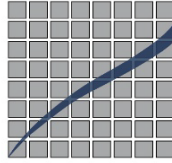


WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2025

TABLE OF CONTENTS

Independent auditor's report	i
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	1
Statement of activities	2
Fund financial statements	
Balance sheets - governmental funds	3
Statements of revenues, expenditures, and changes in fund balances - governmental funds	4
Reconciliation of the statements of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	5
General fund - statement of revenues, expenditures, and changes in fund balance (budget and actual)	6
Notes to financial statements	7
SUPPLEMENTARY INFORMATION	
Debt service fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual)	19
Capital projects fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual)	20



BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Waterview North Metropolitan District No. 1

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterview North Metropolitan District No. 1 ("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, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford LLP

Colorado Springs, Colorado
August 26, 2026

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

DECEMBER 31, 2025

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 3,338
Cash and investments - restricted	8,422,571
Receivable from the County Treasurer	505
Property taxes receivable	90,485
Construction in progress	3,217,092
Total assets	11,733,991
<u>LIABILITIES</u>	
Accounts payable	36,317
Accrued interest	56,542
Noncurrent liabilities:	
Due in more than one year	13,365,923
Total liabilities	13,458,782
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	90,485
Total deferred inflows of resources	90,485
<u>NET POSITION</u>	
Restricted for:	
Emergency reserve	1,800
Unrestricted	(1,817,076)
Total net position	\$ (1,815,276)

The accompanying notes and independent auditor's report
should be read with these financial statements.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2025

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government activities:				
General government	\$ 814,075	\$ -	\$ -	\$ -
Interest and related costs on long-term debt	808,713	-	-	-
Total government activities	\$ 1,622,788	\$ -	\$ -	\$ -
				(814,075)
				(808,713)
				(1,622,788)
GENERAL REVENUES				
Property tax				67,038
Specific ownership tax				6,334
Interest income				412,309
Total general revenues				485,681
Change in net position				(1,137,107)
Net position, beginning of year				(678,169)
Net position, end of year				\$ (1,815,276)

The accompanying notes and independent auditor's report
should be read with these financial statements.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and investments	\$ 3,338	\$ -	\$ -	\$ 3,338
Cash and investments - restricted	2,600	2,363,438	6,056,533	8,422,571
Receivable from the County Treasurer	144	361	-	505
Property taxes receivable	25,853	64,632	-	90,485
Due from other funds	2,619	14,017	-	16,636
Total assets	<u>\$ 34,554</u>	<u>\$ 2,442,448</u>	<u>\$ 6,056,533</u>	<u>\$ 8,533,535</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 16,317	\$ -	\$ 20,000	\$ 36,317
Due to other funds	-	-	16,636	16,636
Total liabilities	<u>16,317</u>	<u>-</u>	<u>36,636</u>	<u>52,953</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred property taxes	25,853	64,632	-	90,485
Total deferred inflows of resources	<u>25,853</u>	<u>64,632</u>	<u>-</u>	<u>90,485</u>
<u>FUND BALANCES</u>				
Restricted for:				
Emergency reserve	1,800	-	-	1,800
Debt service	-	2,377,816	-	2,377,816
Capital projects	-	-	6,019,897	6,019,897
Unassigned:				
Unrestricted	(9,416)	-	-	(9,416)
Total fund balances	<u>(7,616)</u>	<u>2,377,816</u>	<u>6,019,897</u>	<u>8,390,097</u>
Total liabilities and fund balances	<u>\$ 34,554</u>	<u>\$ 2,442,448</u>	<u>\$ 6,056,533</u>	

Amounts reported in 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:

Construction in progress	3,217,092
--------------------------	-----------

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

Bonds payable	(13,275,353)
Accrued interest on bonds payable	(61,460)
Developer advances	(80,738)
Accrued interest on developer advances	(4,914)

Net position of governmental activities	<u>\$ (1,815,276)</u>
---	-----------------------

The accompanying notes and independent auditor's report
should be read with these financial statements.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Property tax	\$ 19,153	\$ 47,885	\$ -	\$ 67,038
Specific ownership tax	1,810	4,524	-	6,334
Interest income	68	121,539	290,702	412,309
Total revenues	21,031	173,948	290,702	485,681
<u>EXPENDITURES</u>				
Current:				
Bank fees	-	6,543	15,604	22,147
County Treasurer's fee	287	719	-	1,006
District management	12,144	-	-	12,144
Dues and licenses	1,775	-	-	1,775
Election	3,672	-	-	3,672
Engineering	-	-	26,594	26,594
Insurance	1,060	-	-	1,060
Professional fees	36,961	-	-	36,961
Transfer to District No. 2	865	-	-	865
Intergovernmental expenses	-	-	707,851	707,851
Debt service:				
Interest expense	-	759,723	-	759,723
Bond principal payments	-	88,647	-	88,647
Capital projects:				
Capital outlay	-	-	1,650,372	1,650,372
Total expenditures	56,764	855,632	2,400,421	3,312,817
Excess of revenues over expenditures	(35,733)	(681,684)	(2,109,719)	(2,827,136)
<u>OTHER FINANCING SOURCES AND USES</u>				
Developer advances	46,412	-	-	46,412
Total other financing sources and uses	46,412	-	-	46,412
Net change in fund balances	10,679	(681,684)	(2,109,719)	(2,780,724)
Fund balances, beginning of year	(18,295)	3,059,500	8,129,616	11,170,821
Fund balances, end of year	<u>\$ (7,616)</u>	<u>\$ 2,377,816</u>	<u>\$ 6,019,897</u>	<u>\$ 8,390,097</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

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

Net change in fund balances	\$ (2,780,724)
-----------------------------	----------------

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful lives of the assets. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital outlay	1,650,372
----------------	-----------

The issuance of long-term debt (such as bonds, leases, and developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advances	(46,412)
--------------------	----------

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

Change in accrued interest on bonds payable	44,123
Change in accrued interest on developer advances	(4,466)

Change in net position	<u>\$ (1,137,107)</u>
------------------------	-----------------------

The accompanying notes and independent auditor's report
should be read with these financial statements.

WATERVIEW NORTH 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	Variance
<u>REVENUES</u>			
Property tax	\$ 18,879	\$ 19,153	\$ 274
Specific ownership tax	1,322	1,810	488
Interest income	-	68	68
Total revenues	20,201	21,031	830
<u>EXPENDITURES</u>			
Accessibility compliance	3,500	-	3,500
Bank fees	100	-	100
County Treasurer's fee	-	287	(287)
Contingency	5,000	-	5,000
District management	12,000	12,144	(144)
Dues and licenses	350	1,775	(1,425)
Election	20,000	3,672	16,328
Insurance	2,500	1,060	1,440
Office supplies	1,000	-	1,000
Professional fees	40,000	36,961	3,039
Transfer to District No. 2	-	865	(865)
Total expenditures	84,450	56,764	27,686
Excess of revenues over expenditures	(64,249)	(35,733)	28,516
<u>OTHER FINANCING SOURCES AND USES</u>			
Developer advances	46,000	46,412	412
Total other financing sources and uses	46,000	46,412	412
Net change in fund balance	<u>\$ (18,249)</u>	10,679	<u>\$ 28,928</u>
Fund balance, beginning of year		(18,295)	
Fund balance, end of year		<u>\$ (7,616)</u>	

The accompanying notes and independent auditor's report
should be read with these financial statements.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. DEFINITION OF REPORTING ENTITY

Waterview North Metropolitan District No. 1 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed on November 22, 2023, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to construct public improvements including road improvements, sanitary and storm sewer, water systems, and other improvements needed for the area.

The District was organized in conjunction with Waterview North Metropolitan District No. 2 ("District No. 2").

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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 when they are both measurable and available. Revenues are considered to be available when they are collectable 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

The *capital projects fund* accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

General fund deficit

As of December 31, 2025, the District reported a deficit in the general fund. This deficit is expected to be eliminated with the receipt of property taxes in the future.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, 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 incurred expenditures in excess of appropriations for the year ended December 31, 2025 in the Debt Service Fund, which may be a violation of state budget law.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

Capital assets

Capital assets, which include property, 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 and a useful life greater than one year. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position. Capital assets purchased or constructed and accepted by the District on land not yet conveyed to the District by the Developer are not depreciated and are placed in service once the underlying land is conveyed to the District.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

Net position and fund balances

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 balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance. 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:

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is 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.

The *committed fund balance* is 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.

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, 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.

Use of estimates

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

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

New accounting pronouncements

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.

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	\$ 3,338
Cash and investments - restricted	8,422,571
	<u>\$ 8,425,909</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2025, are as follows:

Deposits with financial institutions	\$ 5,138
Investments	8,420,771
	<u>\$ 8,425,909</u>

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. 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 102% of the aggregate uninsured deposits.

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

As of December 31, 2025, the District's cash deposits had a bank balance and a carrying balance of \$5,138.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 8,420,771</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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 offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US 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 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US 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 FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, is as follows:

	Balance 01-01-25	Additions	Dispositions	Reclassifications	Balance 12-31-25
<u>Governmental activities</u>					
Capital assets, not depreciable:					
Construction in progress	\$ 1,566,720	\$ 1,650,372	\$ -	\$ -	\$ 3,217,092
Capital assets, not depreciable	<u>\$ 1,566,720</u>	<u>\$ 1,650,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,217,092</u>

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2025:

	Balance 01-01-25	Additions	Repayments / Amortization	Balance 12-31-25	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2024A Bonds	\$ 11,800,000	\$ -	\$ -	\$ 11,800,000	\$ -
Series 2024B Bonds	1,564,000	-	(88,647)	1,475,353	-
Accrued interest on Series 2024B Bonds	2,780	124,825	(122,687)	4,918	-
Total bonds payable	<u>13,366,780</u>	<u>124,825</u>	<u>(211,334)</u>	<u>13,280,271</u>	<u>-</u>
Other long-term obligations:					
Developer advance - operations	34,326	46,412	-	80,738	-
Accrued interest on developer advance - operations	448	4,466	-	4,914	-
Total other long-term obligations	<u>34,774</u>	<u>50,878</u>	<u>-</u>	<u>85,652</u>	<u>-</u>
Total long-term obligations	<u>\$ 13,401,554</u>	<u>\$ 175,703</u>	<u>\$ (211,334)</u>	<u>\$ 13,365,923</u>	<u>\$ -</u>

Series 2024 Limited Tax General Obligation Bonds

On December 23, 2024, the District issued Series 2024A and Series 2024B Limited Tax General Obligation Bonds (collectively, "Series 2024 Bonds"). The Series 2024 Limited Tax General Obligation Bonds ("Series 2024A Bonds") were issued for the purpose of: (a) funding capitalized interest on the Series 2024A Bonds, (b) funding the initial deposit to the surplus fund, and (c) paying other costs incurred in connection with the issuance of the Series 2024 Bonds. The Series 2024B Subordinate Limited General Obligation Bonds ("Series 2024B Bonds") were issued for the purpose of funding the costs of acquisition, construction, and installation of certain public improvements within the District.

The Series 2024A Bonds were issued in the amount of \$11,800,000. The Series 2024A Bonds bear interest at a rate of 5.75% per annum, calculated on the basis of a 360-day year of twelve 30-day months. Interest payments are due each June 1, and December 1, beginning June 1, 2025. Mandatory principal payments are due each December 1, beginning in 2030 through maturity on December 1, 2054. On December 1, 2064, no payments will be due and the Series 2024A Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

The Series 2024A Bonds are secured by amounts on deposit in the surplus fund, which was partially funded with the proceeds of the Series 2024A Bonds in the amount of \$1,015,000 and, will be further funded with excess senior pledged revenue up to the maximum surplus amount of \$2,360,000. As of December 31, 2025, the District had a surplus fund balance of \$2,364,872.

The Series 2024B Bonds were issued in the amount of \$1,564,000; bear interest at a rate of 8.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months; are payable to the extent of pledged revenues available on each December 15; and mature on December 15, 2054. On December 15, 2064, no payments will be due and the Series 2024B Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date. Accordingly, the timing of repayment is uncertain and a maturity schedule is not included in these financial statements.

The District is required to maintain bond payment and surplus cash accounts for the Series 2024A Bonds.

Pledged revenue

The Series 2024A Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (a) property tax revenues; (b) specific ownership taxes; and (c) any other legally available monies which the District determines to be treated as pledged revenue.

Subordinate pledged revenue

The 2024B Bonds are secured by and payable from the subordinate pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (a) subordinate property taxes; (b) subordinate specific ownership taxes; (c) any amounts in the 2024A surplus fund upon termination of the fund; and (d) any other legally available monies which the District determines to be treated as pledged revenue.

Optional redemption

The Series 2024 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2029, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2029 to November 30, 2030	3.00%
December 1, 2030 to November 30, 2031	2.00%
December 1, 2031 to November 30, 2032	1.00%
December 1, 2032 and thereafter	0.00%

Events of default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture.

- i. The District fails to impose the required mill levy or to apply the pledged revenues.
- ii. The District fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of the District in the agreement, and such failure is not remedied to the satisfaction of the trustee after the District receives written notice from the trustee or the District of the occurrence of such failure.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2024 Bonds.

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the Series 2024 Bonds when due does not, in itself, constitute an event of default under the indenture.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners of the bonds, the trustee is entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to, the trustee.

ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners of the bonds under the act, the bonds, the bond resolution, the indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.

iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners of the bonds.

Notwithstanding the foregoing, acceleration will not be an available remedy for an event of default.

The District's long-term obligations on the Series 2024A Bonds mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	\$ 678,500	\$ 678,500
2027	-	678,500	678,500
2028	-	678,500	678,500
2029	-	678,500	678,500
2030	55,000	678,500	733,500
2031 - 2035	845,000	3,293,025	4,138,025
2036 - 2040	1,405,000	2,986,550	4,391,550
2041 - 2045	2,100,000	2,507,000	4,607,000
2046 - 2050	3,050,000	1,800,325	4,850,325
2051 - 2055	4,345,000	729,100	5,074,100
Total	<u>\$ 11,800,000</u>	<u>\$ 14,708,500</u>	<u>\$ 26,508,500</u>

Developer advances

Funding and reimbursement agreement

On February 1, 2024, the District entered into a funding and reimbursement agreement with CPR Entitlements, LLC ("Developer"). The Developer agreed to advance the District one or more sums of money not to exceed \$100,000 per annum for three years, up to \$300,000 at a simple interest rate of the Municipal Market Data ("MMD") "AAA" General Obligation Yield Curve plus 325 basis points per annum from the date of each advance. These funds will be advanced to the District in one or a series of installments and will be available to the District through December 31, 2026. The agreement will automatically extend for additional one-year terms unless the Developer provides written notice to the District at least thirty days prior to December 31, 2024 of each year. Upon each extension, the annual cap and maximum cap of the agreement will also be increased. The District agreed to use funds received under the agreement for operations and maintenance. On February 1, 2044, any outstanding advances and interest accrued on advances will be forgiven in their entirety. As of December 31, 2025 outstanding developer advances under the agreement totaled \$80,738 with accrued interest totaling \$4,914. This agreement was amended on February 5, 2026, to clarify the payment priority in relation to other reimbursement agreements.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

Infrastructure acquisition and reimbursement agreement

On February 1, 2024, the District entered into an infrastructure acquisition and reimbursement agreement with the Developer. The Developer agreed to construct certain public improvements to be acquired by the District. The District agreed to reimburse the Developer for the cost of constructing the public improvements at a simple interest rate of the Municipal Market Data ("MMD") "AAA") General Obligation Yield Curve plus 400 basis points per annum from the date of each advance. On December 31, 2024, any outstanding advances and interest accrued on advances will be forgiven in their entirety. As of December 31, 2025 there was no outstanding balance under this agreement. This agreement was amended on February 5, 2026, to clarify the payment priority in relation to other reimbursement agreements.

Infrastructure acquisition and reimbursement agreement

Subsequent to the year end December 31, 2025, on February 5, 2026, the District entered into an infrastructure acquisition and reimbursement agreement with WVN Stakeholders Corp ("WVN"). WVN agreed to construct certain public improvements to be acquired by the District. The District agreed to reimburse the WVN for the cost of constructing the public improvements at a simple interest rate of the Municipal Market Data ("MMD") "AAA") General Obligation Yield Curve plus 400 basis points per annum from the date of each advance.

Funding and reimbursement agreement

Subsequent to the year end December 31, 2025, on February 5, 2026, the District entered into a funding and reimbursement agreement with WVN Stakeholders Corp ("WVN"). WVN agreed to advance the District one or more sums of money not to exceed \$100,000 per annum for three years, up to \$300,000 at a simple interest rate of the Municipal Market Data ("MMD") "AAA") General Obligation Yield Curve plus 325 basis points per annum from the date of each advance. These funds will be advanced to the District in one or a series of installments and will be available to the District through December 31, 2028. The agreement will automatically extend for additional one-year terms unless the Developer provides written notice to the District at least thirty days prior to December 31 of each year. Upon each extension, the annual cap and maximum cap of the agreement will also be increased. The District agreed to use funds received under the agreement for operations and maintenance. On February 5, 2026, any outstanding advances and interest accrued on advances will be forgiven in their entirety.

Authorized debt

On November 7, 2023, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$440,000,000 at an interest rate not to exceed 12% per annum. As of December 31, 2025, the District had authorized but unissued electoral indebtedness of \$426,636,000.

As set forth in the District's Service Plan, the City of Colorado Springs has limited the amount of debt to be issued by the District to a total of \$40,000,000 without further approval by the City. The District may levy up to 50.000 mills, as adjusted, for debt service and 20.000 mills, as adjusted, for general operations and administrative expenses due to the ongoing operations and maintenance to be undertaken by the District. As of December 31, 2025, the District has had authorized but unissued service plan indebtedness of \$26,636,000.

6. NET POSITION

The District has net position consisting of restricted and unrestricted.

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2025 as follows:

Restricted net position:

Emergency reserve (Note 11)	\$ 1,800
	<u>\$ 1,800</u>

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

The District has a deficit in unrestricted net position as of December 31, 2025. This deficit is the result of the District being responsible for the repayment of bonds issued for public improvements.

7. AGREEMENTS

District coordinating services agreement

On February 1, 2024, the District entered into a district coordinating services agreement with District No. 2. As part of the agreement, District No. 1 agrees to perform administrative services, and will own, operate, and maintain all public improvements within the Districts' boundaries. District No. 2 is responsible for any and all costs, fees, charges, and expenses incurred by District No. 1 in providing administrative, operation, and maintenance services.

Lift station intergovernmental agreement

On November 12, 2025, the District entered into a cost sharing intergovernmental agreement with Peak Metropolitan District No. 3 to finance the construction of the Bradley Lift Station. Under the terms of the agreement, the District is responsible for paying its proportionate share of the construction costs. During the year ended December 31, 2025, the District reimbursed Peak Metropolitan District No. 3 \$707,851 in accordance with the agreement. These amounts are included as intergovernmental expenses in the accompanying financial statements. As of December 31, 2025, there were no unpaid balances outstanding under the agreement.

8. RELATED PARTIES

The developers of the property within the District are CPR Entitlements, LLC and WVN Stakeholders Corp. The members of the board of directors are officers, employees, or associated with the developer and may have conflicts of interest in dealing with the District.

9. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay all operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

10. RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). 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.

11. TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. On November 7, 2023, the District's voters approved a ballot issue allowing the District to retain all revenues.

See independent auditor's report.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has allowed but has not fully funded the emergency reserve, which may be a violation of TABOR.

District management believes the District 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 likely require judicial interpretation.

On May 6, 2025, the qualified electors of the District approved an election question to waive the 5.25% property tax limit established under Section 29-1-1702, C.R.S. for 2026 and all future budget years. The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

* * * * *

See independent auditor's report.

SUPPLEMENTARY INFORMATION

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE (BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Property tax	\$ 47,199	\$ 47,885	\$ 686
Specific ownership tax	3,304	4,524	1,220
Interest income	-	121,539	121,539
 Total revenues	 50,503	 173,948	 123,445
<u>EXPENDITURES</u>			
Bank fees	2,000	6,543	(4,543)
County Treasurer's fee	708	719	(11)
Interest expense	47,794	759,723	(711,929)
Bond principal payments	-	88,647	(88,647)
 Total expenditures	 50,502	 855,632	 (805,130)
 Net change in fund balance	 <u>\$ 1</u>	 (681,684)	 <u>\$ (681,685)</u>
 Fund balance, beginning of year		 3,059,500	
 Fund balance, end of year		 <u>\$ 2,377,816</u>	

The accompanying notes and independent auditor's report
should be read with these financial statements.

WATERVIEW NORTH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Interest income	\$ -	\$ 290,702	\$ 290,702
Total revenues	-	290,702	290,702
<u>EXPENDITURES</u>			
Bank fees	-	15,604	(15,604)
Capital outlay	5,523,209	1,650,372	3,872,837
Engineering and planning	1,624,473	26,594	1,597,879
Project management	974,684	-	974,684
Intergovernmental expenses	-	707,851	(707,851)
Total expenditures	8,122,366	2,400,421	5,721,945
Net change in fund balance	<u>\$ (8,122,366)</u>	(2,109,719)	<u>\$ 6,012,647</u>
Fund balance, beginning of year		8,129,616	
Fund balance, end of year		<u>\$ 6,019,897</u>	

The accompanying notes and independent auditor's report
should be read with these financial statements.