

RAINDANCE METROPOLITAN DISTRICT NO. 2
Weld County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

**RAINDANCE METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2022**

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Independent Auditor's Report

Members of the Board of Directors
Raindance Metropolitan District No. 2

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Raindance Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Raindance Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know 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 Raindance 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 Raindance Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.
- 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.

We are required to communicate with those charges 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.

Other Matters

Required Supplementary Information

Management has omitted the management's 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Raindance Metropolitan District No. 2's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The continuing disclosure annual financial information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Haynie & Company

Littleton, Colorado
July 25, 2023

BASIC FINANCIAL STATEMENTS

RAINDANCE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 5
Cash and Investments - Restricted	1,841,846
Receivable from County Treasurer	3,009
Interest Receivable	4,277
Property Tax Receivable	<u>784,121</u>
Total Assets	<u>2,633,258</u>
LIABILITIES	
Due to District No. 1	2,351
Accrued Bonds Interest Payable	80,458
Noncurrent Liabilities:	
Due in More Than One Year	<u>25,416,393</u>
Total Liabilities	<u>25,499,202</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>784,121</u>
Total Deferred Inflows of Resources	<u>784,121</u>
NET POSITION	
Unrestricted	<u>(23,650,065)</u>
Total Net Position	<u><u>\$ (23,650,065)</u></u>

See accompanying Notes to Basic Financial Statements.

RAINDANCE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues
Primary Government:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expenses) and Change in Net Position
Governmental Activities:	Expenses	-	-	Governmental Activities
General Government	\$ 54,945	\$ -	\$ -	\$ (54,945)
Interest and Related Costs on Long-Term Debt	<u>1,353,400</u>	<u>-</u>	<u>-</u>	<u>(1,353,400)</u>
Total Governmental Activities	<u>\$ 1,408,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,408,345)</u>
GENERAL REVENUES				
Property Taxes				332,151
Specific Ownership Taxes				19,669
Net Investment Income/ Net Change in FV of Investments				<u>(59,326)</u>
Total General Revenues				<u>292,494</u>
CHANGE IN NET POSITION				
Net Position - Beginning of Year				<u>(22,534,214)</u>
NET POSITION - END OF YEAR				
				<u>\$ (23,650,065)</u>

See accompanying Notes to Basic Financial Statements.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 5	\$ -	\$ 5
Cash and Investments - Restricted	-	1,841,846	1,841,846
Receivable from County Treasurer	469	2,540	3,009
Interest Receivable	-	4,277	4,277
Property Tax Receivable	52,270	731,851	784,121
Total Assets	\$ 52,744	\$ 2,580,514	\$ 2,633,258
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to District No. 1	\$ 469	\$ 1,882	\$ 2,351
Total Liabilities	469	1,882	2,351
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	52,270	731,851	784,121
Total Deferred Inflows of Resources	52,270	731,851	784,121
FUND BALANCES			
Restricted:			
Debt Service	-	1,846,781	1,846,781
Unrestricted:			
General Government	5	-	5
Total Fund Balances	5	1,846,781	1,846,786
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 52,744	\$ 2,580,514	
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.			
Accrued Bonds Interest Payable			(1,202,386)
Bonds Payable			(24,294,460)
Developer Advance Payable			(5)
Subtotal			(25,496,851)
Net Position of Governmental Activities			\$ (23,650,065)

See accompanying Notes to Basic Financial Statements.

RAINDANCE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 51,754	\$ 280,397	\$ 332,151
Specific Ownership Taxes	3,065	16,604	19,669
Net Investment Income/ Net Change in FV of Investments	126	(59,452)	(59,326)
Total Revenues	<u>54,945</u>	<u>237,549</u>	<u>292,494</u>
EXPENDITURES			
Banking Fees	-	20	20
Bond Interest Senior Bonds	-	965,500	965,500
County Treasurer's Fees	786	4,259	5,045
Investment Advisory Fee	-	3,787	3,787
Paying Agent Fees	-	2,500	2,500
Transfer to District No. 1	54,159	-	54,159
Total Expenditures	<u>54,945</u>	<u>976,066</u>	<u>1,031,011</u>
NET CHANGE IN FUND BALANCES	-	(738,517)	(738,517)
Fund Balances - Beginning of Year	<u>5</u>	<u>2,585,298</u>	<u>2,585,303</u>
FUND BALANCES - END OF YEAR	<u>\$ 5</u>	<u>\$ 1,846,781</u>	<u>\$ 1,846,786</u>

See accompanying Notes to Basic Financial Statements.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ (738,517)

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

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.

Bond Premium Amortization	21,227
Accrued Interest on Bonds - Change in Liability	<u>(398,561)</u>

Change in Net Position of Governmental Activities \$ (1,115,851)

**RAINDANCE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 51,779	\$ 51,780	\$ 51,754	\$ (26)
Specific Ownership Taxes	2,589	3,115	3,065	(50)
Other Revenue	-	1,012	-	(1,012)
Interest Income	-	93	126	33
Total Revenues	<u>54,368</u>	<u>56,000</u>	<u>54,945</u>	<u>(1,055)</u>
EXPENDITURES				
Contingency	-	1,012	-	1,012
Banking Fees	40	40	-	40
County Treasurer's Fees	777	778	786	(8)
Transfer to District No. 1	53,551	54,170	54,159	11
Total Expenditures	<u>54,368</u>	<u>56,000</u>	<u>54,945</u>	<u>1,055</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balances - Beginning of Year	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Raindance Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree issued by the District Court in and for Weld County, Colorado, on June 6, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide financing for the planning, design, acquisition, construction, installation, relocation, redevelopment, operations, and maintenance of the public improvements within the District including streets, parks and recreation, water and wastewater facilities, transportation, mosquito control, safety protection, fire protection, television relay and translation, and security. The District was organized in conjunction with three other related metropolitan districts – RainDance Metropolitan Districts No. 1, No. 3, and No. 4. RainDance Metropolitan District No. 1 serves as the Operating District which is responsible for coordinating the financing, construction, and maintenance of all Public Improvements and other services needed for RainDance Metropolitan District Nos. 2 - 4 (Financing Districts, and together with the District, the Districts), which are responsible for providing the tax base needed to support financing of capital improvements and operations and maintenance.

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

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

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 as general revenues.

Separate financial statements are provided for the 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.

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 District 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 has 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 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, interest, and other costs related to the Series 2019 Bonds.

RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other financing uses 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 on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2022.

Property Taxes

Property taxes are levied by the District's 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 always set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of 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, sale 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted, and unrestricted.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

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 practice to use the most restrictive classification first.

NOTE 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	\$	5
Cash and Investments - Restricted		1,841,846
Total Cash and Investments	\$	<u><u>1,841,851</u></u>

**RAINDANCE METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

Deposits with Financial Institutions	\$	364,542
Investments		1,477,309
Total Deposits		\$ 1,841,851

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 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.

At December 31, 2022, the District’s cash deposits had a bank balance and carrying balance of \$364,542.

Investments

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

The District generally limits its concentration of investments to those 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 or investment custodial risk disclosure requirements 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.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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
- Certain certificates of participation
- Certain securities lending agreements
- 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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
U.S. Treasury Notes	Average 2.21 Years	\$ 1,025,790
Corporate Securities	Average 0.08 Years	59,891
Municipal Bonds	Average 1.65 Years	391,628
Total		<u>\$ 1,477,309</u>

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

U.S. Treasury Notes, Corporate Securities, and Municipal Bonds

Debt service monies held in trust by US Bank in the Debt Reserve Fund were invested in U.S. Treasury Notes (Aaa and AAA ratings), Corporate Securities (Aaa ratings), and Municipal Bonds (Aa2, Aa3, and Aaa ratings) with average maturities of 2.21 years, 0.08 years, and 1.65 years, respectively. The District has engaged the services of a registered Investment Advisor (providing financial advisory and asset management services) to receive financial advice and to assist in the management of these funds, including the buying and selling of securities held in such portfolio.

NOTE 4 LONG-TERM OBLIGATIONS

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

<u>Governmental Activities</u>	Balance - December 31, 2021	Additions	Retirements	Balance - December 31, 2022	Due Within One Year
Bonds Payable:					
Limited Tax General					
Obligation Bonds:					
Series 2019A	\$ 19,310,000	\$ -	\$ -	\$ 19,310,000	\$ -
Series 2019A - Premium	430,687	-	21,227	409,460	-
Series 2019B	4,575,000	-	-	4,575,000	-
Accrued Interest on					
Series 2019B Bonds	723,367	398,561	-	1,121,928	-
Total Bonds Payable	<u>25,039,054</u>	<u>398,561</u>	<u>21,227</u>	<u>25,416,388</u>	<u>-</u>
Other Debts:					
Developer Advances	5	-	-	5	-
Total Long-Term Obligations	<u>\$ 25,039,059</u>	<u>\$ 398,561</u>	<u>\$ 21,227</u>	<u>\$ 25,416,393</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

The District issued **Limited Tax General Obligation Bonds, Series 2019A** (the Senior Bonds) and **Subordinate Limited Tax General Obligation Bonds, Series 2019B** (the Subordinate Bonds and together with the Senior Bonds, the Bonds) on December 20, 2019, in the amounts of \$19,310,000 and \$4,575,000, respectively.

Use of Proceeds

Proceeds from the sale of the Bonds were used to finance certain public infrastructure. A portion of the proceeds of the Senior Bonds were also used to fund: (a) the Reserve Fund, (b) capitalized interest, and (c) the costs of issuing the Bonds.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Optional Redemption

Both the Senior Bonds and the Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2024 and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2024 to November 30, 2025	3.00%
December 1, 2025 to November 30, 2026	2.00
December 1, 2026 to November 30, 2027	1.00
December 1, 2027 and thereafter	0.00

Senior Bonds Details

The Senior Bonds bear interest at 5%, payable semi-annually to the extent of Senior Pledged Revenue available on June 1 and December 1 (Interest Payment Dates), beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2025. The Bonds mature on December 1, 2049.

To the extent principal of any Senior Bond is not paid when due, such principal will remain outstanding until paid. To the extent interest on any Senior Bond is not paid when due, such unpaid interest will compound semi-annually on each Interest Payment Date, at the rate then borne by the Senior Bond.

The Senior Bonds are not subject to acceleration and do not have any unused lines of credit. No assets have been pledged as collateral on the Senior Bonds.

Senior Pledged Revenue

The Senior Bonds are secured by and payable from the Senior Pledged Revenue consisting of the following revenues, net of any costs of collection:

- (a) all Senior Property Tax Revenues;
- (b) all Senior Specific Ownership Tax Revenues; and
- (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

Senior Property Tax Revenues

Senior Property Tax Revenues means all moneys derived from imposition by the District of the Senior Required Mill Levy. Senior Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Required Mill Levy

The District has covenanted to impose a Senior Required Mill Levy each year in an amount sufficient to pay the principal of, premium if any, and interest on the Senior Bonds as they become due and payable and to replenish the Reserve Fund to the Reserve Requirement, but not in excess of 39 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2014) less the then-applicable Permitted O&M Mill Levy. However, for so long as the amount on deposit in the Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy will be 39 mills (subject to adjustment) less the then-applicable Permitted O&M Mill Levy. The Permitted O&M Mill Levy is generally the maximum mill levy needed to generate property taxes, net of collection costs, in the amount of \$50,000 for 2020 and inflated 1% per year thereafter.

Reserve Fund

The Senior Bonds are also secured by amounts on deposit in the Reserve Fund, which were funded with proceeds of the Senior Bonds in the amount of \$1,549,250.

Surplus Fund

Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$780,000. Amounts on deposit in the Surplus Fund (if any) on the final maturity date of the Senior Bonds will be applied to the payment of the Senior Bonds.

Events of Default of the Senior Bonds

Events of default occur if the District fails to impose the Senior Required Mill Levy or apply the Pledged Revenue as required by the Indenture, and does not comply with other customary terms and conditions with normal municipal financing as described in the Senior Bonds Indenture.

2019A Senior Bonds Debt Service

The outstanding principal and interest of the 2019A Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 965,500	\$ 965,500
2024	-	965,500	965,500
2025	60,000	965,500	1,025,500
2026	220,000	962,500	1,182,500
2027	300,000	951,500	1,251,500
2028 – 2032	1,980,000	4,500,250	6,480,250
2033 – 2037	2,865,000	3,921,000	6,786,000
2038 – 2042	4,050,000	3,093,250	7,143,250
2043 – 2047	5,550,000	1,938,000	7,488,000
2048 – 2049	4,285,000	361,750	4,646,750
Total	<u>\$ 19,310,000</u>	<u>\$ 18,624,750</u>	<u>\$ 37,934,750</u>

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Details

The Subordinate Bonds bear interest at 7.5% and are structured as “cash flow” bonds, meaning that no regularly scheduled payments of principal are due on the Subordinate Bonds prior to their maturity date. Rather, principal on the Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue. Interest on the Subordinate Bonds is payable on each December 15, commencing December 15, 2020, to the extent of the Subordinate Pledged Revenue. Accrued unpaid interest on the Subordinate Bonds will compound annually on each December 15, at the rate then borne by the Subordinate Bond.

In the event that any amount of principal of or interest on the Subordinate Bonds remains unpaid on December 15, 2059, the Subordinate Bonds will be deemed discharged on December 15, 2059, regardless of the principal and interest amounts remaining unpaid.

The Subordinate Bonds are not subject to acceleration and do not have any unused lines of credit. No assets have been pledged as collateral on the Subordinate Bonds.

Subordinate Pledged Revenue

The Subordinate Bonds are secured by and payable from the Subordinate Pledged Revenue, consisting of the following revenues, net of any costs of collection:

- (a) all Subordinate Property Tax Revenues;
- (b) all Subordinate Specific Ownership Tax Revenues; and
- (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Subordinate Property Tax Revenues

Subordinate Property Tax Revenues include all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County.

Subordinate Required Mill Levy

The District has covenanted to impose a Subordinate Required Mill Levy in the amount of (i) 39 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2014) less the Senior Required Mill and less the then-applicable Permitted O&M Mill Levy, or (ii) such lesser mill levy that will generate Subordinate Property Tax Revenues which will pay the Subordinate Bonds in full. As a result, the Subordinate Required Mill Levy will be zero at any time that the Senior Required Mill Levy, together with the then-applicable Permitted O&M Mill Levy, is equal to 39 mills, as adjusted.

**RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Events of Default of the Subordinate Bonds

Events of default occur if the District fails to impose the Subordinate Required Mill Levy or apply the Subordinate Pledged Revenue as required by the Indenture, and does not comply with other customary terms and conditions with normal municipal financing as described in the Subordinate Bonds Indenture.

2019B Subordinate Bonds Debt Service

The annual debt service requirements on the 2019B Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

Authorized Debt

At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 6, 2014	Authorization Used for 2019 Bonds	Authorized But Unissued
Water	\$ 93,000,000	\$ 3,956,432	\$ 89,043,568
Sanitation/Stormwater	93,000,000	6,261,698	86,738,302
Streets	93,000,000	14,138,890	78,861,110
Parks and Recreation	93,000,000	-	93,000,000
Public Transportation	93,000,000	-	93,000,000
Fire Protection	93,000,000	-	93,000,000
Mosquito Control	93,000,000	-	93,000,000
Safety Protection	93,000,000	-	93,000,000
Security	93,000,000	-	93,000,000
TV Relay and Translation	93,000,000	-	93,000,000
Operation and Maintenance	93,000,000	-	93,000,000
Debt Refunding	93,000,000	-	93,000,000
Intergovernmental Agreements	93,000,000	-	93,000,000
Private Agreements	93,000,000	-	93,000,000
Special Assessments	93,000,000	-	93,000,000
Total	<u>\$ 1,395,000,000</u>	<u>\$ 24,357,020</u>	<u>\$ 1,370,642,980</u>

Pursuant to the Service Plan, the maximum general obligation indebtedness for all of Financing Districts combined is not to exceed \$93,000,000.

NOTE 5 NET POSITION

The District has net position consisting of one component – unrestricted.

The District has a deficit in unrestricted net position because it carries a bond payable that was issued to finance public improvements that were either conveyed to other governmental entity or were transferred to District No.1.

RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 AGREEMENTS/RESOLUTIONS

District Coordinating Services Agreement (District Nos. 1-4)

Effective as of January 1, 2018, the Districts entered into a District Coordinating Services Agreement (the Coordinating Services Agreement) for the purpose of establishing the respective obligations of the Districts with respect to the coordination, oversight, and funding of certain administrative costs of the Districts, and costs related to the continued operation and maintenance of certain of the Public Improvements within such Districts. Pursuant to the Coordinating Services Agreement, District No. 1 was designated as the “coordinating district” (the Coordinating District). The District, District No. 3, and District No. 4 were each designated as “financing districts” (the Financing Districts).

Common Finance Plan Resolution and Infrastructure Acquisition and Reimbursement Agreement

On December 5, 2019, District No. 1 and the District adopted a Joint Resolution Regarding Intent to Implement Common Plan of Finance (the Common Finance Plan Resolution), pursuant to which: (a) the District and District No. 1 declared their mutual intent to implement the common plan of finance set forth and approved in the Service Plan to fund or reimburse from the Bonds all or a portion of the capital costs related to the Public Improvements to serve RainDance; and (b) The District declared its intent, upon issuance of the Bonds, to transfer all available proceeds to District No. 1 for the payment of such costs, including amounts owed by District No. 1, pursuant to certain Reimbursement Agreement.

District No. 1 and the Developer have entered into an Infrastructure Acquisition and Reimbursement Agreement dated March 1, 2018 (the Reimbursement Agreement). Pursuant to the Reimbursement Agreement, it is acknowledged that the Developer has incurred certain costs related to the public infrastructure for the benefit of RainDance community, and may incur additional costs related thereto during a period when District No. 1 is unable to fund such costs, and District No. 1 and the Developer desire to establish terms and conditions under which District No. 1 (a) shall reimburse the Developer for any and all costs of any kind related to the provision of the Public Improvements that may be lawfully funded by District No. 1 under the Special District Act and the Service Plan (collectively, District Eligible Costs) which are subject to an Accountant’s Cost Certification and Engineer’s Cost Certification (Certified District Eligible Costs) to the extent constituting repayment obligations under the Reimbursement Agreement; (b) may acquire any such Public Improvements constructed for the benefit of RainDance community that are to be owned by District No. 1 from the Developer and shall pay Certified District Eligible Costs; and (c) shall reimburse the Developer for Certified District Eligible Costs incurred by the Developer for Public Improvements that are being dedicated to the Town or other governmental entities.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is RainDance Land Company, LLC, a Delaware limited liability company (Developer). Certain members of the Board of Directors of the District are officers or employees of or related to the Developer or an entity affiliated with the Developer or the majority owner of the Developer, and may have conflicts of interest in dealing with the District.

RAINDANCE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 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 (the Pool). 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 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.

NOTE 9 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. On May 6, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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 transfers its net operating revenue to District No. 1. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 1.

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.

SUPPLEMENTARY INFORMATION

**RAINDANCE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 280,534	\$ 280,397	\$ (137)
Specific Ownership Taxes	14,027	16,604	2,577
Net Investment Income/ Net Change in FV of Investments	2,500	(59,452)	(61,952)
Total Revenues	<u>297,061</u>	<u>237,549</u>	<u>(59,512)</u>
EXPENDITURES			
Bond Interest Senior Bonds	965,500	965,500	-
Banking Fees	-	20	(20)
County Treasurer's Fees	4,208	4,259	(51)
Investment Advisory Fee	8,500	3,787	4,713
Paying Agent Fees	3,000	2,500	500
Contingency	18,792	-	18,792
Total Expenditures	<u>1,000,000</u>	<u>976,066</u>	<u>23,934</u>
NET CHANGE IN FUND BALANCES	(702,939)	(738,517)	(35,578)
Fund Balances - Beginning of Year	<u>2,598,390</u>	<u>2,585,298</u>	<u>(13,092)</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,895,451</u>	<u>\$ 1,846,781</u>	<u>\$ (48,670)</u>

RAINDANCE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2022

<u>Bonds and Interest</u> <u>Maturing in the</u> <u>Year Ending December 31,</u>	\$19,310,000 Limited Tax General Obligation Bonds Series 2019A Interest 5.00% Dated December 20, 2019 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2023	\$ -	\$ 965,500	\$ 965,500
2024	-	965,500	965,500
2025	60,000	965,500	1,025,500
2026	220,000	962,500	1,182,500
2027	300,000	951,500	1,251,500
2028	340,000	936,500	1,276,500
2029	355,000	919,500	1,274,500
2030	400,000	901,750	1,301,750
2031	420,000	881,750	1,301,750
2032	465,000	860,750	1,325,750
2033	490,000	837,500	1,327,500
2034	540,000	813,000	1,353,000
2035	565,000	786,000	1,351,000
2036	620,000	757,750	1,377,750
2037	650,000	726,750	1,376,750
2038	710,000	694,250	1,404,250
2039	745,000	658,750	1,403,750
2040	815,000	621,500	1,436,500
2041	855,000	580,750	1,435,750
2042	925,000	538,000	1,463,000
2043	970,000	491,750	1,461,750
2044	1,050,000	443,250	1,493,250
2045	1,100,000	390,750	1,490,750
2046	1,185,000	335,750	1,520,750
2047	1,245,000	276,500	1,521,500
2048	1,335,000	214,250	1,549,250
2049	2,950,000	147,500	3,097,500
Total	\$ 19,310,000	\$ 18,624,750	\$ 37,934,750

**ANNUAL INFORMATION REQUIRED
BY THE CONTINUING DISCLOSURE AGREEMENT
RELATED TO THE LIMITED TAX GENERAL
OBLIGATION BONDS, SERIES 2019A AND B (2019 CDA)**

**RAINDANCE METROPOLITAN DISTRICT NO. 2
OTHER INFORMATION FOR 2019 CDA
DECEMBER 31, 2022**

Year Ended December 31,		Assessed Valuation	Percent Change	Mill Levy			Total Property Taxes		Percent Collected to Levied
Levy Year	Collection Year			General	Debt Service	Total	Levied	Collected	
2017	2018	\$ 7,948,670	(67.64)%	39.000	0.000	39.000	\$ 309,998	\$ 309,998	100.00 %
2018	2019	1,806,860	(77.27)	39.000	0.000	39.000	70,468	70,468	100.00
2019	2020	1,068,210	(40.88)	43.418	0.000	43.418	46,380	46,380	100.00
2020	2021	1,771,450	65.83	29.191	10.604	39.795	70,494	74,458	105.62
2021	2022	8,183,850	361.99	6.327	34.279	40.606	332,312	332,151	99.95
Estimated for Year Ending December 31,									
2022	2023	\$ 17,888,420	118.58 %	2.922	40.912	43.834	\$ 784,121		