	420,000	964,250	1,384,250
2033-2037	615,000	840,500	1,455,500
2038-2042	1,101,000	663,000	1,764,000
2043-2047	2,611,000	414,250	3,025,250
2048-2049	2,113,000	77,250	2,190,250
	<u>\$ 7,000,000</u>	<u>\$ 3,993,000</u>	<u>\$ 10,993,000</u>

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Liabilities (continued)

By election held on November 8, 2016, the District is authorized to issue debt up to \$270,000,000; however, the District Service Plan limits the issuance of debt to \$20,000,000. All long-term debt is expected to be repaid by limited taxes imposed and collected for no longer than the maximum debt mill levy imposition term of residential properties and at a mill levy no higher than 50 mills. As of December 31, 2022, the District had \$13,000,000 remaining in authorized but unissued debt.

In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. However, the amount and timing of any debt issuances, if any, are not determinable.

6. Net Position

The District has net position consisting of two components –restricted and unrestricted.

Restricted assets include the net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022 as follows:

Restricted net position:

Emergency Reserves (see Note 7)	\$ 5,325
Debt service	<u>485,748</u>
Total restricted net position	<u>\$ 491,073</u>

The District's unrestricted net position as of December 31, 2022 is a deficit of \$762,762, which is due to the District having a significant amount of debt and related debt service restrictions.

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 acts of God.

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 any of the past three fiscal years.

City Center West Residential Metropolitan District No. 2
Notes to Financial Statements (continued)
December 31, 2022

7. Risk Management (continued)

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

8. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

9. Related Parties

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. District management believes that all potential conflicts, if any, have been properly disclosed.

Supplementary Information

City Center West Residential Metropolitan District No. 2
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 128,400	\$ 128,401	\$ 1
Specific ownership taxes	7,704	7,599	(105)
Interest and other income	10,000	6,928	(3,072)
Total Revenue	146,104	142,928	(3,176)
Expenditures			
Treasurer's fees	1,926	1,926	-
Bond interest	207,500	207,500	-
Trustee fees	7,500	7,000	500
Contingency	10,000	-	10,000
Total Expenditures	226,926	216,426	10,500
Excess Revenue Over (Under) Expenditures	(80,822)	(73,498)	7,324
 Net change in fund balances	 (80,822)	 (73,498)	 7,324
 Fund Balance—Beginning of year	 563,757	 559,246	 (4,511)
Fund Balance—End of Year	\$ 482,935	\$ 485,748	\$ 2,813

City Center West Residential Metropolitan District No. 2
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and other income	\$ -	\$ 31	\$ 31
Total Revenue	<u>-</u>	<u>31</u>	<u>31</u>
Expenditures			
Capital outlay	6,000,000	599,832	5,400,168
District Management	25,000	-	25,000
District Engineer	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Expenditures	6,050,000	599,832	5,400,168
Excess Revenue Over (Under)			
Expenditures	<u>(6,050,000)</u>	<u>(599,801)</u>	<u>5,450,199</u>
Other financing sources (uses)			
Proceeds from capital note	5,340,145	-	(5,340,145)
Developer advances	<u>-</u>	<u>12,920</u>	<u>12,920</u>
Total other financing sources (uses)	<u>5,340,145</u>	<u>12,920</u>	<u>(5,327,225)</u>
Net change in fund balances	<u>(709,855)</u>	<u>(586,881)</u>	<u>122,974</u>
Fund Balance—Beginning of year	<u>709,855</u>	<u>709,946</u>	<u>91</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ 123,065</u>	<u>\$ 123,065</u>

City Center West Residential Metropolitan District No. 2
Summary of Assessed Valuation,
Mill Levy and Property Taxes Collected
December 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied (All Funds)	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2019	\$ 248,910	0.000	-	-	N/A
2020	\$ 248,310	55.664	13,822	13,822	100.00%
2021	\$ 171,910	60.098	10,331	154,030	1490.89%
2022	\$ 2,549,900	60.406	\$ 154,029	\$ 154,030	100.00%
Estimated for the year ending 12/31/2023	\$ 3,886,980	67.781	\$ 263,463		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the county treasurer does not permit identification of specific year or levy.