

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2022

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Waterfront at Foster Lake Metropolitan District No. 2

Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Waterfront at Foster Lake 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, the business-type activities, and each major fund of District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Required Supplemental Information

Management has omitted 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 the financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Supplemental information, as listed in the table of contents, is presented for purposes of legal compliance and additional analysis and is 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is written in a cursive style and is underlined with a single horizontal line.

Castle Pines, Colorado
July 24, 2024

Waterfront at Foster Lake Metropolitan District No. 2

STATEMENT OF NET POSITION

December 31, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments restricted	31,226,410	13,546	31,239,956
Taxes receivable - County Treasurer	154	-	154
Taxes receivable	56,849	-	56,849
Due from Waterfront at Foster Lake MD No. 1	496,919	-	496,919
Prepaid expenses	3,731	-	3,731
CAPITAL ASSETS			
Capital assets, not being depreciated	<u>-</u>	<u>39,156,138</u>	<u>39,156,138</u>
 Total Assets	 <u>31,784,063</u>	 <u>39,169,684</u>	 <u>70,953,747</u>
 LIABILITIES			
CURRENT LIABILITIES			
Accrued bond interest payable	142,814	1,741,787	1,884,601
 NONCURRENT LIABILITIES			
Bonds payable, due in more than one year	<u>33,186,833</u>	<u>40,203,593</u>	<u>73,390,426</u>
 Total Liabilities	 <u>33,329,647</u>	 <u>41,945,380</u>	 <u>75,275,027</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	<u>56,849</u>	<u>-</u>	<u>56,849</u>
Total deferred inflows of resources	<u>56,849</u>	<u>-</u>	<u>56,849</u>
 NET POSITION			
Restricted for:			
Emergency reserve	1,401	-	1,401
Debt service	5,876,168	-	5,876,168
Capital projects	25,350,242	-	25,350,242
Unrestricted:	<u>(32,830,244)</u>	<u>(2,775,696)</u>	<u>(35,605,940)</u>
 Total Net Position (Deficit)	 <u>\$ (1,602,433)</u>	 <u>\$ (2,775,696)</u>	 <u>\$ (4,378,129)</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2022

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	<u>Expenses</u>	Charges for	Operating	Capital	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>			
Primary Government:							
Governmental Activities:							
General government	\$ 876,170	\$ -	\$ -	\$ -	\$ (876,170)	\$ -	\$ (876,170)
Interest and related costs on long-term debt	<u>1,573,562</u>	-	-	-	<u>(1,573,562)</u>	-	<u>(1,573,562)</u>
Total Governmental Activities	<u>2,449,732</u>	-	-	-	<u>(2,449,732)</u>	-	<u>(2,449,732)</u>
Business-Type Activities:							
Water - operations	<u>2,779,967</u>	-	-	-	-	<u>(2,779,967)</u>	<u>(2,779,967)</u>
Total Business-Type Activities	<u>2,779,967</u>	-	-	-	-	<u>(2,779,967)</u>	<u>(2,779,967)</u>
Total	<u>\$ 5,229,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,449,732)</u>	<u>(2,779,967)</u>	<u>(5,229,699)</u>
General Revenues:							
Property taxes					36,751	-	36,751
Specific ownership taxes					2,174	-	2,174
Other income					<u>325,851</u>	<u>4,271</u>	<u>330,122</u>
Total General Revenues					<u>364,776</u>	<u>4,271</u>	<u>369,047</u>
Change in Net Position					(2,084,956)	(2,775,696)	(4,860,652)
Net Position (Deficit) - Beginning					<u>482,523</u>	-	<u>482,523</u>
Net Position (Deficit) - Ending					<u>\$ (1,602,433)</u>	<u>\$ (2,775,696)</u>	<u>\$ (4,378,129)</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and investments - restricted	\$ -	\$ 5,876,168	\$ 25,350,242	\$31,226,410
Property taxes receivable - current	154	-	-	154
Property taxes receivable	13,119	43,730	-	56,849
Due from Waterfront at Foster Lake MD No. 1	496,919	-	-	496,919
Prepaid expenses	<u>3,731</u>	<u>-</u>	<u>-</u>	<u>3,731</u>
Total Assets	<u>\$ 513,923</u>	<u>\$ 5,919,898</u>	<u>\$ 25,350,242</u>	<u>\$31,784,063</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	<u>13,119</u>	<u>43,730</u>	<u>-</u>	<u>56,849</u>
Total Deferred Inflows of Resources	<u>13,119</u>	<u>43,730</u>	<u>-</u>	<u>56,849</u>
FUND BALANCE				
Nonspendable:				
Prepays	3,731	-	-	3,731
Restricted:				
Emergencies	1,401	-	-	1,401
Debt service	-	5,876,168	-	5,876,168
Capital Projects	-	-	25,350,242	25,350,242
Unassigned	<u>495,672</u>	<u>-</u>	<u>-</u>	<u>495,672</u>
Total Fund Balances	<u>500,804</u>	<u>5,876,168</u>	<u>25,350,242</u>	<u>31,727,214</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 513,923</u>	<u>\$ 5,919,898</u>	<u>\$ 25,350,242</u>	

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

Accrued interest is not due and payable in current period and therefore no reported in the funds (142,814)

Long-term liabilities, including bonds payable, are not not due and payable in current period and therefore are not reported in the funds. (33,186,833)

Net Position of governmental activities \$ (1,602,433)

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
GENERAL REVENUES				
Property taxes	\$ 36,751	\$ -	\$ -	\$ 36,751
Specific ownership taxes	2,174	-	-	2,174
Interest income	-	66,690	259,161	325,851
Total General Revenues	<u>38,925</u>	<u>66,690</u>	<u>259,161</u>	<u>364,776</u>
EXPENDITURES				
Accounting and audit	1,000	-	-	1,000
Legal	15,000	-	-	15,000
Insurance	4,093	-	-	4,093
Treasurer's fees	551	-	-	551
Bond issuance costs	-	-	855,526	855,526
Bond interest	-	1,072,022	-	1,072,022
Total Expenditures	<u>20,644</u>	<u>1,072,022</u>	<u>855,526</u>	<u>1,948,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>18,281</u>	<u>(1,005,332)</u>	<u>(596,365)</u>	<u>(1,583,416)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	32,756,372	32,756,372
Premium on bonds	-	-	71,735	71,735
Transfer from (to) other funds	-	6,881,500	(6,881,500)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,881,500</u>	<u>25,946,607</u>	<u>32,828,107</u>
CHANGE IN FUND BALANCES	18,281	5,876,168	25,350,242	31,244,691
CHANGE IN NET ASSETS				
FUND BALANCES - BEGINNING OF YEAR	<u>482,523</u>	<u>-</u>	<u>-</u>	<u>482,523</u>
FUND BALANCES - END OF YEAR	<u>\$ 500,804</u>	<u>\$ 5,876,168</u>	<u>\$25,350,242</u>	<u>\$31,727,214</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

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

Net change in fund balances - Total governmental funds \$ 31,244,691

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the change in net position.

Bond proceeds	(32,756,372)
Premium on bonds	(71,735)
Amortization of premium	2,529

Some expenses 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 on bonds payable	<u>(504,069)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (2,084,956)</u></u>
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The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

BALANCE SHEET
PROPRIETARY FUND
December 31, 2022

ASSETS

CURRENT ASSETS

Cash and investments - restricted	<u>\$ 13,546</u>
Total Current Assets	<u>13,546</u>

CAPITAL ASSETS

Capital assets, net of accumulated depreciation	<u>39,156,138</u>
Total Assets	<u><u>\$ 39,169,684</u></u>

LIABILITIES

CURRENT LIABILITIES

Accrued interest payable	<u>\$ 1,741,787</u>
Total Current Liabilities	<u>1,741,787</u>

LONG-TERM LIABILITIES

Bonds payable in more than one year	<u>40,203,593</u>
Total Liabilities	<u>41,945,380</u>

NET POSITION

Unrestricted	<u>(2,775,696)</u>
Total Net Position	<u>(2,775,696)</u>
Total Liabilities and Net Position	<u><u>\$ 39,169,684</u></u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2022

OPERATING REVENUES	
Tap fees	\$ <u> -</u>
Total Operating Revenues	<u> -</u>
OPERATING EXPENSES	
Interest expense	1,791,069
Cost of issuance	<u> 988,898</u>
Total Operating Expenses	<u> 2,779,967</u>
INCOME FROM OPERATIONS	<u> (2,779,967)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u> 4,271</u>
Non-Operating Revenues (Expenses)	<u> 4,271</u>
NET INCOME - CHANGE IN NET POSITION	(2,775,696)
NET POSITION - BEGINNING OF YEAR	<u> -</u>
NET POSITION - END OF YEAR	<u>\$ (2,775,696)</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ -
Payments to suppliers	<u>-</u>
Net Cash Provided by Operating Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond proceeds	40,450,000
Bond discount	(295,689)
Capital improvements	(39,156,138)
Cost of issuance	<u>(988,898)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>9,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>4,271</u>
Net Cash Provided by Investing Activities	<u>4,271</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,546
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>-</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 13,546</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income from operations	\$ (2,779,967)
ADJUSTMENTS TO RECONCILE NET INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Changes in Assets and Liabilities:	
Net Adjustments	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (2,779,967)</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2022

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 36,751	\$ 36,751	\$ -
Specific ownership taxes	2,940	2,174	(766)
Interest income	<u>500</u>	<u>-</u>	<u>(500)</u>
Total Revenues	<u>40,191</u>	<u>38,925</u>	<u>(1,266)</u>
EXPENDITURES			
Accounting and audit	1,000	1,000	-
Legal	5,000	15,000	(10,000)
Insurance	1,000	4,093	(3,093)
General Engineering	60,000	-	60,000
Treasurer's fees	551	551	-
Construction	100,000	-	100,000
Project management	100,000	-	100,000
Emergency reserve	8,027	-	8,027
Contingency	<u>246,344</u>	<u>-</u>	<u>246,344</u>
Total Expenditures	<u>521,922</u>	<u>20,644</u>	<u>501,278</u>
CHANGE IN FUND BALANCE	(481,731)	18,281	500,012
FUND BALANCE - BEGINNING OF YEAR	<u>481,731</u>	<u>482,523</u>	<u>792</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 500,804</u>	<u>\$ 500,804</u>

The notes to the financial statements are an integral part of these statements.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Waterfront At Foster Lake Metropolitan District No. 2 (“the District”), located in Weld County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 17, 2007, as a quasi-municipal organization established under the State of Colorado Special District Act. Formation of the District was preceded by the approval on August 29, 2007 by the Board of County Commissioners of Weld County of the Consolidated Service Plan (the “Original Service Plan”) for the District, Waterfront at Foster Lake Metropolitan District No. 1 (“District No. 1”) and Waterfront at Foster Lake Metropolitan District No. 3 (“District No. 3” and, collectively with the District and District No. 1, the “Districts”), which was subsequently modified by the Districts pursuant to (1) a Notice of Intent to Increase Total Debt Issuance Limitation published in the Greeley Daily Tribune on April 3, 2019 and (2) a Notice of Intent to Issue Special Revenue Bonds published in the Greeley Daily Tribute on October 17, 2021 (as modified, the “Service Plan”). The District was established for the purpose of financing and constructing public infrastructure improvements benefiting the inhabitants and taxpayers of the District. The District's primary revenues are bond proceeds. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Basis of Presentation

The accompanying financial statements are presented per GASB No. 34.

The government-wide financial statements (i.e. the governmental funds balance sheet/the statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

The District reports the following major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

The District reports the following major proprietary funds:

Water Fund – The Water Fund is an enterprise fund that accounts for the payments related to water.

The Enterprise Funds account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. The District's proprietary fund consists of the Water Fund.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition cash equivalents are considered to be cash on hand. Investments for the government are reported at fair value. 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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items qualify for reporting under this category at December 31, 2022.

In addition to liabilities, the statement of financial position will sometimes report 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(s) 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. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Water costs will not be depreciated.

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 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund represents prepaid insurance.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,401 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$25,350,242 is restricted for the payment of the costs for capital improvements within the District.

The restricted fund balance in the Debt Service Fund in the amount of \$5,876,168 is restricted for the payment of the Long-Term Debt (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments– Restricted	\$ <u>31,239,956</u>
Total	\$ <u>31,239,956</u>

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

Investments – Federated Hermes Treasury SS	\$ <u>31,239,956</u>
	\$ <u>31,239,956</u>

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the 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.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. The District’s investments value is calculated using the net asset value method (NAV) per share.

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

Federated Hermes Treasury SS

The District’s funds that were included in the trust accounts at BOK Bank were invested in the Federated Hermes Treasury SS (“Portfolio”). This Portfolio is a money market fund and each share is equal in value to \$1.00. All investments within the Portfolio are recorded at fair value and the District records its investment in the Portfolio at NAV. The Portfolio is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 31, 2022, the District has \$31,239,956 invested in the Portfolio.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

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

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
<u>Business Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Water	\$ -	\$39,156,138	\$ -	\$ 39,156,138
Business type assets, net	\$ -	\$39,156,138	\$ -	\$ 39,156,138

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2022, is as follows:

\$25,390,000 Limited Tax General Obligation Senior Bonds Series 2022A₃ -1

On January 27, 2022, the District issued \$25,390,000 Limited Tax General Obligation Senior Bonds Series 2022A₃ -1 (“Series 2022A-1 Bonds”) for the purpose of financing a portion of the public infrastructure to serve the Development, funding capitalized interest, and funding the Surplus Fund, and paying for the costs of issuance of the Series 2022A-1 Bonds. The Series 2022A-1 Bonds bear interest at a rate of 5.00% payable semi-annually on June 1, and December 1 commencing on June 1, 2022, and mature on December 1, 2051. Principal on the Series 2022A-1 Bonds is subject to mandatory redemption prior to maturity commencing December 1, 2030. The Series 2022 Bonds A-1 are subject to early redemption at the option of the District commencing March 1, 2029, with a redemption premium until March 1, 2032 ranging from 3% to 1%. The Series 2022A-1 Bonds are limited tax and payable solely from the Pledged Revenue, consisting of : (i) the Property Tax Revenues; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Events of Default as defined in the Series 2022A-1 Bond Indenture are 1) the failure of the District to impose or apply the Required Mill levy as per the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture and fails to remedy this after notice is given, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2022A-1 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2022A-1 Bonds is not an available remedy for an Event of Default.

Limited Tax General Obligation Convertible Capital Appreciation Senior Bonds, Series 2022a(3)-2 In The Original Principal Amount Of \$7,366,372.20

On January 27, 2022 the District issued \$7,366,372 (Original Principal Amount) \$10,260,000 (Value as 2022A-2 Current Interest Conversion Date) Limited Tax General Obligation Convertible Capital Appreciation Senior Bonds, Series 2022a(3)-2 (“Series 2022A-2 Bonds”) for the purpose of financing a portion of the public infrastructure to serve the Development. The Series 2022A-2 Bonds accrete at a rate of 5.750% compounded semi-annually to a principal value of \$10,260,000 on December 1, 2027. On December 1, 2027, the Series 2022A-2 Bonds convert to current interest bonds. Interest accrues annually at rates a rate of 5.750% payable on June 1, 2028, and semi-annually thereafter through December 1, 2051. Principal on the Series 2022A-2 Bonds is subject to mandatory redemption prior to maturity commencing December 1, 2029. The Series 2022 A-2 Bonds are subject to early redemption at the option of the District prior to Current Interest Conversion and on March 1, 2029, and on any date thereafter, with a redemption premium until February 29, 2032 ranging from 3% to 1%. The Series 2022A-2 Bonds are limited tax and payable solely from the Pledged Revenue, consisting of : (i) the Property Tax Revenues; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Events of Default as defined in the Series 2022A-2 Bond Indenture are 1) the failure of the District to impose or apply the Required Mill levy as per the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture and fails to remedy this after notice is given, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2022A-2 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2022A-2 Bonds is not an available remedy for an Event of Default.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

\$40,450,000 Special Revenue Bonds, Series 2022

On January 27, 2022, the District \$40,450,000 Special Revenue Bonds, Series 2022 (“Series 2022 Rev Bonds”) for the purpose (1) paying or reimbursing a portion of the costs of acquiring, water rights necessary to provide water to serve the District and (2) paying the costs of issuing the Bonds. The Series 2022 Rev Bonds bear interest at a rate of 4.625% payable annually on, December 1 commencing on December 1, 2022, and mature on December 1, 2028. The Series 2022 Rev Bonds are payable solely from the Pledged Revenue, consisting of the following sources: (i) the Water Tap Fee Revenues; and (ii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. Events of Default as defined in the Series 2022 Rev Bond Indenture are 1) the failure of the District to apply the Pledged Revenue as per the Indenture, , 2) the failure to impose the Water Tap Fee pursuant to the Water Tap Fee Resolution or fails to collect available Water Tap Fee Revenues, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture and fails to remedy this after notice is given, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2022 Rev Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2022 Rev Bonds is not an available remedy for an Event of Default.

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

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
<u>General Obligation Bonds</u>					
Series 2022 A-1 Bonds	\$ -	\$ 25,390,000	\$ -	\$ 25,390,000	\$ -
Series 2022 A-2 Bonds	-	7,727,627	-	7,727,627	-
Series 2022 Rev Bonds	-	40,450,000	-	40,450,000	-
	\$ -	73,567,627	-	73,567,627	-
Net original issue discount	-	(295,689)	(49,282)	(246,407)	-
Net original issue premium	-	71,735	2,529	69,206	-
	<u>\$ -</u>	<u>\$ 73,343,673</u>	<u>\$ (46,753)</u>	<u>\$ 73,390,426</u>	<u>\$ -</u>

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2022A-1 Bonds.

Year	Principal	Interest	Total
2023	\$ -	\$ 1,269,500	\$ 1,269,500
2024	-	1,269,500	1,269,500
2025	-	1,269,500	1,269,500
2026	-	1,269,500	1,269,500
2027	-	1,269,500	1,269,500
2028-2032	640,000	6,322,250	6,962,250
2033-2037	2,275,000	5,994,500	8,269,500
2038-2042	4,390,000	5,228,500	9,618,500
2043-2047	7,200,000	3,868,250	11,068,250
2048-2051	10,885,000	1,576,000	12,461,000
Total	<u>\$ 25,390,000</u>	<u>\$ 29,337,000</u>	<u>54,727,000</u>

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2022A-2 Bonds.

	Principal	Accretion	Interest	Total
2023	\$ -	\$ 450,722	\$ -	\$ 450,722
2024	-	476,987	-	476,987
2025	-	504,895	-	504,895
2026	-	534,238	-	534,238
2027	-	565,531	-	565,531
2028-2032	180,000	-	2,942,850	3,122,850
2033-2037	830,000	-	2,819,225	3,649,225
2038-2042	1,760,000	-	2,481,700	4,241,700
2043-2047	3,035,000	-	1,838,850	4,873,850
2048-2051	4,455,000	-	726,513	5,181,513
	<u>\$ 10,260,000</u>	<u>\$ 2,532,373</u>	<u>\$ 10,809,138</u>	<u>\$ 23,601,511</u>

Debt Authorization

As of December 31, 2022, the District had remaining voted debt authorization of approximately \$286,793,628. The District has not budgeted to issue any new debt during 2023. Per the District's Service Plan, the District cannot issue debt in excess of \$92,000,000

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Note 5: Tax, Spending and Debt Limitations

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

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

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

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

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2022

Note 7: Agreements

Water tap resolution

Pursuant to a resolution of the Districts' Boards of Directors "Adopting Water Tap Fees" approved and effective November 8, 2021 (the "Water Tap Fee Resolution") the Districts determined to collect a water tap fee (the "Water Tap Fees"), imposed on each residential unit at or prior to the issuance of a building permit for such unit (each a "Tap"), to assist with the financing, planning and development of certain Public Improvements. The Water Tap Fee Resolution provides, among other things, that (i) the rate of such Water Tap Fees shall be \$49,695 per Tap, (ii) Water Tap Fees shall be due and payable prior to the issuance of a building permit for any applicable unit and (iii) the Water Tap Fee shall be imposed as stated above, beginning November 8, 2021. The Water Tap Fee is pledged to the repayment of the Series 2022 Rev Bonds.

Districts IGA.

District No. 1 (defined in the Districts IGA, and referred to in this section, as the "Operating District") and the District and District No. 3 (defined in the Districts IGA, and referred to in this section, as the "Financing Districts") entered into an Intergovernmental District Facilities Construction and Service Agreement dated November 8, 2021 (the "Districts IGA"). The Districts IGA sets forth the rights and obligations of the Districts to fund the Public Improvements and thereafter the continued operation and maintenance of Public Improvements, in addition to the rights and obligations of District No. 1 to operate and maintain the Public Improvements on behalf of the Districts.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds; and
- 3) bond premium and discounts are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements.

WATERFRONT AT FOSTER LAKE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2022

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a reduction of long-term liabilities.

Note 9: Interfund and Operating Transfers

The transfer of \$6,881,500 from the Capital Projects fund to the Debt Service Fund was transferred for the purpose of funding the capitalized interest fund and surplus fund.

SUPPLEMENTAL INFORMATION

Waterfront at Foster Lake Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2022

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ -	\$ 4,500	\$ 66,690	\$ 62,190
Total Revenues	<u>-</u>	<u>4,500</u>	<u>66,690</u>	<u>62,190</u>
EXPENDITURES				
Bond interest	<u>-</u>	<u>1,072,022</u>	<u>1,072,022</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>1,072,022</u>	<u>1,072,022</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,067,522)	(1,005,332)	62,190
OTHER FINANCING SOURCES				
Transfer from (to) other funds	<u>-</u>	<u>6,881,500</u>	<u>6,881,500</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>6,881,500</u>	<u>6,881,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	5,813,978	5,876,168	62,190
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 5,813,978</u>	<u>\$ 5,876,168</u>	<u>\$ 62,190</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2022

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
GENERAL REVENUES				
Interest income	\$ -	\$ 7,379	\$ 259,161	\$ 251,782
Total General Revenues	<u>-</u>	<u>7,379</u>	<u>259,161</u>	<u>251,782</u>
EXPENDITURES				
Cost of issuance	<u>-</u>	<u>869,900</u>	<u>855,526</u>	<u>14,374</u>
Total Expenditures	<u>-</u>	<u>869,900</u>	<u>855,526</u>	<u>14,374</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(862,521)</u>	<u>(596,365)</u>	<u>266,156</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	32,828,107	32,756,372	(71,735)
Premium on bonds	-	-	71,735	71,735
Transfer (to) from other funds	<u>-</u>	<u>(6,881,500)</u>	<u>(6,881,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>25,946,607</u>	<u>25,946,607</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	25,084,086	25,350,242	266,156
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 25,084,086</u>	<u>\$ 25,350,242</u>	<u>\$ 266,156</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - PROPRIETARY FUND

For the Year Ended December 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ 3,164	\$ 4,271	\$ 1,107
Total Revenues	<u>-</u>	<u>3,164</u>	<u>4,271</u>	<u>1,107</u>
EXPENDITURES				
Cost of issuance	-	1,001,273	988,898	12,375
Capital outlay	<u>-</u>	<u>39,156,201</u>	<u>39,156,138</u>	<u>63</u>
Total Expenditures	<u>-</u>	<u>40,157,474</u>	<u>40,145,036</u>	<u>12,438</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	-	(40,154,310)	(40,140,765)	13,545
OTHER FINANCING SOURCES (USES)				
Bond proceeds	<u>-</u>	<u>40,154,310</u>	<u>40,154,311</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>40,154,310</u>	<u>40,154,311</u>	<u>1</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER CHANGE IN FUND BALANCE				
	-	-	13,546	13,546
FUND BALANCE - BEGINNING OF YEAR				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,546</u>	<u>\$ 13,546</u>

The notes to the financial statements are an integral part of these statements.

Waterfront at Foster Lake Metropolitan District No. 2

RECONCILIATION OF REVENUES AND EXPENDITURES
BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended December 31, 2022

Excess of revenues over expenditures	\$ <u>13,546</u>
Accrued interest	(1,791,069)
Bond proceeds	(40,154,311)
Capital improvements	<u>39,156,138</u>
Changes in Net Position per Statement Revenues, Expenditures and Changes in Net Position Proprietary Fund	<u>\$ (2,775,696)</u>

The notes to the financial statements are an integral part of these statements.