

WATERVIEW 1 METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Waterview 1 Metropolitan District
Colorado Springs, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the general fund budget and actual of Waterview 1 Metropolitan District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Waterview 1 Metropolitan 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 Waterview 1 Metropolitan District as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison schedule for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterview 1 Metropolitan District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterview 1 Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Waterview 1 Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterview 1 Metropolitan District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 opinions on the basic financial statement are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterview 1 Metropolitan District’s basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

June 25, 2024
Greenwood Village, CO

WATERVIEW 1 METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
Assets	
Cash	\$ 87,098
Restricted investments	1,842,006
Accounts receivable	187,675
Property taxes receivable	906,261
Prepaid items	4,709
Total assets	<u>3,027,749</u>
Liabilities	
Accounts payable	3,890
Unearned revenues	24,374
Accrued interest payable - Senior	29,858
Noncurrent liabilities;	
Due within one year	200,000
Due in more than one year	21,898,875
Total liabilities	<u>22,156,997</u>
Deferred Inflows of Resources	
Deferred property tax revenues	<u>906,261</u>
Net Position	
Restricted for:	
Debt service	1,817,640
Emergency reserve	8,945
Unrestricted	(21,862,094)
Total net position (deficit)	<u>\$ (20,035,509)</u>

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

WATERVIEW 1 METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government					
General Government	\$ 151,674	\$ 140,292	\$ 0	\$ 0	\$ (11,382)
Interest and Related Costs on Long-Term Debt	979,718	0	0	0	(979,718)
	\$ 1,131,392	\$ 140,292	\$ 0	\$ 0	(991,100)
			General Revenues:		
			Property taxes	769,431	
			Specific ownership taxes	80,542	
			Net investment income	93,008	
			Miscellaneous	1,325	
			Total general revenues	944,306	
			Changes in net position	(46,794)	
			Net position (deficit) - beginning	(19,988,715)	
			Net position (deficit) - ending	\$ (20,035,509)	

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

WATERVIEW 1 METROPOLITAN DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash	\$ 87,098	\$ 0	\$ 87,098
Restricted investments	0	1,842,006	1,842,006
Accounts receivable	187,675	0	187,675
Property taxes receivable	0	906,261	906,261
Due from other funds	0	5,492	5,492
Prepaid items	4,709	0	4,709
Total assets	<u>\$ 279,482</u>	<u>\$ 2,753,759</u>	<u>\$ 3,033,241</u>
Liabilities			
Accounts payable	\$ 3,890	\$ 0	\$ 3,890
Unearned revenues	24,374	0	24,374
Due to other funds	5,492	0	5,492
Total liabilities	<u>33,756</u>	<u>0</u>	<u>33,756</u>
Deferred Inflows of Resources			
Deferred unavailable revenue	187,675	0	187,675
Deferred property tax revenues	0	906,261	906,261
Total deferred inflows of resources	<u>187,675</u>	<u>906,261</u>	<u>1,093,936</u>
Fund Balance			
Nonspendable	4,709	0	4,709
Restricted for:			
Debt service	0	1,847,498	1,847,498
Emergency reserve	8,945	0	8,945
Assigned	0	0	0
Unassigned	44,397	0	44,397
Total fund balances	<u>58,051</u>	<u>1,847,498</u>	<u>1,905,549</u>
Total liabilities and fund balances	<u>\$ 279,482</u>	<u>\$ 2,753,759</u>	<u>\$ 3,033,241</u>

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

WATERVIEW 1 METROPOLITAN DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF STATEMENT OF NET POSITION
DECEMBER 31, 2023

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

Total Fund Balance of Governmental Funds	\$ 1,905,549
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

2016A Note payable	(8,176,667)	
2016 Bonds payable	(8,615,000)	
Premium on bonds payable	(552,236)	
Developer advances	(10,000)	
Accrued interest payable	<u>(4,774,830)</u>	(22,128,733)

Accounts receivables are not available to pay for current period expenditures and, therefore are reported as unavailable resources in the funds.

	<u>187,675</u>
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Net Position of Governmental Activities	<u><u>\$ (20,035,509)</u></u>
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The accompanying notes are an integral part of these financial statements.

WATERVIEW 1 METROPOLITAN DISTRICT
STATEMENT OF GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
DECEMBER 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 0	\$ 769,431	\$ 769,431
Specific ownership taxes	0	80,542	80,542
Fees - operating and maintenance	107,866	0	107,866
Fees - stormwater	13,337	0	13,337
Status letter fees	2,082	0	2,082
Net investment income	0	93,008	93,008
Miscellaneous	1,325	0	1,325
Total revenues	<u>124,610</u>	<u>942,981</u>	<u>1,067,591</u>
Expenditures			
Current:			
Audit	10,800	0	10,800
Bank charges	3,150	7,378	10,528
Bad debt	860	0	860
Director's fees	2,700	0	2,700
Dues and subscriptions	836	0	836
Elections	1,603	0	1,603
Electricity	6,392	0	6,392
Insurance	4,566	0	4,566
Landscape maintenance	36,850	0	36,850
Legal	1,443	0	1,443
Management, administration, and accounting	46,955	0	46,955
Payroll taxes	207	0	207
Property taxes	466	0	466
Storm water (FMIC)	15,915	0	15,915
Treasurer's fees	0	11,553	11,553
Debt service:			
Bond principal	0	175,000	175,000
Interest expense	0	365,300	365,300
Total expenditures	<u>132,743</u>	<u>559,231</u>	<u>691,974</u>
Changes in fund balances	(8,133)	383,750	375,617
Fund balances, beginning of year	<u>66,184</u>	<u>1,463,748</u>	<u>1,529,932</u>
Fund balances, end of year	<u>\$ 58,051</u>	<u>\$ 1,847,498</u>	<u>\$ 1,905,549</u>

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

WATERVIEW 1 METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

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

Net Changes in Fund Balances - Governmental Fund	\$	375,617
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount represents the change in deferred accounts receivable.		17,007
Debt service for principal payments are reported as expenditures in the governmental funds but not reported as expenses in the statement of activities.		175,000
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.		
Change in accrued interest	(654,350)	
Amortization of premium on bonds	<u>39,932</u>	
		<u>(614,418)</u>
Changes in Net Position of Governmental Activities	\$	<u>(46,794)</u>

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

WATERVIEW 1 METROPOLITAN DISTRICT
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Fees - operating and maintenance	\$ 119,700	\$ 107,866	\$ (11,834)
Fees - stormwater	16,000	13,337	(2,663)
Status letter fees	1,000	2,082	1,082
Miscellaneous	0	1,325	1,325
Total revenues	<u>136,700</u>	<u>124,610</u>	<u>(12,090)</u>
Expenditures			
Current:			
Audit	8,500	10,800	(2,300)
Bank charges	2,000	3,150	(1,150)
Bad debt	0	860	(860)
Director's fees/expenses	4,000	2,700	1,300
Dues and subscriptions	500	836	(336)
Elections	8,000	1,603	6,397
Electricity	6,000	6,392	(392)
Insurance	5,000	4,566	434
Landscape maintenance	40,000	36,850	3,150
Legal	4,000	1,443	2,557
Mailbox snow removal	2,000	0	2,000
Management, administration, and accounting	50,000	46,955	3,045
Mailbox maintenance	500	0	500
Payroll taxes	400	207	193
Property taxes	500	466	34
Storm water (FMIC)	15,500	15,915	(415)
Contingency	10,000	0	10,000
Emergency reserves	5,000	0	5,000
Total expenditures	<u>161,900</u>	<u>132,743</u>	<u>29,157</u>
Other Financing Sources and Uses			
Transfers in	<u>6,020</u>	<u>0</u>	<u>(6,020)</u>
Changes in fund balance	<u>\$ (19,180)</u>	<u>(8,133)</u>	<u>\$ 11,047</u>
Fund balance, beginning of year		<u>66,184</u>	
Fund balance, end of year		<u>\$ 58,051</u>	

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

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

Waterview 1 Metropolitan District (“District”), a quasi-municipal corporation and political subdivision of the State of Colorado, was formed on November 8, 2001, and is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in El Paso County, Colorado (“County”). The District was organized for the purpose of providing for the acquisition, construction, installation, operation and maintenance of certain public improvements for the benefit of the property owners and inhabitants of the District. The improvements in the District’s service plan include street improvements, including draining and landscaping, and safety protection (traffic control devices).

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 and 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 operational and administrative functions are contracted.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and ownership taxes.

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

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct 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 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 and ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

General Fund – The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund accounts for the servicing for general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

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

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with 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.

Pooled 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 and investments. Investments are stated at fair value.

Accounts Receivable

Accounts receivable relate to operations and maintenance fees which have been assessed but not paid. The District believes all amounts recorded are fully collectible.

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 normally set by December 15 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax lien on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, property tax revenue and certain accounts receivable are deferred and recognized as inflows of resources in the period that the amounts become available.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balance

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.

Fund balance for governmental funds are 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 expenses or inventory) or is 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 constraints may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Cash	\$ 87,098
Investments - restricted for debt service	1,842,006
Total cash and investments	\$ 1,929,104
Deposits with financial institutions	\$ 87,098
Investments	1,842,006
Total cash and investments	\$ 1,929,104

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

As of December 31, 2023, the District's cash deposits had a bank balance of \$86,242 and a book balance of \$87,098. At December 31, 2023, all bank deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

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 with an asterisk below 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 otherwise formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 2 - CASH AND 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 the World Bank
- Certain international agency securities
- 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 collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools *

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
	Weighted Average	
COLOTRUST	Under 60 Days	<u>\$ 1,842,006</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

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. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 3 - LONG-TERM OBLIGATIONS

Developer Advances

On August 29, 2007, the District entered into an agreement with the initial developer. The developer agreed to advance funds to the District for operations, maintenance expenses, and capital costs pursuant to the terms of the agreement. The agreement is subject to renewal on an annual basis as deemed appropriate by the developer. Such advances plus interest at a rate of 8.00% per annum are to be reimbursed by the District with the proceeds of any future available revenues, including but not limited to the proceeds of bonds, fees and taxes, or the issuance of water and wastewater taps of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures, and debt service requirements.

Series 2016A General Obligation Taxable Subordinate Promissory Note

On October 14, 2016, the District entered into a promissory note agreement with the developer for \$8,726,666, bearing interest at 8.00% per annum and maturing on December 31, 2051 (the "2016A Note"). If, on the maturity date, any principal or interest on the note remains outstanding, the 2016A Note will be cancelled and no further amounts will be due or payable. This 2016A Note replaces the principal balance and accrued interest of a previous 2012A note payable agreement.

Payments on the 2016A Note payable are subordinate to those for the Series 2016 bonds, below, and are subject to available cash flows. Accordingly, no maturity schedule has been included.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 3 - LONG-TERM OBLIGATIONS (CONTINUED)

Series 2016 General Obligation Limited Tax Refunding Bonds

On October 13, 2016, the District issued Series 2016 Limited Tax General Obligation Bonds in the amount of \$9,540,000 (the 2016 Bonds). The 2016 Bonds proceeds were used to repay the 2013 General Obligation Limited Tax Refunding Bonds in their entirety and to repay \$7,640,000 of the Series 2012A General Obligation Taxable Subordinate Promissory Note and accumulated interest. The 2016 Bonds bear a fixed interest rate ranging from 3.00% to 5.00% percent per annum. As of December 31, 2023, the interest rate was 4.00%. Interest payments are due to bondholders semiannually on June 1 and December 1, commencing December 1, 2016. Any unpaid interest compounds semiannually thereafter. Principal payments are due each December 1, beginning December 1, 2017. Principal maturing on and after December 1, 2027 are subject to early redemption at the option of the District without premium. The 2016 Bonds mature December 1, 2046.

The 2016 Bonds are secured by and payable from pledge revenues consisting primarily of ad valorem property tax revenues, a portion of specific ownership tax revenues, transportation impact fees, and infrastructure improvement fees. The 2016 Bonds are further secured by the cash and investments in the debt service fund.

A Reserve Fund is required to be maintained at all times in the amount of the Required Reserve which will be an amount equal to 50% of the maximum annual debt service requirements of the Series 2016 Limited Tax General Obligation Bonds and such Reserve Fund is fully funded as of December 31, 2023.

The inability of the District to pay principal of or interest on the 2016 Bonds does not constitute an event of default.

The following is a summary of changes in bonds payable during the year ended December 31, 2023.

	Balance 12/31/22	Additions	Repayments/ Amortization	Balance 12/31/23	Due Within One Year
Developer advances	\$ 10,000	\$ 0	\$ 0	\$ 10,000	\$ 0
Accrued Interest - Developer Advances	3,513	800	0	4,313	0
2016A Note	8,176,667	0	0	8,176,667	0
Accrued Interest - 2016A Note	4,086,525	654,134	0	4,740,659	0
2016 Bonds	8,790,000	0	175,000	8,615,000	200,000
Bond premium	592,168	0	39,932	552,236	0
Total	<u>\$21,658,873</u>	<u>\$ 654,934</u>	<u>\$ 214,932</u>	<u>\$22,098,875</u>	<u>\$ 200,000</u>

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 3 - LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements for the 2016 Bonds are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	200,000	358,300	558,300
2025	200,000	350,300	550,300
2026	225,000	342,300	567,300
2027	230,000	333,300	563,300
2028	235,000	324,100	559,100
2028 - 2032	1,340,000	1,468,100	2,808,100
2033 - 2037	1,750,000	1,111,250	2,861,250
2038 - 2042	2,405,000	622,263	3,027,263
2043 - 2046	2,030,000	142,026	2,172,026
Total	<u>\$ 8,615,000</u>	<u>\$ 5,051,939</u>	<u>\$ 13,666,939</u>

NOTE 4 - NET POSITION

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

Restricted position includes amounts that are subject to restriction for use either by external restrictions 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 positions as of December 31, 2023 as follows:

	<u>Governmental</u> <u>Activities</u>
Restricted net position:	
Debt service	\$ 1,817,640
Emergencies (TABOR reserve)	8,945
Total restricted net position	<u>\$ 1,826,585</u>

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District's reported a deficit in unrestricted net position as of December 31, 2023. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds which funded infrastructure assets that were dedicated to other governmental entities.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 5 - INCLUSION AGREEMENT

The owner of the real property located within the District's boundaries entered into an inclusion agreement with the local water and sanitation districts under which the property is included within the local districts' service boundaries. Upon the establishment of Waterview 1 Metropolitan District, the rights and obligations of the inclusion agreement were assigned to the District.

Under the terms of the agreement, the District is responsible for the construction of, and payment for (1) the water delivery and distribution system and necessary to properly supply and distribute water from the local water districts' facilities to the property and (2) the wastewater collection lines and system as necessary to properly collect the wastewater from the property and connect to the sanitation districts' wastewater collection system. The District will pay water and wastewater tap fees, and water development fees for water services to the property when the water and wastewater services are requested to be made available to the individual lots within the property. The local districts will then provide water and sanitation services to the property.

The District did not incur expenditures under the inclusion agreement in the year ended December 31, 2023.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to contractors; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, workers' compensation, 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.

WATERVIEW 1 METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 7 - 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 within the State of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation. Management believes it is in compliance with the provisions of TABOR.

SUPPLEMENTARY INFORMATION

WATERVIEW 1 METROPOLITAN DISTRICT
DEBT SERVICE FUND – STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DECEMBER 31, 2023

	<u>Original Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 769,101	\$ 769,431	\$ 330
Specific ownership taxes	46,150	80,542	34,392
Infrastructure improvement fee	234,376	0	(234,376)
Transportation impact fee	156,250	0	(156,250)
Net investment income	10,000	93,008	83,008
Total revenues	<u>1,215,877</u>	<u>942,981</u>	<u>(272,896)</u>
Expenditures			
Current:			
Bank charges	2,400	7,378	(4,978)
Treasurer's fees	11,540	11,553	(13)
Debt service:			
Limited Tax GO bond Principal - Series 2016	175,000	175,000	0
Bond interest	365,300	365,300	0
Subordinate bond interest	390,626	0	390,626
Paying agent fees	3,000	0	3,000
Total expenditures	<u>947,866</u>	<u>559,231</u>	<u>388,635</u>
Other Financing Sources and Uses			
Transfers out	<u>(6,020)</u>	<u>0</u>	<u>6,020</u>
Changes in fund balance	<u>\$ 261,991</u>	383,750	<u>\$ 121,759</u>
Fund balance, beginning of year		<u>1,463,748</u>	
Fund balance, end of year		<u>\$ 1,847,498</u>	