

**WATER VALLEY METROPOLITAN
DISTRICT NO. 3
Weld County, Colorado**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024


WATER VALLEY METROPOLITAN DISTRICT NO. 3

TABLE OF CONTENTS


INDEPENDENT AUDITORS' REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT WIDE FINANCIAL STATEMENTS	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Change – in Fund Balance (Deficit)– Governmental Funds	5
Statement of Revenues, Expenditures and Change in Fund Balance (Deficit)– Budget and Actual – General Fund	6
NOTES TO THE FINANCIAL STATEMENTS	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund	16
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Capital Projects Fund	17
OTHER INFORMATION	
Schedule of Debt Service Requirements to Maturity	18



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

Independent Auditors' Report

Members of the Board of Directors
Water Valley Metropolitan District No. 3

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Water Valley Metropolitan District No. 3, (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 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 District as of December 31, 2024, and the respective changes in financial position, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – Debt Service Fund and the Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – Capital Projects Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Schedule of Debt Service Requirements to Maturity. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Haynie & Company

Littleton, Colorado
September 30, 2025

BASIC FINANCIAL STATEMENTS

Water Valley Metropolitan District No. 3
STATEMENT OF NET POSITION
December 31, 2024

	Governmental Activities
ASSETS	
Cash and investments	\$ 536,438
Accounts receivable	771
Property taxes receivable	74,547
Prepaid expense	880
Capital assets not depreciated	12,973,820
Total assets	13,586,456
 LIABILITIES	
Accounts payable	37,589
Interest payable	26,644
Prepaid fees	7,346
Long-term liabilities	
Due in more than one year	14,491,882
Total liabilities	14,563,461
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	74,547
Total deferred inflows of resources	74,547
 NET POSITION	
Restricted	
Emergency reserve (TABOR)	3,410
Unrestricted	(1,054,962)
Total net position - (Deficit)	\$ (1,051,552)

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

Water Valley Metropolitan District No. 3
STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities	\$ 113,664	\$ 26,870	\$ -	\$ -	\$ (86,794)
Interest on long-term debt and related costs	967,493	-	-	-	(967,493)
Total governmental activities		<u>\$ 26,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,054,287)</u>
		General revenues:			
					621
					22
					2,092
					<u>2,735</u>
					<u>(1,051,552)</u>
					-
					<u>\$ (1,051,552)</u>

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

Water Valley Metropolitan District No. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,133	\$ 535,305	\$ 536,438
Accounts receivable	771	-	771
Property taxes receivable	15,177	59,370	74,547
Prepaid expense	880	-	880
Total assets	\$ 17,961	\$ 594,675	\$ 612,636
LIABILITIES AND FUND BALANCE (DEFICIT)			
Accounts payable	\$ 37,589	\$ -	\$ 37,589
Prepaid fees	7,346	-	7,346
Total liabilities	44,935	-	44,935
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	15,177	59,370	74,547
TOTAL DEFERRED INFLOWS OF RESOURCES	15,177	59,370	74,547
FUND BALANCE (DEFICIT)			
Nonspendable:			
Prepaid expenditures	880	-	880
Restricted:			
Emergency reserves	3,410	-	3,410
Debt service	-	535,305	535,305
Unassigned	(46,441)	-	(46,441)
Total fund balance (deficit)	(42,151)	535,305	493,154
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,961	\$ 594,675	

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.

Capital assets not depreciated

12,973,820

Long-term liabilities, including developer advance payable and accrued interest, are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:

Bonds payable

(4,977,199)

Accrued interest on bonds payable

(26,644)

Developer advance - principal and interest

(9,514,683)

Net position (deficit) of governmental activities

\$ (1,051,552)

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

Water Valley Metropolitan District No. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS
Year Ended December 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Fund
REVENUES				
Property taxes	\$ 621	\$ -	\$ -	\$ 621
Specific ownership taxes	22	-	-	22
District fees	15,495	-	-	15,495
Trash fees	10,635	-	-	10,635
Developer advance	44,000	-	12,973,820	13,017,820
Fines/late fees	740	-	-	740
Interest	-	2,092	-	2,092
Total revenues	<u>71,513</u>	<u>2,092</u>	<u>12,973,820</u>	<u>13,047,425</u>
EXPENDITURES				
General government				
District accounting, enforcement and management	49,417	-	-	49,417
Billing expense	553	-	-	553
County Treasurer's fees	9	-	-	9
Dues and subscriptions	825	-	-	825
Elections	40	-	-	40
Insurance	2,003	-	-	2,003
Landscape maintenance	16,372	-	-	16,372
Legal	19,645	-	-	19,645
Newsletter/PR	60	-	-	60
Park and open space maintenance	2,129	-	-	2,129
Trash service	9,499	-	-	9,499
Utilities	11,896	-	-	11,896
Website	1,040	-	-	1,040
Contingency/miscellaneous	176	-	-	176
Capital improvements	-	-	12,973,820	12,973,820
Debt Service:				
Bond issuance costs	-	339,070	-	339,070
Paying agent fee	-	6,000	-	6,000
Bond interest	-	18,694	-	18,694
Developer advance reimbursement	-	-	4,080,296	4,080,296
Total expenditures	<u>113,664</u>	<u>363,764</u>	<u>17,054,116</u>	<u>17,531,544</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(42,151)</u>	<u>(361,672)</u>	<u>(4,080,296)</u>	<u>(4,484,119)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds-2024A	-	4,135,000	-	4,135,000
Bond proceeds-2024B	-	829,000	-	829,000
Bond premium-2024A	-	13,273	-	13,273
Transfer to Capital Projects Fund	-	(4,080,296)	-	(4,080,296)
Transfer from Debt Service Fund	-	-	4,080,296	4,080,296
Total other financing sources (uses)	<u>-</u>	<u>896,977</u>	<u>4,080,296</u>	<u>4,977,273</u>
NET CHANGE IN FUND BALANCE	<u>(42,151)</u>	<u>535,305</u>	<u>-</u>	<u>493,154</u>
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (42,151)</u>	<u>\$ 535,305</u>	<u>\$ -</u>	<u>\$ 493,154</u>

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

Water Valley Metropolitan District No. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

A reconciliation reflecting the differences between the governmental fund net change in fund balance and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balance - Total governmental fund	\$	493,154
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		12,973,820
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Bond proceeds		(4,135,000)
Bond proceeds		(829,000)
Bond premium		(13,199)
Repayment of Developer advance - principal		4,080,296
Developer advance		(13,017,820)
Developer advance - change in interest		(577,159)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Interest on Bonds payable		<u>(26,644)</u>
Change in net position - Governmental activities	\$	<u><u>(1,051,552)</u></u>

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

Water Valley Metropolitan District No. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 620	\$ 620	\$ 621	\$ 1
Specific ownership taxes	30	30	22	(8)
District fees	21,000	15,495	15,495	-
Trash fees	9,225	10,635	10,635	-
Developer advance	10,000	44,000	44,000	-
Fines/late fees	-	-	740	740
Total Revenue	<u>40,875</u>	<u>70,780</u>	<u>71,513</u>	<u>733</u>
EXPENDITURES				
General government:				
District accounting, management and enforcement services	15,000	49,500	49,417	83
Audit	500	-	-	-
Billing expense	300	550	553	(3)
County Treasurer's fees	10	10	9	1
Dues and subscriptions	300	825	825	-
Election	-	40	40	-
Insurance	2,500	2,000	2,003	(3)
Landscape maintenance	-	16,375	16,372	3
Legal	10,000	19,700	19,645	55
Meeting expense	-	60	60	-
Park and open space maintenance	-	2,130	2,129	1
Trash service	9,225	9,500	9,499	1
Utilities	-	12,000	11,896	104
Website	960	1,000	1,040	(40)
Contingency/miscellaneous	2,080	200	176	24
Total Expenditures	<u>40,875</u>	<u>113,890</u>	<u>113,664</u>	<u>226</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(43,110)</u>	<u>(42,151)</u>	<u>959</u>
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ (43,110)</u>	<u>\$ (42,151)</u>	<u>\$ 959</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

1. DEFINITION OF REPORTING ENTITY –

Water Valley Metropolitan District No. 3 (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on March 23, 2023. Water Valley District No. 3 ("the District") were organized to provide for the construction and financing of street, safety control and landscaping improvements. The District's service area is located entirely within the Town of Windsor in Weld County, Colorado, commonly known as "Water Valley".

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are as follows:

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 non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all of the financial and capital resources of the District. The difference between the assets and the liabilities and deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which 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) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Separate financials are provided for governmental funds.

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

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

recorded when a liability is incurred, regardless of the timing of the related cash flow.

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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following major governmental funds:

General Fund – The General Fund is the government's general operating fund. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Capital Projects Fund - The capital projects fund accounts for the financial resources to be used for the acquisition and construction of capital infrastructure.

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

Budget Information — In accordance with the State Budget Law, 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 appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. Budget amounts are as originally adopted or amended.

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 taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

revenue in the year they are available or collected.

Cash and Investments — The District’s cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. The District’s investments are reported at net asset value (NAV).

Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District had \$74,547 of Deferred Inflows of Resources at December 31, 2024.

Fund Balance Classification — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classification of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

Restricted – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

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

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

3. CASH AND INVESTMENTS

Deposits with financial institutions — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2024, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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 had cash deposits of \$1,133 at December 31, 2024.

Investments – The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments. As of December 31, 2024, the District had no investments.

Cash and investments as of December 31, 2024 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 1,133
Cash and investments-restricted	535,305
Total cash and investments	<u>\$ 536,438</u>

Cash and investments as of December 31, 2024 consist of the following:

Deposits with financial institutions	\$ 1,133
Investments	535,305
Total cash and investments	<u>\$ 536,438</u>

The District generally limits its investments to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the district is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain certificates of participation
- Certain securities lending agreements

As of December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$535,305

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust currently offers three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAaf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows

Governmental activities:	Balance at December 31,			Balance at December 31,	
	2023	Additions	Reductions	2024	
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 12,973,820	\$ -	\$ 12,973,820	
Total capital assets, not being depreciated	\$ -	\$ 12,973,820	\$ -	\$ 12,973,820	

All or a majority of the governmental capital assets will be conveyed to another governmental entity and are therefore not included in the calculation of Net Investment in Capital Assets. The related debt is also excluded from this calculation.

5. LONG-TERM LIABILITIES

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2024:

Governmental activities:	Balance at 2023			Balance at 2024		Due One Year
	Additons	Reductions				
Limited Tax G.O. Bonds Series 2024						
Bonds - Series 2024A	\$ -	\$ 4,135,000	\$ -	\$ 4,135,000	\$ -	
Bonds - Series 2024B	-	829,000	-	829,000	-	
Bond Premium - Series 2024A	-	13,273	74	13,199	442	
Total Bonds Payable	\$ -	\$ 4,977,273	\$ 74	\$ 4,977,199	\$ 442	
Notes Payable						
Promissory note - operations	\$ -	\$ 44,000	\$ -	\$ 44,000	\$ -	
Promissory note - capital	-	12,973,820	4,080,296	8,893,524	-	
Accrued interest on promissory note	-	577,159	-	577,159	-	
Total Notes Payable	\$ -	\$ 13,594,979	\$ 4,080,296	\$ 9,514,683	\$ -	
Total Long-term liabilities	\$ -	\$ 18,572,252	\$ 4,080,370	\$ 14,491,882	\$ 442	

\$4,135,000 Limited Tax General Obligation Bonds, Series 2024A — On October 30, 2024, the District issued \$4,135,000 in limited tax general obligation bonds. The 2024 bonds bear an interest rate of 5.25%. Interest payments are due on December 1 of each year, commencing on December 1, 2024. The bonds mature on December 1, 2054.

The bonds constitute limited tax general obligations of the District payable from Pledged Revenue. Pledged revenue includes all Property Tax Revenues, all Specific Ownership Tax Revenues, and any other legally available moneys which the District determines, in its absolute discretion to credit to the Bond Fund.

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

The following are considered to be events of default under the bond agreement:

- (a) The issuer fails or refuses to impose the applicable Senior Required Mill Levy or to apply Senior Pledged Revenue as required by the Senior Indenture, or any other Taxing District fails or refuses to impose the Senior Required Mill Levy or to apply the revenues resulting therefore as required by the Senior Pledge Agreement.
- (b) The issuer defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of the issuer in the Senior Indenture or the Bond Resolution and fails to remedy the same after notice thereof pursuant to the Senior Indenture, or any other Taxing District defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of such Taxing District in the Senior Pledge Agreement and fails to remedy the same after notice thereof pursuant to the Senior Indenture.

Series 2024B Limited Tax General Obligation Bonds— On October 30, 2024, the District issued \$829,000 in limited Subordinate tax general obligation bonds for the purpose of providing for the payment of certain costs of Public improvements incurred by the Developer in accordance with Developer Agreements.

The bonds bear interest at 6.25% per annum, payable on June 1 and December 1, commencing on December 1, 2024, and shall mature on December 15, 2054. The bonds are secured and payable from pledged revenue which consists of excess moneys derived from the required mill levy and a portion of the Specific Ownership Tax.

Annual debt service requirements to maturity for the 2024A general obligation bonds are as follows:

Limited Tax General Obligation Bonds			
	Principal	Interest	Total
2025	\$ -	\$ 217,088	\$ 217,088
2026	-	217,088	217,088
2027	35,000	217,088	252,088
2028	40,000	215,250	255,250
2029	40,000	213,150	253,150
2030-2034	295,000	1,027,163	1,322,163
2035-2039	455,000	933,977	1,388,977
2040-2044	670,000	793,014	1,463,014
2045-2049	955,000	588,789	1,543,789
2050-2054	1,645,000	302,393	1,947,393
	<u>\$ 4,135,000</u>	<u>\$ 4,725,000</u>	<u>\$ 8,860,000</u>

6. DEBT AUTHORIZATION –

On November 8, 2022, the electors of the District, collectively, authorized the issuance of indebtedness in an amount not to exceed \$10,000,000 for operations and maintenance, \$10,000,000 each for capital costs, improvements, regional improvements and \$17,130,000 refunding. Pursuant to the Service Plan, the District is permitted to issue indebtedness of up to \$17,130,000. As of December 31, 2024, the District had \$12,166,000 remaining authority under the Service Plan.

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

7. AGREEMENTS –

Advance and Reimbursement Agreement — On July 10, 2024, the District entered into an Advance and Reimbursement Agreement with Ravina Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the District amounts not to exceed \$17,130,000 in installments available to the District. The funds advanced under the agreement shall be applied to capital costs of the District as established in the District’s annual budget. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

Funding and Reimbursement Agreement — On July 10, 2024, the District entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$500,000. The funds advanced under the agreement shall be applied to costs associated with formation, administration, operations and maintenance of public facilities and for other budgeted general fund expenditures during the term of the Agreement. The term of the agreement is annually renewable for one year terms to be considered at the time of the budget approval of the Districts. Upon request of the Developer, the Districts agreed to issue Promissory Notes to evidence the repayment obligation of the existing loan advances. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

Improvement Acquisition Agreement — On July 10, 2024, the District entered into an Improvement Acquisition Agreement with Ravina Investments, LLC (the “Developer”). The Developer has designed and constructed certain improvements on behalf of the District. Pursuant to the agreement, the District agreed to acquire from the Developer completed improvements or improvements under construction and improvements constructed in the future. The purchase price shall be equal to the District’s costs. As of the date of the agreement, the District did not have funds available to pay for the acquisition of improvements. The District agreed to acquire the improvements from bond proceeds and subordinate obligations issued to the Developer.

8. NET POSITION –

The District’s net position includes two components: restricted and unrestricted.

Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Net position includes:

<u>Restricted:</u>	
Emergency reserves	\$ 3,410
Total restricted net position	<u>\$ 3,410</u>

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the restricted component of net position. As of December 31, 2024, the District had an unrestricted net position of (\$1,054,962). The net position deficit of (\$1,051,552) is primarily due to capital improvements that were funded with long-term debt.

WATER VALLEY METROPOLITAN DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS (continued)

9. RELATED PARTY –

The Developer of the property which constitutes the District is Ravina Investments LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District. At December 31, 2024, the District owed Ravina Investments, LLC \$9,509,170, as evidenced by the Promissory Note described in Note 5.

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

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

11. TAX, SPENDING AND DEBT LIMITATIONS

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

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

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.

On November 8, 2022, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2022 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Water Valley Metropolitan District No. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	YTD Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	\$ -	\$ 2,092	\$ 2,092	\$ -
Total Revenues	-	2,092	2,092	-
EXPENDITURES				
<u>Debt Service</u>				
Paying Agent Fees	-	6,000	6,000	-
Cost of issuance	-	339,070	339,070	-
Bond interest	-	18,694	18,694	-
Total Expenditures	-	363,764	363,764	-
EXCESS OF EXPENDITURES OVER REVENUE	-	(361,672)	(361,672)	-
OTHER FINANCING SOURCES (USES)				
Bond proceeds-2024A	-	4,135,000	4,135,000	-
Bond proceeds-2024B	-	829,000	829,000	-
Bond premium-2024A	-	13,273	13,273	-
Transfer to Capital Projects Fund	-	(4,080,296)	(4,080,296)	-
Total other financing sources	-	896,977	896,977	-
CHANGES IN FUND BALANCE	-	535,305	535,305	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 535,305	\$ 535,305	\$ -

Water Valley Metropolitan District No. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2024

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Developer Advance	\$ 6,000,000	\$ 12,973,820	\$ 12,973,820	\$ -
Total Revenue	<u>6,000,000</u>	<u>12,973,820</u>	<u>12,973,820</u>	<u>-</u>
EXPENDITURES				
Capital improvements	6,000,000	12,973,820	12,973,820	-
Developer Advance reimbursement	-	4,080,296	4,080,296	-
Total Expenditures	<u>6,000,000</u>	<u>17,054,116</u>	<u>17,054,116</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(4,080,296)</u>	<u>(4,080,296)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Debt Service Fund	-	4,080,296	4,080,296	-
Total other financing sources (uses)	<u>-</u>	<u>4,080,296</u>	<u>4,080,296</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

Water Valley Metropolitan District No. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2024
\$4,135,000 Series 2024
Limited Tax General Obligation Bonds
Dated October 30, 2024
Interest Rate of 5.25%
Payable on June 1 and December 1
Principal Due on December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 217,088	\$ 217,088
2026	-	217,088	217,088
2027	35,000	217,088	252,088
2028	40,000	215,250	255,250
2029	40,000	213,150	253,150
2030	50,000	211,050	261,050
2031	50,000	208,425	258,425
2032	60,000	205,800	265,800
2033	65,000	202,650	267,650
2034	70,000	199,238	269,238
2035	75,000	195,563	270,563
2036	85,000	191,625	276,625
2037	90,000	187,163	277,163
2038	100,000	182,438	282,438
2039	105,000	177,188	282,188
2040	115,000	171,675	286,675
2041	125,000	165,638	290,638
2042	135,000	159,075	294,075
2043	140,000	151,988	291,988
2044	155,000	144,638	299,638
2045	165,000	136,500	301,500
2046	180,000	127,838	307,838
2047	190,000	118,388	308,388
2048	205,000	108,413	313,413
2049	215,000	97,650	312,650
2050	230,000	86,363	316,363
2051	245,000	74,288	319,288
2052	265,000	61,425	326,425
2053	280,000	47,513	327,513
2054	625,000	32,804	657,804
	<u>\$ 4,135,000</u>	<u>\$ 4,725,000</u>	<u>\$ 8,860,000</u>