# WATERS' EDGE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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COLORADO CPA COMPANY

**Independent Auditor's Report**

Board of Directors
Waters' Edge Metropolitan District No. 2
Larimer County, Colorado

***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Waters' Edge Metropolitan District No. 2 (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 Waters' Edge Metropolitan District No. 2 as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplemental Information***

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for the purpose 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
September 30, 2026

## WATERS' EDGE METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2025

| | General | Debt Service | Capital Projects | Total | Adjustments | Statement of Net Position |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and investments | $ 6,585 | $ - | $ - | $ 6,585 | $ - | $ 6,585 |
| Cash and investments - restricted | 49 | 303 | 1,128 | 1,480 | - | 1,480 |
| Taxes due from County | 319 | 1,275 | - | 1,594 | - | 1,594 |
| Receivable District 1 | - | 129,210 | - | 129,210 | - | 129,210 |
| Property taxes receivable | 81,755 | 586,687 | - | 668,442 | - | 668,442 |
| Total Assets | $ 88,708 | $ 717,475 | $ 1,128 | $ 807,311 | - | 807,311 |
| LIABILITIES | | | | | | |
| Payable to Water's Edge District No. 1 | $ 6,953 | $ - | $ 1,128 | $ 8,081 | - | 8,081 |
| Accrued interest on bonds | - | - | - | - | 2,769,156 | 2,769,156 |
| Long-term liabilities: | | | | | | |
| Due in more than one year | - | - | - | - | 14,335,000 | 14,335,000 |
| Total Liabilities | 6,953 | - | 1,128 | 8,081 | 17,104,156 | 17,112,237 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred property taxes | 81,755 | 586,687 | - | 668,442 | - | 668,442 |
| Total Deferred Inflows of Resources | 81,755 | 586,687 | - | 668,442 | - | 668,442 |
| FUND BALANCES/NET POSITION | | | | | | |
| Fund balances: | | | | | | |
| Restricted: | | | | | | |
| Emergencies | 49 | - | - | 49 | (49) | - |
| Debt service | - | 130,788 | - | 130,788 | (130,788) | - |
| Unassigned | (49) | - | - | (49) | 49 | - |
| Total Fund Balances | - | 130,788 | - | 130,788 | (130,788) | - |
| Total Liabilities and Fund Balances | $ 88,708 | $ 717,475 | $ 1,128 | $ 807,311 | | |
| Net Position: | | | | | | |
| Restricted for: | | | | | | |
| Emergencies | | | | | 49 | 49 |
| Debt service | | | | | 130,788 | 130,788 |
| Unrestricted | | | | | (17,104,205) | (17,104,205) |
| Total Net Position (Deficit) | | | | | $ (16,973,368) | $ (16,973,368) |

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

**WATERS' EDGE METROPOLITAN DISTRICT NO. 2**

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2025

| | General | Debt Service | Capital Project | Total | Adjustments | Statement of Activities |
|---|---|---|---|---|---|---|
| EXPENDITURES | | | | | | |
| Operating: | | | | | | |
| Treasurer fees | $ 1,256 | $ 5,024 | $ - | $ 6,280 | $ - | $ 6,280 |
| Bond interest | - | 356,182 | - | 356,182 | 473,849 | 830,031 |
| Trustee fees | - | 8,000 | - | 8,000 | - | 8,000 |
| Transfer to Waters Edge MD No. 1 | 83,427 | - | 169,844 | 253,271 | - | 253,271 |
| Total Expenditures | 84,683 | 369,206 | 169,844 | 623,733 | 473,849 | 1,097,582 |
| GENERAL REVENUES | | | | | | |
| Property taxes | 62,055 | 248,220 | - | 310,275 | - | 310,275 |
| Specific ownership taxes | 3,880 | 15,520 | - | 19,400 | - | 19,400 |
| Facility fees | - | 177,500 | - | 177,500 | - | 177,500 |
| Other income | 6,236 | 3,303 | 3,830 | 13,369 | - | 13,369 |
| Total General Revenues | 72,171 | 444,543 | 3,830 | 520,544 | - | 520,544 |
| NET CHANGES IN FUND BALANCES | (12,512) | 75,337 | (166,014) | (103,189) | 103,189 | |
| CHANGES IN NET POSITION | | | | | (577,038) | (577,038) |
| FUND BALANCES/NET POSITION | | | | | | |
| BEGINNING OF YEAR | 12,512 | 55,451 | 166,014 | 233,977 | (16,630,307) | (16,396,330) |
| END OF YEAR | $ - | $ 130,788 | $ - | $ 130,788 | $ (17,104,156) | $ (16,973,368) |

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

## WATERS' EDGE METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| REVENUES | | | | |
| Property taxes | $ 62,055 | $ 65,000 | $ 62,055 | $ (2,945) |
| Specific ownership taxes | 3,103 | 3,500 | 3,880 | 380 |
| Other income | 243 | 7,000 | 6,236 | (764) |
| Total Revenues | 65,401 | 75,500 | 72,171 | (3,329) |
| EXPENDITURES | | | | |
| Transfer to Waters Edge MD No. 1 | 63,993 | 86,712 | 83,427 | 3,285 |
| Treasurer fees | 1,241 | 1,300 | 1,256 | 44 |
| Contingency | 130 | - | - | - |
| Emergency Reserve | 37 | - | - | - |
| Total Expenditures | 65,401 | 88,012 | 84,683 | 3,329 |
| NET CHANGE IN FUND BALANCE | - | (12,512) | (12,512) | - |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | - | 12,512 | 12,512 | - |
| END OF YEAR | $ - | $ - | $ - | $ - |

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

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

Waters' Edge Metropolitan District No. 2 ("the District") was organized in accordance with a Consolidated Service Plan approved on September 18, 2018 ("Service Plan"), as quasi-municipal corporation established under the State of Colorado Special District Act. It was created in conjunction with Waters' Edge Metropolitan District No. 1 ("District No. 1"), Waters' Edge Metropolitan District No. 3 ("District No. 3"), Waters' Edge Metropolitan District No. 4 ("District No. 4"), and Waters' Edge Metropolitan District No. 5 ("District No. 5"), (collectively "the Districts"). Pursuant to the Service Plan, the Districts are authorized to provide for the design, acquisition, construction, installation, financing, and operation and maintenance of streets, water, sanitation, parks and recreation, transportation, TV relay and translation, mosquito control, safety protection, limited security and limited fire protection within and without the boundaries of the District, to serve the future taxpayers and inhabitants of the District. The District's primary source of revenues are property taxes and facility fees. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB. The District has no employees and all operations and administrative functions are contracted.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected. Capital Facility Fees are recognized as revenue in the year in which the are due and owing to the District.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. The total appropriations in the General Fund and the Capital Projects Fund were amended.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. On December 31, 2025, the District did not have any capital improvements.

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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $49 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $130,788 is restricted for the payment of the debt service costs associated with the Series 2021(3) Bonds See Note 3.

Committed Fund Balance

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

Assigned Fund Balance

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

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

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

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

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

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

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

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

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. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

Note 2: Cash and Investments

As of December 31, 2025, cash and investments is classified in the accompanying financial statements as follows:

| | |
|---|---|
| Statement of Net Position: | |
| Cash and investments | $ 6,585 |
| Cash and investments - restricted | 1,480 |
| Total | $ 8,065 |

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

| | |
|---|---|
| Investments - COLOTRUST | $ 8,065 |
| | $ 8,065 |

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has elected to follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk
None of the District's investments are subject to custodial or concentration of credit risk.

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

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

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

COLOTRUST
The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The COLOTRUST operates similarly to a money market fund with each share maintaining a value of $1.00. COLOTRUST offers shares in three portfolios, including COLOTRUST PLUS+ and COLOTRUST PRIME. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. COLOTRUST PRIME may invest in U.S. Treasuries, government agencies, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of $1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2025, the District had $1,431 invested in COLOTRUST PLUS + and $6,634 in COLOTRUST PRIME.

Note 3: Long-Term Debt

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

| | Balance 1/1/2025 | Additions | Reductions | Balance 12/31/2025 | Current Portion |
|---|---|---|---|---|---|
| **General Obligation Bonds:** | | | | | |
| Series 2021(3) | $ 14,335,000 | $ - | $ - | $ 14,335,000 | $ - |
| | $ 14,335,000 | $ - | $ - | $ 14,335,000 | $ - |

A description of the long-term obligations as of December 31, 2025, is as follows:

$14,335,000 Limited Tax General Obligation Bonds, Series 2021(3)
On June 10, 2021, the District issued $14,335,000 of Limited Tax General Obligation Bonds, Series 2021(3) ("Series 2021(3) Bonds") for the purpose of financing or reimbursing a portion of the costs of acquiring, constructing, and installing certain public infrastructure and paying for the costs of issuance of the Series 2021(3) Bonds. The Series 2021(3) Bonds bear interest at 5.0% payable annually on December 1 commencing on December 1, 2021, and mature on December 1, 2051. The 2021(3) Bonds are subject to early redemption at the option of the District commencing June 1, 2026, with a redemption premium until June 1, 2029. The 2021(3) Bonds are limited tax "cash flow" general obligations of the District secured by and payable solely from the Pledged Revenue, consisting of moneys derived by the District from the following sources: the Required Mill Levy, the portion of Specific Ownership Tax related to the Required Mill Levy, Capital Facility Fees and any other moneys determined by the District.

Events of Default as defined in the Series 2021(3) Bond Indenture are 1) the failure of the District to impose or apply the Required Mill levy as per the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture and fails to remedy this after notice is given, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2021(3) Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2021(3) Bonds is not an available remedy for an Event of Default.

Because of the uncertainty of timing of payments under the Series 2021(3) Bonds no related schedule of expected principal and interest payments is presented.

Debt Authorization

On November 6, 2018, a majority of the qualified electors of the Districts authorized the issuance of indebtedness in an amount not to exceed $315,000,000 for capital expenditures and an additional $346,500,000 to refund existing debt. After the issuance of the 2021(3) Bonds, the remaining authorization is $300,665,000 for capital purposes and $346,500,000 for refunding purposes. Per the Districts' Service Plan, the Districts cannot issue debt in excess of $31,500,000 on a consolidated basis. $17,165,000 of the Service Plan authorization remains as of December 31, 2025.

Note 4: Other Agreements

Infrastructure Acquisition and Reimbursement Agreement

District No. 1 and Waters' Edge Developments Inc ("the Developer") entered into an Infrastructure Acquisition and Reimbursement Agreement dated February 6, 2019 ("IARA") pursuant to which District No. 1 may reimburse the Developer for costs related to the public improvements, to acquire any such improvements that are to be owned by District No.1 and to reimburse the Developer for public improvements to be dedicated to other governmental entities.

On March 22, 2021, the District, District No. 1 and the Developer entered into an Addendum to the IARA in order to add the District as a party to the IARA and clarify that the District will be responsible for reimbursing the Developer for certain public improvements plus accrued interest at 6.5% per annum. As of December 31, 2025, the amount owing by the District No. 1 under this agreement is $4,418,714, which is recorded on District No. 1's Statement of Net Position.

Coordinating Services Agreement

The Districts entered into a Coordinating Services Agreement ("CSA") to govern the manner in which administrative services and operation and maintenance services are to be provided between the Districts along with certain funding elements associated with the public improvements. The CSA establishes District No. 1 as the Coordinating District and the District and District No. 3, District No. 4 and District No. 5 each as a Financing District. Pursuant to the CSA, District No. 1 is to perform the administrative services for and on behalf of the Financing Districts, and is to own, operate and maintain all public improvements within the boundaries of the Districts that are not otherwise dedicated to other public/governmental entities or an owners association. Each of the Financing Districts agreed to be responsible for its respective share of any and all costs, fees, charges, and expenses incurred by the Coordinating District in providing the administrative services and operation and maintenance services. The Financing Districts intend to pay for the costs of such services by the imposition by each Financing District of an ad valorem mill levy against the taxable property lying within its boundaries.

Capital Facility Fee Resolution

The District adopted a Resolution Concerning the Imposition of Capital Facility Fees establishing a one-time Capital Facility Fee on each Residential Unit and each Apartment Unit within the District boundaries. The Capital Facilities Fee shall be first due and owing as of: 1) the date of Transfer to an End User; or 2) when a Residential Unit is occupied for residential use or upon issuance of a building permit for any Residential Unit on a Lot, whichever shall first occur. The amount of each Capital Facilities Fee due hereunder shall be at the rate in effect at the time of payment. The revenues generated by the Capital Facilities Fee will be accounted for separately from other revenues of the District. The Capital Facilities Fee revenue will be used solely for the purpose of paying Capital Facilities Costs, and may not be used by the District to pay for general administrative costs of the District. The fee for single family detached residential unit is $2,500 per unit, for attached residential units the fee is $1,500 per unit. The Capital Facility Fees have been pledged to repay the Series 2021(3), See Note 3.

Note 5: Related Parties

The majority of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

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

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

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

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

On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

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

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

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

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

1) long-term liabilities such as bonds and developer advances payable and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
2) governmental funds report developer advances and/or bond proceeds as revenue; and,
3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

## WATERS' EDGE METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2025

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| REVENUES | | | |
| Property taxes | $ 248,220 | $ 248,220 | $ - |
| Specific ownership taxes | 14,893 | 15,520 | 627 |
| Facility fees | 310,500 | 177,500 | (133,000) |
| Other income | - | 3,303 | 3,303 |
| Total Revenues | 573,613 | 444,543 | (129,070) |
| EXPENDITURES | | | |
| Bond interest | 557,000 | 356,182 | 200,818 |
| Trustee fees | 4,000 | 8,000 | (4,000) |
| Treasurer fees | 4,961 | 5,024 | (63) |
| Total Expenditures | 565,961 | 369,206 | 196,755 |
| NET CHANGE IN FUND BALANCE | 7,652 | 75,337 | 67,685 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | 44,729 | 55,451 | 10,722 |
| END OF YEAR | $ 52,381 | $ 130,788 | $ 78,407 |

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

## WATERS' EDGE METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2025

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| REVENUES | | | | |
| Other income | $ - | $ 13,986 | $ 3,830 | $ (10,156) |
| Total Revenues | - | 13,986 | 3,830 | (10,156) |
| EXPENDITURES | | | | |
| Transfer to Waters Edge MD No. 1 | - | 180,000 | 169,844 | 10,156 |
| Total Expenditures | - | 180,000 | 169,844 | 10,156 |
| NET CHANGE IN FUND BALANCE | - | (166,014) | (166,014) | - |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | - | 166,014 | 166,014 | - |
| END OF YEAR | $ - | $ - | $ - | $ - |

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

## WATERS' EDGE METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2025

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | | | Total Property Tax | | Percent Collected to Levied |
|---|---|---|---|---|---|---|---|
| | | General | Debt Service | Total | Levied | Collected | |
| 2020 | $ 360,373 | - | - | - | $ - | $ - | N/A |
| 2021 | $ 360,375 | 50.000 | - | 50.000 | $ 18,019 | $ 18,019 | 100.00% |
| 2022 | $ 463,013 | 10.069 | 40.279 | 50.348 | $ 23,312 | $ 23,311 | 100.00% |
| 2023 | $ 463,777 | 10.000 | 40.000 | 50.000 | $ 23,189 | $ 23,189 | 100.00% |
| 2024 | $ 4,077,226 | 10.616 | 42.464 | 53.080 | $ 216,419 | $ 216,418 | 100.00% |
| 2025 | $ 5,667,118 | 10.950 | 43.800 | 54.750 | $ 310,275 | $ 310,275 | 100.00% |
| Estimated for year ending December 31, 2026 | $ 13,248,275 | 6.171 | 44.284 | 50.455 | $ 668,442 | | |

**NOTE**
Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.