

**HEADWATERS METROPOLITAN
DISTRICT**

BASIC FINANCIAL STATEMENTS

December 31, 2024

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Headwaters Metropolitan District
Granby, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the Headwaters Metropolitan District (the "District") as of and for the year ended December 31, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Headwaters Metropolitan District as of December 31, 2024, and the respective changes in financial position, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 Headwaters Metropolitan District and to meet our 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 the 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

John Luthr & Associates, LLC

September 30, 2025

BASIC FINANCIAL STATEMENTS

HEADWATERS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 63,891
Restricted Cash	151,238
Accounts Receivable	17,381
Capital Assets, depreciated, net of accumulated depreciation	<u>6,823,753</u>
 TOTAL ASSETS	 <u>7,056,263</u>
LIABILITIES	
Accounts Payable	59,588
Accrued Interest	-
Noncurrent Liabilities	
Due within One Year	-
Due in More Than One Year	<u>1,025,752</u>
 TOTAL LIABILITIES	 <u>1,085,340</u>
NET POSITION	
Net Investment in Capital Assets	5,798,001
Restricted for Emergencies	400
Restricted for Capital Projects	151,238
Unrestricted	<u>21,284</u>
 TOTAL NET POSITION	 <u>\$ 5,970,923</u>

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

HEADWATERS METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	\$ 1,343,673	\$ -	\$ (1,343,673)
Total Governmental Activities	<u>\$ 1,343,673</u>	<u>\$ -</u>	(1,343,673)
GENERAL REVENUES			
Taxes			13,679
Interest			<u>99</u>
TOTAL GENERAL REVENUES			<u>13,778</u>
CHANGE IN NET POSITION			(1,329,895)
NET POSITION, Beginning			<u>7,300,818</u>
NET POSITION, Ending			<u>\$ 5,970,923</u>

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

HEADWATERS METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2024

	GENERAL FUND	CAPITAL PROJECTS FUND	Total Governmental Funds
ASSETS			
Cash	\$ 63,891	\$ -	\$ 63,891
Restricted Cash	-	151,238	151,238
Accounts Receivable	17,381	-	17,381
TOTAL ASSETS	<u>\$ 81,272</u>	<u>\$ 151,238</u>	<u>\$ 232,510</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 59,588	\$ -	\$ 59,588
TOTAL LIABILITIES	<u>59,588</u>	<u>-</u>	<u>59,588</u>
FUND EQUITY			
Fund Balance			
Restricted for Emergencies	400	-	400
Restricted for Capital Projects	-	151,238	151,238
Unassigned	21,284	-	21,284
TOTAL FUND EQUITY	<u>21,684</u>	<u>151,238</u>	<u>172,922</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND EQUITY	<u>\$ 81,272</u>	<u>\$ 151,238</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and , therefore are not reported in the funds.			6,823,753
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are the developer advances.			<u>(1,025,752)</u>
Net position of governmental activities			<u>\$ 5,970,923</u>

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

HEADWATERS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2024

	GENERAL FUND	CAPITAL PROJECTS FUND	Total Governmental Funds
REVENUES			
Taxes	\$ 13,679	\$ -	\$ 13,679
Capital Reimbursements	-	76	76
Interest	23	-	23
	<u>13,702</u>	<u>76</u>	<u>13,778</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General Government	<u>896,276</u>	<u>-</u>	<u>896,276</u>
	<u>896,276</u>	<u>-</u>	<u>896,276</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(882,574)</u>	<u>76</u>	<u>(882,498)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>898,335</u>	<u>-</u>	<u>898,335</u>
	<u>898,335</u>	<u>-</u>	<u>898,335</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	15,761	76	15,837
FUND BALANCES, Beginning	<u>5,923</u>	<u>151,162</u>	<u>157,085</u>
FUND BALANCES, Ending	<u>\$ 21,684</u>	<u>\$ 151,238</u>	<u>\$ 172,922</u>

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

HEADWATERS METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 15,837
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the depreciation expense for the year.	(447,397)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the payment change in developer advances.	<u>(898,335)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,329,895)</u>

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

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Headwaters Metropolitan District (the District) was organized November 25, 2003 as a quasi-municipal corporation and a political subdivision of the State of Colorado and is governed by an elected Board of Directors. The District was originally named SolVista Metropolitan District No. 1 and was renamed Headwaters Metropolitan District effective October 23, 2004. The District was formed contemporaneously with SolVista Metropolitan District No. 2, which on October 23, 2004.

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the 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*.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected 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.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column 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 one year. The District also capitalizes all infrastructure costs. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of Net Position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While City management may have categorized and segmented portion for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies, and also amounts held for Capital Projects.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2024.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- On or before October 15, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At December 31, 2024, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2024, the District had deposits with financial institutions with a carrying amount of \$215,129. The bank balances with the financial institutions were \$209,197. All of these deposits were covered by federal depository insurance.

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. The District had no investments requiring fair value measurement as of December 31, 2024.

Restricted Cash and Investments

Cash in the amount of \$151,238 is restricted for the repayment of developer advances, capital projects, and debt service requirements.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024, is summarized below:

	<u>Balances</u> <u>12/31/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2024</u>
Governmental Activities				
Capital Assets, depreciated				
Infrastructure	\$ 13,302,601	\$ -	\$ -	\$ 13,202,601
Less: Accumulated Depreciation				
Infrastructure	<u>5,931,451</u>	<u>447,397</u>	<u>-</u>	<u>6,378,848</u>
Capital Assets, Net	<u>\$ 7,271,150</u>	<u>\$ (447,397)</u>	<u>\$ -</u>	<u>\$ 6,823,753</u>

Depreciation expense was charged to general government program.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2024.

	Balance <u>12/31/2023</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2024</u>	Due In <u>One Year</u>
Developer Advances	\$ 127,417	\$ 898,335	\$ -	\$ 1,025,752	\$ -
Totals	\$ 127,417	\$ 898,335	\$ -	\$ 1,025,752	\$ -

Authorized Debt

In 2003 and 2004, a majority of the qualified electors of the District authorized the issuance of up to \$104,000,000 in general obligation bonds to finance the improvements. As of December 31, 2015, the amount of debt authorized by the District's electorate but unissued was \$104,000,000 for improvements

NOTE 6: SIGNIFICANT AGREEMENTS

Service Plan

The service plan dated May 2003 was approved by the Town of Granby on July 22, 2003. The service plan contemplated the creation of two separate districts designating Granby Ranch Metropolitan District (GRMD) as the "taxing" district and Headwaters Metropolitan District (HMD) as the "service" district. Under the plan, HMD is to construct, manage and operate public facilities and services throughout the development. GRMD is to produce property taxes and other revenue sufficient to pay the costs of operations and debt service expenditures incurred for the improvement of public infrastructure. The use of a dual district structure provides for the issuance of bonds in a timely manner that is consistent with the construction of development improvements when needed. The service plan also outlined a financial plan for the districts entitling HMD to all taxing district revenues in order to pay all costs associated with the operations and management of the development. On September 25, 2007, a consolidated service plan to create additional financing districts (Granby Ranch Metropolitan Districts Nos. 2 through 8) was also approved by the Town of Granby in an effort to distribute the Financing Obligation over more area-specific districts.

HEADWATERS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 7: RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2024. 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 the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8: COMMITMENTS AND CONTINGENCIES

TABOR Amendment

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2024, the emergency reserve of \$400 was recorded in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

Potential subsequent events were considered through September 30, 2025. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

HEADWATERS METROPOLITAN DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2024

	2024			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	\$ 13,679	\$ 13,679
Interest	-	-	23	23
TOTAL REVENUES	-	-	13,702	13,702
EXPENDITURES				
Current				
General Government				
Accounting and Administration	18,300	18,300	13,050	5,250
District Management	24,300	24,300	14,625	9,675
Insurance	6,500	6,500	4,871	1,629
Legal Expenses	50,000	844,798	860,962	(16,164)
Office, Dues and Other	2,666	2,666	2,768	(102)
TOTAL EXPENDITURES	101,766	896,564	896,276	288
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(101,766)	(896,564)	(882,574)	13,990
OTHER FINANCING SOURCES				
Proceeds from Developer Advances	101,766	896,564	898,335	1,771
NET CHANGE IN FUND BALANCE	-	-	15,761	15,761
FUND BALANCE, Beginning	3,500	3,500	5,923	2,423
FUND BALANCE, Ending	\$ 3,500	\$ 3,500	\$ 21,684	\$ 18,184

See the accompanying independent auditors' report.