

**WATERSTONE METROPOLITAN
DISTRICT NO. 1
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2025**

**WATERSTONE METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2025**

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Waterstone Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterstone Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2025 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, 2025 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 opinion.

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, 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.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Waterstone Metropolitan District No. 1's financial statements as a whole. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information as listed in the table of contents is

the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterstone Metropolitan District No. 1's basic financial statements. The other information section, as listed in the table of contents, does not include the basic financial statements and our auditors' report thereon. 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.

A handwritten signature in cursive script, appearing to read "Haynie".

Littleton, Colorado
July 27, 2026

BASIC FINANCIAL STATEMENTS

WATERSTONE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 455,176
Cash and Investments - Restricted	36,818
Prepaid Insurance	2,774
Receivable from County Treasurer	4,829
Property Tax Receivable	1,051,965
Capital Assets:	
Capital Assets, Not Being Depreciated	<u>16,626,877</u>
Total Assets	<u>18,178,439</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net	338,183
Bond Insurance Cost	<u>341,722</u>
Total Deferred Outflows of Resources	<u>679,905</u>
LIABILITIES	
Accounts Payable	15,493
Due to Other Organizations	263,058
Accrued Interest Payable	74,327
Noncurrent Liabilities:	
Due Within One Year	95,000
Due in More Than One Year	<u>19,676,482</u>
Total Liabilities	<u>20,124,360</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>1,051,965</u>
Total Deferred Inflows of Resources	<u>1,051,965</u>
NET POSITION	
Restricted for:	
Emergency Reserves	8,700
Unrestricted	<u>(2,326,681)</u>
Total Net Position	<u><u>\$ (2,317,981)</u></u>

See accompanying Notes to Basic Financial Statements.

WATERSTONE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 607,113	\$ -	\$ -	\$ -	\$ (607,113)
Interest on Long-Term Debt and Related Costs	1,372,182	-	-	2,731,000	1,358,818
Total Governmental Activities	<u>\$ 1,979,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,731,000</u>	<u>751,705</u>
GENERAL REVENUES					
Property Taxes					1,011,891
Property Taxes - ARI					15,097
Specific Ownership Taxes					55,818
Interest Income					59,250
Other Revenue					280
Total General Revenues					<u>1,142,336</u>
CHANGES IN NET POSITION					1,894,041
Net Position - Beginning of Year					<u>(4,212,022)</u>
NET POSITION - END OF YEAR					<u>\$ (2,317,981)</u>

See accompanying Notes to Basic Financial Statements.

WATERSTONE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 455,176	\$ -	\$ 455,176
Cash and Investments - Restricted	8,700	28,118	36,818
Receivable from County Treasurer	1,225	3,604	4,829
Prepaid Insurance	2,774	-	2,774
Property Tax Receivable	252,451	799,514	1,051,965
	<u>\$ 720,326</u>	<u>\$ 831,236</u>	<u>\$ 1,551,562</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 15,493	\$ -	\$ 15,493
Due to Other Organizations	248,188	14,870	263,058
Total Liabilities	263,681	14,870	278,551
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	252,451	799,514	1,051,965
Total Deferred Inflows of Resources	252,451	799,514	1,051,965
FUND BALANCES			
Nonspendable:			
Prepaid Expense	2,774	-	2,774
Restricted for:			
Emergency Reserves	8,700	-	8,700
Debt Service	-	16,852	16,852
Unassigned	192,720	-	192,720
Total Fund Balances	204,194	16,852	221,046
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 720,326</u>	<u>\$ 831,236</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.

Capital Assets, Not Being Depreciated 16,626,877

Cost of Refunding, Net 338,183

Bond Insurance Cost 341,722

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

Accrued Interest on Bonds Payable (74,327)

Bonds Payable (19,370,000)

Accrued Interest on Developer Advance Payable (81,567)

Developer Advance Payable (174,403)

Unamortized Bond Premium (145,512)

Net Position of Governmental Activities \$ (2,317,981)

See accompanying Notes to Basic Financial Statements.

WATERSTONE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 256,747	\$ 755,144	\$ 1,011,891
Property Taxes - ARI	-	15,097	15,097
Specific Ownership Taxes	14,161	41,657	55,818
Interest Income	18,127	41,123	59,250
Other Revenue	280	-	280
Total Revenues	<u>289,315</u>	<u>853,021</u>	<u>1,142,336</u>
EXPENDITURES			
Current:			
Accounting	28,771	-	28,771
Auditing	7,600	-	7,600
Contingency	1,925	1,554	3,479
County Treasurer's Fee	3,853	11,333	15,186
County Treasurer's Fee - ARI	-	227	227
Dues and Membership	527	-	527
Election	4,209	-	4,209
Insurance	2,771	-	2,771
ARI Payment	-	14,870	14,870
Legal	44,511	-	44,511
Website	960	-	960
Debt Service:			
Bond Interest - Series 2025A	-	509,476	509,476
Bond Interest - Series 2025B	-	174,014	174,014
Bond Principal - Series 2025A	-	135,000	135,000
Refunding Escrow	-	20,875,037	20,875,037
Bond Issue Costs	-	954,056	954,056
Paying Agent Fees	-	6,000	6,000
Total Expenditures	<u>95,127</u>	<u>22,681,567</u>	<u>22,776,694</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	194,188	(21,828,546)	(21,634,358)
OTHER FINANCING SOURCES (USES)			
Bond Issuance Proceeds	-	19,505,000	19,505,000
Bond Premium	-	150,737	150,737
Total Other Financing Sources (Uses)	<u>-</u>	<u>19,655,737</u>	<u>19,655,737</u>
NET CHANGE IN FUND BALANCES	194,188	(2,172,809)	(1,978,621)
Fund Balances - Beginning of Year	<u>10,006</u>	<u>2,189,661</u>	<u>2,199,667</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 204,194</u></u>	<u><u>\$ 16,852</u></u>	<u><u>\$ 221,046</u></u>

See accompanying Notes to Basic Financial Statements.

WATERSTONE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (1,978,621)

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

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 government funds. Neither transaction, however, has any effect on net position.

Bond Issuance - Series 2025A & 2025B	(19,505,000)
Bond Premium	(150,737)
Principal Payment - Series 2025B	135,000
Bond Insurance	353,992
Refunding Payment - Series 2022B	4,728,337
Refunding Payment - Series 2020A	15,680,000
Cost of Refunding	356,300
Forgiveness of Debt	2,371,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable, Bond Payable - Change in Liability	(56,922)
Accrued Interest Payable, Developer Advance - Change in Liability	(14,146)
Amortization of Bond Premium	5,225
Amortization of Bond Insurance	(12,270)
Amortization of Cost of Bond Refunding	(18,117)

Changes in Net Position of Governmental Activities \$ 1,894,041

WATERSTONE METROPOLITAN DISTRICT NO. 1
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 256,738	\$ 256,747	\$ 9
Specific Ownership Taxes	15,404	14,161	(1,243)
Interest Income	10,000	18,127	8,127
Other Revenue	-	280	280
Total Revenues	<u>282,142</u>	<u>289,315</u>	<u>7,173</u>
EXPENDITURES			
Accounting	26,000	28,771	(2,771)
Auditing	7,600	7,600	-
Contingency	7,049	1,925	5,124
County Treasurer's Fee	3,851	3,853	(2)
Dues and Membership	1,000	527	473
Election	3,000	4,209	(1,209)
Insurance	3,500	2,771	729
Legal	30,000	44,511	(14,511)
Payment to Other Organizations	210,000	-	210,000
Website	-	960	(960)
Total Expenditures	<u>292,000</u>	<u>95,127</u>	<u>196,873</u>
NET CHANGE IN FUND BALANCE	(9,858)	194,188	204,046
Fund Balance - Beginning of Year	<u>20,019</u>	<u>10,006</u>	<u>(10,013)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 10,161</u></u>	<u><u>\$ 204,194</u></u>	<u><u>\$ 194,033</u></u>

See accompanying Notes to Basic Financial Statements.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Waterstone Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of Arapahoe County on November 23, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is included within, and subject to, the Service Plan for Waterstone Metropolitan District No. 1 (the "Service Plan"), approved by City of Aurora Council Resolution No. R2005-59 on August 22, 2005.

At a special election of the eligible electors of the District on November 4, 2014, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

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

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2025.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Accordingly, the items, *bond insurance cost and cost of refunding*, are deferred and recognized as an outflow of resources in the period that the amounts are incurred.

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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

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

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures (Statement 102). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 455,176
Cash and Investments - Restricted	36,818
Total Cash and Investments	<u>\$ 491,994</u>

Cash and investments as of December 31, 2025, consist of the following:

Deposits with Financial Institutions	\$ 13,071
Investments	478,923
Total Cash and Investments	<u>\$ 491,994</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2025, the District's cash deposits had a bank balance and a carrying balance of \$13,071.

Investments

The District's investment practices conform with applicable state investment statutes.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund	Weighted-Average	
Trust (CSAFE)	Under 60 Days	\$ 462,042
Invesco Treasury #1932 (BOK)	Weighted-Average	
	Under 60 Days	16,881
		<u>\$ 478,923</u>

CSAFE

The District invested in the Colorado Surplus Asset Fun Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE 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 commercialized paper, and any security allowed under CRS 24-75-601.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Federated Treasury Money Market Fund

The debt service money that is included in the trust accounts at Bank of Oklahoma (BOK) is invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 12 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's. The Federated Treasury Obligations Fund records its investments at fair value and the District records its investment in the Federated Treasury Obligations Fund at net asset value as determined by fair value.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being				
Construction in Progress	\$ 16,626,877	\$ -	\$ -	\$ 16,626,877
Total Capital Assets, Not Being Depreciated	<u>\$ 16,626,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,626,877</u>

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
Limited Tax General Obligation Bonds					
Series 2020A, Senior Bonds	\$ 15,680,000	\$ -	\$ 15,680,000	\$ -	\$ -
Series 2022B, Subordinate Bonds	6,147,000	-	6,147,000	-	-
Series 2025A, Senior Bonds	-	15,590,000	135,000	15,455,000	95,000
Series 2025B, Subordinate Bonds	-	3,915,000	-	3,915,000	-
Accrued Interest:					
Series 2022B, Subordinate Bonds	891,342	60,995	952,337	-	-
Subtotal Bonds Payable	22,718,342	19,565,995	22,914,337	19,370,000	95,000
Other Debts:					
Developer Advance - Operating	174,403	-	-	174,403	-
Accrued Interest:					
Developer Advance - Operating	67,421	14,146	-	81,567	-
Subtotal Other Debts	241,824	14,146	-	255,970	-
Bond Premium/Discount:					
Bond Premium - Series 2025	-	150,737	5,225	145,512	-
Subtotal Bond Premium / Discount	-	150,737	5,225	145,512	-
Total Long-Term Obligations	\$ 22,960,166	\$ 19,730,878	\$ 22,919,562	\$ 19,771,482	\$ 95,000

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

Bond Proceeds

On April 4, 2025, the District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025A, in the par amount of \$15,590,000 (the "2025A Senior Bonds") and Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025B, in the par amount of \$3,915,000 (the "2025B Subordinate Bonds"). The proceeds from the sale of the 2025A Senior Bonds and the 2025B Subordinate Bonds were used for the purposes of: (a) refunding all of the 2020A Senior Bonds and partial of the 2022B Subordinate Bonds; and (b) paying costs in connection with the issuance of the 2025A Senior Bonds and 2025B Subordinate Bonds (including the premium for the 2025A Senior Bond Insurance Policy).

The District refunded all of the 2020A Senior Bonds and a portion of the 2022B Subordinate Bonds to reduce its debt service mill levy and achieve an economic gain of \$1,901,681, representing the difference between the present values of the old and new debt service payments. The 2022B Subordinate Bonds were privately placed with Lennar Colorado, LLC, which agreed to forgive all remaining amounts owed under the 2022B Subordinate Bonds upon the issuance of the 2025A Senior Bonds and 2025B Subordinate Bonds. Both the 2020A Senior Bonds and 2022B Subordinate Bonds were fully redeemed as of April 4, 2025.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Details

The 2025A Senior Bonds will bear interest at rates ranging from 4.750% to 5.250% payable annually on December 1, beginning on December 1, 2025. Annual mandatory sinking fund principal payments are due annually on December 1, beginning on December 1, 2025. The 2025A Senior Bonds mature on December 1, 2054. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 1, 2060 (the Discharge Date).

To the extent interest on any Bond is not paid when due, such interest shall compound semiannually on each June 1 and December 1 at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law in repayment of the Bonds. If any amount of principal of or interest on the Bonds remains unpaid after the application of all pledged revenue available therefor on December 1, 2060, the bonds and the lien of the indenture securing payment thereof shall be deemed discharged.

Senior Pledged Revenue

As defined in the Senior Indenture, the 2025A Senior Bonds are secured by and payable solely from Senior Pledged Revenue, consisting of the moneys derived by the District from the following sources: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

Senior Required Mill Levy

Pursuant to the Senior Indenture, prior to the Conversion Date the District has covenanted to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount sufficient to pay the Senior Bonds as they come due, but (i) not in excess of 45 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2004), and (ii) Prior to the Conversion Date, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund) and any Bond Insurer Reimbursement Amounts not included in the foregoing, and to replenish the Reserve Fund to the Reserve Requirement or repay the Bond Insurer for Policy Costs related to the Reserve Policy, as applicable, but not in excess of 45 mills; provided, however, that if, on or after January 1, 2004, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax cut, credit or abatement, the minimum mill levy of 45 mills and the maximum mill levy of 45 mills provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes (for purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation); and further provided that, in accordance with the Service Plan, the maximum mill levy of 45 mills (as adjusted) shall be reduced by the number of mills

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Required Mill Levy (Continued)

necessary to pay unlimited mill levy debt (the issuance of which is subject to the limitations of this Indenture).

On and after the Conversion Date, the Senior Required Mill Levy will be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable and, without limitation of rate and in amounts sufficient to make such payments and replenishments when due. Conversion Date means the date that the Debt to Assessed Ratio is 50% or less and no payments of principal or interest on the Bonds are past due and the amount on deposit in the Reserve Fund is not less than the initial deposit in the Reserve Fund.

Events of Default of the Series 2025A Senior Bonds

Events of Default occur if the District fails or refuses to impose the Senior Required Mill Levy or to apply the Pledged Revenue as required by this Indenture; on or after the Unlimited Tax Receipt Date, the District fails to pay the principal of, premium if any, or interest on the Bonds when due; the District defaults in performance or observance of any of the covenants, agreements, or conditions on the part of the District in this Indenture or Bond Resolution and if the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2030 to May 31, 2031	3.00%
June 1, 2031 to May 31, 2032	2.00%
June 1, 2032 to May 31, 2033	1.00%
June 1, 2033 and thereafter	0.00%

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 95,000	\$ 767,138	\$ 862,138
2027	135,000	762,388	897,388
2028	230,000	755,638	985,638
2029	285,000	744,138	1,029,138
2030	305,000	729,888	1,034,888
2031 - 2035	1,770,000	3,404,940	5,174,940
2036 - 2040	2,265,000	2,904,677	5,169,677
2041 - 2045	2,930,000	2,243,701	5,173,701
2046 - 2050	3,745,000	1,427,851	5,172,851
2051 - 2054	3,695,000	449,104	4,144,104
Total	<u>\$ 15,455,000</u>	<u>\$ 14,189,463</u>	<u>\$ 29,644,463</u>

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bond Details

The 2025B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Rather, principal on the 2025B Subordinate Bonds is payable annually on each December 15, commencing December 15, 2025, from, and to the extent of available Subordinate Pledged Revenue (defined below). To the extent principal of any bond is not paid when due, such principal is to remain outstanding until the earlier of its payment or December 15, 2060 (the Discharge Date) and is to continue to bear interest at the rate then borne by the 2025B Subordinate Bond. The 2025B Subordinate Bonds mature on December 15, 2054.

The 2025B Subordinate Bonds will bear interest at the rate of 6.375% per annum payable annually on each December 15, but only from and to the extent of available Subordinate Pledged Revenue, beginning on December 15, 2025. In the event interest on any bond is not paid when due, such interest is to compound annually on each December 15, at the rate then borne by the 2025B Subordinate Bond.

Subordinate Pledged Revenue

As defined in the Subordinate Indenture, the 2025B Subordinate Bonds are secured by payable solely from Subordinate Pledged Revenue, consisting of the moneys derived by the District from the following sources: (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Subordinate Required Mill Levy

Pursuant to the Subordinate Indenture, means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount equal to (i) 45 mills less the Senior Obligation Mill Levy, or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Bonds in full in the year such levy is collected; provided however, that: (a) in the event that the method of calculating assessed valuation is changed after January 1, 2004, the mill levy of 45 mills (less the Senior Obligation Mill Levy) provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Required Mill Levy (Continued)

For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and (b) notwithstanding anything herein to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Authorized Debt

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$50,000,000. In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refunding of the debt authorized to be issued under the Service Plan. The Service Plan also limits the Maximum Debt Mill Levy Imposition Term on any single residential property to forty (40) years after the year of initial imposition, with limited exception.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 3, 2005 and November 4, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$825,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of \$787,583,000.

NOTE 6 NET POSITION

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

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2025, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 8,700
Total Restricted Net Position	\$ 8,700

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NET POSITION (CONTINUED)

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 RELATED PARTIES

The property within the District is being developed by Lennar Colorado, LLC. During 2025, a majority of the Board of Directors were officers or employees of, or otherwise associated with the Developer, and may have conflicts of interest in matters involving the District.

Advance and Reimbursement Agreement (Operations and Maintenance)

The District and the Developer entered into a Funding and Reimbursement Agreement on September 6, 2018 for the purposes of funding operations and maintenance costs. With respect to each loan advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance, the interest rate shall be 8% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount.

As of December 31, 2025, outstanding advances under this agreement totaled \$174,403 and accrued interest totaled \$81,567.

NOTE 8 RISK MANAGEMENT

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

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

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

WATERSTONE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 4, 2014, the District's electors authorized the District to collect, spend or retain the full amount of revenue authorized by law or contract collected or received by the District during 2014 and each fiscal year thereafter without regards to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3.00% 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.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado.

Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.

SUPPLEMENTARY INFORMATION

WATERSTONE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Property Taxes	\$ 755,129	\$ 755,129	\$ 755,144	\$ 15
Property Taxes - ARI	15,097	15,097	15,097	-
Interest Income	85,000	49,471	41,123	(8,348)
Specific ownership taxes	45,308	45,308	41,657	(3,651)
Total Revenues	900,534	865,005	853,021	(11,984)
EXPENDITURES				
County Treasurer's Fee	11,327	11,327	11,333	(6)
County Treasurer's Fee - ARI	226	226	227	(1)
Paying Agent Fees	7,000	7,000	6,000	1,000
ARI Payment	14,871	14,871	14,870	1
Bond Interest - Series 2025A	-	494,840	509,476	(14,636)
Bond Interest - Series 2025B	-	133,323	174,014	(40,691)
Bond Principal - Series 2025A	-	150,000	135,000	15,000
Bond Interest - Series 2020A	940,800	-	-	-
Bond Issue Costs	-	987,456	954,056	33,400
Refunding Escrow	-	21,472,516	20,875,037	597,479
Contingency	5,776	43,441	1,554	41,887
Total Expenditures	980,000	23,315,000	22,681,567	633,433
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(79,466)	(22,449,995)	(21,828,546)	621,449
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	20,243,000	19,505,000	(738,000)
Bond Premium	-	17,333	150,737	133,404
Total Other Financing Sources (Uses)	-	20,260,333	19,655,737	(604,596)
NET CHANGE IN FUND BALANCE	(79,466)	(2,189,662)	(2,172,809)	16,853
Fund Balance - Beginning of Year	2,222,265	2,189,662	2,189,661	(1)
FUND BALANCE - END OF YEAR	<u>\$ 2,142,799</u>	<u>\$ -</u>	<u>\$ 16,852</u>	<u>\$ 16,852</u>

OTHER INFORMATION

WATERSTONE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

\$15,590,000 General Obligation Limited Tax Bonds
Series 2025A Senior Bond Issue, Dated April 4, 2025
Interest Rate 4.750% - 5.250%

Year Ended December 31,	Principal Due December 1 Interest Payable June 1 and December 1		
	Principal	Interest	Total
2026	\$ 95,000	\$ 767,138	\$ 862,138
2027	135,000	762,388	897,388
2028	230,000	755,638	985,638
2029	285,000	744,138	1,029,138
2030	305,000	729,888	1,034,888
2031	320,000	714,638	1,034,638
2032	335,000	698,638	1,033,638
2033	355,000	681,888	1,036,888
2034	370,000	664,138	1,034,138
2035	390,000	645,638	1,035,638
2036	410,000	626,138	1,036,138
2037	430,000	604,613	1,034,613
2038	450,000	582,038	1,032,038
2039	475,000	558,413	1,033,413
2040	500,000	533,475	1,033,475
2041	530,000	507,225	1,037,225
2042	555,000	479,400	1,034,400
2043	585,000	450,263	1,035,263
2044	615,000	419,550	1,034,550
2045	645,000	387,263	1,032,263
2046	680,000	353,400	1,033,400
2047	715,000	321,100	1,036,100
2048	745,000	287,138	1,032,138
2049	785,000	251,750	1,036,750
2050	820,000	214,463	1,034,463
2051	860,000	175,513	1,035,513
2052	900,000	134,663	1,034,663
2053	945,000	91,913	1,036,913
2054	990,000	47,025	1,037,025
Total	<u>\$ 15,455,000</u>	<u>\$ 14,189,463</u>	<u>\$ 29,644,463</u>

WATERSTONE METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
		General	Debt Service	ARI	Levied	Collected	
2021	\$ 2,581,388	18.925	55.664	-	\$ 192,543	\$ 192,543	100.00 %
2022	5,646,706	18.925	55.664	-	421,182	421,182	100.00 %
2023	11,289,144	18.538	54.523	-	824,796	662,473	80.32 %
2024	14,328,418	19.091	56.152	-	1,078,113	1,018,644	94.48 %
2025	12,859,381	19.965	58.722	1.174	1,026,964	1,026,988	100.00 %
Estimated for Year Ending December 31, 2026	\$ 14,025,080	18.000	55.767	1.239	\$ 1,051,965		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.