VDW METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado

FINANCIAL STATEMENTS
December 31, 2012

TABLE OF CONTENTS

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the VDW Metropolitan District No. 1, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

Management's Responsibility 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.

Auditor Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expression an opinion on ht effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, 2012, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information on page 24 be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VDW Metropolitan District No. 1's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 17, 2013

Management's Discussion and Analysis

As management of VDW Metropolitan District No. 1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012.

Financial Highlights

- Liabilities exceeded assets by $7,863,948 at the end of the fiscal year. This deficit of net position is largely due to the District being responsible for the repayment of bonds and capital advances that were used for public improvements and then subsequently dedicated to other governments.

- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $133,968.

- Total cash and investments decreased by $127,341 as compared to 2011. This decrease is due to a decrease in service fees received in the general fund and an increase in receivables.

- General Fund expenditures were $116,923 for the year ended December 31, 2012. Included in this amount were costs incurred to provide the administration of the District, including accounting, legal, management, insurance, utilities, landscape maintenance and other costs.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $120,625, or 103% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes *(governmental activities).* The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including streets, water, sewer, storm, parks and recreation, and transportation and traffic improvements constructed or acquired by the District.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-side financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds – General Fund, Debt Service Fund, and Capital Projects Fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund in the basic financial statements to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 6-21 of this report.

Other information. The report includes individual fund schedules. A budgetary comparison schedule has been provided in this section for the Debt Service Fund and the Capital Projects Fund to demonstrate compliance with these budgets. The budget schedules are found after the *basic financial statements* on pages 24-28 of this report. A schedule of debt service requirements to maturity on the District's 2007 and 2011 Limited Property Tax Supported Revenue Bonds is included on pages 29-30 and schedules of comparative assessed valuation, mill levy and property taxes collected is included for VDW Metropolitan District Nos. 2 and 3 on pages 31-32.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's liabilities exceeded assets by $7,863,948 at the close of the most recent fiscal year.

Net Position

	December 31,	
	2012	2011, Restated
Current assets	$ 246,642	$ 202,251
Capital assets	392,725	243,383
Total assets	639,367	445,634
Current liabilities	135,862	28,108
Long-term obligations	8,367,453	8,269,253
Total liabilities	8,503,315	8,297,361
Invested in capital assets, net of related debt	(94,794)	(74,160)
Restricted net position	13,343	15,399
Unrestricted net position	(7,782,497)	(7,792,966)
Total net position	$ (7,863,948)	$ (7,851,727)

During 2012, the District's capital assets increased $149,342, the result of annual depreciation and additions to construction in progress. Current assets increased by $44,391 from 2011 due to an increase in advances receivable of $168,200 and a decrease in cash of $127,341.

Change in Net Position

	December 31,	
	2012	2011, Restated
Revenue		
Service fees - District 2	$ 165,950	$ 165,744
Service fees - District 3	241,613	292,771
Other revenue	106	170
Total revenues	407,669	458,685
Expenses		
General government	(137,875)	(135,221)
Interest and related costs on long-term debt	(282,015)	(344,738)
Total expenses	(419,890)	(479,959)
Change in net assets	(12,221)	(21,274)
Net position - beginning, restated	(7,851,727)	(7,830,453)
Net position - ending	$ (7,863,948)	$ (7,851,727)

The District's main revenue source for 2012 was service fees earned. The majority of the expenses for general government were legal, accounting, management, service plan amendment and landscape maintenance, which totaled $116,923.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflow, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $133,968. This amount represents $120,625 in unassigned fund balance that is available for spending at the government's discretion and $13,343 in restricted fund balance comprised of $3,600 for emergency reserves, and $9,743 for capital projects and debt service.

General Fund Budgetary Highlights

The District's total General Fund expenditures for 2012 did not exceed the adopted budgeted appropriation. The difference between the adopted budgeted expenditures of $150,896 and the actual expenditures of $116,923 was $33,973.

Capital Assets

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding bond indebtedness of $3,995,000. Of this amount, $2,795,000 was for the Series 2007 and $1,200,000 was for the Series 2011 Limited Property Tax Supported Revenue Bonds. The Series 2007 are due December 1, 2032 and pay interest of 6.5% and the Series 2011 are due December 1, 2032 and pay interest of 8.0%

Additionally, the District had a long-term liability to the VDW Properties, LLC of $4,372,453 as a result of funding provided by VDW Properties, LLC to the District for capital improvement costs.

Additional information on the District's long-term debt can be found in Note 6 of this report.

Next Year's Budgets and Rates

Budgeted General Fund expenditures for 2013 are $156,899, and are anticipated to be funded with service fees.

Requests for Information

This financial report is designed to provide a general overview of the finances for VDW Metropolitan District No. 1. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: VDW Metropolitan District No. 1, c/o Pinnacle Consulting Group, Inc., 1627 East 18th Street, Loveland, CO 80538.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

VDW METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2012

	Governmental Activities
ASSETS	
Cash and investments	$ 58,699
Cash and investments - Restricted	13,343
Service fees receivable - District 2	872
Service fees receivable - District 3	1,269
Other assets	4,259
Capital advance receivable	168,200
Capital assets, net	392,725
Total assets	639,367
LIABILITIES	
Accounts payable	112,674
Accrued interest payable	23,188
Noncurrent liabilities	
Due within one year	75,000
Due in more than one year	
Revenue bonds	3,920,000
Capital advance payable	4,372,453
Total liabilities	8,503,315
NET POSITION	
Invested in capital assets, net of related debt	(94,794)
Restricted for:	
Emergency reserves	3,600
Debt service	2,194
Capital projects	7,549
Unrestricted	(7,782,497)
Total net position	$ (7,863,948)

These financial statements should be read only in connection with the accompanying notes to financial statements.

VDW METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Government activities:					
General government	$ 137,875	$ -	$ -	$ -	$ (137,875)
Interest and related costs on long-term debt	282,015	-	-	-	(282,015)
	$ 419,890	$ -	$ -	$ -	$ (419,890)
General revenues:					
Service fees - District 2					165,950
Service fees - District 3					241,613
Net investment income					106
Total general revenues					407,669
Change in net assets					(12,221)
Net position - beginning, restated					(7,851,727)
Net position - ending					$ (7,863,948)

These financial statements should be read only in connection with the accompanying notes to financial statements.

VDW METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	$ 58,699	$ -	$ -	$ 58,699
Cash and investments - Restricted	3,600	2,194	7,549	13,343
Service fees receivable - District 2	872	-	-	872
Service fees receivable - District 3	1,269	-	-	1,269
Due from other funds	120,222	-	-	120,222
Other receivable	-	-	4,259	4,259
Capital advance receivable	-	-	168,200	168,200
TOTAL ASSETS	$ 184,662	$ 2,194	$ 180,008	$ 366,864
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 60,437	$ -	$ 52,237	$ 112,674
Due to other funds	-	-	120,222	120,222
Total liabilities	60,437	-	172,459	232,896
FUND BALANCES				
Restricted	3,600	2,194	7,549	13,343
Unassigned	120,625	-	-	120,625
Total fund balances	124,225	2,194	7,549	133,968
TOTAL LIABILITIES AND FUND BALANCES	$ 184,662	$ 2,194	$ 180,008	
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 as assets in the funds.				
Capital assets, net				392,725
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				
Long-term liabilities, including capital advances and bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.				
Capital advance payable				(4,372,453)
Accrued interest on bonds payable				(23,188)
Bonds payable				(3,995,000)
Net position of governmental activities				$ (7,863,948)

These financial statements should be read only in connection with the accompanying notes to financial statements.

VDW METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Service fees - District 2	$ 33,218	$ 132,732	$ -	$ 165,950
Service fees - District 3	19,622	221,991	-	241,613
Net investment income	66	40	-	106
Total Revenues	52,906	354,763	-	407,669
EXPENDITURES				
Current				
Accounting	19,464	-	-	19,464
Audit	4,350	-	-	4,350
Election costs	2,185	-	-	2,185
Engineering	-	-	168,200	168,200
Insurance and bonds	6,830	-	-	6,830
Landscape maintenance	35,454	-	-	35,454
Legal	8,615	-	-	8,615
Management	21,894	-	2,094	23,988
Office expense/miscellaneous	1,412	-	-	1,412
Utilities	16,719	-	-	16,719
Debt service				
Bond principal	-	70,000	-	70,000
Bond interest	-	282,225	-	282,225
Trustee Fees	-	500	-	500
Total expenditures	116,923	352,725	170,294	639,942
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(64,017)	2,038	(170,294)	(232,273)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital note	-	-	168,200	168,200
Total other financing sources (uses)	-	-	168,200	168,200
NET CHANGE IN FUND BALANCES	(64,017)	2,038	(2,094)	(64,073)
FUND BALANCES - BEGINNING OF YEAR	188,242	156	9,643	198,041
FUND BALANCES - END OF YEAR	$ 124,225	$ 2,194	$ 7,549	$ 133,968

These financial statements should be read only in connection with
the accompanying notes to financial statements.

VDW METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

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

Net change in fund balances - Total governmental funds	$ (64,073)
Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset of the estimated useful life of the asset.	
Capitalized expenditures	168,200
Depreciation expense	(18,858)
The issuance of long-term debt (e.g., bonds, capital advances) 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. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Current year repayment of Bonds - Principal	70,000
Current year capital advance proceeds	(168,200)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest on Bonds - Change in liability	710
Changes in net position of governmental activities	$ (12,221)

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 – DEFINITION OF REPORTING ENTITY

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 for the City of Loveland on June 6, 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. 1-3, the District operates as the Service District related to VDW Metropolitan District No. 2 (Residential District) and VDW Metropolitan District No. 3 (Commercial District).

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, including VDW Metropolitan Districts No. 2-3, nor is the District a component unit of any other primary governmental entity, including the City.

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental activities are normally supported by taxes and intergovernmental revenues.

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.

The statement of activities demonstrates the degree to which the direct and indirect 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 governmental funds. 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 a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 and service fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that capital advances are not considered as revenue susceptible to accrual.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds.

The Capital Projects fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

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

- By October 13, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- The District legally adopts budgets for all of the funds. Budgets for the General, Special Revenue, Debt Service, Capital Projects and Fiduciary Funds are adopted on a basis consistent with GAAP. Budgetary comparisons presented for the Enterprise Funds are presented on a non-GAAP budgetary basis.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

The following table summarizes the individual fund budgeted:

	Original Budget	Total Revisions	Revised Budget
General	$ 150,896	$ -	$ 150,896
Debt Service	354,725	-	354,725
Capital Projects	744,655	-	744,655
Total Funds	1,250,276	-	1,250,276

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 immediate operating requirements 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.

Investments are carried at fair value (see Note 4).

For purpose of presentation in the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

Restricted Cash

The District has restricted cash held in the General Debt Service and Capital Funds. Restricted cash in the General fund in the amount of $3,600 encompasses the "emergency" reserve as defined in the TABOR amendment of the Colorado State Constitution. The Debt Service Fund amount of $2,194 is restricted for future principal and interest payments on debt and the Capital Projects Fund amount of $7,549 is restricted for future capital expenditures.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as a prepaid item in both government-wide and fund financial statements. Because these assets do not represent current financial resources, these amounts are shown as nonspendable fund balance in governmental funds (see Note 8).

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns 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. Such 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.

Capital assets which are anticipated and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful life:

Parks and recreation	20 years

Fund Equity

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonpsendable and spendable resources. The District adopted this in the fiscal year 2011 and has disclosed this information in Note 8 (Fund Balance).

NOTE 3 – NEW ACCOUNTING PRONOUNCEMENTS

During the year ended December 31, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. As the result of implementing this statement, Net Assets was retitled to be Net Position, and the computation of beginning net position on the Statement of Activities was restated, reporting a decrease of $128,243 to the beginning balance due to the write-off of bond issuance costs.

The District also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended December 31, 2012. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenditures.

NOTE 4 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	$	58,699
Cash and investments - Restricted		13,343
Total cash and investments	$	72,042

Cash and investments as of December 31, 2012, consist of the following:

Deposits with financial institutions	$	13,167
Investments		58,875
Total cash and investments	$	72,042

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 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.

At December 31, 2012, the District's cash deposits had a bank balance and carrying value of $13,167.

Investments

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments.

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

The District generally limits its concentration of investments to local government investment pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2012, the District had the following investments:

Investment	**Maturity**	**Fair Value**
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	$ 58,875

COLOTRUST

During 2012, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value up to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, both of which are rated AAAm from Standard and Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

U.S. Treasury securities. COLOTRUS PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2012, the District had $58,875 invested in COLOTRUST PRIME.

NOTE 5 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2012, follows:

	Balance at December 31, 2011	Increases	Decreases	Balance at December 31, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Capital assets	$ -	$ 168,200	$ -	$ 168,200
Capital assets, being depreciated:				
Parks and recreation	$ 320,578	$ -	$ -	$ 320,578
Less accumulated depreciation for:				
Parks and recreation	77,195	18,858	-	96,053
Total capital assets, being depreciated	243,383	(18,858)	-	224,525
Capital assets, net	$ 243,383	$ 149,342	$ -	$ 392,725

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General government	$ 18,858
Total depreciation expense - Governmental activities	$ 18,858

NOTE 6 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2012.

The detail of the District's long-term obligations is as follows:

	Balance at December 31, 2011	Additions	Reductions	Balance at December 31, 2012	Due Within One Year
Series 2007					
Ltd. Prop Tax Bonds	$ 2,865,000	$ -	$ (70,000)	$ 2,795,000	$ 75,000
Series 2011					
Ltd. Prop Tax Bonds	1,200,000	-	-	1,200,000	-
Capital advances -					
Capital	4,204,253	168,200	-	4,372,453	-
Total	$ 8,269,253	$ 168,200	$ (70,000)	$ 8,367,453	$ 75,000

Limited Property Tax Supported Revenue Bonds

$3,000,000 Limited Property Tax Supported Revenue Bonds, Series 2007, dated December 20, 2007, with interest of 6.50%, consisting of term bonds issued in the original amount of $3,000,000 due December 1, 2032. All bonds maturing on or after December 1, 2017 are callable at the option of the District without premium.

$1,200,000 Limited Property Tax Supported Revenue Bonds, Series 2011, dated August 30, 2011, with interest of 8.0%, consisting of term bonds issued in the original amount of $1,200,000 due December 1, 2032. All bonds maturing on or after December 1, 2021 are callable at the option of the District without premium.

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) all amounts payable to the District under the Capital Pledge Agreement. Under the Capital Pledge Agreement the two Financing Districts must remit all net property tax collections from the Required Mill Levy to the District. (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 Financing 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 2012 principal and interest repayment, the mill levy certified for debt service by District No. 2 and District No. 3 was 38.602 mills. For collection year 2013, District No. 2 and District No. 3 levied 27.901 mills.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations will mature as follows:

Limited Property Tax Supported Revenue Bonds
Series 2007, Dated December 20, 2007

	Principal	Interest	Total
2013	75,000	181,675	256,675
2014	80,000	176,800	256,800
2015	85,000	171,600	256,600
2016	90,000	166,075	256,075
2017-2021	540,000	735,150	1,275,150
2022-2026	725,000	536,575	1,261,575
2027-2031	970,000	271,050	1,241,050
2032	230,000	14,950	244,950
	$ 2,795,000	$ 2,253,875	$ 5,048,875

Limited Property Tax Supported Revenue Bonds
Series 2011, Dated August 30, 2011

	Principal	Interest	Total
2013	-	96,000	96,000
2014	25,000	96,000	121,000
2015	30,000	94,000	124,000
2016	30,000	91,600	121,600
2017-2021	205,000	415,600	620,600
2022-2026	305,000	320,000	625,000
2027-2031	480,000	172,400	652,400
2032	125,000	10,000	135,000
	$ 1,200,000	$ 1,295,600	$ 2,495,600

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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. At December 31, 2012, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 7, 2002	Authorization Used Series 2007 Bonds	Authorization Used Series 2011 Bonds	Authorized But Unissued
Streets	$ 7,418,250	$ 996,507	$ 782,089	$ 5,639,654
Traffic/safety controls	500,000	-	56,443	443,557
Water	1,641,366	536,963	167,343	937,060
Sanitation	4,662,610	1,466,530	120,381	3,075,699
Parks and recreation	500,000	-	73,744	426,256
Transportation	500,000	-	-	500,000
TV relay	500,000	-	-	500,000
Mosquito control	500,000	-	-	500,000
Bond refunding	16,222,226	-	-	16,222,226
Operations and maintenance	500,000	-	-	500,000
	$ 32,944,452	$ 3,000,000	$ 1,200,000	$ 28,744,452

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $16,000,000.

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.

Advances

The District had a long-term liability to VDW Properties, LLC, of $4,372,453 as of December 31, 2012 as a result of the District agreeing to acquire from, or reimburse, VDW Properties, LLC for public improvements constructed by VDW Properties, LLC. The District has entered into the following funding arrangements with VDW Properties, LLC:

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Improvements Acquisition Agreement

The District entered into that certain Improvements Acquisition Agreement with VDW Properties, LLC on December 1, 2005, which was replaced and superseded in its entirety by that certain Amended and Restated Improvements Acquisition and Reimbursement Agreement, entered into between the District and VDW Properties, LLC on May 20, 2010. Under the terms of this agreement, the District has agreed to acquire completed public improvements from VDW Properties, LLC. There were no public improvement acquisitions during 2012. Interest on these advances may only be repaid in the event the District generates sufficient cash flow to pay principal and related interest annually. As of December 31, 2012, outstanding advances under this agreement totaled $4,372,453.

Advance and Reimbursement Agreement

The District entered into that certain Advance and Reimbursement agreement with VDW Properties, LLC, dated October 22, 2012. Pursuant to this agreement, VDW Properties, LLC agreed to loan to the District up to $2,900,000 to fund capital improvements needed for Parcel D and H development. The funding obligation under their agreement expires on December 31, 2013. The District's obligation to repay funds advanced pursuant to this agreement is secured by a subordinate promissory note dated as of October 22, 2012. The note matures on December 31, 2013 and bears interest at a rate of two percent plus the Federal Reserve prime rate or six percent, whichever is greater. Interest may only be repaid in the year in which it accrues.

NOTE 7 – NET POSITION

The District has net position consisting of three components – invested in capital assets, restricted, and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2012, the District had invested in capital assets, net of related debt calculated as follows:

NOTE 7 – NET POSITION (CONTINUED)

	Governmental Activities
Invested in capital assets, net of related debt:	
Capital assets, net	$ 392,725
Noncurrent portion of outstanding long-term obligations	(488,204)
Unspent bond proceeds	685
Invested in capital asset, net of related debt	$ (94,794)

Restricted net position includes assets that are 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, 2012 as follows:

	Governmental Activities
Restricted net position:	
Emergencies	$ 3,600
Debt Service	2,194
Capital projects	7,549
Total restricted net position	$ 13,343

The District's unrestricted net position as of December 31, 2012 totaled $(7,782,497). This deficit amount was a result of the District being responsible for the repayment of bonds and debt issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 8 – FUND BALANCE

The District has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Funds Type Definitions.* Based on that statement fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

NOTE 8 – FUND BALANCE (CONTINUED)

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of District's Board. The Board is the highest level of decision-making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

As of December 31, 2012, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Restricted:				
Emergency reserve	$ 3,600	$ -	$ -	$ 3,600
Debt Service	-	2,194	-	2,194
Capital	-	-	7,549	7,549
Unassigned:	120,625	-	-	120,625
	$ 124,225	$ 2,194	$ 7,549	$ 133,968

NOTE 9 – INTERFUND AND OPERATING TRANSFERS

There were no transfers between the funds during fiscal year ended December 31, 2012.

NOTE 10 – RELATED PARTY

The developers of the property which constitutes the District are VDW Properties, LLC, and VDW Retail, LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the developers, and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District owes VDW Properties, LLC $4,372,453 as of December 31, 2012 for outstanding capital advances.

NOTE 11 – 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, 2012. 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.

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

NOTE 12 – 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 that 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

NOTE 12 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On May 7, 2002, the District voters passed an election question to increase property taxes $500,000 annually, without limitation of rate, to pay the District's operations, maintenance, and other expenses.

On May 7, 2002, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current and future levied taxes and fees of the District, up to the amounts specified in the May 2002 election, without regard to any limitations under TABOR.

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.

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 14, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

VDW METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Service fees - District 2	31,696	33,218	1,522
Service fees - District 3	17,241	19,622	2,381
Net investment income	500	66	(434)
Total Revenues	$ 49,437	$ 52,906	$ 3,469
EXPENDITURES			
Accounting and Financial Management	30,000	19,464	10,536
Audit	4,500	4,350	150
Election costs	2,500	2,185	315
Engineering	250	-	250
Insurance and bonds	7,500	6,830	670
Landscape maintenance	39,771	35,454	4,317
Legal	12,000	8,615	3,385
Management	21,375	21,894	(519)
Office expense/miscellaneous	2,000	1,412	588
Utilities	11,000	16,719	(5,719)
Contingency	20,000	-	20,000
Total expenditures	$ 150,896	$ 116,923	$ 33,973
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (101,459)	$ (64,017)	$ 37,442
FUND BALANCES - BEGINNING OF YEAR	170,528	188,242	17,714
FUND BALANCES - END OF YEAR	$ 69,069	$ 124,225	$ 55,156

SUPPLEMENTAL INFORMATION

VDW METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Service fees - District 2	132,739	132,732	(7)
Service fees - District 3	221,990	221,991	1
Net investment income	20	40	20
Total Revenues	$ 354,749	$ 354,763	$ 14
EXPENDITURES			
Bond interest	282,225	282,225	-
Bond principal	70,000	70,000	-
Trustee/Paying agent fees	1,500	500	1,000
Contingency	1,000	-	1,000
Total expenditures	$ 354,725	$ 352,725	$ 2,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 24	$ 2,038	$ (2,014)
FUND BALANCES - BEGINNING OF YEAR	54	156	(102)
FUND BALANCES - END OF YEAR	$ 78	$ 2,194	$ (2,116)

VDW METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Current			
Engineering	2,500	168,200	(165,700)
Legal	2,143	-	2,143
Manangement	4,000	2,094	1,906
Capital Outlay			
Parks and recreation	81,500	-	81,500
Water	146,937	-	146,937
Streets	392,500	-	392,500
Sewer and storm sewer	115,075	-	115,075
Total expenditures	$ 744,655	$ 170,294	$ 574,361
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (744,655)	$ (170,294)	$ 574,361
OTHER FINANCING SOURCES (USES)			
Proceeds from capital note	736,012	168,200	(567,812)
Total other financing sources (uses)	$ 736,012	$ 168,200	$ (567,812)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(8,643)	(2,094)	6,549
FUND BALANCES - BEGINNING OF YEAR	8,643	9,643	1,000
FUND BALANCES - END OF YEAR	$ -	$ 7,549	$ 7,549

VDW METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2012

$3,000,000
Limited Property Tax Supported Revenue Bonds
Series 2007, Dated December 20, 2007
Principal Due December 1
Interest Rate 6.50%
Interest Payable June 1 and December 1

Year Ended December 31,	Principal	Interest	Annual Debt Service
2013	75,000	181,675	256,675
2014	80,000	176,800	256,800
2015	85,000	171,600	256,600
2016	90,000	166,075	256,075
2017	95,000	160,225	255,225
2018	100,000	154,050	254,050
2019	110,000	147,550	257,550
2020	115,000	140,400	255,400
2021	120,000	132,925	252,925
2022	130,000	125,125	255,125
2023	135,000	116,675	251,675
2024	145,000	107,900	252,900
2025	155,000	98,475	253,475
2026	160,000	88,400	248,400
2027	170,000	78,000	248,000
2028	185,000	66,950	251,950
2029	195,000	54,925	249,925
2030	205,000	42,250	247,250
2031	215,000	28,925	243,925
2032	230,000	14,950	244,950
	$ 2,795,000	$ 2,253,875	$ 5,048,875

VDW METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2012

Year Ended December 31,	$1,200,000 Limited Property Tax Supported Revenue Bonds Series 2011, Dated August 30, 2011 Principal Due December 1 Interest Rate 8.0% Interest Payable June 1 and December 1		
	Principal	Interest	Annual Debt Service
2013	-	96,000	96,000
2014	25,000	96,000	121,000
2015	30,000	94,000	124,000
2016	30,000	91,600	121,600
2017	35,000	89,200	124,200
2018	40,000	86,400	126,400
2019	40,000	83,200	123,200
2020	40,000	80,000	120,000
2021	50,000	76,800	126,800
2022	50,000	72,800	122,800
2023	55,000	68,800	123,800
2024	60,000	64,400	124,400
2025	65,000	59,600	124,600
2026	75,000	54,400	129,400
2027	80,000	48,400	128,400
2028	85,000	42,000	127,000
2029	95,000	35,200	130,200
2030	105,000	27,600	132,600
2031	115,000	19,200	134,200
2032	125,000	10,000	135,000
	$ 1,200,000	$ 1,295,600	$ 2,495,600

VDW METROPOLITAN DISTRICT NO. 1
FIVE YEAR SUMMARY OF VDW METROPOLITAN DISTRICT NO. 2
ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2012

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General Obligation Bonds	Mills Levied for Contractual Obligation	Total Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percent Collected to Levied
2007	$ 3,458,030	-	45.980	45.980	$ 159,000	$ 167,478	105.3%
2008	$ 3,579,360	-	45.980	45.980	$ 164,579	$ 191,549	116.4%
2009 restated (1)	$ 2,900,780	17.460	28.520	45.980	$ 133,378	$ 133,355	100.0%
2010	$ 4,084,550	21.300	24.680	45.980	$ 187,808	$ 181,602	96.7%
2011	$ 3,453,490	25.941	20.039	45.980	$ 158,791	$ 158,816	100.0%
2012	$ 3,438,650	38.602	7.378	45.980	$ 158,109	$ 165,950	105.0%
Estimated for calendar year ending December 31, 2013	$ 6,334,510	27.901	18.079	45.980	$ 291,261		

Notes:

(1) After certification, in early 2009, the assessor reclassified $1.8million of AV from District No. 2 to District No. 3, which was a cumulative adjustment of $776,360 related to 2008 and $1,1168,860 related to 2009 collection years. This resulted in less property taxes received in District No. 2 than budgeted and certified and more in District No. 3. However, when the adjustment is taken into account, both Districts collected 100% of property taxes in 2009.

(2) Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.

VDW METROPOLITAN DISTRICT NO. 1
FIVE YEAR SUMMARY OF VDW METROPOLITAN DISTRICT NO. 3
ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2012

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General Obligation Bonds	Mills Levied for Contractual Obligation	Total Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percent Collected to Levied
2007	$ 3,009,730	-	45.980	45.980	$ 138,387	$ 127,762	92.3%
2008	$ 4,221,550	-	40.000	40.000	$ 168,862	$ 137,807	81.6%
2009 restated (1)	$ 8,266,070	17.460	22.540	40.000	$ 330,643	$ 330,643	100.0%
2010	$ 7,911,250	21.300	18.700	40.000	$ 316,450	$ 316,450	100.0%
2011	$ 7,016,470	25.941	14.059	40.000	$ 280,659	$ 280,659	100.0%
2012	$ 5,750,750	38.602	1.398	40.000	$ 230,030	$ 241,612	105.0%
Estimated for calendar year ending December 31,							
2013	$ 6,377,750	27.901	12.099	40.000	$ 255,110		

Notes:

(1) After certification, in early 2009, the assessor reclassified $1.8million of AV from District No. 2 to District No. 3, which was a cumulative adjustment of $776,360 related to 2008 and $1,1168,860 related to 2009 collection years. This resulted in more property taxes received in District No. 3 than budgeted and certified and less in District No. 2. However, when the adjustment is taken into account, both Districts collected 100% of property taxes in 2009.

(2) Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.