WATERFALL METROPOLITAN DISTRICT NO. 1

BASIC FINANCIAL STATEMENTS

December 31, 2024

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FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
Waterfall Metropolitan District No. 1
Loveland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the Waterfall Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Waterfall Metropolitan District No. 1 as of December 31, 2024, and the respective changes in financial position and, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Waterfall Metropolitan District No. 1 and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental 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 is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The supplementary information and other information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Cutler & Associates, LLC

July 16, 2025

BASIC FINANCIAL STATEMENTS

WATERFALL METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION
As of December 31, 2024

	Governmental Activities	
	2024	2023
ASSETS		
Cash and Investments	$ 204,981	$ 200,127
Restricted Cash and Investments	591,335	594,045
Accounts Receivable	2,321	1,965
Property Taxes Receivable	419,432	428,410
Prepaid Expenses	4,607	3,641
Capital Assets, depreciated, net of accumulated depreciation	176,872	194,304
TOTAL ASSETS	1,399,548	1,422,492
LIABILITIES		
Accounts Payable	9,450	9,336
Accrued Expenses	46	46
Accrued Interest	253,638	89,810
Noncurrent Liabilities		
Due within One Year	46,000	43,000
Due in more than One Year	6,058,953	6,096,953
TOTAL LIABILITIES	6,368,087	6,239,145
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	419,432	428,410
NET POSITION		
Net Investment in Capital Assets	(5,928,081)	(5,945,649)
Restricted for Emergencies	4,972	5,404
Restricted for Debt Service	593,192	595,617
Unrestricted	(58,054)	99,565
TOTAL NET POSITION	$ (5,387,971)	$ (5,245,063)

The accompanying notes are an integral part of the financial statements.

WATERFALL METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Position 2024	2023
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 191,298	$ 73,850	$ (117,448)	$ (111,228)
Interest on Long-Term Debt	526,730	-	(526,730)	(319,409)
Total Governmental Activities	$ 718,028	$ 73,850	(644,178)	(430,637)
GENERAL REVENUES				
Taxes			457,734	450,715
Interest			43,536	40,531
TOTAL GENERAL REVENUES			501,270	491,246
CHANGE IN NET POSITION			(142,908)	60,609
NET POSITION, Beginning			(5,245,063)	(5,305,672)
NET POSITION, Ending			$ (5,387,971)	$ (5,245,063)

The accompanying notes are an integral part of the financial statements.

WATERFALL METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2024

	GENERAL FUND	DEBT SERVICE FUND	TOTALS 2024	TOTALS 2023
ASSETS				
Cash and Investments	$ 204,981	$ -	$ 204,981	$ 200,127
Restricted Cash and Investments	-	591,335	591,335	594,045
Accounts Receivable	464	1,857	2,321	1,965
Property Taxes Receivable	83,881	335,551	419,432	428,410
Prepaid Expenses	4,607	-	4,607	3,641
TOTAL ASSETS	$ 293,933	$ 928,743	$ 1,222,676	$ 1,228,188
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	$ 9,450	$ -	$ 9,450	$ 9,336
Other Liabilities	46	-	46	46
TOTAL LIABILITIES	9,496	-	9,496	9,382
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	83,881	335,551	419,432	428,410
FUND EQUITY				
Fund Balance				
Nonspendable	4,607	-	4,607	3,641
Restricted for Emergencies	4,972	-	4,972	5,404
Restricted for Debt Service	-	593,192	593,192	595,617
Unassigned	190,977	-	190,977	185,734
TOTAL FUND EQUITY	200,556	593,192	793,748	790,396
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	$ 293,933	$ 928,743		
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.			176,872	194,304
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable ($5,515,000), developer advances ($589,953) and accrued interest ($253,638).			(6,358,591)	(6,229,763)
Net position of governmental activities			$ (5,387,971)	$ (5,245,063)

The accompanying notes are an integral part of the financial statements.

WATERFALL METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2024

	GENERAL FUND	DEBT SERVICE FUND	TOTALS 2024	TOTALS 2023
REVENUES				
Charges for Services	$ 73,850	$ -	$ 73,850	$ 78,750
Property Taxes	86,182	344,729	430,911	420,416
Specific Ownership Taxes	5,365	21,458	26,823	30,299
Interest	326	43,210	43,536	40,531
TOTAL REVENUES	165,723	409,397	575,120	569,996
EXPENDITURES				
Current				
General Government	159,946	13,920	173,866	172,546
Debt Service				
Principal	-	35,000	35,000	25,000
Interest	-	362,902	362,902	259,266
TOTAL EXPENDITURES	159,946	411,822	571,768	456,812
EXCESS OF REVENUES OVER (UNDER) EXPENSES	5,777	(2,425)	3,352	113,184
FUND BALANCES, Beginning	194,779	595,617	790,396	677,212
FUND BALANCES, Ending	$ 200,556	$ 593,192	$ 793,748	$ 790,396

The accompanying notes are an integral part of the financial statements.

WATERFALL METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Changes in Fund Balances - Total Governmental Funds	$	3,352
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is depreciation expense for the year.		(17,432)
Repayment of long-term debt principal and proceeds from borrowing are recorded as expenditures and revenues in the governmental funds, but the repayment reduces or increases long-term liabilities in the statement of net position. This amount includes principal payment of $35,000 and increase of accrued interest ($163,828).		(128,828)
Change in Net Position of Governmental Activities	$	(142,908)

The accompanying notes are an integral part of the financial statements.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Waterfall Metropolitan District No. 1 was established to provide financing for the construction, acquisition, and operation and maintenance of water, wastewater, streets, and other public improvements. The District is governed by a five-member Board of Directors elected by the eligible electors.

The accounting policies of the Waterfall Metropolitan District No. 1 (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the Waterfall Metropolitan District No. 1 has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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.*

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected 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.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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.

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources to service the debt of the District.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method, landscaping and signage 25 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes

The District certifies its property taxes expressed as a mill levy, on or before December 15. Property taxes attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At December 31, 2024, the District reports nonspendable fund balance in the form of prepaid expenses.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District has also classified the balance of the Debt Service Fund and restricted as its use is restricted for the repayment of long-term debt.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2024.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: ***CASH AND INVESTMENTS***

A summary of deposits and investments as of December 31, 2024 follows:

Deposits	$ 156,294
Investments	640,022
Total	**$ 796,316**

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Cash and investments are reported in the financial statements as follows:

Cash and Investments	$ 204,981
Restricted Cash and Investments	591,335
Total	**$ 796,316**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2024, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

At December 31, 2024, the District had deposits with financial institutions with a carrying amount of $156,294. The bank balances with the financial institutions were $156,294. These balances were covered by federal depository insurance.

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. The District does not have any investments requiring categorization as of December 31, 2024.

Local Government Investment Pools

The District had invested $640,022 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs.

Restricted Cash

At December 31, 2024, the District had $591,335 in a bond reserve fund as a requirement of the Senior General Obligation Limited Tax Refunding Bonds, Series 2022A.

NOTE 4: *CAPITAL ASSETS*

Capital assets activity for the year ended December 31, 2024, is summarized below:

	Balances 12/31/23	Additions	Deletions	Balances 12/31/24
Governmental Activities				
Capital Assets, depreciated				
Landscaping and Signage	$ 428,345	$ -	$ -	$ 428,345
Accumulated Depreciation				
Landscaping and Signage	234,041	17,432	-	251,473
Total Capital Assets	**$ 194,304**	**$ (17,432)**	**$ -**	**$ 176,872**

Depreciation expense was charged to the General Government activity.

NOTE 5: *LONG-TERM DEBT*

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2024.

	Balance 12/31/23	Additions	Payments	Balance 12/31/24	Due In One Year
Notes Payable – MBL34, LLC	$ 589,953	$ -	$ -	$ 589,953	$ -
2022 GO Bonds	5,550,000	-	35,000	5,515,000	46,000
Total	**$ 6,139,953**	**$ -**	**$ 35,000**	**$ 6,104,953**	**$ 46,000**

Series 2022 Limited Tax General Obligation Refunding Bonds

In May 2022, the District issued its Senior Limited Tax General Obligation Refunding Bonds, ("Series 2022A") in the amount of $4,710,000 and its Subordinate General Obligation Limited Tax Refunding Bonds in the amount of $985,000. Principal payments on the Series 2022A Bonds are due annually on December 1 and interest payments are due semi-annually on December 1 and June 1, through December 1, 2052. Interest accrues annually and is payable at a rate of 5.25%. The Series 2022B Bonds are only payable to the extent the Subordinate Pledged Revenues are available and accrue interest at a rate of 8.25%

The Bonds are subject to redemption prior to maturity, at the option of the District, either in whole or multiples of $1,000 on December 1, 2027 or thereafter. The Bonds are also subject to mandatory sinking fund redemption in part, by lot, on December 1, 2022 for the Series 2022A bonds and, and each December 1 is thereafter, for the 2022B bonds on December 1, 2022, and each December 1 thereafter.

NOTE 5: ***LONG-TERM DEBT*** (Continued)

Future debt service requirements are as follows:

Year Ended December 31,	Principal	Interest	Total
2025	$ 46,000	$ 315,045	$ 361,045
2026	56,000	312,301	368,301
2027	60,000	309,030	369,030
2028	70,000	305,430	375,430
2029	75,000	301,305	376,305
2030 - 2034	521,000	1,427,424	1,948,424
2035 - 2039	806,000	1,238,121	2,044,121
2040 - 2044	1,208,000	946,028	2,154,028
2045 – 2049	1,385,000	549,480	1,934,480
2050 - 2052	1,288,000	155,137	1,443,137
Total	**$ 5,515,000**	**$ 5,859,301**	**$11,374,301**

Notes Payable – MBL34, LLC

On January 1, 2010, the District entered into an Amended and Restated Improvement Acquisition and Reimbursement Agreement, as subsequently amended ("2010 Acquisition and Reimbursement Agreement"), with Boyd Lake Village, LLC ("BLV") pursuant to which BLV constructed certain public improvements and conveyed the same to the District in exchange for the District's issuance to BLV of a Revenue and Limited Tax Obligation Subordinate Promissory Note dated January 1, 2010 ("2010 Subordinate Note"). On September 30, 2010, BLV assigned all its rights, title and interest in the 2010 Acquisition and Reimbursement Agreement and the 2010 Subordinate Note to MBL 34, LLC ("MBL"). A portion of the proceeds from the 2011 Loan was used to pay down principal on the 2010 Subordinate Note, which note was refunded and a new Revenue and Limited Tax Obligation Subordinate Promissory Note dated June 28, 2011, issued to MBL ("2011 Subordinate Note").

With the issuance of the District's 2016A Bonds, the District refunded the 2011 Subordinate Note and issued a new Revenue and Limited Tax Obligation Subordinate Promissory Note to MBL, dated December 27, 2016 ("2016 Subordinate Note"). The interest rate on the 2016 Subordinate Note is at the Prime Rate plus two percentage points not to exceed 12%. At December 31, 2024, this rate was 10.50%. This note matures on January 1, 2050.

NOTE 5: *LONG-TERM DEBT* (Continued)

Authorized Debt

Per the Consolidated Service Plan for Waterfall Metropolitan Districts Nos. 1 and 2 (approved by the City of Loveland Council on April 1, 2008) the maximum amount of debt that Waterfall Metropolitan District No. 1 and 2 may incur is $18,000,000; provided, however, District No. 1 shall not incur debt in excess of $12,000,000 and District No. 2 shall not incur debt in excess of $6,000,000. On May 17, 2019, District No. 2 was dissolved, and the maximum amount of debt that District No. 1 may incur remains at $12,000,000.

NOTE 6: *RELATED PARTIES*

The members of the Board of Directors are employees of McWhinney Real Estate Services, LLC., Manager of MBL 34, LLC, owners, or are otherwise associated with the developer, MBL34, LLC, individually, and may have conflicts of interest in dealing with the District. The above named developer is the current developer of the property within the District and the current holder of the 2016 Subordinate Note dated December 27, 2016.

NOTE 7: *RISK MANAGEMENT*

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2024. 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 the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 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 8: ***COMMITMENTS AND CONTINGENCIES***

TABOR Amendment

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2024, the emergency reserve of $4,972 was recorded in the General Fund.

NOTE 9: ***SUBSEQUENT EVENTS***

Potential subsequent events were considered through July 16, 2025. It was determined that the no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

WATERFALL METROPOLITAN DISTRICT NO. 1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2024

	2024			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2023 ACTUAL
REVENUES				
O & M Fee	$ 73,850	$ 73,850	$ -	$ 78,750
Specific Ownership	5,998	5,365	(633)	6,060
Property Taxes	85,682	86,182	500	84,083
Interest	-	326	326	396
TOTAL REVENUES	165,530	165,723	193	169,289
EXPENDITURES				
Current				
General Government				
Accounting and Administration	33,000	33,000	-	32,000
Director's Fees	2,150	646	1,504	753
District Management	41,000	41,000	-	39,500
District Engineer	5,000	-	5,000	-
Elections	-	198	(198)	1,211
Insurance	4,000	3,641	359	3,478
Landscape Maintenance	38,350	32,355	5,995	36,985
Repairs and Replacements	19,000	17,539	1,461	22,556
Legal Expenses	10,000	7,202	2,798	4,855
Office, Dues and Other	2,800	1,534	1,266	1,468
Treasurer's Fees	1,714	1,730	(16)	1,690
Utilities	15,000	20,332	(5,332)	13,928
Storm Water Facilities	1,250	-	1,250	352
Other Expenses	1,450	769	681	12
TOTAL EXPENDITURES	174,714	159,946	14,768	158,788
NET CHANGE IN FUND BALANCE	(9,184)	5,777	14,961	10,501
FUND BALANCE, Beginning	183,907	194,779	10,872	184,278
FUND BALANCE, Ending	$ 174,723	$ 200,556	$ 25,833	$ 194,779

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULE

WATERFALL METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2024

	2024				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2023 ACTUAL
REVENUES					
Property Taxes	$ 342,728	$ 342,728	$ 344,729	$ 2,001	$ 336,333
Specific Ownership Taxes	23,991	23,991	21,458	(2,533)	24,239
Interest Income	22,500	22,500	43,210	20,710	40,135
TOTAL REVENUES	389,219	389,219	409,397	20,178	400,707
EXPENDITURES					
Current					
General Government					
Fees	13,355	13,355	13,920	(565)	13,758
Debt Service					
Principal	43,000	43,000	35,000	8,000	25,000
Interest	314,052	591,474	362,902	228,572	259,266
				-	
TOTAL EXPENDITURES	370,407	647,829	411,822	236,007	298,024
NET CHANGE IN FUND BALANCE	18,812	(258,610)	(2,425)	256,185	102,683
FUND BALANCE, Beginning	557,200	557,200	595,617	(38,417)	492,934
FUND BALANCE, Ending	$ 576,012	$ 298,590	$ 593,192	$ 294,602	$ 595,617

See the accompanying independent auditors' report.