

**POUDRE TECH METROPOLITAN DISTRICT
WATER VALLEY METROPOLITAN DISTRICT NOS. 1 & 2**

**2020 CONSOLIDATED
ANNUAL REPORT TO
THE TOWN OF WINDSOR**

Pursuant to the Second Amended and Consolidated Service Plan for the Poudre Tech Metropolitan District and Water Valley Metropolitan District Nos. 1 & 2 (each a “District” and collectively, the “Districts”), in accordance with §32-1-207(3)(c), C.R.S., and in accordance with the requirements set forth in Section 19-1-80 of the Windsor Municipal Code, the Districts are required to submit an annual report with the Town Clerk of the Town of Windsor not later than September 1st of each year following the year in which the Order and Decree creating the Districts has been issued by the District Court in and for the County of Weld, Colorado. This report contains information relating to the following matters of the Districts that occurred in 2020:

1. A narrative summary of the progress of the Districts in implementing the Service Plan for the report year;

The Districts continue to implement their service plan through the provision of numerous operations services, non-potable water service, and financing of public improvements through the issuance of debt.

2. Except when exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the Districts for the report year including a statement of financial condition (*i.e.*, balance sheet) as of December 31 of the report year and the statement of operations (*i.e.*, revenues and expenditures) for the report year;

See attached copies of the audited financial statements for 2020 as **Exhibit A**.

3. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the Districts in development of Public Improvements in the report year;

See attached copies of the Districts’ 2021 Budgets as **Exhibit B**

4. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the Districts at the end of the report year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the report year, the amount of payment or retirement of existing indebtedness of the Districts in the report year, the total assessed valuation of all taxable properties within the Districts as of January 1

of the report year and the current mill levy of the Districts pledged to debt retirement in the report year; and

See attached copies of the Districts' 2021 Budgets as **Exhibit B**

Assessed Valuation of all taxable property within the Districts for the report year, as certified by the Weld County Assessor:

Poudre Tech MD	\$5,780
Water Valley MD No. 1	\$34,496,110
Water Valley MD No. 2	\$63,402,150

EXHIBIT A
2020 Audited Financial Statements

WATER VALLEY METROPOLITAN DISTRICT NO. 1
Weld County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
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INSERT INDEPENDENT AUDITOR'S REPORT

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

This section of the annual financial report offers readers of the Water Valley Metropolitan District No. 1's ("District") financial statements its management's discussion and analysis of the District's financial performance during the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Background Information

The District, a quasi-municipal corporation, was formed November 23, 1994, and is governed pursuant to provisions of the Colorado Special District Act. The original consolidated service plan between the District and Poudre Tech Metropolitan District was approved on September 12, 1994, the first modification was approved on March 27, 1995, and the second modification was approved on September 27, 1999. The District's service area is located in Windsor, Colorado.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets at the close of 2020 by \$6.2 million (net deficit). This deficit/negative unrestricted net position is mainly due to the District being responsible for the payment of debts obtained for the construction of public improvements dedicated or to be dedicated to other entities and public improvements owned or to be owned by Poudre Tech Metropolitan District (Operating District).
- During 2020, general revenues totaled \$1.5 million and accounted for 100% of all revenues; the District had no program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions.
- Property taxes represent the majority of revenue sources for the District and increased by \$21 thousand, approximately 1.5% increase over the prior year. The increase in property taxes is offset by a decrease in specific ownership taxes by \$27 thousand, approximately 27.9% decrease from the prior year.
- The District had \$1.2 million in expenditures related to governmental activities, of which \$900 thousand represents transfers to Poudre Tech Metropolitan District pursuant to a Capital Pledge Agreement, as thrice amended, and a District Operating Agreement (see Note 8). None of the District's expenditures were offset by program specific charges for services and operating grants and contributions.
- The District has no capital assets. Pursuant to the Amended/Restated Facilities Construction and Service Agreement, certain public improvements constructed within the District will be owned and operated by Poudre Tech Metropolitan District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Overview of the Financial Statements

This annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements reflect how basic services were financed in the short-term as well as what remains for future spending.

The financial statements include notes that explain some of the information in the statements and required and other supplementary information which provide more detailed data. See below for a summary of the major features of the Government-wide and Fund Financial Statements.

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary
Required Financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Government-Wide Statements

The government-wide statements are designed to provide readers a broad overview of the Water Valley Metropolitan District No. 1 finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The statements provide both short-term and long-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets and liabilities, as well as deferred outflows of resources and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Valley Metropolitan District No. 1 is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are most of the District's basic services. The basic government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has only one fund category type, governmental fund types.

- ***Governmental Funds:*** All of the District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end, which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Water Valley Metropolitan District No. 1 maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, found on pages 3-5 of this report. Budgetary financial statement for the General Fund can be found on page 6 of this report.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-17 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. This includes the budgetary financial schedule for the Debt Service Fund (page 19) and a Schedule of Debt Service Requirements to Maturity (page 20).

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

Table 1 provides a summary of the District's net position at December 31, 2020 and 2019.

**Table 1
Condensed Statement of Net Position**

	2020	2019
ASSETS		
Current Assets	\$ 1,934,917	\$ 1,834,308
Total Assets	1,934,917	1,834,308
LIABILITIES		
Current Liabilities	243,175	238,645
Long-Term Liabilities	6,404,649	6,642,829
Total Liabilities	6,647,824	6,881,474
DEFERRED INFLOWS OF RESOURCES	1,446,870	1,465,580
NET POSITION		
Unrestricted	(6,159,777)	(6,512,746)
Total Net Position	\$ (6,159,777)	\$ (6,512,746)

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

**Table 2
Changes in Net Position from Operating Results**

	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	\$ -	\$ -
Operating Grants and Contributions	-	-
Capital Grants and Contributions	-	-
General Revenues:		
Taxes	1,528,878	1,534,837
Interest Income	13,607	12,792
Total Revenues	1,542,485	1,547,629
EXPENSES		
General Government	9,590	9,338
Transfer to Poudre Tech Metro District - Operations and Capital	519,924	641,947
Transfer to Poudre Tech Metro District - Series 2010 Bonds	379,620	377,869
Interest and Related Costs on Long-Term Debt	280,382	285,036
Total Expenses	1,189,516	1,314,190
CHANGE IN NET POSITION	\$ 352,969	\$ 233,439

Table 2 provides a summary of the changes in net position.

Property and specific ownership taxes account for most of the District's revenues. The District's expenditures predominantly relate to its obligation to Poudre Tech Metropolitan District pursuant to a Capital Pledge Agreement (to pay debt service of 2010 Bonds issued by Poudre Tech Metropolitan District) and an Amended/Restated Facilities Construction and Service Agreement (to construct public improvements benefitting the District).

Governmental Activities

The change in net position for governmental activities was \$352,969 in 2020.

The statement of activities shows the cost of program services and the related charges for services and grant offsetting those costs. Table 3 reflects each program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted property taxes.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
General Government	\$ 9,590	\$ (9,590)
Intergovernmental	899,544	(899,544)
Interest and Related Costs on Long-Term Debt	280,382	(280,382)
Total	\$ 1,189,516	\$ (1,189,516)

Financial Analysis of District Funds

General Fund

The General Fund provides for general operating costs of the District. The primary funding source for the General Fund is property taxes.

As of December 31, 2020, the District has not provided for an emergency reserve fund equal to at least 3% of the fiscal year spending, as defined under TABOR, because all revenues in the General Fund are intended to be and are being transferred to Poudre Tech Metropolitan District, Operating District, which carries/reports the required reserve amount. However, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transaction on a basis of cash receipts and disbursements.

Debt Administration

Long-Term Debt

On July 8, 2016, the District issued \$7,100,000 in General Obligation Refunding Bonds, Series 2016 (Bonds) to prepay the Loan at First Western Trust Bank. The Bonds are general obligations of the District secured and payable from Pledged Revenue, which include Property Tax Revenue, net of costs of collection, and any other legally available amounts.

**Table 4
Outstanding Long-Term Debt**

	2020	2019	Percent of Change 2019-2020
Government Activities:			
General Obligation Refunding Bonds, Series 2016	\$ 6,395,000	\$ 6,610,000	
Total	\$ 6,395,000	\$ 6,610,000	-3.25%

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Economic Factors and Next Year's Budget

- The District is a mature district with all its residential lots having been developed and built. Within the District, there have been a total of 844 dwelling units built, including: 591 single-family detached dwelling units, 125 single-family attached dwelling units, and 128 multi-family units (condominiums). As to commercial development in the District, of the 28 acres zoned for commercial/office/retail uses, a total of approximately 16 acres have been developed into a total of approximately 24,285 square feet of office space and approximately 56,583 square feet of commercial / retail space.
- The District is in the center of Northern Colorado, an area that is continuing to enjoy a very robust and growing regional economy and an associated material increase in property values. As the regional economy continues to grow, so too are the values of residential and commercial real estate within the District. 2021 is a reassessment year in the State of Colorado and, based on preliminary indications, the District is anticipating a material increases in assessed values of properties within the District. To date, neither District operations nor property values within the District have been adversely impacted by the ongoing COVID pandemic.
- The total Certified Assessed Value of Oil and Gas within the District for 2020 (tax collection in 2021) remained virtually unchanged from 2019 (tax collection in 2020), going from \$4,771,580 to \$4,738,340. Going forward, the financial impact of oil and gas to the District is variable and will be predicated on the price of oil and gas over time, the actual amount of oil and gas produced from each well, and the number of new wells, if any, brought online.
- For 2021, total assessed value within the district remained relatively unchanged: \$34,942,180 for 2020 vs. \$34,496,110 for 2021.

Contacting the District's Financial Management Team

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Water Valley Metropolitan District No. 1
1625 Pelican Lakes Point, Suite 201
Windsor, Colorado 80550

BASIC FINANCIAL STATEMENTS

WATER VALLEY METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 105,966
Cash and Investments - Restricted	250,948
Receivable - County Treasurer	131,133
Property Taxes Receivable	1,446,870
Total Assets	1,934,917
LIABILITIES	
Accrued Interest Payable - Bonds	23,175
Noncurrent Liabilities:	
Due Within One Year	220,000
Due in More than One Year	6,404,649
Total Liabilities	6,647,824
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,446,870
Total Deferred Inflows of Resources	1,446,870
NET POSITION	
Unrestricted	(6,159,777)
Total Net Position	\$ (6,159,777)

See accompanying Notes to Basic Financial Statements.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 9,590	\$ -	\$ -	\$ -	\$ (9,590)
Intergovernmental - Transfers to PTMD - for Operations and Capital Costs	519,924	-	-	-	(519,924)
Intergovernmental - Transfers to PTMD - for Debt Service	379,620	-	-	-	(379,620)
Interest and Related Costs on Long-Term Debt	280,382	-	-	-	(280,382)
	<u>\$ 1,189,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,189,516)</u>
GENERAL REVENUES					
Property Taxes					1,459,313
Specific Ownership Taxes					69,565
Interest Income					13,607
Total General Revenues					<u>1,542,485</u>
CHANGE IN NET POSITION					
					352,969
Net Position - Beginning of Year					<u>(6,512,746)</u>
NET POSITION - END OF YEAR					
					<u>\$ (6,159,777)</u>

See accompanying Notes to Basic Financial Statements.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 105,966	\$ -	\$ 105,966
Cash and Investments - Restricted	-	250,948	250,948
Receivable - County Treasurer	55,692	75,441	131,133
Due from other funds	81,720	-	81,720
Property Taxes Receivable	607,752	839,118	1,446,870
Total Assets	\$ 851,130	\$ 1,165,507	\$ 2,016,637
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ 81,720	\$ 81,720
Total Liabilities	-	81,720	81,720
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	607,752	839,118	1,446,870
Total Deferred Inflows of Resources	607,752	839,118	1,446,870
FUND BALANCES			
Restricted			
Debt Service	-	244,669	244,669
Committed			
Operations (PTMD)	243,378	-	243,378
Total Fund Balances	243,378	244,669	488,047
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 851,130	\$ 1,165,507	

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

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

Bonds Payable	(6,395,000)
Bond Premium	(229,649)
Accrued Interest Payable - Bonds	(23,175)

Net Position of Governmental Activities	\$ (6,159,777)
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See accompanying Notes to Basic Financial Statements.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 619,763	\$ 839,550	\$ 1,459,313
Specific Ownership Taxes	29,544	40,021	69,565
Interest Income	5,189	8,418	13,607
Total Revenues	<u>654,496</u>	<u>887,989</u>	<u>1,542,485</u>
EXPENDITURES			
County Treasurer's Fees	9,370	12,693	22,063
2016 G.O. Bonds - Interest	-	283,738	283,738
2016 G.O. Bonds - Principal	-	215,000	215,000
Paying Agent Fees	-	2,500	2,500
Miscellaneous	220	101	321
Transfers to PTMD - Operations and Capital Costs	519,924	-	519,924
Transfers to PTMD - Series 2010 Bonds	-	379,620	379,620
Total Expenditures	<u>529,514</u>	<u>893,652</u>	<u>1,423,166</u>
NET CHANGE IN FUND BALANCES	124,982	(5,663)	119,319
Fund Balances - Beginning of Year	<u>118,396</u>	<u>250,332</u>	<u>368,728</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 243,378</u></u>	<u><u>\$ 244,669</u></u>	<u><u>\$ 488,047</u></u>

See accompanying Notes to Basic Financial Statements.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Governmental Fund	\$ 119,319
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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 governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

2016 G.O. Bond - Principal Payment	215,000
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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 on Bonds - Change in Liability	470
Amortization of Bond Premium	<u>18,180</u>

Change in Net Position of Governmental Activities	<u><u>\$ 352,969</u></u>
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**WATER VALLEY METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 622,425	\$ 619,763	\$ (2,662)
Specific Ownership Taxes	43,570	29,544	(14,026)
Interest Income	1,000	5,189	4,189
Total Revenues	<u>666,995</u>	<u>654,496</u>	<u>(12,499)</u>
EXPENDITURES			
County Treasurer's Fees	9,336	9,370	(34)
Miscellaneous	200	220	(20)
Transfers to PTMD - Operations and Capital Costs	657,459	519,924	137,535
Total Expenditures	<u>666,995</u>	<u>529,514</u>	<u>137,481</u>
NET CHANGE IN FUND BALANCES	-	124,982	124,982
Fund Balances - Beginning of Year	<u>100,000</u>	<u>118,396</u>	<u>18,396</u>
FUND BALANCES - END OF YEAR	<u>\$ 100,000</u>	<u>\$ 243,378</u>	<u>\$ 143,378</u>

See accompanying Notes to Basic Financial Statements.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Water Valley Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado, in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is a Financing District organized in conjunction with two other related Districts – Poudre Tech Metropolitan District and Water Valley Metropolitan District No. 2. Poudre Tech Metropolitan District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for Water Valley Metropolitan District Nos. 1 and 2 (Financing Districts) which are responsible for providing the tax base needed to support the financing of capital 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

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 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.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 as general revenues.

Separate financial statements are provided for 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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, interest, and other related costs of debts issued by the District and Poudre Tech Metropolitan District (Operating District).

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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.

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 always 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, sale 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 unearned property tax revenue is recorded as revenue in the year they are available or collected.

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 expenditures.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position 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, *deferred 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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted.

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:

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.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 105,966
Cash and Investments - Restricted	<u>250,948</u>
Total Cash and Investments	<u><u>\$ 356,914</u></u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 105,966
Investments	<u>250,948</u>
Total Cash and Investments	<u><u>\$ 356,914</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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.

At December 31, 2020, the District's cash deposits had a bank and carrying balance of \$105,966.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

The District generally limits its concentration of investments to those 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.

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, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government	Weighted Average Under	
Liquid Asset Trust (COLOTRUST)	60 Days	<u>\$ 250,948</u>

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Payments/ Reductions	Balance at December 31, 2020	Due Within One Year
General Obligation Refunding					
Bonds, Series 2016	\$ 6,610,000		\$ 215,000	\$ 6,395,000	\$ 220,000
Total	<u>6,610,000</u>	-	<u>215,000</u>	<u>6,395,000</u>	<u>\$ 220,000</u>
Series 2016 Bond Premium	247,829		18,180	229,649	
Total	<u>\$ 6,857,829</u>	<u>\$ -</u>	<u>\$ 233,180</u>	<u>\$ 6,624,649</u>	

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

On January 31, 2014, the District entered into a Loan Agreement with First Western Trust Bank to obtain a loan in the aggregate original principal amount of up to \$7,210,000 (Loan). The maturity date of the Loan is January 31, 2021, with an interest rate of 4.04%, paid semi-annually on June 1 and December 1. The proceeds of the initial draw from the Loan were used to (i) advance refund the District's Series 2004 and Series 2007 Bonds in order to reduce annual interest costs and effect other economies, (ii) to finance additional costs of public improvements, and (iii) pay for the costs of issuing the Loan.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

On July 8, 2016, the District issued \$7,100,000 in General Obligation Refunding Bonds, Series 2016 (2016 Bonds) to prepay the Loan described above. The 2016 Bonds are general obligations of the District secured and payable from Pledged Revenue which include Property Tax Revenue, net of costs of collection, and any other legally available amounts. The 2016 Bonds are due December 1, 2040, with an interest rate of 2.00%-5.25%, paid semiannually on June 1 and December 1. The 2016 Bonds maturing on and after December 1, 2035, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District is to determine and by lot within maturities), on December 1, 2026, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium. The 2016 Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee is to determine, on December 1 of each year at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest.

The 2016 Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 220,000	\$ 278,094	\$ 498,094
2022	225,000	272,044	497,044
2023	235,000	265,294	500,294
2024	240,000	257,950	497,950
2025	250,000	250,150	500,150
2026-2030	1,390,000	1,106,760	2,496,760
2031-2035	1,690,000	804,164	2,494,164
2036-2040	2,145,000	349,652	2,494,652
Total	<u>\$ 6,395,000</u>	<u>\$ 3,584,108</u>	<u>\$ 9,979,108</u>

Further, the District entered into a Capital Pledge Agreement in October 2010, as amended on January 31, 2014, and again on April 21, 2015, pursuant to which the District is obligated to impose an ad valorem property tax levy without limitation as to the rate to pay a portion of principal and accrued interest on Poudre Tech Metropolitan District's Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2010 A, B and C in the aggregate principal amount of \$25,675,000 issued pursuant to a 2010 Indenture of Trust with UMB Bank. During 2020, the District transferred \$379,620 to Poudre Tech Metropolitan District in compliance of its obligation under the Capital Pledge Agreement.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 AUTHORIZED DEBT

On November 8, 1994, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$21,565,000. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 8, 1994	Authorization Used for 2004 Bonds	Authorization Used for 2007 Bonds	Authorization Used for Pledge Agreement with Operating District 2010 Bonds	Authorization Used for Portion of 2014 Refunding	Authorization Used for 2014 Loan	Authorized But Unissued
Water	\$ 3,175,000	\$ (507,000)	\$ (367,500)	\$ (1,778,334)	\$ (522,166)	\$ -	\$ -
Sanitation	3,415,000	(1,267,500)	(918,750)	-	(1,228,750)	-	-
Streets	6,590,000	(507,000)	(367,500)	-	(655,300)	-	5,060,200
Parks and Recreation	6,615,000	(253,500)	(892,500)	-	(1,257,675)	(2,934,325)	1,277,000
Traffic/Safety Protection	450,000	-	(78,750)	-	-	-	371,250
Fire Protection	795,000	-	-	-	-	-	795,000
TV Relay/ Translation	525,000	-	-	-	-	-	525,000
Total	\$ 21,565,000	\$ (2,535,000)	\$ (2,625,000)	\$ (1,778,334)	\$ (3,663,891)	\$ (2,934,325)	\$ 8,028,450

Pursuant to the Service Plan, the maximum general obligation bonded indebtedness for Financing Districts is not expected to exceed \$21,000,000 exclusive of costs of issuance, organization costs, inflation, contingencies, and other similar costs.

The 2016 Bonds constitutes a financing of District indebtedness at a lower interest rate and the principal amount of the Bonds is not in excess of the original principal amount of the Loan; therefore, the issuance of the 2016 Bonds did not require electoral authorization.

In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any future debt issuances are not determinable.

NOTE 6 NET POSITION

The District has a deficit unrestricted net position. This negative net position is a result of the District being responsible for the repayment of long-term debt and accrued interest issued to finance public improvements previously constructed and/or acquired by Poudre Tech Metropolitan District, Operating District, for the benefit of the District, which public improvements are either owned and maintained by the Operating District or conveyed to other governmental entities.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 RELATED PARTIES

The developer of the property which constitutes the District is Trollco Inc., a Colorado corporation (Developer). Certain members of the Board of Directors of the District are officers or employees of or related to the Developer or an entity affiliated with the Developer or the majority owner of the Developer, and may have conflicts of interest in dealing with the District.

NOTE 8 AGREEMENTS

District Operating Agreement

Poudre Tech Metropolitan District (Operating District) and District Nos. 1 and 2 (collectively, the Taxing Districts) have entered into a District Operating Agreement dated January 30, 2014. The purpose of the District Operating Agreement is to set forth the rights and obligations of the Taxing Districts to fully fund and of the Operating District to provide operations on behalf of all the Districts. Based on the integrated nature of the public improvements, it is most efficient and cost effective to combine the operations, maintenance and administration and to have the Operating District provide those services for the benefit of all the Districts. The agreement shall be interpreted consistent with the Service Plan.

Capital Pledge Agreement

The District entered into a Capital Pledge Agreement in October 2010, as amended on January 31, 2014, and again on April 21, 2015, pursuant to which the District is obligated to impose an ad valorem property tax levy without limitation as to the rate to pay for a portion of principal and accrued interest payable on PTMD's Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2010 A, B and C in the aggregate principal amount of \$25,675,000 issued pursuant to a 2010 Indenture of Trust with UMB Bank (2010 Bonds).

The First Amendment, dated January 31, 2014, made changes to the allocation between District Nos. 1 and 2's required debt service on the 2010 Bonds. The Districts later determined that the changes were not necessary, and therefore, the Capital Pledge Agreement, was amended for a second time on April 21, 2015, to reinstate the original definitions and allocations.

The Third Amendment, dated September 1, 2020, made changes to provide payment to the 2020 Operating District Bonds, to remove UMB as a party to the Original Pledge Agreement and add US Bank as a party.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 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 10 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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2020, the District has not provided for an emergency reserve equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to Poudre Tech Metropolitan District, the Operating District. However, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

The District's management has taken steps it believes are necessary to comply 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.

SUPPLEMENTARY INFORMATION

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 843,155	\$ 839,550	\$ (3,605)
Specific Ownership Taxes	59,021	40,021	(19,000)
Interest Income	2,500	8,418	5,918
Total Revenues	<u>904,676</u>	<u>887,989</u>	<u>(16,687)</u>
EXPENDITURES			
County Treasurer's Fees	12,647	12,693	(46)
2016 G.O. Bonds - Interest	283,737	283,738	(1)
2016 G.O. Bonds - Principal	215,000	215,000	-
Paying Agent Fees	2,500	2,500	-
Miscellaneous	2,496	101	2,395
Transfers to PTMD - Series 2010 Bonds	379,620	379,620	-
Total Expenditures	<u>896,000</u>	<u>893,652</u>	<u>2,348</u>
NET CHANGE IN FUND BALANCE	8,676	(5,663)	(14,339)
Fund Balance - Beginning of Year	<u>250,856</u>	<u>250,332</u>	<u>(524)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 259,532</u></u>	<u><u>\$ 244,669</u></u>	<u><u>\$ (14,863)</u></u>

WATER VALLEY METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020

\$7,100,000 General Obligation Refunding Bonds, Series 2016
Dated July 8, 2016
Principal Due December 1, Interest Rate 2.00%-5.25%
Payable June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 220,000	\$ 278,094	\$ 498,094
2022	225,000	272,044	497,044
2023	235,000	265,294	500,294
2024	240,000	257,950	497,950
2025	250,000	250,150	500,150
2026	260,000	241,712	501,712
2027	265,000	232,612	497,612
2028	275,000	222,012	497,012
2029	290,000	211,012	501,012
2030	300,000	199,412	499,412
2031	310,000	187,412	497,412
2032	325,000	175,013	500,013
2033	335,000	162,013	497,013
2034	350,000	148,613	498,613
2035	370,000	131,113	501,113
2036	385,000	112,613	497,613
2037	405,000	92,400	497,400
2038	430,000	71,138	501,138
2039	450,000	48,563	498,563
2040	475,000	24,938	499,938
Total	<u>\$ 6,395,000</u>	<u>\$ 3,584,108</u>	<u>\$ 9,979,108</u>

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016**

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE II
HISTORY OF DISTRICT'S ASSESSED VALUATION AND MILL LEVIES
YEAR ENDED DECEMBER 31, 2020**

Levy/Collection Year	Assessed Valuation	Percent Increase	Mill Levies		
			General Fund	Debt Service Fund	Total Mill Levy
2010/2011	\$ 26,688,250	- %	10.000	10.000	20.000
2011/2012	23,459,270	(12.10)%	10.000	16.000	26.000
2012/2013	23,145,380	(1.34)%	6.000	33.000	39.000
2013/2014	22,683,319	(2.00)%	7.000	32.000	39.000
2014/2015	22,201,960	(2.12)%	13.250	25.750	39.000
2015/2016	42,796,050	92.76 %	13.300	25.700	39.000
2016/2017	47,810,900	11.72 %	30.430	8.570	39.000
2017/2018	43,490,270	(9.04)%	20.070	18.930	39.000
2018/2019	34,982,840	(19.56)%	17.644	23.495	41.139
2019/2020	34,942,180	(0.12)%	17.813	24.130	41.943
2020/2021	34,496,110	(1.28)%	17.618	24.325	41.943

Sources: Weld County Assessor's Office and the District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE III
2018 ASSESSED AND "ACTUAL" VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT
YEAR ENDED DECEMBER 31, 2020**

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Oil and Gas	\$ 4,738,340	13.74 %	\$ 7,793,495	2.18 %
Residential	23,520,960	68.19 %	328,981,821	91.82
Vacant Land	166,790	0.48 %	575,170	0.16
Commercial	4,588,080	13.30 %	15,821,025	4.42
State Assessed	694,820	2.01 %	2,395,893	0.67
Industrial	783,520	2.27 %	2,701,779	0.75
Agricultural	3,600	0.01 %	12,412	0.00
Total	<u>\$ 34,496,110</u>	<u>100.00 %</u>	<u>\$ 358,281,595</u>	<u>100.00 %</u>

Source: Weld County Assessor's Office

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE IV
HISTORY OF DISTRICT'S PROPERTY TAX COLLECTIONS
YEAR ENDED DECEMBER 31, 2020**

Levy/Collection Year	Taxes Levied	Property Tax Collections	Tax Collections as Percent of Tax Levied
2010/2011	\$ 533,765	\$ 523,386	98.06 %
2011/2012	609,941	609,133	99.87
2012/2013	902,670	896,487	99.32
2013/2014	884,649	874,174	98.82
2014/2015	865,876	850,566	98.23
2015/2016	1,669,045	1,668,329	99.96
2016/2017	1,864,625	1,863,857	99.96
2017/2018	1,696,121	1,696,162	100.00
2018/2019	1,439,159	1,438,325	99.94
2019/2020	1,465,580	1,459,313	99.57

Source: Through 2014/2015 - from the Official Statement for the General Obligation Refunding Bonds,

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE VII
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Property Taxes	\$ 568,943	\$ 1,454,287	\$ 872,871	\$ 616,879	\$ 619,763
Specific Ownership Taxes	34,613	112,983	66,675	41,393	29,544
Interest Income	799	4,251	1,404	3,922	5,189
Total Revenues	<u>604,355</u>	<u>1,571,521</u>	<u>940,950</u>	<u>662,194</u>	<u>654,496</u>
EXPENDITURES					
County Treasurer's Fees	8,545	21,884	12,839	9,257	9,370
Miscellaneous	60	180	120	81	220
Prior Year Abatement	-	-	21,390	-	-
Transfer to Poudre Tech - Other ¹	497,814	1,545,321	911,518	636,348	519,924
Total Expenditures	<u>506,419</u>	<u>1,567,385</u>	<u>945,867</u>	<u>645,686</u>	<u>529,514</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	97,936	4,136	(4,917)	16,508	124,982
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	97,936	4,136	(4,917)	16,508	124,982
Fund Balances - Beginning of Year	<u>4,733</u>	<u>102,669</u>	<u>106,805</u>	<u>101,888</u>	<u>118,396</u>
FUND BALANCES - END OF YEAR	<u>\$ 102,669</u>	<u>\$ 106,805</u>	<u>\$ 101,888</u>	<u>\$ 118,396</u>	<u>\$ 243,378</u>

¹Transfer to Poudre Tech for operations and capital costs.

Source: District's audited financial statements for the years ended December 31, 2016-2020.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE VIII
DEBT SERVICE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	2016	2017	2018	2019	2020
REVENUES					
Property Taxes	\$ 1,099,386	\$ 409,570	\$ 823,291	\$ 821,446	\$ 839,550
Specific Ownership Taxes	66,885	31,820	62,888	55,119	40,021
Interest Income	3,267	4,145	6,185	8,870	8,418
Other Revenue	-	838	-	-	-
Total Revenues	<u>1,169,538</u>	<u>446,373</u>	<u>892,364</u>	<u>885,435</u>	<u>887,989</u>
EXPENDITURES					
County Treasurer's Fees	16,512	6,163	12,109	12,327	12,693
Transfer to Poudre Tech - Other ¹	36,501	1,744,290	-	5,599	-
Miscellaneous	61	394	494	175	101
Prior Year Abatement	-	-	20,175	-	-
Debt Service:					
Trustee Fees/Paying Agent Fees	-	2,500	2,500	2,500	2,500
Loan Interest	176,948	-	-	-	-
Loan Principal	7,210,000	-	-	-	-
Transfer to Poudre Tech - 2010 PTMD Bonds	361,946	371,822	375,072	377,869	379,620
Bond Interest	117,220	295,100	293,600	288,988	283,738
Bond Cost of Issuance	176,847	-	-	-	-
Bond Principal	-	75,000	205,000	210,000	215,000
Total Expenditures	<u>8,096,035</u>	<u>2,495,269</u>	<u>908,950</u>	<u>897,458</u>	<u>893,652</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,926,497)	(2,048,896)	(16,586)	(12,023)	(5,663)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	-	-	-	-
Bond Issuance	7,100,000	-	-	-	-
Bond Premium	311,577	-	-	-	-
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>7,411,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	485,080	(2,048,896)	(16,586)	(12,023)	(5,663)
Fund Balances - Beginning of Year	<u>1,842,757</u>	<u>2,327,837</u>	<u>278,941</u>	<u>262,355</u>	<u>250,332</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,327,837</u>	<u>\$ 278,941</u>	<u>\$ 262,355</u>	<u>\$ 250,332</u>	<u>\$ 244,669</u>

¹ Transfer to Poudre Tech for capital costs.

Source: District's audited financial statements for the years ended December 31, 2016-2020.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE IX
GENERAL FUND BUDGET SUMMARY AND COMPARISON
YEAR ENDED DECEMBER 31, 2020**

	2019 Budget	2020 Budget	2020 Year-to-Date Actual
BEGINNING FUND BALANCES	\$ 100,000	\$ 100,000	\$ 118,396
REVENUES			
Property Taxes	617,237	622,425	619,763
Specific Ownership Taxes	46,293	43,570	29,544
Interest Income	900	1,000	5,189
Total Revenues	<u>664,430</u>	<u>666,995</u>	<u>654,496</u>
Total Funds Available	764,430	766,995	772,892
EXPENDITURES			
County Treasurer's Fees	9,259	9,336	9,370
Miscellaneous	200	200	220
Transfer to Poudre Tech	654,971	657,459	519,924
Total Expenditures	<u>664,430</u>	<u>666,995</u>	<u>529,514</u>
TOTAL EXPENDITURES REQUIRING APPROPRIATION	<u>664,430</u>	<u>666,995</u>	<u>529,514</u>
ENDING FUND BALANCES	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 243,378</u>

Sources: District's adopted 2019 and 2020 budgets and the District's audited financial statements for the year ended December 31, 2020.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE X
DEBT SERVICE FUND BUDGET SUMMARY AND COMPARISON
YEAR ENDED DECEMBER 31, 2020**

	2019 Budget	2020 Budget	2020 Year-to-Date Actual
	<u> </u>	<u> </u>	<u> </u>
BEGINNING FUND BALANCE	\$ 260,120	\$ 250,856	\$ 250,332
REVENUES			
Property Taxes	821,922	843,155	839,550
Specific Ownership Taxes	61,644	59,021	40,021
Interest Income	5,500	2,500	8,418
Total Revenues	<u>889,066</u>	<u>904,676</u>	<u>887,989</u>
Total Funds Available	1,149,186	1,155,532	1,138,321
EXPENDITURES			
County Treasurer's Fees	12,329	12,647	12,693
Miscellaneous	715	2,496	101
Bond Interest	288,987	283,737	283,738
Bond Principal	210,000	215,000	215,000
Paying Agent Fees	2,500	2,500	2,500
Transfer to Poudre Tech - Other	5,600	-	-
Transfer to Poudre Tech - 2010 PTMD Bonds	377,869	379,620	379,620
Total Expenditures	<u>898,000</u>	<u>896,000</u>	<u>893,652</u>
TOTAL EXPENDITURES REQUIRING APPROPRIATION	<u>898,000</u>	<u>896,000</u>	<u>893,652</u>
ENDING FUND BALANCE	<u>\$ 251,186</u>	<u>\$ 259,532</u>	<u>\$ 244,669</u>

Sources: District's adopted 2019 and 2020 budgets and the District's audited financial statements for the year ended December 31, 2020.

**WATER VALLEY METROPOLITAN
DISTRICT NO. 2
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
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INSERT INDEPENDENT AUDITOR'S REPORT

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

This section of the annual financial report offers readers of the Water Valley Metropolitan District No. 2's (District) financial statements its management's discussion and analysis of the District's financial performance during the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Background Information

The District, a quasi-municipal corporation, was formed November 23, 1994, and is governed pursuant to provisions of the Colorado Special District Act. The original consolidated service plan between the District and Poudre Tech Metropolitan District was approved on September 22, 1994, the first modification was approved on March 27, 1995, and the second modification was approved on September 27, 1999. The District's service area is located in Windsor, Colorado.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets at the close of 2020 by \$6.9 million (net deficit). This deficit/negative unrestricted net position is mainly due to the District being responsible for the payment of debt obtained for the construction of public improvements owned or to be owned by Poudre Tech Metropolitan District, and public improvements conveyed or to be conveyed to other governmental entities.
- During 2020, general revenues totaled \$2.9 million and accounted for 100% of all revenues; the District had no program specific revenues in the form of charges for services or operating/capital grants and contributions.
- During 2020, property taxes represent the majority of revenue sources for the District and decreased by \$97 thousand, a 3.6% decrease over the prior year. The decrease in the assessed valuation of properties in the District from \$65,477,360 (2019 tax collection) to \$63,277,390 (2020 tax collection) contributed to this decrease in property taxes. The decrease in assessed valuation was attributable primarily to oil and gas.
- During 2020, the District had \$2.4 million in expenditures related to governmental activities, of which \$2.0 million represents transfers to Poudre Tech Metropolitan District pursuant to a Capital Pledge Agreement, as thrice amended, and a District Operating Agreement (see Note 8). None of the District's expenditures were offset by program specific charges for services and operating/capital grants and contributions.
- The District has no capital assets. Pursuant to the Amended/Restated Facilities Construction and Service Agreement, all public improvements constructed within the District will be owned and operated by Poudre Tech Metropolitan District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Overview of the Financial Statements

This annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements reflect how basic services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and required and other supplementary information which provide more detailed data. See below for a summary of the major features of the Government-Wide and Fund Financial Statements.

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Financial Statements	Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Government-Wide Statements

The government-wide statements are designed to provide readers a broad overview of the Water Valley Metropolitan District No. 2 finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These statements provide both short-term and long-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets and liabilities, as well as deferred outflows of resources and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Valley Metropolitan District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are most of the District's basic services. The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has only one fund category type, governmental fund types.

- ***Governmental Funds:*** All of the District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Water Valley Metropolitan District No. 2 maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, found on pages 3-5 of this report. Budgetary financial statements for the General Fund can be found on page 6 of this report.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 7-18 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. This includes the budgetary financial schedule for the Debt Service Fund (page 20) and Schedule of Debt Service Requirements to Maturity (page 21).

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

Table 1 provides a summary of the District's net position at December 31, 2020 and 2019.

**Table 1
Condensed Statement of Net Position**

	2020	2019
ASSETS		
Current Assets	\$ 3,389,415	\$ 3,149,737
Total Assets	3,389,415	3,149,737
LIABILITIES		
Current Liabilities	281,681	272,217
Long-Term Liabilities	7,333,640	7,610,276
Total Liabilities	7,615,321	7,882,493
DEFERRED INFLOWS OF RESOURCES	2,659,276	2,654,043
NET POSITION		
Restricted	-	19,305
Unrestricted	(6,885,182)	(7,406,104)
Total Net Position	\$ (6,885,182)	\$ (7,386,799)

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Table 2 provides a summary of the changes in net position.

**Table 2
Changes in Net Position from Operating Results**

	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	\$ -	\$ -
Operating Grants and Contributions	-	-
Capital Grants and Contributions	-	-
General Revenues:		
Taxes	2,722,168	2,873,973
Interest Income	35,123	23,052
Other	134,856	124,135
Total Revenues	2,892,147	3,021,160
EXPENSES		
General Government	14,657	14,946
Transfer to Poudre Tech Metro District - Operations and Capital	814,506	1,227,124
Transfer to Poudre Tech Metro District - Series 2010 Bonds	1,229,420	1,222,500
Interest and Related Costs on Long-Term Debt	331,947	338,207
Total Expenses	2,390,530	2,802,777
CHANGE IN NET POSITION	\$ 501,617	\$ 218,383

Property and specific ownership taxes account for most of the District's revenues. The District's expenditures primarily relate to its obligation to Poudre Tech Metropolitan District pursuant to a Capital Pledge Agreement (to pay debt service of 2010 Bonds issued by Poudre Tech Metropolitan District) and an Amended/Restated Facilities Construction and Service Agreement (to construct public improvements benefitting the District).

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Governmental Activities

The change in net position for governmental activities was \$501,617 in 2020.

The statement of activities shows the cost of program services and the related charges for services and grant offsetting those costs. Table 3 reflects each program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted property taxes.

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
General Government	\$ 14,657	\$ (14,657)
Intergovernmental	2,043,926	(2,043,926)
Interest and Related Costs on Long-Term Debt	331,947	(331,947)
Total	\$ 2,390,530	\$ (2,390,530)

Financial Analysis of District's Funds

General Fund

The General Fund provides for general operating costs of the District. The primary funding source for the General Fund is property taxes.

As of December 31, 2020, the District has not provided for an emergency reserve fund equal to at least 3% of the fiscal year spending, as defined under TABOR, because all revenues in the General Fund are intended to be and are being transferred to Poudre Tech Metropolitan District, Operating District, which provides for the required reserve amount. However, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transaction on a basis of cash receipts and disbursements.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Debt Administration

Long-Term Debt

On July 8, 2016, the District issued \$8,125,000 in General Obligation Refunding Bonds, Series 2016 (Bonds) to prepay the Loan at First Western Trust Bank. The Bonds are general obligations of the District secured and payable from Pledged Revenue which include Property Tax Revenue, net of costs of collection, and any other legally available amounts.

**Table 4
Outstanding Long-Term Debt**

	<u>2020</u>	<u>2019</u>	<u>Percent of Change 2019-2020</u>
Government Activities:			
General Obligation Refunding Bonds, Series 2016	\$ 7,315,000	\$ 7,560,000	
Total	<u>\$ 7,315,000</u>	<u>\$ 7,560,000</u>	-3.24%

Economic Factors and Next Year's Budget

- The District is a rapidly-maturing, mixed-use community planned to consist of a total of 2,123 dwelling units, including: 1,190 single-family detached homes, 150 single-family attached homes (townhomes), and 783 multi-family units (condominiums and apartments). The District also includes approximately 101 acres zoned for commercial/office/retail uses. The development of the District is being undertaken by Trollco, Inc., a Colorado corporation. Trollco or a related entity currently owns all the remaining developable property within the District. With respect to residential development in the District, of the planned 1,190 single-family detached homes, approximately 1,110 have been constructed. The District currently anticipates that all remaining single-family detached homes will be constructed by the end of 2022. Of the planned 150 single-family attached homes (townhomes), 150 have been constructed. Of the planned 783 multi-family units (condominiums and apartments), 491 apartments, 56 condos and 4 duplex units have been constructed. With respect to commercial development in the District, of the 101 acres zoned for commercial/office/retail uses, approximately 21 acres have been developed into a total of approximately 272,573 square feet of commercial/office/retail space and an additional 12 acres are currently under development as a 102-unit luxury "Man Caves" storage facility.
- The District is in the center of Northern Colorado, an area that is continuing to enjoy a very robust and growing regional economy and an associated material increase in property values. As the regional economy continues to grow, so too are the values of the residential and commercial real estate within the District. 2021 is a reassessment year in the State of Colorado and, based on preliminary indications, the District is anticipating material increases in assessed values of properties within the District. To date, neither District operations nor property values within the District have been adversely impacted by the ongoing COVID pandemic.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

- The total Certified Assessed Value of Oil and Gas within the District for 2020 (tax collection in 2021) decreased from 2019 (tax collection in 2020), going from \$15,408,410 to \$12,463,950. Going forward, the financial impact of oil and gas to the District will be predicated on the price of oil and gas over time, the actual amount of oil and gas produced from each well, and the number of new wells, if any, brought online.
- For 2021, total assessed value within the District remained relatively unchanged: \$63,277,390 for 2020 vs. \$63,402,150 for 2021.

Contacting the District's Financial Management Team

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Water Valley Metropolitan District No. 2
1625 Pelican Lakes Point, Suite 201
Windsor, Colorado 80550

BASIC FINANCIAL STATEMENTS

WATER VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 154,764
Cash and Investments - Restricted	287,989
Receivable - County Treasurer	287,386
Property Taxes Receivable	2,659,276
Total Assets	3,389,415
LIABILITIES	
Accrued Interest Payable - Bonds	26,681
Noncurrent Liabilities:	
Due Within One Year	255,000
Due in More than One Year	7,333,640
Total Liabilities	7,615,321
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2,659,276
Total Deferred Inflows of Resources	2,659,276
NET POSITION	
Unrestricted	(6,885,182)
Total Net Position	\$ (6,885,182)

See accompanying Notes to Basic Financial Statements.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		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:					
Government Activities:					
General Government	\$ 14,657	\$ -	\$ -	\$ -	\$ (14,657)
Intergovernmental - Transfers to PTMD - for Operations and Capital Costs	814,506	-	-	-	(814,506)
Intergovernmental - Transfers to PTMD - for Debt Service	1,229,420	-	-	-	(1,229,420)
Interest and Related Costs on Long-Term Debt	331,947	-	-	-	(331,947)
	<u>\$ 2,390,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,390,530)</u>
 GENERAL REVENUES					
					2,596,192
					125,976
					134,856
					35,123
					<u>2,892,147</u>
 CHANGE IN NET POSITION					
					501,617
					<u>(7,386,799)</u>
 NET POSITION - END OF YEAR					
					<u>\$ (6,885,182)</u>

See accompanying Notes to Basic Financial Statements.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 154,764	\$ -	\$ 154,764
Cash and Investments - Restricted	-	287,989	287,989
Due from other funds	219,739	-	219,739
Receivable - County Treasurer	105,600	181,786	287,386
Property Taxes Receivable	947,418	1,711,858	2,659,276
Total Assets	1,427,521	2,181,633	3,609,154
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to other funds	-	219,739	219,739
Total Liabilities	-	219,739	219,739
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	947,418	1,711,858	2,659,276
Total Deferred Inflows of Resources	947,418	1,711,858	2,659,276
FUND BALANCES			
Restricted			
Debt Service	-	250,036	250,036
Committed			
Operations (PTMD)	480,103	-	480,103
Total Fund Balances	480,103	250,036	730,139
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,427,521	\$ 2,181,633	

Amounts reported for governmental activities in the position are different because:

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

Bonds Payable	(7,315,000)
Bond Premium	(273,640)
Accrued Interest Payable - Bonds	(26,681)

Net Position of Governmental Activities	\$ (6,885,182)
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See accompanying Notes to Basic Financial Statements.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 953,974	\$ 1,642,218	\$ 2,596,192
Specific Ownership Taxes	46,290	79,686	125,976
Payment in Lieu of Taxes	134,856	-	134,856
Interest Income	12,562	22,561	35,123
Total Revenues	1,147,682	1,744,465	2,892,147
EXPENDITURES			
County Treasurer's Fees	14,486	24,938	39,424
2016 G.O. Bond Interest	-	326,606	326,606
2016 G.O. Bond Principal	-	245,000	245,000
Miscellaneous	171	75	246
Paying Agent Fees	-	2,500	2,500
Transfers to PTMD - Other	814,506	-	814,506
Transfers to PTMD - Series 2010 Bonds	-	1,229,420	1,229,420
Total Expenditures	829,163	1,828,539	2,657,702
NET CHANGE IN FUND BALANCES	318,519	(84,074)	234,445
Fund Balances - Beginning of Year	161,584	334,110	495,694
FUND BALANCES - END OF YEAR	\$ 480,103	\$ 250,036	\$ 730,139

See accompanying Notes to Basic Financial Statements.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
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, 2020**

Net Change in Fund Balance - Total Governmental Fund	\$ 234,445
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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 governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

2016 G.O. Bonds - Principal Payment	245,000
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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 on Bonds - Change in Liability	536
Amortization of Bond Premium	21,636
	21,636

Change in Net Position of Governmental Activities	\$ 501,617
	501,617

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 975,231	\$ 953,974	\$ (21,257)
Specific Ownership Taxes	68,266	46,290	(21,976)
Payment in Lieu of Taxes	131,187	134,856	3,669
Interest Income	1,500	12,562	11,062
Total Revenues	<u>1,176,184</u>	<u>1,147,682</u>	<u>(28,502)</u>
EXPENDITURES			
County Treasurer's Fees	14,628	14,486	142
Miscellaneous	150	171	(21)
Transfers to PTMD - Funding for Operations	<u>1,161,406</u>	<u>814,506</u>	<u>346,900</u>
Total Expenditures	<u>1,176,184</u>	<u>829,163</u>	<u>347,021</u>
NET CHANGE IN FUND BALANCES	-	318,519	318,519
Fund Balances - Beginning of Year	<u>150,000</u>	<u>161,584</u>	<u>11,584</u>
FUND BALANCES - END OF YEAR	<u>\$ 150,000</u>	<u>\$ 480,103</u>	<u>\$ 330,103</u>

See accompanying Notes to Basic Financial Statements.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Water Valley Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado, in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is a Financing District organized in conjunction with two other related Districts – Poudre Tech Metropolitan District and Water Valley Metropolitan District No. 1. Poudre Tech Metropolitan District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for Water Valley Metropolitan Districts Nos. 1 and 2 (Financing Districts) which are responsible for providing the tax base needed to support financing of capital 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

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 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.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 as general revenues.

Separate financial statements are provided for 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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, interest, and other related costs of debts issued by the District and Poudre Tech Metropolitan District (Operating District).

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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.

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 always 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, sale 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 inflows of resources in the year they are levied and measurable. The unearned property tax revenue is recorded as revenue in the year they are available or collected.

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 expenditures.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position 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, *deferred 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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted.

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:

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.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 154,764
Cash and Investments - Restricted	287,989
Total Cash and Investments	\$ 442,753

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 154,764
Investments	287,989
Total Cash and Investments	\$ 442,753

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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, 2020, the District’s cash deposits had a bank and carrying balance of \$154,764.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

The District generally limits its concentration of investments to those 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.

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, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	<u>\$ 287,989</u>

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Payments	Balance at December 31, 2020	Due Within One Year
General Obligation Refunding Bonds, Series 2016	\$ 7,560,000	\$ -	\$ 245,000	\$ 7,315,000	\$ 255,000
	7,560,000	-	245,000	7,315,000	<u>\$ 255,000</u>
Series 2016 Bond Premium	295,276	-	21,636	273,640	
Total	<u>\$ 7,855,276</u>	<u>\$ -</u>	<u>\$ 266,636</u>	<u>\$ 7,588,640</u>	

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

On January 31, 2014, the District entered into a loan agreement with First Western Trust Bank to obtain a loan in the aggregate original amount of up to \$8,240,000 (Loan). The maturity date of the Loan is January 31, 2021, with an interest rate of 4.04%, paid semiannually on June 1 and December 1. The proceeds of the initial draw from the Loan were used to finance certain public improvements, reimburse the Developer for prior advances related to public improvements constructed by the Developer on behalf of the District, and pay the costs of issuing the Loan.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

On July 8, 2016, the District issued \$8,125,000 in General Obligation Refunding Bonds, Series 2016 (2016 Bonds) to prepay the Loan described above. The 2016 Bonds are general obligations of the District secured and payable from Pledged Revenue which include Property Tax Revenue, net of costs of collection, and any other legally available amounts. The 2016 Bonds are due December 1, 2040, with an interest rate of 2.00%-5.25%, paid semiannually on June 1 and December 1. The 2016 Bonds maturing on December 1, 2040, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District is to determine and by lot within maturities), on December 1, 2026, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium. The 2016 Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee is to determine, on December 1 of each year at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest.

Further, the District entered into a Capital Pledge Agreement in October 2010, as amended on January 31, 2014, and again on April 21, 2015, pursuant to which the District is obligated to impose an ad valorem property tax levy without limitation as to the rate, to pay a portion of principal and accrued interest on Poudre Tech Metropolitan District's Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2010 A, B, and C in the aggregate principal amount of \$25,675,000 issued pursuant to a 2010 Indenture of Trust with UMB Bank. During 2020, the District transferred \$1,229,420 to Poudre Tech Metropolitan District in compliance of its obligation under the Capital Pledge Agreement.

The 2016 Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 255,000	\$ 320,175	\$ 575,175
2022	260,000	313,162	573,162
2023	265,000	305,362	570,362
2024	275,000	297,081	572,081
2025	285,000	288,144	573,144
2026-2030	1,585,000	1,276,325	2,861,325
2031-2035	1,930,000	930,000	2,860,000
2036-2040	2,460,000	400,576	2,860,576
Total	<u>\$ 7,315,000</u>	<u>\$ 4,130,825</u>	<u>\$ 11,445,825</u>

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 AUTHORIZED DEBT

On November 8, 1994, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$30,405,000. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 8, 1994	Authorization Used for 2005 Bonds	Authorization Used for 2008 Bonds	Authorization Used for Pledge Agreement with Operating District 2010 Bonds	Authorization Used for 2014 Loan	Authorized But Unissued
Water	\$ 5,720,000	\$ (900,000)	\$ -	\$ (3,076,562)	\$ (565,767)	\$ 1,177,671
Sanitation	6,150,000	(3,075,000)	-	(578,924)	(2,378,342)	117,734
Streets	11,865,000	(2,325,000)	(5,200,000)	(1,883,849)	(2,215,857)	240,294
Parks and Recreation	4,860,000	(1,050,000)	-	-	(2,985,132)	824,868
Traffic/Safety Protection	710,000	(150,000)	-	(291,690)	(94,902)	173,408
Fire Protection	420,000	-	-	-	-	420,000
TV Relay/Translation	680,000	-	-	-	-	680,000
Total	<u>\$ 30,405,000</u>	<u>\$ (7,500,000)</u>	<u>\$ (5,200,000)</u>	<u>\$ (5,831,025)</u>	<u>\$ (8,240,000)</u>	<u>\$ 3,633,975</u>

Pursuant to the Service Plan, the maximum general obligation bonded indebtedness for Financing Districts is not expected to exceed \$21,000,000 exclusive of costs of issuance, organization costs, inflation, contingencies, and other similar costs.

The electoral authorization used for 2005 Bonds was reallocated in January 2014 through a resolution approved by the District's Board of Directors for the purpose of correlating/adjusting the allocation with the actual uses of net proceeds.

The 2016 Bonds constitutes a financing of District indebtedness at a lower interest rate and the principal amount of the Bonds is not in excess of the original principal amount of the Loan; therefore, the issuance of the 2016 Bonds did not require electoral authorization.

In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any future debt issuances are not determinable.

NOTE 5 NET POSITION

The District has a deficit in unrestricted net position. This negative net position is a result of the District being responsible for the repayment of long-term debt and accrued interest issued to finance public improvements previously constructed and/or acquired by Poudre Tech Metropolitan District, Operating District, for the benefit of the District, which public improvements are either owned and maintained by Poudre Tech Metropolitan District or conveyed to other governmental entities.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 RELATED PARTIES

The Developer of the property which constitutes the District is Trollco Inc., a Colorado corporation (Developer). Certain members of the Board of Directors of the District are officers or employees of or related to the Developer or an entity affiliated with the Developer or the majority owner of the Developer, and may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENTS AND COMMITMENTS

District Operating Agreement

Poudre Tech Metropolitan District (Operating District) and District Nos. 1 and 2 (collectively, the Taxing Districts) have entered into a District Operating Agreement dated January 30, 2014. The purpose of the District Operating Agreement is to set forth the rights and obligations of the Taxing Districts to fully fund and of the Operating District to provide operations on behalf of all the Districts. Based on the integrated nature of the public improvements, it is most efficient and cost effective to combine the operations, maintenance and administration and to have the Operating District provide those services for the benefit of all the Districts. The agreement shall be interpreted consistent with the Service Plan.

Capital Pledge Agreement

The District entered into a Capital Pledge Agreement in October 2010, as amended on January 31, 2014, and again on April 21, 2015, pursuant to which the District is obligated to impose an ad valorem property tax levy without limitation as to the rate to pay for a portion of principal and accrued interest payable on PTMD's Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2010 A, B, and C in the aggregate principal amount of \$25,675,000 issued pursuant to a 2010 Indenture of Trust with UMB Bank (2010 Bonds).

The First Amendment dated January 31, 2014, made changes to the allocation between District Nos. 1 and 2's required debt service on the 2010 Bonds. The Districts later determined that the changes were not necessary, and therefore, the Capital Pledge Agreement, was amended for a second time on April 21, 2015, to reinstate the original definitions and allocations.

The Third Amendment, dated September 1, 2020, made changes to provide payment to the 2020 Operating District Bonds, to remove UMB as a party to the Original Pledge Agreement and add US Bank as a party.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 AGREEMENTS AND COMMITMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreement

An Infrastructure Acquisition and Reimbursement Agreement (IARA), dated January 30, 2014, was entered into by the District and Trollco, Inc. (Developer) pursuant to which the District agrees to reimburse the Developer for all District Eligible Costs incurred by the Developer for public infrastructure within the boundaries of the District. "District Eligible Costs" means all costs of any kind related to the provision of the public infrastructure that may be lawfully funded by the District under Colorado's Special District Act and the Service Plan, and with respect to which the District has available electoral authorization to incur indebtedness to finance the same. The provision for repayment of amounts under this agreement shall be subject to annual appropriation by the District.

Agreement Regarding Payment in Lieu of Taxes

The Developer sold a property to The Evangelical Lutheran Good Samaritan Society (Society) as evidenced by a Definitive Purchase Agreement, dated February 10, 2004, between the Developer and the Society. The property sold by the Developer to the Society is located within the District and PTMD (collectively, the "Districts"). Under the agreement, the Society, a tax-exempt entity, agrees to pay the Districts, on an annual basis, an amount equal to whatever mill levy is assessed by the Districts for other property owners within the Districts, based on the assessed valuation of the property sold to the Society as determined by Weld County.

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; or acts of God.

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

The District pays annual premiums to the Pool for liability 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.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2020, the District has not provided for an emergency reserve equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to Poudre Tech Metropolitan District, the Operating District. Additionally, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

The District's management has taken steps it believes are necessary to comply 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.

SUPPLEMENTARY INFORMATION

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,678,812	\$ 1,642,218	\$ (36,594)
Specific Ownership Taxes	117,517	79,686	(37,831)
Interest Income	3,000	22,561	19,561
Total Revenues	<u>1,799,329</u>	<u>1,744,465</u>	<u>(54,864)</u>
EXPENDITURES			
County Treasurer's Fees	25,182	24,938	244
2016 G.O. Bond Interest	326,606	326,606	-
2016 G.O. Bond Principal	245,000	245,000	-
Miscellaneous	2,369	75	2,294
Paying Agent Fees	2,500	2,500	-
Transfers to PTMD - Series 2010 Bonds	1,229,343	1,229,420	(77)
Total Expenditures	<u>1,831,000</u>	<u>1,828,539</u>	<u>2,461</u>
NET CHANGE IN FUND BALANCES	(31,671)	(84,074)	(52,403)
Fund Balances - Beginning of Year	<u>327,307</u>	<u>334,110</u>	<u>6,803</u>
FUND BALANCES - END OF YEAR	<u>\$ 295,636</u>	<u>\$ 250,036</u>	<u>\$ (45,600)</u>

WATER VALLEY METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020

\$8,125,000 General Obligation Refunding Bonds, Series 2016
Dated July 8, 2016

Principal Due December 1, Interest Rate 2.00% - 5.25%
Payable June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 255,000	\$ 320,175	\$ 575,175
2022	260,000	313,162	573,162
2023	265,000	305,362	570,362
2024	275,000	297,081	572,081
2025	285,000	288,144	573,144
2026	295,000	278,525	573,525
2027	305,000	268,200	573,200
2028	315,000	256,000	571,000
2029	330,000	243,400	573,400
2030	340,000	230,200	570,200
2031	355,000	216,600	571,600
2032	370,000	202,400	572,400
2033	385,000	187,600	572,600
2034	400,000	172,200	572,200
2035	420,000	151,200	571,200
2036	445,000	129,150	574,150
2037	465,000	105,788	570,788
2038	490,000	81,375	571,375
2039	515,000	55,650	570,650
2040	545,000	28,613	573,613
Total	<u>\$ 7,315,000</u>	<u>\$ 4,130,825</u>	<u>\$ 11,445,825</u>

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016**

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE II
CONSTRUCTION ACTIVITY IN FIRST PHASE OF WV2 DEVELOPMENT
YEAR ENDED DECEMBER 31, 2020**

Home Type/ Homebuilder	Total Platted Lots/Planned Units ¹	Base Sales Price	Square Footage	Number of Building Permits Issued ²	Remaining Inventory ³
Single-Family Detached:	884			884	-
D.R. Horton	94	\$359,950 - \$469,950	1,782 - 4,130	94	-
Cal Atlantic Homes	117	\$345,490 - \$450,590	1,871 - 2,734	117	-
Lennar	55	\$359,900 - \$379,900	1,671 - 1,988	55	-
JUMA Homes ⁴	46	\$390,000 - \$510,000	1,325 - 1,771	46	-
Other ⁵	572	Unknown	Unknown	572	-
Single-Family Attached:	150			150	-
Landmark ⁶	150	\$272,400 - \$339,900	1,455 - 1,794	150	-
Multi-Family:	292			60	232
Apartments	220	--	--	-	220
Condos	56	Unknown	Unknown	56	-
Duplex	16	--	--	4	12
Total	1,326			1,094	232
Development Activity - Subsequent Phases of WV2 Development					
Home Type/ Homebuilder	Total Platted Lots/Planned Units ¹	Base Sales Price	Square Footage	Building Permits Issued ²	Remaining Inventory ³
Single-Family Detached:	306			226	80
JUMA Homes Luxury/Active Adults	70	\$500,000 - \$900,000	1,325 - 2,000	6	64
JUMA Homes Ridgeline Lots	34	\$750,000 - \$1,100,000	2,500 - 4,000	18	16
Pelican Farms	202	\$375,000 - \$750,000	2,000 - 4,500	202	-
Mid-Family:	491			491	-
Apartments	196	For Rent	--	196	-
Apartments - Luxury / Active Adults	120	For Rent	--	120	-
Senior Living - Independent Living	121	For Rent	--	121	-
Senior Living - Memory Care	54	For Rent	--	54	-
Total	797			717	80
Grand Total	2,123			1,811	312

¹ Reflects the total number of lots platted for single-family detached homes, single-family attached homes, and condominiums as well as the total number of apartment units planned as of the date of this report.

² Represents lots for which the Town of Windsor has issued a building permit, as of date of this report. This includes lots for which title has transferred to individual homeowners as well as lots upon which homes may have been constructed but have not yet been sold to homeowners. No specific information is available to the District with regard to the total number of homes that have been sold and closed to homeowners.

³ Represents lots for which no building permit has been issued by the Town of Windsor.

⁴ Lots replatted from Single-Family Attached to Single-Family Detached in 2017.

⁵ Includes custom homebuilders and other miscellaneous homebuilders, for which no additional information is known or provided.

⁶ The sole active single-family attached builder in the first phase of the WV2 Development is Landmark Construction Solutions, Inc., a Colorado corporation, doing business as Landmark Homes (Landmark Homes).

Source: The District and the Town of Windsor.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE III
HISTORY OF DISTRICT'S ASSESSED VALUATION AND MILL LEVIES
YEAR ENDED DECEMBER 31, 2020**

Levy/Collection Year	Assessed Valuation	Percent Increase	Mill Levies		
			General Fund	Debt Service Fund	Total Mill Levy
2010/2011	\$ 20,113,720	- %	0.000	20.000	20.000
2011/2012	16,893,730	(16.01)	0.000	26.000	26.000
2012/2013	17,836,630	5.58	0.000	39.000	39.000
2013/2014	18,266,193	2.41	0.000	39.000	39.000
2014/2015	20,326,230	11.28	0.000	39.000	39.000
2015/2016	84,359,680	315.03	15.975	23.025	39.000
2016/2017	81,309,260	(3.62)	20.907	18.093	39.000
2017/2018	57,038,740	(29.85)	11.554	27.446	39.000
2018/2019	65,477,360	14.79	15.155	25.984	41.139
2019/2020	63,277,390	(3.36)	15.412	26.531	41.943
2020/2021	63,402,150	0.20	14.943	27.000	41.943

Sources: Weld County Assessor's Office and the District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE IV
2020 ASSESSED AND "ACTUAL" VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT
YEAR ENDED DECEMBER 31, 2020**

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Oil and Gas	\$ 12,463,950	19.65 %	\$ 21,528,316	3.16 %
Residential	45,926,840	72.44	642,341,290	94.30
Vacant Land	2,320,440	3.66	8,002,560	1.17
Commercial	2,095,290	3.30	7,224,915	1.06
State Assessed	580,600	0.92	2,002,096	0.29
Agricultural	10,850	0.02	37,401	0.01
Industrial	3,440	0.01	11,875	0.00
Minerals	740	0.00	2,550	0.01
Total	\$ 63,402,150	100.00 %	\$ 681,151,003	100.00 %

Source: Weld County Assessor's Office

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE V
HISTORY OF DISTRICT'S PROPERTY TAX COLLECTIONS
YEAR ENDED DECEMBER 31, 2020**

Levy/Collection Year	Taxes Levied	Property Tax Collections	Tax Collections as Percent of Tax Levied
2010/2011	\$ 402,274	\$ 401,271	99.75 %
2011/2012	439,237	435,729	99.20
2012/2013	695,629	679,303	97.65
2013/2014	712,382	712,071	99.96
2014/2015	792,723	787,415	99.33
2015/2016	3,290,028	3,294,992	100.15
2016/2017	3,171,061	3,103,222	97.86
2017/2018	2,224,511	2,230,812	100.28
2018/2019	2,693,673	2,692,820	99.97
2019/2020	2,654,043	2,596,192	97.82

Source: Through 2014/2015 - from the Official Statement for the General Obligation Refunding Bonds, Series 2016. From 2015/2016 - from the District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE VIII
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Property Taxes	\$ 1,349,679	\$ 1,663,566	\$ 660,893	\$ 991,995	\$ 953,974
Specific Ownership Taxes	79,803	132,013	50,109	66,734	46,290
Payment in Lieu of Taxes - Good Samaritan	105,791	105,791	122,123	124,135	134,856
Interest Income	1,395	1,115	1,000	5,792	12,562
Total Revenues	<u>1,536,668</u>	<u>1,902,485</u>	<u>834,125</u>	<u>1,188,656</u>	<u>1,147,682</u>
EXPENDITURES					
Miscellaneous	80	138	120	59	171
County Treasurer's Fees	20,264	25,016	9,920	14,887	14,486
Transfer to Poudre Tech - Other ¹	1,360,006	1,874,400	829,433	1,166,027	814,506
Total Expenditures	<u>1,380,350</u>	<u>1,899,554</u>	<u>839,473</u>	<u>1,180,973</u>	<u>829,163</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	156,318	2,931	(5,348)	7,683	318,519
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	156,318	2,931	(5,348)	7,683	318,519
Fund Balances - Beginning of Year	<u>-</u>	<u>156,318</u>	<u>159,249</u>	<u>153,901</u>	<u>161,584</u>
FUND BALANCES - END OF YEAR	<u>\$ 156,318</u>	<u>\$ 159,249</u>	<u>\$ 153,901</u>	<u>\$ 161,584</u>	<u>\$ 480,103</u>

¹ Transfer to Poudre Tech for operations and capital costs.

Source: District's audited financial statements for the years ended December 31, 2016-2020.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

**TABLE IX
DEBT SERVICE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020**

	2016	2017	2018	2019	2020
REVENUES					
Property Taxes	\$ 1,945,313	\$ 1,439,656	\$ 1,569,919	\$ 1,700,825	\$ 1,642,218
Specific Ownership Taxes	115,022	114,244	119,030	114,419	79,686
Interest Income	2,895	4,334	8,504	17,260	22,561
Reimbursed Expenditures	-	576,681	-	-	-
Total Revenues	<u>2,063,230</u>	<u>2,134,915</u>	<u>1,697,453</u>	<u>1,832,504</u>	<u>1,744,465</u>
EXPENDITURES					
County Treasurer's Fees	29,207	21,649	23,566	25,524	24,938
Transfer to Poudre Tech - Other ¹	156,633	571,147	-	61,097	-
Miscellaneous	60	102	100	110	75
Debt Service:					
Bond Interest	202,398	339,694	337,894	332,606	326,606
Bond Principal	8,240,000	90,000	235,000	240,000	245,000
Paying Agent Fees	-	2,500	2,500	2,500	2,500
Loan Interest	134,934	-	-	-	-
Loan Cost of Issuance	185,373	-	-	-	-
Transfer to Poudre Tech - 2010 PTMD Bonds	1,176,329	1,205,733	1,214,727	1,222,500	1,229,420
Total Expenditures	<u>10,124,934</u>	<u>2,230,825</u>	<u>1,813,787</u>	<u>1,884,337</u>	<u>1,828,539</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,061,704)	(95,910)	(116,334)	(51,833)	(84,074)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	-	-	-	-
Bond Issuance	8,125,000	-	-	-	-
Bond Premium	371,133	-	-	-	-
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>8,496,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	434,429	(95,910)	(116,334)	(51,833)	(84,074)
Fund Balances - Beginning of Year	<u>163,758</u>	<u>598,187</u>	<u>502,277</u>	<u>385,943</u>	<u>334,110</u>
FUND BALANCES - END OF YEAR	<u>\$ 598,187</u>	<u>\$ 502,277</u>	<u>\$ 385,943</u>	<u>\$ 334,110</u>	<u>\$ 250,036</u>

¹ Transfer to Poudre Tech for capital costs.

Source: District's audited financial statements for the years ended December 31, 2016-2020.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE X
GENERAL FUND BUDGET SUMMARY AND COMPARISON
YEAR ENDED DECEMBER 31, 2020**

	2019 Budget	2020 Budget	2020 Year-to-Date Actual
BEGINNING FUND BALANCES	\$ 150,000	\$ 150,000	\$ 161,584
REVENUES			
Property Taxes	992,309	975,231	953,974
Specific Ownership Taxes	74,423	68,266	46,290
Payment in Lieu of Taxes - Good Samaritan	124,135	131,187	134,856
Interest Income	500	1,500	12,562
Total Revenues	<u>1,191,367</u>	<u>1,176,184</u>	<u>1,147,682</u>
Total Funds Available	1,341,367	1,326,184	1,309,266
EXPENDITURES			
County Treasurer's Fees	14,885	14,628	14,486
Miscellaneous	150	150	171
Transfer to Poudre Tech	1,176,332	1,161,406	814,506
Total Expenditures	<u>1,191,367</u>	<u>1,176,184</u>	<u>829,163</u>
TOTAL EXPENDITURES AND TRANSFERS OUT REQUIRING APPROPRIATION	<u>1,191,367</u>	<u>1,176,184</u>	<u>829,163</u>
ENDING FUND BALANCES	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 480,103</u>

Sources: District's adopted 2019 and 2020 budgets and the District's audited financial statements for the year ended December 31, 2020.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016
TABLE XI
DEBT SERVICE FUND BUDGET SUMMARY AND COMPARISON
YEAR ENDED DECEMBER 31, 2020**

	2019 Budget	2020 Budget	2020 Year-to-Date Actual
	<u> </u>	<u> </u>	<u> </u>
BEGINNING FUND BALANCES	\$ 380,226	\$ 327,307	\$ 334,110
REVENUES			
Property Taxes	1,701,364	1,678,812	1,642,218
Specific Ownership Taxes	127,602	117,517	79,686
Interest Income	5,000	3,000	22,561
Total Revenues	<u>1,833,966</u>	<u>1,799,329</u>	<u>1,744,465</u>
 Total Funds Available	 2,214,192	 2,126,636	 2,078,575
EXPENDITURES			
County Treasurer's Fees	25,520	25,182	24,938
Miscellaneous	2,651	2,369	75
Paying Agent Fees	2,500	2,500	2,500
Bond Interest - Series 2016	332,606	326,606	326,606
Bond Principal - Series 2016	240,000	245,000	245,000
Transfer to Poudre Tech - Other	60,630	-	-
Transfer to Poudre Tech - 2010 PTMD Bonds	1,224,093	1,229,343	1,229,420
Total Expenditures	<u>1,888,000</u>	<u>1,831,000</u>	<u>1,828,539</u>
TOTAL EXPENDITURES REQUIRING APPROPRIATION	<u>1,888,000</u>	<u>1,831,000</u>	<u>1,828,539</u>
ENDING FUND BALANCES	<u>\$ 326,192</u>	<u>\$ 295,636</u>	<u>\$ 250,036</u>

Sources: District's adopted 2018 and 2019 budgets and the District's audited financial statements for the year ended December 31, 2019.

**POUDRE TECH METROPOLITAN DISTRICT
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**POUDRE TECH METROPOLITAN DISTRICT
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INSERT INDEPENDENT AUDITOR'S REPORT

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

This section of the annual financial report offers readers of the Poudre Tech Metropolitan District's (District) financial statements its management's discussion and analysis of the District's financial performance during the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Background Information

The District, a quasi-municipal corporation, was formed on November 23, 1994 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Windsor, Colorado. The District was established to provide public infrastructure including but not limited to roads, water and sewer services, storm drainage, green belts, parks and recreation amenities, and landscaping. The District derives its revenues primarily from intergovernmental transfers, system development fees, and irrigation fees.

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

Financial Highlights

- The liabilities of the District exceeded the sum of its assets and deferred outflows of resources at the close of 2020 by \$10.1 million (net deficit). Of this amount, (\$10.9) million represents net investment in capital assets, \$50 thousand is restricted for emergencies and debt service, and \$795 thousand is unrestricted. The negative \$10.9 million net investment in capital assets is mainly due to the District being responsible for debts issued for construction of capital assets, most of which have been conveyed to other entities.
- During 2020, general revenues are minimal, totaling only \$23 thousand, about .46% of all revenues. The District's program specific revenues in the form of charges for services (services fees and water meter sales) accounted for 18.6%, operating grants and contributions (system development fees and transfers from Water Valley Metropolitan District Nos. 1 and 2) accounted for 28.1%, and capital grants and contributions (transfers from Water Valley Metropolitan District Nos. 1 and 2 and reimbursed expenditure from the Town of Windsor) accounted for 52.9% of all revenues.
- During 2020, the District had approximately \$5.9 million in expenses related to general government, public works, parks and recreation, debt service, and nonpotable water services, of which \$919 thousand were offset by program specific charges for services. Approximately \$2.1 million of the District's expenses in 2020 were to pay interest and related costs on long-term debt.

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Overview of the Financial Statements

The annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds and proprietary fund statements reflect how basic services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and required and other supplementary information which provide more detailed data. See below for a summary of the major features of the Government-wide and Fund Financial Statements.

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Financial Statements	Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the District that are not proprietary
Required Financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual and economic resources focus	Modified accrual and current financial focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These statements provide both short-term and long-term information about the District's overall financial status.

The statement of net position presents information on all of the District's assets and liabilities, as well as deferred outflows of resources and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) or fees and charges for services (business-type activities). The basic government-wide financial statements can be found on pages 1 – 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has two fund category types: governmental funds and proprietary fund.

- *Governmental funds:* All of the District's basic services are included in governmental funds, which generally focus on: 1) inflows and outflows of cash and other financial assets, and 2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them. The District maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances, found on pages 3 – 5 of this report. Budgetary financial statement for the General Fund and Debt Service Fund can be found on page 6 and 26, respectively.

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

- *Propriety fund:* On November 19, 2015, the District created its Water Activity Enterprise (Enterprise) to provide nonpotable water services and to acquire water or water rights. On January 1, 2016, the portion of the General Fund balance associated with Enterprise was transferred to the Proprietary Fund. Proprietary Fund financial statements can be found on pages 7 - 8 of this report. The statement of cash flows can be found on page 9 of this report. Budgetary financial statement for the proprietary fund can be found on page 27.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 – 24 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. This includes the budgetary schedule for the Debt Service Fund (page 26), the budgetary schedule for the Enterprise Fund (page 27), and Schedules of Debt Service Requirement to Maturity (pages 28 – 29).

**Financial Analysis of the District as a Whole
Net Position and Changes in Net Position**

Table 1 provides a summary of the District's net position at December 31, 2020 and 2019.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	12/31/20	12/31/19	12/31/20	12/31/19	12/31/20	12/31/19
Assets						
Current Assets	\$ 33,374	\$ 305,746	\$ 1,184,265	\$ 1,271,161	\$ 1,217,639	\$ 1,576,907
Capital Assets	4,180,303	4,195,128	13,078,995	13,141,458	17,259,298	17,336,586
Total Assets	4,213,677	4,500,874	14,263,260	14,412,619	18,476,937	18,913,493
Deferred Outflows of Resources	-	828,005	-	-	-	828,005
Liabilities						
Current Liabilities	649,111	700,094	195,590	187,342	844,701	887,436
Long-Term Liabilities	24,236,239	24,402,535	3,456,134	3,608,000	27,692,373	28,010,535
Total Liabilities	24,885,350	25,102,629	3,651,724	3,795,342	28,537,074	28,897,971
Net position						
Net Investment in Capital Assets	(20,375,936)	(19,783,224)	9,470,995	9,369,458	(10,904,941)	(10,413,766)
Restricted	49,581	47,073	-	-	49,581	47,073
Unrestricted	(345,318)	(37,599)	1,140,541	1,247,819	795,223	1,210,220
Total Net Position	\$ (20,671,673)	\$ (19,773,750)	\$ 10,611,536	\$ 10,617,277	\$ (10,060,137)	\$ (9,156,473)

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Table 2 provides a summary of the changes in net position.

**Table 2
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 918,891	\$ 939,883	\$ 918,891	\$ 939,883
Operating and Contributions	1,334,430	1,802,375	53,750	108,125	1,388,180	1,910,500
Capital and Contributions	1,609,040	2,670,884	1,008,000	-	2,617,040	2,670,884
General Revenues:						
Donated Property	4,569	-	-	-	4,569	-
Net investment Income	55	837	-	-	55	837
Other	18,412	41,366	-	17,475	18,412	58,841
Total Revenues	2,966,506	4,515,462	1,980,641	1,065,483	4,947,147	5,580,945
Expenses						
General Government	597,605	615,103	-	-	597,605	615,103
Public Works and Parks and Recreation	1,176,747	1,155,668	-	-	1,176,747	1,155,668
Nonpotable Water Services	-	-	1,986,382	1,099,861	1,986,382	1,099,861
Interest and Related Costs on Long-Term Debt	2,090,077	1,276,397	-	-	2,090,077	1,276,397
Capital Assets Conveyed to Other Governments	-	1,003,819	-	-	-	1,003,819
Total Expenses	3,864,429	4,050,987	1,986,382	1,099,861	5,850,811	5,150,848
Change in Net Position	\$ (897,923)	\$ 464,475	\$ (5,741)	\$ (34,378)	\$ (903,664)	\$ 430,097

During 2020, the District's primary sources of revenues are (i) intergovernmental transfers from Water Valley Metropolitan District Nos. 1 and 2 pursuant to a Capital Pledge Agreement, as thrice amended, (for debt service of the 2010 and 2020 Bonds issued by the District) and the District Operating Agreement (for construction and operation and maintenance of public improvements that will be owned by the District), and (ii) service fees, system development fees, and water meter sales.

During 2020, the District's primary expenses were: (i) for governmental activities - to pay the principal and accrued interest due on the 2010 Bonds, and maintain open space and landscape improvements, and (ii) for business-type activities - to operate and maintain the nonpotable water facilities.

Governmental and Business-Type Activities

In 2020, the changes in net position were (\$897,923) and (\$5,741) for governmental activities and business-type activities, respectively. In 2020, the combined change in net position was (\$903,664).

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

The statement of activities shows the cost of program services and the related charges for services and grants offsetting those costs. Table 3 reflects each program's total cost and net cost of services. Net cost of services represents the cost of services supported by unrestricted property taxes.

**Table 3
Net Cost of Services**

	Total Cost of Services		Net Cost of Services	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
General Government	\$ 597,605	\$ -	\$ (597,605)	\$ -
Public Works and Parks and Recreation	1,176,747	-	(1,176,747)	-
Interest and Related Costs on Long-Term Debt	2,090,077	-	(2,090,077)	-
Nonpotable Services	-	1,986,382	-	-
Total	<u>\$ 3,864,429</u>	<u>\$ 1,986,382</u>	<u>\$ (3,864,429)</u>	<u>\$ -</u>

Financial Analysis of District Funds

General Fund

The General Fund was established and is continually funded to provide for the daily activities of the District. The General Fund provides for the general, administrative, street and landscaping maintenance, capital, and certain debt service costs of the District. The primary funding sources for the General Fund are intergovernmental transfers from Water Valley Metropolitan District Nos. 1 and 2 (primarily from property taxes) and Developer advances. The primary projects or program efforts for establishing needed funding during 2020 were:

1. Street and landscaping maintenance
2. Office overhead and other consultants' fees
4. Capital projects

The District maintains a 3% emergency reserve in compliance with TABOR (Taxpayer Bill of Rights). At December 31, 2020, the District's TABOR reserve amounted to \$46,700.

Debt Service Fund

The Debt Service Fund was established and is being funded to provide for the debt service of the bonds issued by the District in 2010 and 2020.

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Enterprise Fund

The Enterprise Fund provides for the operating and debt service costs of the nonpotable water system. The main funding sources for the Enterprise Fund are charges for services and capital contributions (e.g. system development fees). The primary projects for establishing needed funding during 2020 were:

1. Operating costs of the nonpotable water system
2. Office overhead
3. Debt service
4. Capital projects

Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

Capital Assets

By the end of 2020, the District had capital assets net of accumulated depreciation totaling approximately \$17.3 million comprised of a broad range of capital items, including infrastructure and nonpotable water system (See Table 4). This amount represents a net decrease of \$77,288 from last year. Additional information on the District's capital assets can be found in Note 4 of the financial statements. Total depreciation expense for the year was \$371,420.

**Table 4
Capital Assets (Net of Depreciation)**

	Government Activities		% of Change 2019 - 2020	Business-Type Activities		% of Change 2019 - 2020	Total	
	2020	2019		2020	2019		2020	2019
Water Rights	\$ -	\$ -	N/A	\$10,791,000	\$10,791,000	0.0%	\$10,791,000	\$10,791,000
Land	113,459	108,890	4.2%	-	-	N/A	113,459	108,890
Streets	1,339,767	1,411,481	-5.1%	-	-	N/A	1,339,767	1,411,481
Parks and Recreation	2,484,793	2,414,862	2.9%	-	-	N/A	2,484,793	2,414,862
Nonpotable Water System	-	-	N/A	2,203,904	2,252,761	-2.2%	2,203,904	2,252,761
Equipment	242,284	259,895	-6.8%	84,091	97,697	-13.9%	326,375	357,592
Total Capital Assets, Net	<u>\$ 4,180,303</u>	<u>\$ 4,195,128</u>		<u>\$13,078,995</u>	<u>\$13,141,458</u>		<u>\$17,259,298</u>	<u>\$17,336,586</u>

Debt Administration

Long-Term Debt

As of December 31, 2020, the District had outstanding debts in the form of bonds and advances totaling \$28,286,373. Detailed information on the District's long-term debts is presented in Note 5 of the financial statements.

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Economic Factors and Next Year's Budget

- The District is an operating metropolitan district directly associated with Water Valley Metropolitan District No. 1 ("District No. 1") and Water Valley Metropolitan District No. 2 ("District No. 2"). The District is the owner of all public improvements within District Nos. 1 and 2, including: parks, trails, pedestrian bridges, beaches, swales, recreational trails, rights of way, and other recreational and architectural amenities. In addition, the District, through its Water Activity Enterprise (the "Water Enterprise"), owns all nonpotable water utilities, lakes, and significant water rights necessary to support the delivery of nonpotable irrigation water to all residential and commercial users within District Nos. 1 and 2.
- In addition to providing management services to both District Nos. 1 and 2, the District provides a variety of essential services to the residents of both District Nos. 1 and 2. Such services include: (1) the management and maintenance of all recreational facilities, trails, and amenities owned and operated by the Districts and (2) the upkeep and maintenance of all landscaping, greenways, entry features, floodways and public architectural amenities owned and controlled by the District. Further, through its Water Enterprise, the District facilitates (1) the provision of nonpotable irrigation water to residential, commercial and public users within District Nos. 1 and 2 and (2) the maintenance and preservation of all water rights and resources, lakes, pumping facilities, distribution lines, and irrigation systems owned and controlled by the District.
- Revenues in support of the District's operations are derived from two principal sources: (1) Water Enterprise tap and water use fees charged to nonpotable water users within District Nos. 1 and 2 and (2) intergovernmental transfers from District Nos. 1 and 2. As the Water Valley communities continue to grow (see below), Water Enterprise tap and use fees have grown accordingly and are now supported by over 2655 dwelling units and commercial users. Intergovernmental transfers are supported by ad valorem tax base of both District Nos. 1 and 2, which have been augmented over time by robust growth, increases in assessed valuations, and oil and gas development.
- With respect to the District revenue derived from intergovernmental transfers from District Nos. 1 and 2 and the sustainability thereof, the following commentary is provided with respect to the financial conditions of District Nos. 1 and 2:

- **Real Estate Development:**

District No. 1 is a mature district with all its residential lots having been developed and built. Within the District No. 1, there have been 844 total dwelling units built, including: 591 single-family detached dwelling units, 125 single-family attached dwelling units, and 128 multi-family units (condominiums). As to commercial development in the District No. 1, of the 28 acres zoned for commercial/office/retail uses, a total of approximately 16 acres have been developed into a total of approximately 24,285 square feet of office space and approximately 56,583 square feet of commercial/retail space.

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

District No. 2 is a rapidly-maturing, mixed-use community planned to consist of a total of 2,123 dwelling units, including: 1,190 single-family detached homes, 150 single-family attached homes (townhomes), and 783 multi-family units (condominiums and apartments). District No. 2 also includes approximately 101 acres zoned for commercial/office/retail uses. The development of District No. 2 is being undertaken by Trollco, Inc., a Colorado corporation. Trollco or a related entity currently owns all the remaining developable property within District No. 2. With respect to residential development in District No. 2, of the planned 1,190 single-family detached homes, approximately 1,110 have been constructed. District No. 2 currently anticipates that all remaining single-family detached homes will be constructed by the end of 2022. Of the planned 150 single-family attached homes (townhomes), 150 have been constructed. Of the planned 783 multi-family units (condominiums and apartments), 491 apartments, 56 condos and 4 duplex units have been constructed. With respect to commercial development in District No. 2, of the 101 acres zoned for commercial/office/retail uses, approximately 21 acres have been developed into a total of approximately 272,573 square feet of commercial/office/retail space and an additional 12 acres are currently under development as a 102-unit luxury "Man Caves" storage facility.

District Nos. 1 and 2 are in the center of Northern Colorado, an area that is continuing to enjoy a very robust and growing regional economy and an associated material increase in property values. As the regional economy continues to grow, so too should the values of the residential and commercial real estate within District Nos. 1 and 2. 2021 is a reassessment year in the state of Colorado and, based on preliminary indications, the Districts are anticipating a material increases in assessed values of properties within the District. To date, neither District 1 or #2 operations nor property values have been adversely impacted by the ongoing COVID pandemic.

- **Oil and Gas Ad Valorem Tax:** The financial impact of ad valorem taxes on oil and gas produced from wells within the District is meaningful.

District No. 1: The total Certified Assessed Value of Oil and Gas within District No. 1 for 2020 (tax collection in 2021) remained virtually unchanged from 2019 (tax collection in 2020), going from \$4,771,580 to \$4,738,340.

District No. 2: The total Certified Assessed Value of Oil and Gas within District No. 2 for 2020 (tax collection in 2021) decreased from 2019 (tax collection in 2020), going from \$15,408,410 to \$12,463,950.

Going forward, the financial impact of oil and gas to the District Nos. 1 and 2 is variable and will be predicated on the price of oil and gas over time, the actual amount of oil and gas produced from each well, and the number of new wells, if any, brought online.

**POUDRE TECH METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Contacting the District's Financial Management Team

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Poudre Tech Metropolitan District
1625 Pelican Lake Point, Suite 201
Windsor, Colorado, 80550

BASIC FINANCIAL STATEMENTS

**POUDRE TECH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ -	\$ 1,148,733	\$ 1,148,733
Cash and Investments - Restricted	10,732	-	10,732
Accounts Receivable	22,642	35,532	58,174
Capital Assets, Not Being Depreciated	113,459	10,791,000	10,904,459
Capital Assets, Net	4,066,844	2,287,995	6,354,839
Total Assets	4,213,677	14,263,260	18,476,937
 LIABILITIES			
Accounts Payable	219,111	21,846	240,957
Prepaid Assessments	-	9,744	9,744
Noncurrent Liabilities:			
Due Within One Year	430,000	164,000	594,000
Due in More Than One Year	24,236,239	3,456,134	27,692,373
Total Liabilities	24,885,350	3,651,724	28,537,074
 NET POSITION			
Net Investment in Capital Assets	(20,375,936)	9,470,995	(10,904,941)
Restricted for:			
Emergency Reserves	46,700	-	46,700
Debt Service	2,881	-	2,881
Unrestricted	(345,318)	1,140,541	795,223
Total Net Position	\$ (20,671,673)	\$ 10,611,536	\$ (10,060,137)

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
DECEMBER 31, 2020**

	Program Revenues			Net (Revenues) Expenses and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General Government	\$ 597,605	\$ -	\$ 1,334,430	\$ -	\$ 736,825	\$ -	\$ 736,825
Public Works and Parks and Recreation	1,176,747	-	-	-	(1,176,747)	-	(1,176,747)
Interest and Related Costs on Long-Term Debt	2,090,077	-	-	1,609,040	(481,037)	-	(481,037)
Total Governmental Activities	3,864,429	-	1,334,430	1,609,040	(920,959)	-	(920,959)
Business-Type Activities:							
Nonpotable Water Services	1,986,382	918,891	53,750	1,008,000	-	(5,741)	(5,741)
Total Business-Type Activities	1,986,382	918,891	53,750	1,008,000	-	(5,741)	(5,741)
 Total Governmental and Business-Type Activities	<u>\$ 5,850,811</u>	<u>\$ 918,891</u>	<u>\$ 1,388,180</u>	<u>\$ 2,617,040</u>	(920,959)	(5,741)	(926,700)
GENERAL REVENUES							
Net Investment Income					55	-	55
Donated properties					4,569	-	4,569
Other Income					18,412	-	18,412
Total General Revenues					<u>23,036</u>	<u>-</u>	<u>23,036</u>
CHANGE IN NET POSITION					(897,923)	(5,741)	(903,664)
Net Position - Beginning of Year					<u>(19,773,750)</u>	<u>10,617,277</u>	<u>(9,156,473)</u>
NET POSITION - END OF YEAR					<u>\$ (20,671,673)</u>	<u>\$ 10,611,536</u>	<u>\$ (10,060,137)</u>

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ 7,851	\$ 2,881	\$ 10,732
Accounts Receivable	22,642	-	22,642
Total Assets	\$ 30,493	\$ 2,881	\$ 33,374
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 219,111	\$ -	\$ 219,111
Total Liabilities	219,111	-	219,111
FUND BALANCES			
Restricted			
Emergency Reserves	46,700	-	46,700
Debt Service	-	2,881	2,881
Unassigned			
General Government	(235,318)	-	(235,318)
Total Fund Balances	(188,618)	2,881	(185,737)
Total Liabilities and Fund Balances	\$ 30,493	\$ 2,881	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources, therefore not reported in the fund financial statements.			
Capital Assets, Not Being Depreciated			113,459
Capital Assets, Net			4,066,844
Long-term liabilities, including bonds payable, are not due and payable in the current period, therefore not reported in the fund financial statements.			
Bonds Payable			(21,015,000)
Bond Premium			(1,899,629)
Developer Advances Payable			(1,389,177)
Accrued Interest Payable - Developer Advances			(362,433)
Net Position of Governmental Activities			\$ (20,671,673)

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Debt Service	Government Funds
REVENUES			
Transfer from Water Valley No. 1 - Other	\$ 519,924	\$ -	\$ 519,924
Transfer from Water Valley No. 1 - Series 2010 Bonds	-	379,620	379,620
Transfer from Water Valley No. 2 - Other	814,506	-	814,506
Transfer from Water Valley No. 2 - Series 2010 Bonds	-	1,229,420	1,229,420
Other Income	18,412	-	18,412
Net Investment Income	-	55	55
Developer Advance	110,000	-	110,000
Total Revenues	<u>1,462,842</u>	<u>1,609,095</u>	<u>3,071,937</u>
EXPENDITURES			
General and Administrative:			
Accounting	64,891	-	64,891
Audit	27,621	-	27,621
Administrative:			
Staffing	66,794	-	66,794
Management Fee	37,800	-	37,800
Other	12,775	-	12,775
Banking Fees	282	-	282
Consulting and Studies	30,883	-	30,883
District Events	3,750	-	3,750
Dues and Memberships	1,724	-	1,724
Insurance	44,224	-	44,224
Legal	50,849	-	50,849
Miscellaneous	4,945	-	4,945
Office supplies	4,580	-	4,580
Promotional activities	8,953	-	8,953
Rent	24,000	-	24,000
Office Overhead	213,534	-	213,534
Operations and Maintenance:			
Electricity and Gas	46,439	-	46,439
Softscape - Landscape Contract	359,130	-	359,130
Special Projects and Moving	247,136	-	247,136
Snow Removal	25,734	-	25,734
Repairs and Maintenance	97,465	-	97,465
Pest Control	9,384	-	9,384
Security	116,198	-	116,198
Beach Maintenance	55,468	-	55,468
Capital Outlay:			
Tree Replacement	76,740	-	76,740
Hardscape - Fence Improvements/Staining	1,807	-	1,807
Other Capital Projects - PTMD	105,566	-	105,566
Equipment Acquisition	16,286	-	16,286
Debt Service:			
Bond Interest Series 2010A	-	451,750	451,750
Bond Interest Series 2010B	-	114,031	114,031
2010 Bond - Refunding Escrow	-	23,311,235	23,311,235
Bond Issue Costs	-	643,700	643,700
Paying Agent/Trustee Fees	-	400	400
Total Expenditures	<u>1,754,958</u>	<u>24,521,116</u>	<u>26,276,074</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(292,116)	(22,912,021)	(23,204,137)
OTHER FINANCING SOURCES (USES)			
Developer Advances - Office Overhead	213,534	-	213,534
Repayment of Developer Advances - Office Overhead	(284,712)	-	(284,712)
Bond Issue	-	21,015,000	21,015,000
Bond Premium	-	1,899,629	1,899,629
Total Other Financing Sources (Uses)	<u>(71,178)</u>	<u>22,914,629</u>	<u>22,843,451</u>
NET CHANGE IN FUND BALANCES	(363,294)	2,608	(360,686)
Fund Balances - Beginning of Year	174,676	273	174,949
FUND BALANCES - END OF YEAR	<u>\$ (188,618)</u>	<u>\$ 2,881</u>	<u>\$ (185,737)</u>

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (360,686)

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

Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay	203,161
Depreciation	(217,986)

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

Developer Advances	(323,534)
Repayment of Developer Advances	284,712
Repayment of Bonds - Principal Portion	22,750,000
Bond Issuance - Series 2020	(21,015,000)
Bond Issuance - Series 2020 Bond Premium	(1,899,629)

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 on Bonds - Change in Liability	94,297
Accrued Interest on Developer Advances - Change in Liability	(102,334)
Amortization of Deferred Cost of Refunding	(828,005)
Accretion of Bond Premium	517,081

Change in Net Position of Governmental Activities	\$ (897,923)
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**POUDRE TECH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Debt Service:				
Transfer from Water Valley No. 1	\$ 657,459	\$ 609,413	\$ 519,924	\$ (89,489)
Transfer from Water Valley No. 2	1,161,406	1,022,023	814,506	(207,517)
Developer Advance	-	135,894	110,000	(25,894)
Other Income	-	860	18,412	17,552
Total Revenues	<u>1,818,865</u>	<u>1,768,190</u>	<u>1,462,842</u>	<u>(305,348)</u>
EXPENDITURES				
General and Administrative:				
Accounting	70,000	70,000	64,891	5,109
Audit	27,000	27,621	27,621	-
Administrative:				
Staffing	100,000	75,000	66,794	8,206
Management Fee	54,000	40,000	37,800	2,200
Other	10,000	20,000	12,775	7,225
Banking Fees	2,000	1,000	282	718
Consulting and Studies	20,000	25,000	30,883	(5,883)
District Events	5,000	5,000	3,750	1,250
Dues and Memberships	2,000	1,724	1,724	-
Insurance	41,000	44,224	44,224	-
Legal	50,000	70,000	50,849	19,151
Miscellaneous	5,000	17,185	4,945	12,240
Office supplies	5,000	5,000	4,580	420
Promotional activities	-	-	8,953	(8,953)
Rent	24,000	24,000	24,000	-
Office Overhead	213,534	213,534	213,534	-
Operations and Maintenance:				
Electricity and Gas	45,000	50,000	46,439	3,561
Softscape - Landscape Contract	350,000	375,000	359,130	15,870
Special Projects and Moving	120,000	220,000	247,136	(27,136)
Snow Removal	50,000	50,000	25,734	24,266
Repairs and Maintenance	50,000	80,000	97,465	(17,465)
Pest Control	11,000	11,000	9,384	1,616
Security	100,000	120,000	116,198	3,802
Beach Maintenance	-	35,000	55,468	(20,468)
Hardscape - Fence Improvements/Staining	30,000	5,000	1,807	3,193
Capital Outlay:				
Tree Replacement	180,000	60,000	76,740	(16,740)
Other Capital Projects - PTMD	-	160,000	105,566	54,434
Equipment Acquisition	90,000	20,000	16,286	3,714
River Stabilization and Improvement Project	135,000	-	-	-
Total Expenditures	<u>1,789,534</u>	<u>1,825,288</u>	<u>1,754,958</u>	<u>70,330</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,331	(57,098)	(292,116)	(235,018)
OTHER FINANCING SOURCES (USES)				
Developer Advances - Office Overhead	213,534	213,534	213,534	-
Repayment of Developer Advances - Office Overhead	(242,065)	(284,712)	(284,712)	-
Total Other Financing Sources (Uses)	<u>(28,531)</u>	<u>(71,178)</u>	<u>(71,178)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	800	(128,276)	(363,294)	(235,018)
Fund Balances - Beginning of Year	<u>39,900</u>	<u>174,676</u>	<u>174,676</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 40,700</u>	<u>\$ 46,400</u>	<u>\$ (188,618)</u>	<u>\$ (235,018)</u>

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2020**

	<u>Enterprise Fund</u>
ASSETS	
Cash and Investments	\$ 1,148,733
Accounts Receivable	35,532
Capital Assets, Not Being Depreciated	10,791,000
Capital Assets, Net	<u>2,287,995</u>
Total Assets	<u>14,263,260</u>
LIABILITIES	
Accounts Payable	21,846
Prepaid Assessments	9,744
Noncurrent Liabilities:	
Due Within One Year	164,000
Due in More Than One Year	<u>3,456,134</u>
Total Liabilities	<u>3,651,724</u>
NET POSITION	
Net Investment in Capital Assets	9,470,995
Unrestricted	<u>1,140,541</u>
Total Net Position	<u><u>\$ 10,611,536</u></u>

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2020**

	Enterprise Fund
OPERATING REVENUES	
Service Fees	\$ 871,391
Water Meter Sales	47,500
Total Operating Revenues	918,891
OPERATING EXPENSES	
Billing	15,279
Core	450
Staffing	44,638
Electricity and Gas	160,407
Repairs and Maintenance	91,636
Water Meters and Installation	38,950
Scada	49,238
Delivery and Ditch Expenses	24,992
Tools and Equipment - New	4,048
Water System Manager and Field Staff	221,334
Depreciation	153,434
Total Operating Expenses	804,406
OPERATING INCOME	114,485
OTHER REVENUES AND EXPENSES	
System Development Fees	53,750
Loan Interest	(173,976)
Total Other Revenues and Expenses	(120,226)
CHANGE IN NET POSITION	(5,741)
Net Position - Beginning of Year	10,617,277
NET POSITION - END OF YEAR	\$ 10,611,536

See accompanying Notes to Basic Financial Statements.

**POUDRE TECH METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 931,033
Payments to Suppliers/Contractors	<u>(423,081)</u>
Net Cash Provided (Required) by Operating Activities	507,952

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payment to Developer - Advances for Manager and Field Staff	<u>(209,200)</u>
Net Cash Provided (Required) by Noncapital Financing Activities	(209,200)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payment - Loan Principal	(164,000)
Payment - Loan Interest	(173,976)
Receipt - System Development Fees	53,750
Payments - Capital Projects	<u>(90,971)</u>
Net Cash Provided (Required) by Capital and Related Financing Activities	<u>(375,197)</u>

NET INCREASE (DECREASE) IN CASH AND INVESTMENTS (76,445)

Cash and Investment - Beginning of Year 1,225,178

CASH AND INVESTMENTS - END OF YEAR \$ 1,148,733

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 114,485
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Required) by Operating Activities:	
(Increase) Decrease in Accounts Receivable	10,451
Increase (Decrease) in Accounts Payable	6,557
Increase (Decrease) in Prepaid Assessments	1,691
Office Overhead Provided by Developer	221,334
Depreciation	<u>153,434</u>
Net Cash Provided (Required) by Operating Activities	<u><u>\$ 507,952</u></u>

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

Poudre Tech Metropolitan District (District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado, in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is the Operating District organized in conjunction with two other related Financing Districts – Water Valley Metropolitan District Nos. 1 and 2 (Water Valley 1 and Water Valley 2). The District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for Water Valley 1 and Water Valley 2. The Financing Districts are responsible for providing the tax base needed to support financing of capital 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

On November 19, 2015, the District created its Water Activity Enterprise to provide nonpotable water services and to acquire water or water rights.

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

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. Both statements distinguish between governmental activities, which are normally supported by property taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

The statement of activities demonstrates the degree to which the direct 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 as general revenues.

Separate financial statements are provided for 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 intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is 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 debt of the governmental funds.

The District reports the following major proprietary fund:

The Enterprise Fund accounts for activities related to nonpotable water services.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and 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 has amended its annual budget for the year ended December 31, 2020.

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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. The cost of normal maintenance and repairs that do not add to the value of the asset nor materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress. Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the District's net position.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Alleyways	20 - 75 years
Nonpotable Water	15 - 50 years
Equipment	5 - 25 years
Parks and recreation	10 - 50 years

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water Rights

The cost of water rights includes acquisition cost and may also include legal and engineering costs related to the development and augmentation of those rights. Since the rights have perpetual lives, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Cost of Bond Refunding

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

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) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred cost of refunding, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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:

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.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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 balances is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,148,733
Cash and Investments - Restricted	10,732
Total Cash and Investments	\$ 1,159,465

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 1,159,465
Total Cash and Investments	\$ 1,159,465

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

At December 31, 2020, the District's cash deposits had a bank balance of \$1,156,610 and carrying balance of \$1,101,584.

Investments

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

The District generally limits its concentration of investments to those 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.

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

Fair Value Measurement and Application

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, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE which are recorded at amortized cost, and COLOTRUST which are recorded at net asset value.

At December 31, 2020, the District had no investments:

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS

The following is an analysis of the changes in the District's capital assets for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions/ Reclassifications	Balance at December 31, 2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 108,890	\$ 4,569	\$ -	\$ 113,459
Total Capital Assets, Not Being Depreciated	108,890	4,569	-	113,459
Capital Assets, Being Depreciated:				
Streets	1,852,120	-	-	1,852,120
Parks and Recreation	2,756,593	171,144	-	2,927,737
Equipment	526,817	27,448	-	554,265
Total Capital Assets, Being Depreciated	5,135,530	198,592	-	5,334,122
Less Accumulated Depreciation for:				
Streets	(440,639)	(71,714)	-	(512,353)
Parks and Recreation	(341,731)	(101,213)	-	(442,944)
Equipment	(266,922)	(45,059)	-	(311,981)
Total Accumulated Depreciation	(1,049,292)	(217,986)	-	(1,267,278)
Total Capital Assets, Being Depreciated, Net	4,086,238	(19,394)	-	4,066,844
Governmental Capital Assets, Net	4,195,128	(14,825)	-	4,180,303
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Water Rights	10,791,000	-	-	10,791,000
Total Capital Assets, Not Being Depreciated	10,791,000	-	-	10,791,000
Capital Assets, Being Depreciated:				
Nonpotable Water	2,803,654	90,971	-	2,894,625
Equipment	112,918	-	-	112,918
Total Capital Assets, Being Depreciated	2,916,572	90,971	-	3,007,543
Less Accumulated Depreciation for:				
Nonpotable Water	(550,893)	(139,828)	-	(690,721)
Equipment	(15,221)	(13,606)	-	(28,827)
Total Accumulated Depreciation	(566,114)	(153,434)	-	(719,548)
Total Capital Assets, Being Depreciated, Net	2,350,458	(62,463)	-	2,287,995
Business-Type Capital Assets, Net	13,141,458	(62,463)	-	13,078,995
Total Capital Assets, Net	\$ 17,336,586	\$ (77,288)	\$ -	\$ 17,259,298

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged during the year as follows:

Governmental Activities:	
Streets	\$ 71,714
Parks and Recreation	101,213
Equipment	<u>45,059</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 217,986</u>
Business-Type Activities:	
Nonpotable Water	\$ 139,828
Equipment	<u>13,606</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 153,434</u>

In September 2019, the District's water rights were valued by an independent third-party appraiser at \$29,562,000.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions/ Reclassifications	Balance at December 31, 2020	Due Within One Year
Governmental Activities:					
Revenue Refunding and Improvement:					
Bonds, Series 2010 A and B	\$ 22,750,000	\$ -	\$ 22,750,000	\$ -	\$ -
Series 2010 A and B Bond Premium	517,081	-	517,081	-	-
Bonds, Series 2020	-	21,015,000	-	21,015,000	430,000
Series 2020 Bond Premium	-	1,899,629	-	1,899,629	-
Bonds Payable	<u>23,267,081</u>	<u>22,914,629</u>	<u>23,267,081</u>	<u>22,914,629</u>	<u>430,000</u>
Developer Advances Payable	1,350,355	323,534	284,712	1,389,177	-
Accrued Interest on Developer Advances	260,099	102,334	-	362,433	-
Developer Advance Payable	<u>1,610,454</u>	<u>425,868</u>	<u>284,712</u>	<u>1,751,610</u>	<u>-</u>
Total Governmental Activities	24,877,535	23,340,497	23,551,793	24,666,239	430,000
Business-Type Activities:					
Taxable Water Revenue Note, Series 2016	3,772,000	-	164,000	3,608,000	164,000
Developer Advances Payable	-	12,134	-	12,134	-
Total Business-Type Activities	<u>3,772,000</u>	<u>12,134</u>	<u>164,000</u>	<u>3,620,134</u>	<u>164,000</u>
Total	<u>\$ 28,649,535</u>	<u>\$ 23,352,631</u>	<u>\$ 23,715,793</u>	<u>\$ 28,286,373</u>	<u>\$ 594,000</u>

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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

Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2010 A, B, and C

On October 22, 2010, the District issued the following Bonds: 1) \$18,070,000 Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2010A with an interest rate of 5.0%, 2) \$7,305,000 Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2010B with interest rates varying from 2.5% to 5.0% and 3) \$300,000 Taxable Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2010C with an interest rate of 1.25%.

The Series 2010A bonds are subject to redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2020, and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The bonds maturing December 1, 2030, are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2027, and on each December 1 thereafter prior to the maturity date. Additionally, the bonds maturing December 1, 2039 are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2011, and on each December 1 thereafter prior to the maturity date.

The Series 2010B bonds maturing December 1, 2021, are subject to redemption prior to the maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2020, and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The bonds maturing December 1, 2028, are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2025, and on each December 1 thereafter prior the maturity date. The Series 2010A and 2010B bonds were paid for in full on September 3, 2020.

The Series 2010C bonds were paid for in full on December 1, 2010.

Taxable Water Revenue Note, Series 2016

On November 29, 2016, the District, acting by and through its Enterprise, entered into a Loan Agreement with Points West Community Bank (Lender) to obtain a loan in the amount of \$4,100,000 (Loan). The maturity date of the Loan is December 1, 2023, with an interest rate of 4.575% from November 29, 2016 through December 1, 2021. From December 1, 2021 through and including December 1, 2023, the Loan shall bear interest at a per annum fixed rate equal to the lesser of: (i) the sum of the Index plus 100 basis points; or (ii) the Maximum Rate of 18.00% per annum. Index means the prime rate published by the Wall Street Journal Online, or, in the event that such Index is no longer published, then the term Index shall be deemed to refer to a similar index selected by the Lender and approved by the Enterprise. Interest is paid semi-annually on June 1 and December 1. The proceeds from the Loan were used to purchase water rights, pay for certain nonpotable water system improvements, and paid for transaction costs.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Taxable Water Revenue Note, Series 2016 (Continued)

The obligation of the Enterprise under the Loan is not payable from property taxes of the District, but rather from income and revenues from the use or operation of the nonpotable water system, including fees and charges.

The Enterprise's repayment obligation under the Loan Agreement is further evidenced by a promissory note in favor of the Lender in the aggregate principal amount of \$4,100,000. A portion of the Loan in the principal amount of \$3,900,000, plus accrued interest, is secured by certain water rights in accordance with a Stock Pledge Agreement between the District and the Lender.

Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2020

On September 3, 2020, the District issued \$21,015,000 Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2020 with an interest rate of 2.125% - 4.000%. Proceeds from the sale of the Bonds were used for the purpose of refunding the Series 2010 Bonds. A portion of the proceeds of the Bonds were also used to (a) purchase a municipal bond insurance policy and (b) fund the costs of issuing the Bonds. Interest on the Bonds is payable semi-annually to the extent that Pledged Revenue is available on June 1 and December 1 each year, commencing June 1, 2021. Principal on the Bonds is paid on December 1.

The bonds maturing on or after December 1, 2031 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities, on December 1, 2030, and on any date thereafter, upon payment of par plus accrued interest, and without any redemption premium.

The Bonds are not secured by property lying within the District or the Taxing Districts but, rather, by, among other things, the obligation of the Taxing Districts under the Capital Pledge Agreement to certify the Required Mill Levy and pay or cause to be paid to the Trustee, on behalf of the District, for payment of the Bonds.

The District's 2020 Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 430,000	\$ 783,176	\$ 1,213,176
2022	620,000	616,438	1,236,438
2023	645,000	597,837	1,242,837
2024	660,000	578,488	1,238,488
2025	675,000	558,687	1,233,687
2026-2030	4,610,000	2,456,088	7,066,088
2031-2035	6,885,000	1,524,287	8,409,287
2036-2039	6,490,000	399,788	6,889,788
Total	<u>\$ 21,015,000</u>	<u>\$ 7,514,789</u>	<u>\$ 28,529,789</u>

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 4, 2003, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$156,000,000. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 4, 2003	Authorization Used for Series 2010 Bonds	Authorized But Unissued
Streets	\$ 27,750,000	\$ 10,860,289	\$ 16,889,711
Traffic and Safety Controls	2,250,000	291,690	1,958,310
Water	13,500,000	5,174,100	8,325,900
Sewer	15,000,000	2,510,579	12,489,421
Parks and Recreation	17,250,000	-	17,250,000
Television Relay and Translation	2,250,000	-	2,250,000
Debt Refunding	78,000,000	1,422,701	76,577,299
Total	<u>\$ 156,000,000</u>	<u>\$ 20,259,359</u>	<u>\$ 135,740,641</u>

In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any future debt issuances are not determinable.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the District had net investments in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities
Capital Assets, Net	\$ 4,180,303	\$ 13,078,995
Outstanding Long-Term Debts Used to Acquire Capital Assets	(22,656,610)	(3,608,000)
Bond Premium, Net	(1,899,629)	-
Net Investment in Capital Assets	<u>\$ (20,375,936)</u>	<u>\$ 9,470,995</u>

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 NET POSITION (CONTINUED)

The restricted component of net position includes assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws and regulations of other governments, or as imposed by law through constitutional provisions or enables legislation. The District had restricted net position as of December 31, 2020 as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 46,700
Debt Service	2,881
Restricted Net Position	\$ 49,581

The District's unrestricted net position as of December 31, 2020 totaled \$795,223.

NOTE 7 PRIMARY AGREEMENTS

District Operating Agreement

The District and District Nos. 1 and 2 (collectively, the Taxing Districts) have entered into a District Operating Agreement dated January 30, 2014. The purpose of the District Operating Agreement is to set forth the rights and obligations of the Taxing Districts to fully fund and of the District to provide operations on behalf of all the Districts. Based on the integrated nature of the public improvements, it is most efficient and cost effective to combine the operations, maintenance, and administration and to have the District provide those services for the benefit of all the Districts. The agreement shall be interpreted consistent with the Service Plan.

Capital Pledge Agreement

The District entered into a Capital Pledge Agreement in October 2010, as amended on January 31, 2014, and again on April 21, 2015, pursuant to which District Nos. 1 and 2 are obligated to impose an ad valorem property tax levy without limitation as to the rate to pay the principal and accrued interest payable on the District's Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds, Series 2010 A, B and C in the aggregate principal amount of \$25,675,000 issued pursuant to a 2010 Indenture of Trust with UMB Bank (2010 Bonds).

The First Amendment, dated January 31, 2014, made changes to the allocation between District Nos. 1 and 2's required debt service on the 2010 Bonds. The Districts later determined that the changes were not necessary, and therefore, the Capital Pledge Agreement was amended for a second time on April 21, 2015, to reinstate the original definitions and allocations.

The Third Amendment, dated September 1, 2020, made changes to provide payment to the 2020 Operating District Bonds, to remove UMB as a party to the Original Pledge Agreement and add U.S. Bank as a party.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 PRIMARY AGREEMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreements

On June 14, 2016, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with Pelican Farms Investments, LLC (Builder). The Builder has incurred certain costs related to public infrastructure for the benefit of the District and expects to incur additional costs. The District has agreed to: (i) reimburse the Builder for all District Eligible Costs to the extent constituting Repayment Obligations (as defined in the agreement); (ii) acquire any such public infrastructure constructed for the benefit of the District from the Builder that is not being dedicated to other governmental entities, and (iii) to reimburse the Builder for any costs incurred by the Builder for public infrastructure that is being dedicated to other governmental entities.

On September 19, 2017, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with Eagle Crossing Development, Inc. (Eagle Crossing). Eagle Crossing has expended funds on behalf of the District previously, and intends to make future payments for costs related to the provision of public infrastructure in the nature of capital costs in furtherance of the District's permitted purposes, including but not limited to: organization of the District, engineering, architectural, surveying, construction planning and other related costs, during the period when the District is unable to pay for such costs. The District and Eagle Crossing established the terms and conditions under which the District will reimburse Eagle Crossing for such costs and acquire such public infrastructure that will either be owned by the District or dedicated to other governmental entities.

Donation Agreement

In June 2017, the District received a donation of land from The Evangelical Lutheran Good Samaritan Society through a quitclaim deed for ten dollars (\$10.00). The donated land shall not be used for any residential or commercial development, but shall be used for any public purpose, in the sole discretion of the District, for the benefit of the District, Water Valley 1, Water Valley 2, and the general public of Windsor, Colorado. If at any time the above condition is defaulted upon, title to the donated land shall automatically revert back to The Evangelical Lutheran Good Samaritan Society.

Temporary Nonpotable Water Service

On September 27, 2018, the District entered into an Intergovernmental Agreement with Raindance Metropolitan District No. 1 (RDMD) to provide temporary nonpotable water service to RDMD through the Interconnect Facilities. The District owns and operates a nonpotable irrigation system. RDMD is developing its own nonpotable irrigation system to serve future development within the community known as Raindance. Certain areas within Raindance will require nonpotable water service prior to the time that RDMD will have the ability to provide such service. RDMD is in the process of constructing facilities that will permit an interconnect between RDMD and the District's nonpotable irrigation system which will be known as the Interconnect Facilities. RDMD will own and maintain the Interconnect Facilities. The District will deliver nonpotable water to RDMD on a temporary basis through the Interconnect Facilities upon the request of RDMD. RDMD shall pay \$1.52 per thousand gallons. The District will invoice RDMD within 15 days of the end of each month and payment of invoices by RDMD shall be due by the end of each month.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 PRIMARY AGREEMENTS (CONTINUED)

In 2020, Trollco Inc. donated three farm lots to the District.

NOTE 8 RELATED PARTIES

The developer of the property which constitutes the District is Trollco Inc., a Colorado corporation (Developer). Certain members of the Board of Directors of the District are officers or employees of or related to the Developer or an entity affiliated with the Developer or the majority owner of the Developer, and may have conflicts of interest in dealing with the District.

NOTE 9 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**POUDRE TECH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2020, the District determined and calculated its required emergency reserve to be approximately \$46,700, funding of which were provided by the Financing Districts. At December 31, 2020, the Financing Districts have combined cash reserves in their General Funds totaling \$250,000.

The District's management has taken steps it believes are necessary to comply 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.

SUPPLEMENTARY INFORMATION

**POUDRE TECH METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ 55	\$ 55	\$ -
Transfer from Water Valley No. 1 - Series 2010 Bonds	379,620	379,620	379,620	-
Transfer from Water Valley No. 2 - Series 2010 Bonds	1,229,343	1,229,420	1,229,420	-
Total Revenues	<u>1,608,963</u>	<u>1,609,095</u>	<u>1,609,095</u>	<u>-</u>
EXPENDITURES				
Bond Interest Series 2010A	903,500	451,750	451,750	-
Bond Interest Series 2010B	228,063	114,031	114,031	-
Bond Principal Series 2010B	475,000	-	-	-
Paying Agent/Trustee Fees	2,400	400	400	-
2010 Bond - Refunding Escrow	-	23,311,235	23,311,235	-
Bond Issue Costs	-	646,581	643,700	2,881
Total Expenditures	<u>1,608,963</u>	<u>24,523,997</u>	<u>24,521,116</u>	<u>2,881</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(22,914,902)	(22,912,021)	2,881
OTHER FINANCING SOURCES (USES)				
Bond Issue	-	21,015,000	21,015,000	-
Bond Premium	-	1,899,629	1,899,629	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>22,914,629</u>	<u>22,914,629</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(273)	2,608	2,881
Fund Balances - Beginning of Year	-	273	273	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,881</u>	<u>\$ 2,881</u>

**POUDRE TECH METROPOLITAN DISTRICT
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Service Fees	\$ 850,000	\$ 850,000	\$ 871,391	\$ 21,391
Water Meter Sales	75,000	40,000	47,500	7,500
System Development Fees	75,000	40,000	53,750	13,750
Developer Advance - Manager and Field Staff	221,334	221,334	221,334	-
Water Credit Sales	-	1,008,000	1,008,000	-
Total Revenues	<u>1,221,334</u>	<u>2,159,334</u>	<u>2,201,975</u>	<u>42,641</u>
EXPENDITURES				
General and Administrative:				
Billing	7,000	16,000	15,279	721
Core	450	450	450	-
Beacon	7,500	-	-	-
Staffing	40,000	45,000	44,638	362
Operations and Maintenance:				
Electricity and Gas	130,000	160,000	160,407	(407)
Repairs and Maintenance	75,000	95,000	91,636	3,364
Water Meters and Installation	75,000	50,000	38,950	11,050
Scada	30,000	50,000	49,238	762
Delivery and Ditch Expenses	30,000	30,000	24,992	5,008
Tools and Equipment - New	10,000	4,048	4,048	-
Water System Manager and Field Staff	221,334	221,334	221,334	-
Contingency	46,844	76,296	-	76,296
Debt Service:				
2016 Loan Interest	173,538	173,538	173,976	(438)
2016 Loan Principal	164,000	164,000	164,000	-
Repayment of Developer Advance - Manager and Field Staff	221,334	221,334	209,200	12,134
Capital Outlay				
Meter Replacement	110,000	110,000	90,971	19,029
Capital Projects	50,000	-	-	-
Water Rights Acquisition	-	1,008,000	1,008,000	-
Total Expenditures	<u>1,392,000</u>	<u>2,425,000</u>	<u>2,297,119</u>	<u>127,881</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES - BUDGET BASIS				
	<u>\$ (170,666)</u>	<u>\$ (265,666)</u>	(95,144)	<u>\$ 170,522</u>
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS:				
Developer Advance			(221,334)	
Capital Outlay			1,098,971	
2016 Loan Principal			164,000	
Repayment of Developer Advances			209,200	
Depreciation			(153,434)	
CHANGE IN NET POSITION				
			(5,741)	
Net Position - Beginning of Year			<u>10,617,277</u>	
NET POSITION - END OF YEAR			<u>\$ 10,611,536</u>	

**POUDRE TECH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

\$21,015,000 Series 2020 Unlimited
Property Tax Supported Revenue
Refunding and Improvement Bonds
Dated September 3, 2020
Principal due December 1
Interest Rate 2.125% to 4.000% Payable
June 1 and December 1

Year Ending December 31,	Principal	Interest	Total
2021	\$ 430,000	\$ 783,176	\$ 1,213,176
2022	620,000	616,438	1,236,438
2023	645,000	597,837	1,242,837
2024	660,000	578,488	1,238,488
2025	675,000	558,687	1,233,687
2026	715,000	538,438	1,253,438
2027	740,000	516,987	1,256,987
2028	830,000	494,788	1,324,788
2029	1,130,000	469,887	1,599,887
2030	1,195,000	435,988	1,630,988
2031	1,275,000	400,137	1,675,137
2032	1,310,000	361,888	1,671,888
2033	1,360,000	309,487	1,669,487
2034	1,435,000	255,088	1,690,088
2035	1,505,000	197,687	1,702,687
2036	1,550,000	167,588	1,717,588
2037	1,600,000	121,087	1,721,087
2038	1,650,000	73,088	1,723,088
2039	1,690,000	38,025	1,728,025
Total	<u>\$ 21,015,000</u>	<u>\$ 7,514,789</u>	<u>\$ 28,529,789</u>

**POUDRE TECH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2020**

\$4,100,000 Taxable Water Revenue Loan, 2016
Dated November 29, 2016
Principal due June 1 and December 1
Interest Rate 4.575% Payable
June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Estimated Interest*</u>	<u>Total</u>
2021	\$ 164,000	\$ 165,452	\$ 329,452
2022	164,000	**	**
2023	3,280,000		
Total	\$ 3,608,000		

*Represents initial interest payments, without taking into account prepayment of Loan principal.

**From December 1, 2021 through and including December 1, 2023, the Loan shall bear an interest rate at a per annum fixed rate equal to the lesser of: (i) the sum of the Index plus 100 basis points; or (ii) the Maximum Rate of 18% per annum. Index means the prime rate published by the Wall Street Journal online, or, in the event that such Index is no longer published the term shall be deemed to refer to a similar index selected by the Lender and approved by the Enterprise.

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION AS
REQUIRED BY THE UNLIMITED PROPERTY TAX SUPPORTED
REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2020**

**POUDRE TECH METROPOLITAN DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE UNLIMITED PROPERTY TAX SUPPORTED REVENUE REFUNDING
AND IMPROVEMENT BONDS, SERIES 2020**

**TABLE II
History of Water Valley Metropolitan District No. 1's
Assessed Valuation and Mill Levies**

Levy/ Collection Year	Assessed Valuation ¹	Percent Change	General Fund	Debt Service Fund	Total Mill Levy
2015/2016	\$ 42,796,050	--	13.300	25.700	39.000
2016/2017	47,810,900	11.72 %	30.430	8.570	39.000
2017/2018	43,490,270	(9.04)	20.070	18.930	39.000
2018/2019	34,982,840	(19.56)	17.644	23.495	41.139
2019/2020	34,942,180	(0.12)	17.813	24.130	41.943
2020/2021	34,496,110	(1.28)	17.618	24.325	41.943

¹ The decline in assessed valuation beginning in levy year 2017 is primarily due to decline in oil and gas assessed valuation resulting from a decline in production of oil from wells within Water Valley Metropolitan District No. 1.

Source: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, and County Assessor.

**TABLE II
History of Water Valley Metropolitan District No. 2's
Assessed Valuation and Mill Levies**

Levy/ Collection Year	Assessed Valuation ¹	Percent Change	General Fund	Debt Service Fund	Total Mill Levy
2015/2016	\$ 84,359,680	--	15.975	23.025	39.000
2016/2017	81,309,260	(3.62)%	20.907	18.093	39.000
2017/2018	57,038,740	(29.85)	11.554	27.446	39.000
2018/2019	65,477,360	14.79	15.155	25.984	41.139
2019/2020	63,277,390	(3.36)	15.412	26.531	41.943
2020/2021	63,402,150	0.20	14.943	27.000	41.943

¹ The decline in assessed valuation beginning in levy year 2017 is primarily due to decline in oil and gas assessed valuation resulting from a decline in production of oil from wells within Water Valley Metropolitan District No. 2.

Source: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, and County Assessor.

**POUDRE TECH METROPOLITAN DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE UNLIMITED PROPERTY TAX SUPPORTED REVENUE REFUNDING
AND IMPROVEMENT BONDS, SERIES 2020**

**Table VI
Historical Property Tax Collections in Water Valley Metropolitan District No. 1**

Levy/ Collection Year	Total Taxes Levied	Total Taxes Collection	Percent of Levy Collected
2015/2016	\$ 1,669,045	\$ 1,668,329	99.96 %
2016/2017	1,864,625	1,863,857	99.96
2017/2018	1,696,121	1,696,162	100.00
2018/2019	1,439,159	1,438,325	99.94
2019/2020	1,465,580	1,459,313	99.57

Source: State of Colorado Department of Local Affairs Division of Property Taxation Annual Reports for 2015 - 2020 and the County Treasurer's Office.

**Table VII
Historical Property Tax Collections in Water Valley Metropolitan District No. 2**

Levy/ Collection Year	Total Taxes Levied	Total Taxes Collection	Percent of Levy Collected
2015/2016	\$ 3,290,028	\$ 3,294,992	100.15 %
2016/2017	3,171,061	3,103,222	97.86
2017/2018	2,224,511	230,812	10.38
2018/2019	2,693,673	2,692,820	99.97
2019/2020	2,654,043	2,596,192	97.82

Source: State of Colorado Department of Local Affairs Division of Property Taxation Annual Reports for 2015 - 2020 and the County Treasurer's Office.

EXHIBIT B
2020 Budgets

POUDRE TECH METROPOLITAN DISTRICT
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2021

**POUDRE TECH METROPOLITAN DISTRICT
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 1,353,305	\$ 1,422,768	\$ 1,028,553
REVENUES			
Service fees	862,383	850,000	935,000
System development fees	108,125	40,000	75,000
Water meter sales	77,500	40,000	75,000
Developer advance - Office overhead	213,534	213,534	60,000
Developer advance - Manager & field staff	221,334	221,334	225,000
Developer advance - Certified costs	1,003,819	-	-
Reimbursed expenditures	1,003,819	-	-
Bond issuance	-	21,015,000	-
Bond premium	-	1,899,629	-
Water credits sale	-	1,008,000	-
Note proceeds	-	-	786,487
Developer advance	-	135,894	-
Other revenue	58,841	860	-
Interest income	837	55	-
Transfers from WV No. 1 - Operations	636,348	609,413	629,024
Transfers from WV No. 2 - Operations	1,166,027	1,022,023	1,126,139
Transfers from WV No. 1 - Other	5,599	-	-
Transfers from WV No. 2 - Other	61,097	-	-
Transfers from WV No. 1 - Series 2010 Bonds	377,869	379,620	-
Transfers from WV No. 2 - Series 2010 Bonds	1,222,500	1,229,420	-
Transfers from WV No. 1 - Series 2020 Bonds	-	-	279,876
Transfers from WV No. 2 - Series 2020 Bonds	-	-	938,300
Total revenues	<u>7,019,632</u>	<u>28,664,782</u>	<u>5,129,826</u>
TRANSFERS IN	<u>66,696</u>	<u>-</u>	<u>-</u>
Total funds available	<u>8,439,633</u>	<u>30,087,550</u>	<u>6,158,379</u>
EXPENDITURES			
General Fund	3,942,381	2,110,000	2,599,750
Debt Service Fund	1,601,563	24,523,997	1,218,176
Enterprise Fund	1,406,225	2,425,000	1,556,000
Total expenditures	<u>6,950,169</u>	<u>29,058,997</u>	<u>5,373,926</u>
TRANSFERS OUT	<u>66,696</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>7,016,865</u>	<u>29,058,997</u>	<u>5,373,926</u>
ENDING FUND BALANCES	<u>\$ 1,422,768</u>	<u>\$ 1,028,553</u>	<u>\$ 784,453</u>
EMERGENCY RESERVE	<u>\$ 46,800</u>	<u>\$ 46,400</u>	<u>\$ 48,300</u>
TOTAL RESERVE	<u>\$ 46,800</u>	<u>\$ 46,400</u>	<u>\$ 48,300</u>

No assurance provided. See summary of significant assumptions.

**POUDRE TECH METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/21

ACTUAL	ESTIMATED	BUDGET
2019	2020	2021

ASSESSED VALUATION

State assessed	\$ 1,330	\$ 1,340	\$ 1,430
Vacant land	730	4,350	4,350
Certified Assessed Value	\$ 2,060	\$ 5,690	\$ 5,780

MILL LEVY

PROPERTY TAXES

Budgeted property taxes	\$ -	\$ -	\$ -
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BUDGETED PROPERTY TAXES

	\$ -	\$ -	\$ -
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No assurance provided. See summary of significant assumptions.

**POUDRE TECH METROPOLITAN DISTRICT
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ (14,552)	\$ 174,676	\$ 46,400
REVENUES			
Transfers from WV No. 1 - Operations	636,348	609,413	629,024
Transfers from WV No. 2 - Operations	1,166,027	1,022,023	1,126,139
Developer advance - Certified costs	1,003,819	-	-
Reimbursed expenditures	1,003,819	-	-
Developer advance	-	135,894	-
Note proceeds	-	-	786,487
Other revenue	41,366	860	-
Developer advance - Office overhead	213,534	213,534	60,000
Total revenues	<u>4,064,913</u>	<u>1,981,724</u>	<u>2,601,650</u>
TRANSFERS IN			
Transfers from other funds	<u>66,696</u>	-	-
Total funds available	<u>4,117,057</u>	<u>2,156,400</u>	<u>2,648,050</u>
EXPENDITURES			
General and administrative			
Accounting	59,841	70,000	70,000
Administration			
Assets management - staffing	113,609	75,000	344,750
Management fee	37,800	40,000	54,000
Asset Administration - Other	11,758	20,000	10,000
Audit	25,317	27,621	27,000
Banking and loan fees	1,460	1,000	1,000
Consulting and studies	20,714	25,000	20,000
District events	5,820	5,000	50,000
Dues and membership	1,724	1,724	2,000
Insurance	40,379	44,224	41,000
Legal	47,720	70,000	50,000
Miscellaneous	7,298	17,185	5,000
Office supplies	4,129	5,000	5,000
Office overhead	213,534	213,534	60,000
Rent	24,000	24,000	24,000
Repay Developer advance - Office overhead	171,081	284,712	60,000
Operations and maintenance			
Electricity and gas	42,494	50,000	45,000
Landscape and open space			
Softscape - Landscape contract	396,750	375,000	375,000
Special projects and mowing	173,864	220,000	200,000
Snow removal	48,104	50,000	50,000
Pest control	10,794	11,000	11,000
Repairs and maintenance	51,064	80,000	50,000
Patrol services	108,282	120,000	115,000
Beach maintenance	39,183	35,000	30,000
Capital Outlay			
Tree replacement	18,304	60,000	60,000
Hardscape - Fence maintenance/Staining	71,922	5,000	10,000
Capital projects - 7th Street Bridge	-	-	700,000
Capital projects - PTMD	8,900	160,000	90,000
Capital projects - WV No. 1	5,599	-	-
Capital projects - WV No. 2	61,097	-	-
Equipment acquisition	112,202	20,000	40,000
Repay Developer advance - Certified costs	1,003,819	-	-
Total expenditures	<u>3,942,381</u>	<u>2,110,000</u>	<u>2,599,750</u>
Total expenditures and transfers out requiring appropriation	<u>3,942,381</u>	<u>2,110,000</u>	<u>2,599,750</u>
ENDING FUND BALANCE	<u>\$ 174,676</u>	<u>\$ 46,400</u>	<u>\$ 48,300</u>
EMERGENCY RESERVE	<u>\$ 46,800</u>	<u>\$ 46,400</u>	<u>\$ 48,300</u>
TOTAL RESERVE	<u>\$ 46,800</u>	<u>\$ 46,400</u>	<u>\$ 48,300</u>

No assurance provided. See summary of significant assumptions.

**POUDRE TECH METROPOLITAN DISTRICT
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 630	\$ 273	\$ -
REVENUES			
Interest income	837	55	-
Transfers from WV No. 1 - Other	5,599	-	-
Transfers from WV No. 2 - Other	61,097	-	-
Transfers from WV No. 1 - Series 2010 Bonds	377,869	379,620	-
Transfers from WV No. 2 - Series 2010 Bonds	1,222,500	1,229,420	-
Transfers from WV No. 1 - Series 2020 Bonds	-	-	279,876
Transfers from WV No. 2 - Series 2020 Bonds	-	-	938,300
Bond issuance	-	21,015,000	-
Bond premium	-	1,899,629	-
Total revenues	1,667,902	24,523,724	1,218,176
Total funds available	1,668,532	24,523,997	1,218,176
EXPENDITURES			
Debt Service			
Paying agent fees	2,000	400	5,000
Bond interest - Series 2010A	903,500	451,750	-
Bond interest - Series 2010B	246,063	114,031	-
Bond interest - Series 2020	-	-	783,176
Bond principal - Series 2010B	450,000	-	-
Bond principal - Series 2020	-	-	430,000
2010 Bond - Refunding Escrow	-	23,311,235	-
Bond issue costs	-	646,581	-
Total expenditures	1,601,563	24,523,997	1,218,176
TRANSFERS OUT			
Transfers to other funds	66,696	-	-
Total expenditures and transfers out requiring appropriation	1,668,259	24,523,997	1,218,176
ENDING FUND BALANCE	\$ 273	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**POUDRE TECH METROPOLITAN DISTRICT
ENTERPRISE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUNDS AVAILABLE	\$ 1,367,227	\$ 1,247,819	\$ 982,153
REVENUES			
Other revenue	17,475	-	-
Water credits sale	-	1,008,000	-
Service fees	862,383	850,000	935,000
Water meter sales	77,500	40,000	75,000
System development fees	108,125	40,000	75,000
Developer advance - Manager & field staff	221,334	221,334	225,000
Total revenues	<u>1,286,817</u>	<u>2,159,334</u>	<u>1,310,000</u>
Total funds available	<u>2,654,044</u>	<u>3,407,153</u>	<u>2,292,153</u>
EXPENDITURES			
General and administrative			
Administration - Billing	8,100	16,000	63,000
Core	450	450	-
Staffing	42,554	45,000	-
Operations and maintenance			
Repairs and maintenance	47,971	95,000	78,750
Electricity and gas	146,342	160,000	140,000
Water meters and installations	249,182	50,000	75,000
Other Water Operating Expenses			
Scada	32,059	50,000	31,500
Delivery and Ditch expenses	28,355	30,000	31,500
Water system manager & field staff	221,334	221,334	225,000
Tools and Equipment - New	-	4,048	5,000
Contingency	-	76,296	1,798
Debt Service			
2016 Loan interest	180,614	173,538	165,452
2016 Loan principal	164,000	164,000	164,000
Repay Developer advance - Manager & field staff	221,334	221,334	225,000
Capital Outlay			
Capital outlay	63,930	-	100,000
Water rights acquisition	-	1,008,000	-
Meter replacement	-	110,000	100,000
River Stabilization and Improvement Project	-	-	150,000
Total expenditures	<u>1,406,225</u>	<u>2,425,000</u>	<u>1,556,000</u>
Total expenditures and transfers out requiring appropriation	<u>1,406,225</u>	<u>2,425,000</u>	<u>1,556,000</u>
ENDING FUNDS AVAILABLE	<u>\$ 1,247,819</u>	<u>\$ 982,153</u>	<u>\$ 736,153</u>

No assurance provided. See summary of significant assumptions.

**POUDRE TECH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Poudre Tech Metropolitan District (District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is the Operating District organized in conjunction with two other related Financing Districts – Water Valley Metropolitan District Nos. 1 and 2 (District No. 1 and District No. 2). The District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for District No. 1 and District No. 2. The Financing Districts are responsible for providing the funding and tax base needed to support the Financing Plan for capital improvements.

At its organizational election held on November 4, 2003, the voters approved general obligation indebtedness of \$27,750,000 for street improvements, \$2,250,000 for traffic and safety controls, \$13,500,000 for potable and non-potable water system \$15,000,000 for solid waste disposal, \$17,250,000 for parks and recreational facilities, \$2,250,000 for television relay and translation, \$78,000,000 for refinancing of District debt, and \$7,500,000 for general operations and maintenance. The voters also approved an annual tax increase of \$200,000 for general operations and maintenance. In order to exceed \$78,000,000 in total debt issuance among the Districts, the Districts would be required to submit an Amended Service Plan for approval by the Town Council.

On November 19, 2015, the District created its Water Activity Enterprise to provide water services and to acquire water or water rights. In 2016, the portion of the General Fund balance associated with Enterprise activity was transferred to the Enterprise Fund.

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

Service Fees

The District charges service fees to each homeowner for non-potable water usage.

System Development Fees

In 2021, the District will assess a system development fee of \$2,500 per lot, which is collected at the time the lot is sold. The budget anticipates the collection of system development fees for 30 lots in 2021.

Water Meter Sales

The District anticipates selling and installing water meters for 30 homes in 2021 and expects to collect \$2,500 per home.

**POUDRE TECH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

Developer Advance

Pursuant to the Management Agreement between the District and Water Valley Land Company LLC (an entity affiliated with the Developer), Water Valley Land Company LLC will provide certain managerial and administrative services to the District. These services will be funded by the Developer. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from legally available revenue.

Transfer from Water Valley Metropolitan District No. 1

District No. 1, Financing District, levied 17.618 mills for operations and maintenance. It is anticipated that District No. 1 will transfer the property taxes, net of fees, generated from the 17.618 mills into the District, Operating District, to pay for a portion of the operations and administrative expenditures of all Districts. District No. 1 also levied 24.325 mills for debt service. It is anticipated that District No. 1 will transfer a portion of the property taxes generated from the 24.325 mills into the District to pay for a portion of the Series 2020 bonds' debt service for 2021.

Transfer from Water Valley Metropolitan District No. 2

District No. 2, Financing District, levied 14.943 mills for operations and maintenance. It is anticipated that District No. 2 will transfer the property taxes, net of fees, generated from the 14.943 mills into the District, Operating District, to pay for a portion of the operations and administrative expenditures of all Districts. District No. 2 also levied 27.000 mills for debt service. It is anticipated that District No. 2 will transfer a portion of the property taxes generated from the 27.000 mills to pay for a portion of the Series 2020 bonds' debt service for 2021.

Expenditures

General, Administrative, Operating and Capital Expenditures

General and administrative expenditures include the costs of services necessary to maintain the District's administrative viability such as legal, accounting, audit, managerial, insurance, meeting and other general and administrative expenditures. Operating expenditures such as billing, landscaping, utilities, snow removal, and repairs and maintenance are also included in the District's budget. Further, anticipated capital expenditures (tree replacement, fence improvements, beach improvements and equipment acquisitions) are included in the General Fund's budget.

Debt Service

Principal and interest payments are provided based on the attached debt amortization schedules from the Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2020, and Taxable Water Revenue Loan Series 2016.

**POUDRE TECH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On October 22, 2010, the District issued the following Bonds: (1) \$18,070,000 Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2010A with an interest rate of 5.0%; (2) \$7,305,000 Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2010B with interest rates varying from 2.5% to 5.0%; and (3) \$300,000 Taxable Unlimited Property Tax Supported Revenue Refunding and Improvement Bonds Series 2010C with an interest rate of 1.25%.

The Series 2010A bonds are subject to redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2020, and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The bonds maturing December 1, 2030 are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2027 and on each December 1 thereafter prior to the maturity date. Additionally, the bonds maturing December 1, 2039 are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2011 and on each December 1 thereafter prior to the maturity date. These bonds were paid in full on September 3, 2020.

The Series 2010B bonds maturing December 1, 2021 are subject to redemption prior to the maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2020, and on any date thereof, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The bonds maturing December 1, 2028 are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2025 and on each December 1 thereafter prior the maturity date. These bonds were paid in full on September 3, 2020.

The Series 2010C bonds were paid in full on December 1, 2010.

On November 29, 2016, the District entered into a Loan Agreement with Points West Community Bank to obtain a loan in the amount of \$4,100,000 (Loan). The maturity date of the Loan is December 1, 2023, with an interest rate of 4.575% from November 29, 2016 through December 1, 2021. From December 1, 2021 through and including December 1, 2023, the Loan shall bear interest at a per annum fixed rate equal to the lesser of: (i) the sum of the Index plus 100 basis points; or (ii) the Maximum Rate of 18.00% per annum. Index means the prime rate published by the Wall Street Journal Online, or, in the event that such Index is no longer published, then the term Index shall be deemed to refer to a similar index selected by the Lender and approved by the Enterprise. Interest is paid semiannually on June 1 and December 1. The proceeds from the Loan were used to purchase water rights, paid for the costs of the Loan, and used to finance certain public improvements.

On September 3, 2020, the District issued \$21,015,000 Unlimited Property Tax Supported Revenue Refunding Bonds, Series 2020 (Bonds) with interest rates varying from 2.125% to 4.000%. Proceeds from the sale of the Bonds were used for the purpose of refunding the Series 2010 Bonds. A portion of the proceeds of the Bonds were also used to (a) purchase a municipal bond insurance policy and (b) fund the costs of issuing the Bonds. The Bonds are subject to redemption prior to maturity, at the option of the District. The Bonds maturing on or after December 1, 2031 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities and if in part in such order of maturities as the District shall determine and by lot within maturities, on December 1, 2030, and on any date thereafter, upon payment of par plus accrued interest, and without any redemption premium.

**POUDRE TECH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserves

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2021, as defined under TABOR.

This information is an integral part of the accompanying budget.

**POUDRE TECH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**\$21,015,000 Series 2020 Unlimited
Property Tax Supported Revenue
Refunding and Improvement Bonds
Dated September 3, 2020
Principal due December 1
Interest Rate 2.125% to 4.00% Payable
June 1 and December 1**

Year Ended December 31,	Principal	Interest	Total
2021	\$ 430,000	\$ 783,176	\$ 1,213,176
2022	620,000	616,438	1,236,438
2023	645,000	597,837	1,242,837
2024	660,000	578,488	1,238,488
2025	675,000	558,687	1,233,687
2026	715,000	538,438	1,253,438
2027	740,000	516,987	1,256,987
2028	830,000	494,788	1,324,788
2029	1,130,000	469,887	1,599,887
2030	1,195,000	435,988	1,630,988
2031	1,275,000	400,137	1,675,137
2032	1,310,000	361,888	1,671,888
2033	1,360,000	309,487	1,669,487
2034	1,435,000	255,088	1,690,088
2035	1,505,000	197,687	1,702,687
2036	1,550,000	167,588	1,717,588
2037	1,600,000	121,087	1,721,087
2038	1,650,000	73,088	1,723,088
2039	1,690,000	38,025	1,728,025
	\$ 21,015,000	\$ 7,514,789	\$ 28,529,789

No assurance provided. See summary of significant assumptions.

**POUDRE TECH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020**

**\$4,100,000 Taxable Water
Revenue Loan, 2016
Dated November 29, 2016
Principal due June 1 and December 1
Interest Rate 4.575% Payable
June 1 and December 1**

Year Ended December 31,	Principal	Estimated Interest*	Total
2021	\$ 164,000	\$ 165,452	\$ 329,452
2022	164,000	**	**
2023	<u>3,280,000</u>		
	<u>\$ 3,608,000</u>		

* Represents initial anticipated interest payments, without taking into account prepayment of Loan principal.

**From December 1, 2021 through and including December 1, 2023, the Loan shall bear an interest rate at a per annum fixed rate equal to the lesser of: (i) the sum of the Index plus 100 basis points; or (ii) the Maximum Rate of 18% per annum. Index means the prime rate published by the Wall Street Journal online, or, in the event that such Index is no longer published the term Index shall be deemed to refer to a similar index selected by the Lender and approved by the Enterprise.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
ANNUAL BUDGET
FOR YEAR ENDING DECEMBER 31, 2021

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/25/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 364,243	\$ 368,728	\$ 270,305
REVENUES			
Property taxes	1,438,325	1,342,546	1,446,870
Specific ownership taxes	96,512	68,000	72,344
Interest income	12,792	2,700	700
Total revenues	<u>1,547,629</u>	<u>1,413,246</u>	<u>1,519,914</u>
Total funds available	<u>1,911,872</u>	<u>1,781,974</u>	<u>1,790,219</u>
EXPENDITURES			
General Fund	645,686	618,169	638,340
Debt Service Fund	897,458	893,500	796,000
Total expenditures	<u>1,543,144</u>	<u>1,511,669</u>	<u>1,434,340</u>
Total expenditures and transfers out requiring appropriation	<u>1,543,144</u>	<u>1,511,669</u>	<u>1,434,340</u>
ENDING FUND BALANCES	<u>\$ 368,728</u>	<u>\$ 270,305</u>	<u>\$ 355,879</u>
FUND BALANCE POLICY	\$ 100,000	\$ 100,000	\$ 100,000
RESERVE FUND (Required 250,856)	250,332	170,305	250,856
RESERVE FOR FUTURE DEBT SERVICE	-	-	5,023
TOTAL RESERVE	<u>\$ 350,332</u>	<u>\$ 270,305</u>	<u>\$ 355,879</u>

No assurance provided. See summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/25/21

ACTUAL	ESTIMATED	BUDGET
2019	2020	2021

ASSESSED VALUATION

Residential	\$ 21,240,550	\$ 23,452,800	\$ 23,520,960
Commercial	3,995,040	4,815,430	4,588,080
Industrial	8,840	964,650	783,520
Agricultural	25,410	3,600	3,600
State assessed	648,490	654,550	694,820
Vacant land	316,060	279,570	166,790
Oil and gas	8,748,450	4,771,580	4,738,340
Certified Assessed Value	\$ 34,982,840	\$ 34,942,180	\$ 34,496,110

MILL LEVY

General	17.644	17.813	17.618
Debt Service	23.495	24.130	24.325
Total mill levy	41.139	41.943	41.943

PROPERTY TAXES

General	\$ 617,237	\$ 622,425	\$ 607,752
Debt Service	821,922	843,155	839,118
Levied property taxes	1,439,159	1,465,580	1,446,870
Adjustments to actual/rounding	(834)	(123,034)	-
Budgeted property taxes	\$ 1,438,325	\$ 1,342,546	\$ 1,446,870

BUDGETED PROPERTY TAXES

General	\$ 616,879	\$ 570,173	\$ 607,752
Debt Service	821,446	772,373	839,118
	\$ 1,438,325	\$ 1,342,546	\$ 1,446,870

No assurance provided. See summary of significant assumptions.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/25/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 101,888	\$ 118,396	\$ 100,000
REVENUES			
Property taxes	616,879	570,173	607,752
Specific ownership taxes	41,393	29,000	30,388
Interest income	3,922	600	200
Total revenues	<u>662,194</u>	<u>599,773</u>	<u>638,340</u>
Total funds available	<u>764,082</u>	<u>718,169</u>	<u>738,340</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	9,257	8,556	9,116
Miscellaneous	81	200	200
Transfers to PTMD - Other	636,348	609,413	629,024
Total expenditures	<u>645,686</u>	<u>618,169</u>	<u>638,340</u>
Total expenditures and transfers out requiring appropriation	<u>645,686</u>	<u>618,169</u>	<u>638,340</u>
ENDING FUND BALANCE	<u>\$ 118,396</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
FUND BALANCE POLICY	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
TOTAL RESERVE	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

No assurance provided. See summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/25/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 262,355	\$ 250,332	\$ 170,305
REVENUES			
Property taxes	821,446	772,373	839,118
Specific ownership taxes	55,119	39,000	41,956
Interest income	8,870	2,100	500
Total revenues	<u>885,435</u>	<u>813,473</u>	<u>881,574</u>
Total funds available	<u>1,147,790</u>	<u>1,063,805</u>	<u>1,051,879</u>
EXPENDITURES			
Debt Service			
County Treasurer's fee	12,327	11,591	12,587
Bond interest - Series 2016	288,988	283,737	278,094
Bond principal - Series 2016	210,000	215,000	220,000
Paying agent fees	2,500	2,500	2,500
Miscellaneous	175	1,052	2,943
Transfers to PTMD - Other	5,599	-	-
Transfers to PTMD - Series 2010 Bonds	377,869	379,620	-
Transfers to PTMD - Series 2020 Bonds	-	-	279,876
Total expenditures	<u>897,458</u>	<u>893,500</u>	<u>796,000</u>
Total expenditures and transfers out requiring appropriation	<u>897,458</u>	<u>893,500</u>	<u>796,000</u>
ENDING FUND BALANCE	<u>\$ 250,332</u>	<u>\$ 170,305</u>	<u>\$ 255,879</u>
RESERVE FUND (Required 250,856)	\$ 250,332	\$ 170,305	\$ 250,856
RESERVE FOR FUTURE DEBT SERVICE	-	-	5,023
TOTAL RESERVE	<u>\$ 250,332</u>	<u>\$ 170,305</u>	<u>\$ 255,879</u>

No assurance provided. See summary of significant assumptions.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Water Valley Metropolitan District No. 1 (District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is a Financing District organized in conjunction with two other related Districts – Poudre Tech Metropolitan District and Water Valley Metropolitan District No. 2. Poudre Tech Metropolitan District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for Water Valley District Nos. 1 and 2 (Financing Districts) which are responsible for providing the funding and tax base needed to support the Financing Plan for capital improvements.

At its organizational election held on November 8, 1994, the voters approved general obligation indebtedness of \$6,590,000 for street system, \$450,000 for traffic and safety controls, \$3,175,000 for water system, \$3,415,000 for sanitation system, \$6,615,000 for parks and recreational facilities, \$795,000 for fire protection and \$525,000 for television relay system. The voters also approved an annual tax increase of \$1,700,000, or by such lesser annual amount as may be necessary to pay the District's general costs.

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, sale 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 mill levy adopted by the District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenue – (continued)

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% of the property taxes collected.

Interest income

Interest earned on the District's available funds has been estimated on an average interest rate of 0.25%.

Expenditures

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Transfer to Poudre Tech Metro District

Property taxes generated from the 17.618 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to Poudre Tech Metropolitan District, the Operating District, which pays all administrative and operating expenditures of the District.

A portion of the property taxes generated from the 24.325 mills levied by the District for debt service, net of fees, are expected to be transferred to Poudre Tech Metropolitan District to pay for a portion of the debt service on the Series 2020 Bonds issued by Poudre Tech Metropolitan District.

Debt Service

Principal and interest payments are provided based on the attached debt amortization schedule from the General Obligation Refunding Bonds, Series 2016.

Debt and Leases

On January 31, 2014, the District entered into a Loan Agreement with First Western Trust Bank to obtain a loan in the aggregate original principal amount of up to \$7,210,000 (Loan). The maturity date of the Loan is January 31, 2021, with an interest rate of 4.04%, paid semiannually on June 1 and December 1. The proceeds from the initial Loan funding were used to refund the Series 2004 and 2007 General Obligation Bonds, finance certain public improvements, and pay the costs of issuing the Loan.

On July 8, 2016, the District issued \$7,100,000 in General Obligation Refunding Bonds, Series 2016 (Bonds) to prepay the Loan described above.

**WATER VALLEY METROPOLITAN DISTRICT NO. 1
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

The Bonds are general obligations of the District secured and payable from Pledged Revenue which include Property Tax Revenue, net of costs of collection, and any other legally available amounts. The Bonds are due December 1, 2040, with an interest rate of 2.00%-5.25%, paid semiannually on June 1 and December 1. The Bonds maturing on and after December 1, 2035, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District is to determine and by lot maturities), on December 1, 2026, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium. The Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee is to determine, on December 1 of each year at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest.

The District has no operating or capital leases.

Reserves

Emergency Reserve/Other Reserve

The District has not provided for an emergency reserve equal to at least 3% of fiscal year spending for 2021, as defined under TABOR, because tax revenue is transferred to Poudre Tech Metropolitan District, the Operating District, which provides for the required reserve amount. However, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

Debt Service Reserve

The Series 2016 Bonds are secured by amounts on deposit in the Debt Service Reserve Fund which was funded from the bond proceeds in the amount of the reserve requirement of \$250,856.

This information is an integral part of the accompanying budget.

WATER VALLEY METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020

\$7,100,000

General Obligation Refunding Bonds, Series 2016

Dated July 8, 2016

Principal due December 1

Interest Rate 2.0%-5.25% Payable

June 1 and December 1

Year Ended December 31,	Principal		Interest		Total
2021	\$	220,000	\$	278,094	\$ 498,094
2022		225,000		272,044	497,044
2023		235,000		265,294	500,294
2024		240,000		257,950	497,950
2025		250,000		250,150	500,150
2026		260,000		241,712	501,712
2027		265,000		232,612	497,612
2028		275,000		222,012	497,012
2029		290,000		211,012	501,012
2030		300,000		199,412	499,412
2031		310,000		187,412	497,412
2032		325,000		175,013	500,013
2033		335,000		162,013	497,013
2034		350,000		148,613	498,613
2035		370,000		131,113	501,113
2036		385,000		112,613	497,613
2037		405,000		92,400	497,400
2038		430,000		71,138	501,138
2039		450,000		48,563	498,563
2040		475,000		24,938	499,938
	\$	6,395,000	\$	3,584,108	\$ 9,979,108

No assurance provided. See summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2021

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 539,844	\$ 495,694	\$ 189,800
REVENUES			
Property taxes	2,692,820	2,290,558	2,659,276
Specific ownership taxes	181,153	124,000	132,964
Interest income	23,052	5,500	700
Payment in lieu of taxes	124,135	134,856	145,411
Total revenues	<u>3,021,160</u>	<u>2,554,914</u>	<u>2,938,351</u>
Total funds available	<u>3,561,004</u>	<u>3,050,608</u>	<u>3,128,151</u>
EXPENDITURES			
General Fund	1,180,973	1,034,808	1,140,500
Debt Service Fund	1,884,337	1,826,000	1,545,000
Total expenditures	<u>3,065,310</u>	<u>2,860,808</u>	<u>2,685,500</u>
Total expenditures and transfers out requiring appropriation	<u>3,065,310</u>	<u>2,860,808</u>	<u>2,685,500</u>
ENDING FUND BALANCES	<u>\$ 495,694</u>	<u>\$ 189,800</u>	<u>\$ 442,651</u>
FUND BALANCE POLICY	\$ 150,000	\$ 150,000	\$ 150,000
RESERVE FUND (Required: \$287,588)	287,588	39,800	287,588
RESERVE FOR FUTURE DEBT SERVICE	46,522	-	5,063
TOTAL RESERVE	<u>\$ 484,110</u>	<u>\$ 189,800</u>	<u>\$ 442,651</u>

No assurance provided. See summary of significant assumptions.

Water Valley Metropolitan District No. 2
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION			
Residential	\$ 34,019,110	\$ 42,202,220	\$ 45,926,840
Commercial	1,668,050	1,787,150	2,095,290
Minerals	670	670	740
Agricultural	26,630	11,720	10,850
State assessed	534,420	493,630	580,600
Vacant land	2,626,280	3,373,020	2,320,440
Industrial	-	570	3,440
Oil and gas	26,602,200	15,408,410	12,463,950
Certified Assessed Value	\$ 65,477,360	\$ 63,277,390	\$ 63,402,150
MILL LEVY			
General	15.155	15.412	14.943
Debt Service	25.984	26.531	27.000
Total mill levy	41.139	41.943	41.943
PROPERTY TAXES			
General	\$ 992,309	\$ 975,231	\$ 947,418
Debt Service	1,701,364	1,678,812	1,711,858
Levied property taxes	2,693,673	2,654,043	2,659,276
Adjustments to actual/rounding	(853)	(363,485)	-
Budgeted property taxes	\$ 2,692,820	\$ 2,290,558	\$ 2,659,276
BUDGETED PROPERTY TAXES			
General	\$ 991,995	\$ 841,668	\$ 947,418
Debt Service	1,700,825	1,448,890	1,711,858
	\$ 2,692,820	\$ 2,290,558	\$ 2,659,276

No assurance provided. See summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 153,901	\$ 161,584	\$ 150,000
REVENUES			
Property taxes	991,995	841,668	947,418
Specific ownership taxes	66,734	45,000	47,371
Interest income	5,792	1,700	300
Payment in lieu of taxes	124,135	134,856	145,411
Total revenues	<u>1,188,656</u>	<u>1,023,224</u>	<u>1,140,500</u>
Total funds available	<u>1,342,557</u>	<u>1,184,808</u>	<u>1,290,500</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	14,887	12,635	14,211
Transfers to PTMD - Other	1,166,027	1,022,023	1,126,139
Miscellaneous	59	150	150
Total expenditures	<u>1,180,973</u>	<u>1,034,808</u>	<u>1,140,500</u>
Total expenditures and transfers out requiring appropriation	<u>1,180,973</u>	<u>1,034,808</u>	<u>1,140,500</u>
ENDING FUND BALANCE	<u>\$ 161,584</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>
FUND BALANCE POLICY	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>
TOTAL RESERVE	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

No assurance provided. See summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/26/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 385,943	\$ 334,110	\$ 39,800
REVENUES			
Property taxes	1,700,825	1,448,890	1,711,858
Specific ownership taxes	114,419	79,000	85,593
Interest income	17,260	3,800	400
Total revenues	<u>1,832,504</u>	<u>1,531,690</u>	<u>1,797,851</u>
Total funds available	<u>2,218,447</u>	<u>1,865,800</u>	<u>1,837,651</u>
EXPENDITURES			
Debt Service			
County Treasurer's fee	25,524	21,751	25,678
Bond interest - Series 2016	332,606	326,606	320,175
Bond principal - Series 2016	240,000	245,000	255,000
Paying agent fees	2,500	2,500	2,500
Miscellaneous	110	723	3,347
Transfers to PTMD - Other	61,097	-	-
Transfers to PTMD - Series 2010 Bond	1,222,500	1,229,420	-
Transfers to PTMD - Series 2020 Bond	-	-	938,300
Total expenditures	<u>1,884,337</u>	<u>1,826,000</u>	<u>1,545,000</u>
Total expenditures and transfers out requiring appropriation	<u>1,884,337</u>	<u>1,826,000</u>	<u>1,545,000</u>
ENDING FUND BALANCE	<u>\$ 334,110</u>	<u>\$ 39,800</u>	<u>\$ 292,651</u>
RESERVE FUND (Required: \$287,588)	\$ 287,588	\$ 39,800	\$ 287,588
RESERVE FOR FUTURE DEBT SERVICE	46,522	-	5,063
TOTAL RESERVE	<u>\$ 334,110</u>	<u>\$ 39,800</u>	<u>\$ 292,651</u>

No assurance provided. See summary of significant assumptions.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Water Valley Metropolitan District No. 2 (District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is a Financing District organized in conjunction with two other related Districts – Poudre Tech Metropolitan District and Water Valley Metropolitan District No. 1. Poudre Tech Metropolitan District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for Water Valley Districts Nos. 1 and 2 (Financing Districts) which are responsible for providing the funding and tax base needed to support the Financing Plan for capital improvements.

At its organizational election held on November 8, 1994, the voters approved general obligation indebtedness of \$5,720,000 for water system, \$6,150,000 for sanitation system, \$11,865,000 for street system, \$4,860,000 for parks and recreational facilities, \$710,000 for traffic and safety controls, \$420,000 for fire protection and \$680,000 for television relay. The voters also approved an annual tax increase of \$1,700,000, or by such lesser annual amount as may be necessary to pay the District's general costs.

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, sale 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 mill levy adopted by the District.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

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% of the property taxes collected.

Interest income

Interest earned on the District's available funds has been estimated on an average interest rate of .25%.

PILOT – Good Samaritan

This payment in lieu of property taxes (PILOT) is collected by the District from the Evangelical Lutheran Good Samaritan Society calculated by using the District's mill levy against the assessed value of the property as defined by the agreement between the parties.

Expenditures

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Transfer to Poudre Tech Metro District

Property taxes generated from the 14.943 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to Poudre Tech Metropolitan District, the Operating District, which pays all administrative and operating expenditures of the District.

A portion of the property taxes generated from the 27.000 mills levied by the District for debt service, net of fees, are expected to be transferred to Poudre Tech Metropolitan District to pay for a portion of the debt service on the Series 2020 Bonds issued by Poudre Tech Metropolitan District.

Debt Service

Principal and interest payments are provided based on the attached debt amortization schedule from the General Obligation Refunding Bonds, Series 2016.

**WATER VALLEY METROPOLITAN DISTRICT NO. 2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On January 31, 2014, the District entered into a loan agreement with First Western Trust Bank to obtain a loan in the aggregate original amount of up to \$8,240,000 (Loan). The maturity date of the Loan is January 31, 2021, with an interest rate of 4.04%, paid semiannually on June 1 and December 1. The proceeds from the initial Loan funding were used to finance certain public improvements, reimburse the Developer for prior advances related to public improvements constructed by the Developer on behalf of the District, and pay the costs of issuing the Loan.

On July 8, 2016, the District issued \$8,125,000 in General Obligation Refunding Bonds, Series 2016 (Bonds) to prepay the Loan described above. The Bonds are general obligations of the District secured and payable from Pledged Revenue which include Property Tax Revenue, net of costs of collection, and any other legally available amounts. The Bonds are due December 1, 2040, with an interest rate of 2.00%-5.25%, paid semiannually on June 1 and December 1. The Bonds maturing on December 1, 2040, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District is to determine and by lot within maturities), on December 1, 2026, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium. The Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee is to determine, on December 1 of each year at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest.

The District has no operating or capital leases.

Reserve Funds

Emergency Reserve/Other Reserve

The District has not provided for an emergency reserve equal to at least 3% of fiscal year spending for 2021, as defined under TABOR, because net tax revenue is transferred to Poudre Tech Metropolitan District, the Operating District, which provides for the required reserve amount. However, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

Debt Service Reserve

The Series 2016 Bonds are secured by amounts on deposit in the Debt Service Reserve Fund which was funded from the bond proceeds in the amount of the reserve requirement of \$287,588.

This information is an integral part of the accompanying budget.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020

\$8,125,000

General Obligation Refunding Bonds, Series 2016

Dated July 8, 2016

Principal due December 1

Interest Rate 2.0%-5.25% Payable

June 1 and December 1

Year Ended December 31,	Principal		Interest		Total
2021	\$	255,000	\$	320,175	\$ 575,175
2022		260,000		313,162	573,162
2023		265,000		305,362	570,362
2024		275,000		297,081	572,081
2025		285,000		288,144	573,144
2026		295,000		278,525	573,525
2027		305,000		268,200	573,200
2028		315,000		256,000	571,000
2029		330,000		243,400	573,400
2030		340,000		230,200	570,200
2031		355,000		216,600	571,600
2032		370,000		202,400	572,400
2033		385,000		187,600	572,600
2034		400,000		172,200	572,200
2035		420,000		151,200	571,200
2036		445,000		129,150	574,150
2037		465,000		105,788	570,788
2038		490,000		81,375	571,375
2039		515,000		55,650	570,650
2040		545,000		28,613	573,613
	\$	7,315,000	\$	4,130,825	\$ 11,445,825

No assurance is provided. See summary of significant assumptions.