**WATERSTONE METROPOLITAN DISTRICT NO. 1**
**2025 ANNUAL REPORT**

Pursuant to § 32-1-207(3)(c), C.R.S., and the Service Plan for Waterstone Metropolitan District No. 1 (the "**District**"), the District is required to provide an annual report for the preceding year with regard to the following matters:

For the year ending December 31, 2025, the District makes the following report:

**§ 32-1-207(3), C.R.S., Statutory Requirements**

1. **Boundary changes made.**

   The District did not change its boundaries in 2025.

2. **Intergovernmental Agreements entered into or terminated.**

   The District neither entered into nor terminated any intergovernmental agreements in 2025.

3. **Access information to obtain a copy of rules and regulations adopted by the board.**

   As of December 31, 2025, the District has not yet adopted any rules and regulations.

4. **A summary of litigation involving public improvements owned by the District.**

   To our actual knowledge, based on review of the court records in Arapahoe County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2025.

5. **Status of the construction of public improvements by the District.**

   The District did not construct any public improvements in 2025.

6. **A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.**

   No facilities or improvements were conveyed or dedicated to the City of Aurora in 2025.

7. **The final assessed valuation of the District as of December 31st of the reporting year.**

   The final assessed valuation of the District as of December 31, 2025 is attached hereto as **Exhibit A**.

8. **A copy of the current year's budget.**

A copy of the 2026 Budget is attached hereto as **Exhibit B**.

9. **A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.**

   The 2025 Audit is attached hereto as **Exhibit C**.

**10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.**

   To our actual knowledge, the District did not receive notice of any uncured events of default by the District, which continued beyond a ninety (90) day period, under any debt instrument.

**11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.**

   To our actual knowledge, there was not any inability of the District to pay its obligations as they came due, in accordance with the terms of such obligations, which continued beyond a ninety (90) day period.

Pursuant to the Service Plan for Waterstone Metropolitan District No. 1 (the "**District**"), the District makes the following annual report for the year ending in December 31, 2025.

## Service Plan Requirements

**1. Boundary changes made or proposed.**

The District neither changed nor proposed changes in its boundaries in 2025.

**2. Intergovernmental Agreements entered into or proposed.**

The District did not enter into any new intergovernmental agreements in 2025.

**3. Copies of the District's rules and regulations.**

As of December 31, 2025, the District has not yet adopted any rules and regulations.

**4. A summary of any litigation involving District Public Improvements as of December 31 of the prior year.**

To our actual knowledge, based on review of the court records in Arapahoe County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts' Public Improvements as of December 31, 2025.

**5. Status of the District's construction of the Public Improvements as of December 31 of the prior year.**

The District did not construct any public improvements during 2025.

**6. The assessed valuation of the District for the current year.**

The final assessed valuation of the District as of December 31, 2025 is attached hereto as **Exhibit A.**

**7. Current year budget including a description of the Public Improvements to be constructed in such year.**

A copy of the 2026 Budget is attached hereto as **Exhibit B**.

**8. Audit of the District's financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.**

The 2025 Audit is attached hereto as **Exhibit C**.

**9. Notice of any uncured events of default by the Districts, which continue beyond a ninety (90) day period, under any Debt instrument.**

To our actual knowledge, the District did not receive notice of any uncured events of default by the District, which continued beyond a ninety (90) day period, under any debt instrument.

**10. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.**

To our actual knowledge, there was not any inability of the District to pay its obligations as they came due, in accordance with the terms of such obligations, which continued beyond a ninety (90) day period.

# EXHIBIT A
## 2025 Final Assessed Valuation

**PK Kaiser, MBA, MS**

Assessor

OFFICE OF THE ASSESSOR
5334 S. Prince Street
Littleton, CO 80120-1136
Phone: 303-795-4600
TDD: Relay-711
Fax:303-797-1295
*www.arapahoeco.gov/assessor*
*assessor@arapahoegov.com*

November 25, 2025

AUTH 4752 WATERSTONE METRO DIST #1
MILLER LAW PLLC
C/O DIANNE D MILLER
1555 CALIFORNIA ST NO 505
DENVER CO 80202

Code # 4752

CERTIFICATION OF VALUATION

The Arapahoe County Assessor reports a taxable assessed valuation for your taxing entity for 2025 of:

$14,025,080

The breakdown of the taxable valuation of your property is enclosed.

As further required by CRS 39-5-128(1), you are hereby notified to officially certify your levy to the Board of County Commissioners no later than December 15.

CRS 39-1-111(5) requires that this office transmit a notification by December 10 of any changes to valuation made after the original certification.

PK Kaiser, MBA, MS
Arapahoe County Assessor

enc

4752 County Tax Entity Code

# CERTIFICATION OF VALUATION BY ARAPAHOE COUNTY ASSESSOR

New Tax Entity ☐ YES ☒ NO Date: November 25, 2025

**NAME OF TAX ENTITY:** WATERSTONE METRO DIST #1

## USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATION ("5.5%" LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2025:

| | | | | |
|---|---|---|---|---|
| 1. | PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: | 1. | $ | 12,859,381 |
| 2. | CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: ‡ | 2. | $ | 14,025,080 |
| 3. | LESS TOTAL TIF AREA INCREMENTS, IF ANY: | 3. | $ | 0 |
| 4. | CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: | 4. | $ | 14,025,080 |
| 5. | NEW CONSTRUCTION: * | 5. | $ | 96,537 |
| 6. | INCREASED PRODUCTION OF PRODUCING MINE: ≈ | 6. | $ | 0 |
| 7. | ANNEXATIONS/INCLUSIONS: | 7. | $ | 0 |
| 8. | PREVIOUSLY EXEMPT FEDERAL PROPERTY: ≈ | 8. | $ | 0 |
| 9. | NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD OR LAND (29-1-301(1)(b), C.R.S.): Φ | 9. | $ | 0 |
| 10. | TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(A), C.R.S.). Includes all revenue collected on valuation not previously certified: | 10. | $ | 0 |
| 11. | TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a), C.R.S.) and (39-10-114(1)(a)(I)(B), C.R.S.): | 11. | $ | 0 |

‡ This value reflects personal property exemptions IF enacted by the jurisdiction as authroized by Art. X, Sec 20(8)(b), Colo. Constituion
* New construction is defined as: Taxable real property structures and the personal property connected with the structure.
≈ Jurisdiction must submit to the Division of Local Government respective Certifications of Impact in order for the values to be treaed as growth in the limit calculation; use Forms DLG 52 & 52A.
Φ Jurisdiction must apply to the Division of Local Government before the value can be treated as growth in the limit calculation; use Form DLG 52B.

## USE FOR TABOR "LOCAL GROWTH" CALCULATION ONLY

IN ACCORDANCE WITH ART X, SEC.20, COLO. CONSTITUTION AND 39-5-121(2)(b), C.R.S., THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2025:

| | | | | |
|---|---|---|---|---|
| 1. | CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: ¶ | 1. | $ | 194,734,914 |
| | ***ADDITIONS*** TO TAXABLE REAL PROPERTY | | | |
| 2. | CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: | 2. | $ | 1,544,584 |
| 3. | ANNEXATIONS/INCLUSIONS: | 3. | $ | 0 |
| 4. | INCREASED MINING PRODUCTION: § | 4. | $ | 0 |
| 5. | PREVIOUSLY EXEMPT PROPERTY: | 5. | $ | 0 |
| 6. | OIL OR GAS PRODUCTION FROM A NEW WELL: | 6. | $ | 0 |
| 7. | TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT: (If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.): | 7. | $ | 0 |
| | ***DELETIONS*** FROM TAXABLE REAL PROPERTY | | | |
| 8. | DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: | 8. | $ | 0 |
| 9. | DISCONNECTIONS/EXCLUSIONS: | 9. | $ | 0 |
| 10. | PREVIOUSLY TAXABLE PROPERTY: | 10. | $ | 0 |

¶ This includes the actual value of all taxable real property plus the actual value of religious, private school, and charitable real property.
* Construction is defined as newly constructed taxable real property structures.
§ Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS:

| | | | | |
|---|---|---|---|---|
| 1. | TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY | 1. | $ | 0 |

IN ACCORDANCE WITH 39-5-128(1.5), C.R.S., THE ASSESSOR PROVIDES:

HB21-1312 VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): ** $ 0

** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119.5(3), C.R.S.

NOTE: ALL LEVIES MUST BE CERTIFIED TO THE COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

## USE FOR STATUTORY PROPERTY TAX LIMIT CALCULATION ("5.25%" LIMIT) 29-1-1703, C.R.S.

IN ACCORDANCE WITH 39-5-121(2)(A) AND 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2025:

| | | | | |
|---|---|---|---|---|
| 1. | CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: | 1. | $ | 14,025,080 |
| 2. | LESS TOTAL TIF AREA INCREMENTS, IF ANY: | 2. | $ | 0 |
| 3. | CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: | 3. | $ | 14,025,080 |
| 4. | NEW CONSTRUCTION: | 4. | $ | 96,537 |
| 5. | ANNEXATIONS/INCLUSIONS: | 5. | $ | 0 |
| 6. | PREVIOUSLY EXEMPT PROPERTY: | 6. | $ | 0 |
| 7. | TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(a), C.R.S.). Includes all revenue collected on valuation not previously certified: | 7. | $ | 0 |
| 8. | INCREASED VALUATION FOR ASSESSMENT ATTRIBUTABLE TO A CHANGE IN LAW FOR A PROPERTY TAX CLASSIFICATION: | 8. | $ | 0 |
| 9. | TAXES ABATED AND REFUNDED AS OF AUG.1 (29-1-301(1)(A), C.R.S.) and (39-10-114(1)(a)(1)(B), C.R.S.): | 9. | $ | 0 |
| 10. | TOTAL VALUATION FOR ASSESSMENT FROM PRODUCING MINES OR LANDS OR LEASEHOLDS PRODUCING OIL OR GAS: | 10. | $ | 0 |
| 11. | REVENUE INCREASE FROM EXPIRED TIF: | 11. | $ | 0 |

Notes:
The property tax limit will apply to all property taxing entities with the exception of school districts, city and county, city, or town that has adopted a home rule charter (29-1-306(1)(b), C.R.S.). The revenue limit applies to any property taxing entities that have authority to exceed current 5.5% and the TABOR limit.

The Division of Local Government ("the Division") has developed technical assistance resources to assist in taxing entities with the calculation of the property tax limit available online here (https://dlg.colorado.gov/budget-information-and-resources). Please understand that the Division has no statutory or administrative role in calculating or enforcing the property tax limit, and each taxing entity's revenue limits and voter approval history may be unique. The technical assistance resources provided by the Division with regard to the property tax limit are not definitive and not legal advice. Taxing entities may choose to calculate the property tax limit with a methodology that is different from the methodology presented in the Division's technical assistance resources. The Division always recommends that taxing entities consult with an attorney in order to understand and apply the various statutory and constitutional revenue limits that may apply to that taxing entity.

## EXHIBIT B
## 2026 Budget

**WATERSTONE METROPOLITAN DISTRICT NO. 1**

**ANNUAL BUDGET**

**FOR THE YEAR ENDING DECEMBER 31, 2026**

**WATERSTONE METROPOLITAN DISTRICT NO.1**
**SUMMARY**
**2026 BUDGET**
**WITH 2024 ACTUAL AND 2025 ESTIMATED**
**For the Years Ended and Ending December 31,**

12/29/25

| | ACTUAL 2024 | ESTIMATED 2025 | BUDGET 2026 |
|---|---|---|---|
| BEGINNING FUND BALANCES | $ 2,231,005 | $ 2,199,667 | $ 232,292 |
| REVENUES | | | |
| Property taxes | 1,018,644 | 1,011,867 | 1,034,588 |
| Specific ownership taxes | 63,476 | 55,400 | 56,903 |
| Property tax - ARI | - | 15,097 | 17,377 |
| Interest income | 146,529 | 67,000 | 35,000 |
| Other revenue | 9,272 | 132,280 | - |
| Bond issuance proceeds | - | 19,505,000 | - |
| Bond premium | - | 150,737 | - |
| Total revenues | 1,237,921 | 20,937,381 | 1,143,868 |
| TRANSFERS IN | - | - | 9,698 |
| Total funds available | 3,468,926 | 23,137,048 | 1,385,858 |
| EXPENDITURES | | | |
| General Fund | 309,873 | 223,749 | 220,000 |
| Debt Service Fund | 959,386 | 22,681,007 | 898,247 |
| Total expenditures | 1,269,259 | 22,904,756 | 1,118,247 |
| TRANSFERS OUT | - | - | 9,698 |
| Total expenditures and transfers out requiring appropriation | 1,269,259 | 22,904,756 | 1,127,945 |
| ENDING FUND BALANCES | $ 2,199,667 | $ 232,292 | $ 257,913 |
| EMERGENCY RESERVE | $ 9,100 | $ 12,700 | $ 8,500 |
| AVAILABLE FOR OPERATIONS | 906 | 193,575 | 249,413 |
| TOTAL RESERVE | $ 10,006 | $ 206,275 | $ 257,913 |

See summary of significant assumptions.

**WATERSTONE METROPOLITAN DISTRICT NO.1**
**PROPERTY TAX SUMMARY INFORMATION**
**2026 BUDGET**
**WITH 2024 ACTUAL AND 2025 ESTIMATED**
**For the Years Ended and Ending December 31,**

12/29/25

| | ACTUAL 2024 | ESTIMATED 2025 | BUDGET 2026 |
|---|---|---|---|
| ASSESSED VALUATION | | | |
| Residential | $ 11,322,316 | $ 11,681,427 | $ 11,612,554 |
| State assessed | 2,540 | 2,500 | - |
| Vacant land | 2,738,407 | 912,497 | 2,412,331 |
| Personal property | 265,155 | 262,957 | 195 |
| Certified Assessed Value | $ 14,328,418 | $ 12,859,381 | $ 14,025,080 |
| MILL LEVY | | | |
| General | 19.091 | 19.965 | 18.000 |
| Debt Service | 56.152 | 58.722 | 55.767 |
| ARI | 0.000 | 1.174 | 1.239 |
| Total mill levy | 75.243 | 79.861 | 75.006 |
| PROPERTY TAXES | | | |
| General | $ 273,544 | $ 256,738 | $ 252,451 |
| Debt Service | 804,569 | 755,129 | 782,137 |
| ARI | - | 15,097 | 17,377 |
| Levied property taxes | 1,078,113 | 1,026,964 | 1,051,965 |
| Adjustments to actual/rounding | (59,469) | - | - |
| Budgeted property taxes | $ 1,018,644 | $ 1,026,964 | $ 1,051,965 |
| **BUDGETED PROPERTY TAXES** | | | |
| **General** | **$ 258,430** | **$ 256,738** | **$ 252,451** |
| **Debt Service** | **760,214** | **755,129** | **782,137** |
| **ARI** | **-** | **15,097** | **17,377** |
| | **$ 1,018,644** | **$ 1,026,964** | **$ 1,051,965** |

See summary of significant assumptions.

**WATERSTONE METROPOLITAN DISTRICT NO.1**
**GENERAL FUND**
**2026 BUDGET**
**WITH 2024 ACTUAL AND 2025 ESTIMATED**
**For the Years Ended and Ending December 31,**

12/29/25

| | ACTUAL 2024 | ESTIMATED 2025 | BUDGET 2026 |
|---|---|---|---|
| BEGINNING FUND BALANCES | $ 19,340 | $ 10,006 | $ 206,275 |
| REVENUES | | | |
| Property taxes | 258,430 | 256,738 | 252,451 |
| Specific ownership taxes | 16,104 | 14,000 | 13,885 |
| Interest income | 16,733 | 17,000 | 15,000 |
| Other revenue | 9,272 | 132,280 | - |
| Total revenues | 300,539 | 420,018 | 281,336 |
| Total funds available | 319,879 | 430,024 | 487,611 |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | 29,443 | 32,000 | 33,000 |
| Auditing | 7,500 | 7,600 | 8,000 |
| County treasurer's fee | 3,939 | 3,851 | 3,787 |
| Dues and membership | 546 | 527 | 1,000 |
| Insurance | 2,076 | 2,771 | 3,200 |
| Legal | 18,181 | 45,000 | 35,000 |
| Transfer to HOA | 232,000 | 125,000 | 125,000 |
| Election | - | 5,000 | - |
| Website | - | 2,000 | 2,000 |
| ARI payment | 16,188 | - | - |
| Contingency | - | - | 9,013 |
| Total expenditures | 309,873 | 223,749 | 220,000 |
| TRANSFERS OUT | | | |
| Transfers to other fund | - | - | 9,698 |
| Total expenditures and transfers out requiring appropriation | 309,873 | 223,749 | 229,698 |
| ENDING FUND BALANCES | $ 10,006 | $ 206,275 | $ 257,913 |
| EMERGENCY RESERVE | $ 9,100 | $ 12,700 | $ 8,500 |
| AVAILABLE FOR OPERATIONS | 906 | 193,575 | 249,413 |
| TOTAL RESERVE | $ 10,006 | $ 206,275 | $ 257,913 |

See summary of significant assumptions.

**WATERSTONE METROPOLITAN DISTRICT NO.1**
**DEBT SERVICE FUND**
**2026 BUDGET**
**WITH 2024 ACTUAL AND 2025 ESTIMATED**
**For the Years Ended and Ending December 31,**

12/29/25

| | ACTUAL 2024 | ESTIMATED 2025 | BUDGET 2026 |
|---|---|---|---|
| BEGINNING FUND BALANCES | $ 2,211,665 | $ 2,189,661 | $ 26,017 |
| REVENUES | | | |
| Property taxes | 760,214 | 755,129 | 782,137 |
| Specific ownership taxes | 47,372 | 41,400 | 43,018 |
| Interest income | 129,796 | 50,000 | 20,000 |
| Property tax - ARI | - | 15,097 | 17,377 |
| Bond issuance proceeds | - | 19,505,000 | - |
| Bond premium | - | 150,737 | - |
| Total revenues | 937,382 | 20,517,363 | 862,532 |
| TRANSFERS IN | | | |
| Transfers from other funds | - | - | 9,698 |
| Total funds available | 3,149,047 | 22,707,024 | 898,247 |
| EXPENDITURES | | | |
| General and administrative | | | |
| County treasurer's fee | 11,586 | 11,327 | 11,732 |
| County treasurer's fee - ARI | - | 226 | 261 |
| Paying agent fees | 7,000 | 7,000 | 7,000 |
| ARI payment | - | 14,871 | 17,116 |
| Debt Service | | | |
| Bond Interest - Series 2020A | 940,800 | - | - |
| Bond Interest - Series 2025A | - | 509,476 | 767,138 |
| Bond Interest - Series 2025B | - | 174,014 | - |
| Bond Principal - Series 2025A | - | 135,000 | 95,000 |
| Refunding escrow | - | 20,875,037 | - |
| Bond issue costs | - | 954,056 | - |
| Total expenditures | 959,386 | 22,681,007 | 898,247 |
| Total expenditures and transfers out requiring appropriation | 959,386 | 22,681,007 | 898,247 |
| ENDING FUND BALANCES | $ 2,189,661 | $ 26,017 | $ - |

See summary of significant assumptions.

# WATERSTONE METROPOLITAN DISTRICT NO. 1
# 2026 BUDGET
# SUMMARY OF SIGNIFICANT ASSUMPTIONS

## Services Provided

Waterstone Metropolitan District No. 1 (the "District") was formed under a Service Plan approved by the City of Aurora, Arapahoe County, Colorado (the "City"), on August 1, 2005. The primary purpose of the District will be to provide for the planning, design, acquisition, construction installation, relocation, redevelopment, and financing of the public improvements as listed below. The District shall not be authorized to design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities, television relay and translation, nor golf courses without the City's approval of a Service Plan Amendment. The District was organized by Arapahoe County Court Order on January 26, 2006.

At an election held on November 4, 2014, the voters approved general indebtedness $75,000,000 at a maximum interest rate of 18% for each of the following improvements and services: streets, water supply, sanitary sewer, parks and recreation facilities, mosquito control, fire protection/medical emergency services, television relay and translation, public transportation, traffic and safety controls, debt refunding and intergovernmental contracts. The election authorized indebtedness of $5,000,000 for operations and maintenance. The voters also approved an annual increase in taxes of up to $615,000,000 for obligations under one or more agreements concerning the provision of public improvements between the District and a regional authority, the City, or one or more other governmental units. Additionally, the voters approved an increase in taxes of $1,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses.

Pursuant to the Districts' Service Plan filed with the City, the maximum debt mill levy for an aggregate district's debt shall be 50 mills less the number of mills necessary to pay unlimited Mill Levy Debt, which can be adjusted for changes in the method of calculating assessed valuation after January 1, 2004. The portion of aggregate District's Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation the Mill Levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $50,000,000.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

## Revenues

### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

For property tax collection year 2026, HB24B-1001 set the assessment rates as follows:

| Category | Rate | | Category | Rate |
|---|---|---|---|---|
| Single-Family Residential | 6.25% | | Agricultural Land | 27.00% |
| Multi-Family Residential | 6.25% | | Renewable Energy Land | 27.00% |
| Commercial | 27.00% | | Vacant Land | 27.00% |
| Industrial | 27.00% | | Personal Property | 27.00% |
| Lodging | 27.00% | | State Assessed | 27.00% |
| | | | Oil & Gas Production | 87.50% |

### Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 5.5% of the property taxes collected.

### Interest Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

## Expenditures

### Administrative Expenditures

Administrative expenditures for the project have been provided based on estimates of the District’s Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as legal, audit, accounting, insurance, management, maintenance and other administrative expenses.

### Transfer to HOA

The District is working on an amendment to the Contribution Agreement with the HOA.

### Debt Service

The principal and interest payments are provided based on the debt amortization schedule from the General Obligation Refunding Bonds, Series 2025A (discussed under Debt and Leases).

## Debt and Leases

On May 7, 2020, the District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A, in the par amount of $15,680,000 (the 2020A Senior Bonds). Proceeds from the sale of the 2020A Senior Bonds were used to: (i) finance public improvements related to the residential development within the City of Aurora, Colorado; (ii) fund capitalized interest on the Senior Bonds; (iii) partially fund the Senior Surplus Fund; and (iv) pay the costs of issuance of the Senior Bonds.

On March 24, 2022, the District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2022B, in the par amount of $8,405,000 (the 2022B Subordinate Bonds). Proceeds from the sale of the 2022B Subordinate Bonds were used for the purpose of paying amounts due or that may become due to the Developer under the Acquisition and Reimbursement Agreement (representing the costs of financing or refinancing Facilities and, at the election of the District, the costs of issuing the Bonds).

The 2022B Subordinate Bonds bear interest at 5.0%, payable annually to the extent Subordinate Pledged Revenue, as defined in the Subordinate Indenture, is available on December 15 each year, commencing on December 15, 2022, until the principal amount is paid at maturity or upon prior redemption (Interest Payment Date). To the extent interest is not paid when due, such interest shall compound annually on each Interest Payment Date, at the rate then borne by the Bond. The 2022B Subordinate Bonds will mature on December 15, 2052. In the event that any amount of Principal of or Interest on the Bond remains unpaid after the application of all Subordinate Pledged Revenue available therefor, on December 15, 2060, the Bonds and the Lien of Indenture securing payment therefor shall be deemed discharged.

**Debt and Leases -** (continued)

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

The 2025A Senior Bonds bear interest at rates ranging from 4.750% to 5.250% payable annually on December 1, beginning on December 1, 2025. Annual mandatory sinking fund principal payments are due annually on December 1, beginning on December 1, 2025. The 2025A Senior Bonds mature on December 1, 2054.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 1, 2060 (the "Discharge Date"). To the extent interest on any Bond is not paid when due, such interest shall compound semiannually on each June 1 and December 1 at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law in repayment of the Bonds. If any amount of principal of or interest on the Bonds remains unpaid after the application of all.

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

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

**Debt and Leases -** (continued)

On April 4, 2025, the District also issued Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025B, in the par amount of $3,915,000 (the 2025B Subordinate Bonds). Proceeds from the sale of the 2025B Subordinate Bonds were used for the purpose of paying a portion of the 2022B Subordinate Bonds.

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

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

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

The 2025A Senior Bonds and 2025B Subordinate bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| Date of Redemption | Redemption Premium |
|---|---|
| June 1, 2025, to May 31, 2026 | 3.00% |
| June 1, 2026, to May 31, 2027 | 2.00 |
| June 1, 2027, to May 31, 2028 | 1.00 |
| June 1, 2028, and thereafter | 0.00 |

The District has no operating or capital leases.

**Debt and Leases -** (continued)

The District has outstanding Developer advances with anticipated activity as follows:

| | Balance December 31, 2024 | Additions | Reductions | Balance December 31, 2025 |
|---|---|---|---|---|
| Developer Advances | $ 174,403 | $ - | $ - | $ 174,403 |
| Accrued Interest - Developer Advances | 67,421 | 14,146 | - | 81,567 |
| Total | $ 241,824 | $ 14,146 | $ - | $ 255,970 |

| | Balance December 31, 2025 | Additions | Reductions | Balance December 31, 2026 |
|---|---|---|---|---|
| Developer Advances | $ 174,403 | $ - | $ - | $ 174,403 |
| Accrued Interest - Developer Advances | 81,567 | 14,146 | - | 95,713 |
| Total | $ 255,970 | $ 14,146 | $ - | $ 270,116 |

## Reserves

### Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

**WATERSTONE METROPOLITAN DISTRICT NO. 1**
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**
**December 31, 2026**

| Year Ended December 31, | $15,590,000 General Obligation Refunding Tax Bonds Series 2025A Senior Bond Issue, Dated April 4, 2025 Interest Rate 5.000% Principal Due December 1 Interest Payable June 1 and December 1 | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 95,000 | $ 767,138 | $ 862,138 |
| 2027 | 135,000 | 762,388 | 897,388 |
| 2028 | 230,000 | 755,638 | 985,638 |
| 2029 | 285,000 | 744,138 | 1,029,138 |
| 2030 | 305,000 | 729,888 | 1,034,888 |
| 2031 | 320,000 | 714,638 | 1,034,638 |
| 2032 | 335,000 | 698,638 | 1,033,638 |
| 2033 | 355,000 | 681,888 | 1,036,888 |
| 2034 | 370,000 | 664,138 | 1,034,138 |
| 2035 | 390,000 | 645,638 | 1,035,638 |
| 2036 | 410,000 | 626,138 | 1,036,138 |
| 2037 | 430,000 | 604,613 | 1,034,613 |
| 2038 | 450,000 | 582,038 | 1,032,038 |
| 2039 | 475,000 | 558,413 | 1,033,413 |
| 2040 | 500,000 | 533,475 | 1,033,475 |
| 2041 | 530,000 | 507,225 | 1,037,225 |
| 2042 | 555,000 | 479,400 | 1,034,400 |
| 2043 | 585,000 | 450,263 | 1,035,263 |
| 2044 | 615,000 | 419,550 | 1,034,550 |
| 2045 | 645,000 | 387,263 | 1,032,263 |
| 2046 | 680,000 | 353,400 | 1,033,400 |
| 2047 | 715,000 | 321,100 | 1,036,100 |
| 2048 | 745,000 | 287,138 | 1,032,138 |
| 2049 | 785,000 | 251,750 | 1,036,750 |
| 2050 | 820,000 | 214,463 | 1,034,463 |
| 2051 | 860,000 | 175,513 | 1,035,513 |
| 2052 | 900,000 | 134,663 | 1,034,663 |
| 2053 | 945,000 | 91,913 | 1,036,913 |
| 2054 | 990,000 | 47,025 | 1,037,025 |
| Total | $ 15,455,000 | $ 14,189,463 | $ 30,288,938 |

**EXHIBIT C**
**2025 Audit**

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2025**

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


| | |
|---|---|
| **INDEPENDENT AUDITORS' REPORT** | **I** |
| **BASIC FINANCIAL STATEMENTS** | |
| **GOVERNMENT-WIDE FINANCIAL STATEMENTS** | |
| **STATEMENT OF NET POSITION** | **1** |
| **STATEMENT OF ACTIVITIES** | **2** |
| **FUND FINANCIAL STATEMENTS** | |
| **BALANCE SHEET – GOVERNMENTAL FUNDS** | **3** |
| **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS** | **4** |
| **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE 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 BASIC FINANCIAL STATEMENTS** | **7** |
| **SUPPLEMENTARY INFORMATION** | |
| **DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL** | **23** |
| **OTHER INFORMATION** | |
| **SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY** | **25** |
| **SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED** | **26** |

# INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Waterstone Metropolitan District No. 1

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterstone Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

*Disagreements with Management*

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

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

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

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

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

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

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

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

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

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

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

**Other Information**

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

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

Haynie

Littleton, Colorado
July 27, 2026

## BASIC FINANCIAL STATEMENTS

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

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

*See accompanying Notes to Basic Financial Statements.*

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

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

*See accompanying Notes to Basic Financial Statements.*

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

| | General | Debt Service | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Investments | $ 455,176 | $ - | $ 455,176 |
| Cash and Investments - Restricted | 8,700 | 28,118 | 36,818 |
| Receivable from County Treasurer | 1,225 | 3,604 | 4,829 |
| Prepaid Insurance | 2,774 | - | 2,774 |
| Property Tax Receivable | 252,451 | 799,514 | 1,051,965 |
| Total Assets | $ 720,326 | $ 831,236 | $ 1,551,562 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | |
| **LIABILITIES** | | | |
| Accounts Payable | $ 15,493 | $ - | $ 15,493 |
| Due to Other Organizations | 248,188 | 14,870 | 263,058 |
| Total Liabilities | 263,681 | 14,870 | 278,551 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Property Tax Revenue | 252,451 | 799,514 | 1,051,965 |
| Total Deferred Inflows of Resources | 252,451 | 799,514 | 1,051,965 |
| **FUND BALANCES** | | | |
| Nonspendable: | | | |
| Prepaid Expense | 2,774 | - | 2,774 |
| Restricted for: | | | |
| Emergency Reserves | 8,700 | - | 8,700 |
| Debt Service | - | 16,852 | 16,852 |
| Unassigned | 192,720 | - | 192,720 |
| Total Fund Balances | 204,194 | 16,852 | 221,046 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 720,326 | $ 831,236 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Capital Assets, Not Being Depreciated | | | 16,626,877 |
| Cost of Refunding, Net | | | 338,183 |
| Bond Insurance Cost | | | 341,722 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Accrued Interest on Bonds Payable | | | (74,327) |
| Bonds Payable | | | (19,370,000) |
| Accrued Interest on Developer Advance Payable | | | (81,567) |
| Developer Advance Payable | | | (174,403) |
| Unamortized Bond Premium | | | (145,512) |
| Net Position of Governmental Activities | | | $ (2,317,981) |

*See accompanying Notes to Basic Financial Statements.*

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

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

*See accompanying Notes to Basic Financial Statements.*

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

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ (1,978,621) |
| | |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| | |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. | |
| Bond Issuance - Series 2025A & 2025B | (19,505,000) |
| Bond Premium | (150,737) |
| Principal Payment - Series 2025B | 135,000 |
| Bond Insurance | 353,992 |
| Refunding Payment - Series 2022B | 4,728,337 |
| Refunding Payment - Series 2020A | 15,680,000 |
| Cost of Refunding | 356,300 |
| Forgiveness of Debt | 2,371,000 |
| | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Accrued Interest Payable, Bond Payable - Change in Liability | (56,922) |
| Accrued Interest Payable, Developer Advance - Change in Liability | (14,146) |
| Amortization of Bond Premium | 5,225 |
| Amortization of Bond Insurance | (12,270) |
| Amortization of Cost of Bond Refunding | (18,117) |
| | |
| Changes in Net Position of Governmental Activities | $ 1,894,041 |

*See accompanying Notes to Basic Financial Statements.*

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

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

*See accompanying Notes to Basic Financial Statements.*

## NOTE 1 DEFINITION OF REPORTING ENTITY

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

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

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

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

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Government-Wide and Fund Financial Statements

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

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Government-Wide and Fund Financial Statements (Continued)

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

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Budgets

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

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

### Pooled Cash and Investments

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

### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

**Deferred Outflows of Resources**

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

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue,* is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

Net Position

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

Fund Balance

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Equity (Continued)

Fund Balance (Continued)

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

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

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

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

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

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

### Adoption of New Accounting Standards

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

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

## NOTE 3 CASH AND INVESTMENTS

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

| | | |
|---|---|---|
| Statement of Net Position: | | |
| Cash and Investments | $ | 455,176 |
| Cash and Investments - Restricted | | 36,818 |
| Total Cash and Investments | $ | 491,994 |

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

| | | |
|---|---|---|
| Deposits with Financial Institutions | $ | 13,071 |
| Investments | | 478,923 |
| Total Cash and Investments | $ | 491,994 |

**Cash Deposits**

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

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

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

**Investments**

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

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

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

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

**Investments (Continued)**

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

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

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

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

**CSAFE**

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

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

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercialized paper, and any security allowed under CRS 24-75-601.

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

**CSAFE (Continued)**

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

**Federated Treasury Money Market Fund**

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

## NOTE 4 CAPITAL ASSETS

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

| | Balance at December 31, 2024 | Additions | Reductions | Balance at December 31, 2025 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets, Not Being | | | | |
| Construction in Progress | $ 16,626,877 | $ - | $ - | $ 16,626,877 |
| Total Capital Assets, Not Being Depreciated | $ 16,626,877 | $ - | $ - | $ 16,626,877 |

## NOTE 5 LONG-TERM OBLIGATIONS

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

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

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

**Bond Proceeds**

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

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

## NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**Senior Bonds Details**

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

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

**Senior Pledged Revenue**

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

**Senior Required Mill Levy**

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

## NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**Senior Required Mill Levy (Continued)**

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

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

**Events of Default of the Series 2025A Senior Bonds**

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

**Senior Bonds Optional Redemption**

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

| Date of Redemption | Redemption Premium |
|---|---|
| June 1, 2030 to May 31, 2031 | 3.00% |
| June 1, 2031 to May 31, 2032 | 2.00% |
| June 1, 2032 to May 31, 2033 | 1.00% |
| June 1, 2033 and thereafter | 0.00% |

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

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

## NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

### Subordinate Bond Details

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

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

### Subordinate Pledged Revenue

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

### Subordinate Required Mill Levy

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

## NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**Subordinate Required Mill Levy (Continued)**

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

**Authorized Debt**

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

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

## NOTE 6 NET POSITION

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

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

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

## NOTE 6 NET POSITION (CONTINUED)

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

## NOTE 7 RELATED PARTIES

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

**Advance and Reimbursement Agreement (Operations and Maintenance)**

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

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

## NOTE 8 RISK MANAGEMENT

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

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

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

## NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3.00% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

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

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

## SUPPLEMENTARY INFORMATION

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

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

# OTHER INFORMATION

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

| Year Ended December 31, | $15,590,000 General Obligation Limited Tax Bonds Series 2025A Senior Bond Issue, Dated April 4, 2025 Interest Rate 4.750% - 5.250% Principal Due December 1 Interest Payable June 1 and December 1 | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 95,000 | $ 767,138 | $ 862,138 |
| 2027 | 135,000 | 762,388 | 897,388 |
| 2028 | 230,000 | 755,638 | 985,638 |
| 2029 | 285,000 | 744,138 | 1,029,138 |
| 2030 | 305,000 | 729,888 | 1,034,888 |
| 2031 | 320,000 | 714,638 | 1,034,638 |
| 2032 | 335,000 | 698,638 | 1,033,638 |
| 2033 | 355,000 | 681,888 | 1,036,888 |
| 2034 | 370,000 | 664,138 | 1,034,138 |
| 2035 | 390,000 | 645,638 | 1,035,638 |
| 2036 | 410,000 | 626,138 | 1,036,138 |
| 2037 | 430,000 | 604,613 | 1,034,613 |
| 2038 | 450,000 | 582,038 | 1,032,038 |
| 2039 | 475,000 | 558,413 | 1,033,413 |
| 2040 | 500,000 | 533,475 | 1,033,475 |
| 2041 | 530,000 | 507,225 | 1,037,225 |
| 2042 | 555,000 | 479,400 | 1,034,400 |
| 2043 | 585,000 | 450,263 | 1,035,263 |
| 2044 | 615,000 | 419,550 | 1,034,550 |
| 2045 | 645,000 | 387,263 | 1,032,263 |
| 2046 | 680,000 | 353,400 | 1,033,400 |
| 2047 | 715,000 | 321,100 | 1,036,100 |
| 2048 | 745,000 | 287,138 | 1,032,138 |
| 2049 | 785,000 | 251,750 | 1,036,750 |
| 2050 | 820,000 | 214,463 | 1,034,463 |
| 2051 | 860,000 | 175,513 | 1,035,513 |
| 2052 | 900,000 | 134,663 | 1,034,663 |
| 2053 | 945,000 | 91,913 | 1,036,913 |
| 2054 | 990,000 | 47,025 | 1,037,025 |
| Total | $ 15,455,000 | $ 14,189,463 | $ 29,644,463 |

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

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

Note:

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