CHEROKEE METROPOLITAN DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

CHEROKEE METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Cherokee Metropolitan District
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Cherokee Metropolitan District, (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the supplemental information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 30 through 32 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sorren CPAs P.C.

Colorado Springs, Colorado
June 22, 2026

The Management Discussion and Analysis (MD&A) is presented to provide an overview of the financial activities and conditions for the fiscal year ended on December 31, 2025. The MD&A contains information currently known to management as of the date of the auditor's report. The MD&A should be read in conjunction with the District's financial statements that accompany this report.

Financial Highlights

- Total Assets equaled $220,432,752 as of December 31, 2025.
- Cash, Cash Equivalents, and Investments as of December 31, 2025, were $58,924,038.
- Total Liabilities as of December 31, 2025, equaled $62,121,684.
- Net Position as of December 31, 2025, totaled $158,311,068.
- Governmental change in Net Position from 2024 to 2025 totaled $(16,138).
- Business-type change in Net Position from 2024 to 2025 totaled $7,228,742.

Overview of the Financial Statements

The financial statements consist of three parts - management discussion and analysis, the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two are government-wide statements that provide both long-term and short-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplemental information that further explains and supports the information in the financial statements.

Government-wide Statements — The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report on the District's net position and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial status, or financial position. Over time increases or decreases in the District's net position is one indicator whether its financial health is improving or deteriorating.

Fund Financial Statements — The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds, not the District as a whole. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds — The activity of the District's General fund is reported as a governmental fund, which focuses on how money flows into and out of the General fund. This fund is reported using the modified accrual accounting method, which measures cash and all of the other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs.

Proprietary (Enterprise) Funds — The activity of the District Enterprise funds is to report the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's Enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provides more detailed and additional information, such as cash flows.

District Specific — The Cherokee Metropolitan District utilizes two separate financial categories of activities; one for the general district functions and one for the enterprise, or business-type functions. Each of these, in turn, is segregated into operational and capital functions. Together, these comprise the overall government-wide statements. The Governmental, or general, category covers the public functions involving street lighting and parks. The Proprietary, or Business-type, category involves the public provision of water, wastewater, reuse water, related administration, and golf course functions. The Governmental functions are funded by fees and conservation trust funds. The Proprietary functions are funded by water and sewer user charges, tap fees, golf fees, and, similarly, bond financing when required for capital projects.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

NET POSITION:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Other	$ 930,168	$ 62,328,736	$ 63,258,904	$ 728,013	$ 59,115,717	$ 59,843,730
Capital	465,762	156,708,086	157,173,848	511,788	154,533,881	155,045,669
Total assets	$ 1,395,930	$ 219,036,822	$ 220,432,752	$ 1,239,801	$ 213,649,598	$ 214,889,399
LIABILITIES						
Current	$ 342,721	$ 5,090,975	$ 5,433,696	$ 170,454	$ 4,939,711	$ 5,110,165
Long-term	-	56,687,988	56,687,988	-	58,680,770	58,680,770
Total liabilities	$ 342,721	$ 61,778,963	$ 62,121,684	$ 170,454	$ 63,620,481	$ 63,790,935
NET POSITION						
Net investment in capital assets	$ 466,962	$ 98,220,019	$ 98,686,981	$ 511,788	$ 94,124,332	$ 94,636,120
Restricted	755,906	13,846,609	14,602,515	546,995	12,855,804	13,402,799
Unrestricted	(169,659)	45,191,231	45,021,572	10,564	43,048,981	43,059,545
Total net position	$ 1,053,209	$ 157,257,859	$ 158,311,068	$ 1,069,347	$ 150,029,117	$ 151,098,464

Condensed Statements of Activities for the years ended December 31, 2025 and 2024

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Charges for services	$ 377,974	$ 18,872,241	$ 19,250,215	$ 367,556	$ 19,550,840	$ 19,918,396
Operating grants and contributions	184,475	-	184,475	113,870	-	113,870
Capital grants and contributions	-	1,355,170	1,355,170	-	1,535,603	1,535,603
Investment earnings	26,969	2,101,007	2,127,976	86,035	2,557,685	2,643,720
Other revenues	-	3,864,048	3,864,048	-	2,982,221	2,982,221
Total revenues	$ 589,418	$ 26,192,466	$ 26,781,884	$ 567,461	$ 26,626,349	$ 27,193,810
FUNCTIONAL						
Street lights	$ 169,420	$ -	$ 169,420	$ 151,217	$ -	$ 151,217
Parks	436,136	-	436,136	424,135	-	424,135
Water and wastewater	-	17,304,731	17,304,731	-	15,764,041	15,764,041
Golf Course	-	1,658,993	1,658,993	-	1,588,887	1,588,887
Total expenditures	$ 605,556	$ 18,963,724	$ 19,569,280	$ 575,352	$ 17,352,928	$ 17,928,280
Change in net position	(16,138)	7,228,742	7,212,604	(7,891)	9,273,421	9,265,530
Net position beginning of year	1,069,347	150,029,117	151,098,464	1,077,238	140,755,696	141,832,934
Net position end of year	$ 1,053,209	$ 157,257,859	$ 158,311,068	$ 1,069,347	$ 150,029,117	$ 151,098,464

Governmental Activities exhibited a negative change in net position primarily attributable to increased expenditures related to increased maintenance. Business-type Activities exhibited a positive change in net position primarily attributable to monitoring expenditures in conjunction with increasing revenue.

ANALYSIS OF POSITION

The overall financial position of the District improved during 2025 due to growth in the water and wastewater customer base as well as healthy tap fee revenue. Operating expenditures were kept in check. The golf course position improved due to increased player activity and small fee increases.

Capital assets for both Governmental and Business-type Activities increased as the District continues to make improvements to its parks, golf course and water and wastewater infrastructure. The TDS project construction was substantially completed in 2023 and entered full operations in 2024. This project has allowed the District to meet the state regulations which drove the construction at the plant effluent and after enough effluent is introduced into the receiving aquifer, these limits will be met at the downgradient groundwater compliance points.

CAPITAL ASSETS:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Water and Wastewater Fund and Golf course	$ -	$ 208,722,735	$ 208,722,735	$ -	$ 202,395,593	$ 202,395,593
Street light and and park improvements	1,468,612	-	1,468,612	1,427,490	-	1,427,490
Accumulated depreciation	(1,001,650)	(52,014,649)	(53,016,299)	(915,702)	(47,861,712)	(48,777,414)
Impairment	-	-	-	-	(565,000)	(565,000)
Total capital assets, net	$ 466,962	$ 156,708,086	$ 157,175,048	$ 511,788	$ 153,968,881	$ 154,480,669

The District's long-term liabilities decreased during 2025 by $1,921,482 in the Water and Wastewater Enterprise fund primarily due to the District making principal payments on bonds and loans.

LONG-TERM DEBT:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Bonds payable	$ -	$ 55,445,350	$ 55,445,350	$ -	$ 56,369,213	$ 56,369,213
Notes payable	-	3,042,717	3,042,717	-	4,040,336	4,040,336
Total debt	$ -	$ 58,488,067	$ 58,488,067	$ -	$ 60,409,549	$ 60,409,549

FUTURE TRENDS AND ECONOMIC FACTORS

Cherokee Metropolitan District's financial position in 2024 and will remain strong in the future if current trends continue. Single family and multi-family residential construction slowed from previous years but remain healthy. Commercial construction has increased, which has collectively delivered predictable tap fee revenue and sustainable customer base growth.

The District's TDS reduction project was completed in 2024 and will soon bring Cherokee into full compliance with state regulations. The District discovered PFAS in its drinking water in late 2023 and deployed a pilot treatment system in 2024 to gather data to design a full scale treatment facility. The pilot study concluded in 2025 and the data was used to inform final design which will be completed in 2026 with construction on track for completion in 2028.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Cherokee Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kevin Brown, General Manager, at (719) 322-4339.

BASIC FINANCIAL STATEMENTS

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ -	$ 44,520,034	$ 44,520,034
Restricted Cash and Cash Equivalents	741,321	13,662,683	14,404,004
Accounts Receivable	-	2,802,960	2,802,960
Prepaid Expense	12,006	504,045	516,051
Inventory	-	90,890	90,890
Due From Other Funds	175,641	748,124	923,765
Capital Assets:			
Capital Assets Not Being Depreciated	1,200	63,951,571	63,952,771
Capital Assets Net of Depreciation	465,762	92,756,515	93,222,277
Total Assets	1,395,930	219,036,822	220,432,752
LIABILITIES			
Accounts Payable	16,168	796,478	812,646
Accrued Wages and Compensated Absences	-	245,534	245,534
Accrued Interest	-	781,249	781,249
Due To Other Funds	326,553	597,212	923,765
Retainage Payable	-	334,877	334,877
Unearned Revenue	-	351,620	351,620
Customer Deposits	-	183,926	183,926
Noncurrent Liabilities:			
Due Within One Year	-	1,800,079	1,800,079
Due in More Than One Year	-	56,687,988	56,687,988
Total Liabilities	342,721	61,778,963	62,121,684
NET POSITION			
Net Investment in Capital Assets	466,962	98,220,019	98,686,981
Restricted	755,906	13,846,609	14,602,515
Unrestricted	(169,659)	45,191,231	45,021,572
Total Net Position	$ 1,053,209	$ 157,257,859	$ 158,311,068

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Primary Government:							
Governmental Activities:							
Lighting	$ 169,420	$ 147,509	$ -	$ -	$ (21,911)	$ -	$ (21,911)
Parks	436,136	230,465	184,475	-	(21,196)	-	(21,196)
Total Governmental Activities	$ 605,556	$ 377,974	$ 184,475	$ -	(43,107)	-	(43,107)
Business-Type Activities:							
Water and Wastewater Fund	$ 17,304,731	$ 16,800,818	$ -	$ 1,355,170	-	851,257	851,257
Golf Course Fund	1,658,993	2,071,423	-	-	-	412,430	412,430
Total Business-Type Activities	$ 18,963,724	$ 18,872,241	$ -	$ 1,355,170	-	1,263,687	1,263,687
General Revenues:							
Investment Earnings					26,969	2,101,007	2,127,976
Debt Service Contribution - Meridian					-	703,240	703,240
Lawsuit Settlement					-	720,642	720,642
Other Revenue					-	2,440,166	2,440,166
Total General Revenues and Transfers					26,969	5,965,055	5,992,024
CHANGES IN NET POSITION					(16,138)	7,228,742	7,212,604
Net Position - Beginning of Year					1,069,347	150,029,117	151,098,464
NET POSITION - END OF YEAR					$ 1,053,209	$ 157,257,859	$ 158,311,068

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Parks Fund	Total Governmental Funds
ASSETS			
Restricted Cash and Cash Equivalents	$ -	$ 741,321	$ 741,321
Due From Other Funds	175,641	-	175,641
Prepaid Expense	-	12,006	12,006
Total Assets	$ 175,641	$ 753,327	$ 928,968
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 13,053	$ 3,115	$ 16,168
Due To Other Funds	-	326,553	326,553
Total Liabilities	13,053	329,668	342,721
FUND BALANCES			
Nonspendable:			
Prepaid Expense	-	12,006	12,006
Restricted for:			
Emergency Reserves	4,400	13,300	17,700
Committed:			
Operations	-	398,353	398,353
Unassigned	158,188	-	158,188
Total Fund Balances	162,588	423,659	586,247
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 175,641	$ 753,327	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			466,962
Net Position of Governmental Activities			$ 1,053,209

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Parks Fund	Total Governmental Funds
REVENUES			
Fees	$ 147,509	$ 230,465	$ 377,974
Conservation Trust Funds	-	184,475	184,475
Interest And Miscellaneous Income	-	26,969	26,969
Total Revenues	147,509	441,909	589,418
EXPENDITURES			
Lighting	169,420	-	169,420
Parks, Landscape And Open Space	-	350,188	350,188
Capital Outlay	-	41,122	41,122
Total Expenditures	169,420	391,310	560,730
NET CHANGE IN FUND BALANCES	(21,911)	50,599	28,688
Fund Balances - Beginning of Year	184,499	373,060	557,559
FUND BALANCES - END OF YEAR	$ 162,588	$ 423,659	$ 586,247

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	$	28,688
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.		
Capital Outlay		41,122
Depreciation Expense		(85,948)
Changes in Net Position of Governmental Activities	$	(16,138)

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Water and Wastewater Enterprise Fund	Golf Course Enterprise Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 43,434,354	$ 1,085,680	$ 44,520,034
Accounts Receivable	2,802,365	595	2,802,960
Due From Other Funds	-	748,124	748,124
Prepaid Expense	474,298	29,747	504,045
Inventory	-	90,890	90,890
Total Current Assets	46,711,017	1,955,036	48,666,053
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	13,662,683	-	13,662,683
Capital Assets:			
Capital Assets Not Being Depreciated	63,074,019	877,552	63,951,571
Capital Assets Net of Depreciation	91,308,959	1,447,556	92,756,515
Total Capital Assets	154,382,978	2,325,108	156,708,086
Total Noncurrent Assets	168,045,661	2,325,108	170,370,769
Total Assets	$ 214,756,678	$ 4,280,144	$ 219,036,822
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	$ 777,966	$ 18,512	$ 796,478
Accrued Wages and Compensated Absences	245,534	-	245,534
Accrued Interest	781,249	-	781,249
Due To Other Funds	597,212	-	597,212
Retainage Payable	334,877	-	334,877
Unearned Revenue	351,620	-	351,620
Customer Deposits	183,926	-	183,926
Total Current Liabilities	3,272,384	18,512	3,290,896
NONCURRENT LIABILITIES			
Notes Payable:			
Due Within One Year	1,055,079	-	1,055,079
Due in More Than One Year	1,987,638	-	1,987,638
Bonds Payable:			
Due Within One Year	745,000	-	745,000
Due in More Than One Year	54,700,350	-	54,700,350
Total Noncurrent Liabilities	58,488,067	-	58,488,067
Total Liabilities	61,760,451	18,512	61,778,963
NET POSITION			
Net Investment in Capital Assets	95,894,911	2,325,108	98,220,019
Restricted	13,846,609	-	13,846,609
Unrestricted	43,254,707	1,936,524	45,191,231
Total Net Position	152,996,227	4,261,632	157,257,859
Total Liabilities and Net Position	$ 214,756,678	$ 4,280,144	$ 219,036,822

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Water and Wastewater Enterprise Fund	Golf Course Enterprise Fund	Total
OPERATING REVENUES			
Water Sales	$ 9,165,171	$ -	$ 9,165,171
Sewer Sales	6,460,457	-	6,460,457
TDS Surcharge	1,175,190	-	1,175,190
Golf Revenue	-	1,634,184	1,634,184
Resale	-	437,239	437,239
Total Operating Revenues	16,800,818	2,071,423	18,872,241
OPERATING EXPENSES			
Water System	3,645,042	-	3,645,042
Wastewater System	3,472,138	-	3,472,138
Support Services	1,041,271	-	1,041,271
Golf Course Operations	-	1,489,461	1,489,461
General and Administrative	1,786,347	-	1,786,347
Lawsuit Settlement	1,104,585	-	1,104,585
Depreciation Expense	4,548,405	169,532	4,717,937
Total Operating Expenses	15,597,788	1,658,993	17,256,781
OPERATING INCOME	1,203,030	412,430	1,615,460
NONOPERATING REVENUES AND (EXPENSES)			
Water and Wastewater Tap Fees	1,355,170	-	1,355,170
Interest Income	2,101,007	-	2,101,007
Miscellaneous	2,365,456	74,710	2,440,166
Lawsuit Settlement	720,642	-	720,642
Meridian-TDS Capital/DS Contribution	703,240	-	703,240
Interest Expense and Bond Fees	(1,706,943)	-	(1,706,943)
Total Nonoperating Revenues and (Expenses)	5,538,572	74,710	5,613,282
CHANGE IN NET POSITION	6,741,602	487,140	7,228,742
Total Net Position - Beginning of Year	146,254,625	3,774,492	150,029,117
TOTAL NET POSITION - END OF YEAR	$ 152,996,227	$ 4,261,632	$ 157,257,859

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2025

	Water and Wastewater Enterprise Fund	Golf Course Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 16,754,383	$ 2,076,562	$ 18,830,945
Payments to Suppliers	(4,910,185)	(793,649)	(5,703,834)
Payments to Employees	(5,413,231)	(723,700)	(6,136,931)
Settlement	(1,104,585)	-	(1,104,585)
Prepaid Expenses	15,869	(8,946)	6,923
Net Cash Provided by Operating Activities	5,342,251	550,267	5,892,518
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Changes in Due To/From Other Funds	521,163	(687,991)	(166,828)
Net Cash Provided (Used) by Noncapital Financing Activities	521,163	(687,991)	(166,828)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions - Tap Fees	1,355,170	-	1,355,170
Miscellaneous Income	1,800,457	74,713	1,875,170
Lawsuit Settlement	720,642	-	720,642
TDS Capital Contribution - Meridian	703,240	-	703,240
Purchase of Capital Assets	(6,249,837)	(77,305)	(6,327,142)
Principal Paid on Debt	(1,728,779)	-	(1,728,779)
Interest Payment on Debt	(1,924,225)	-	(1,924,225)
Net Cash Used by Capital and Related Financing Activities	(5,323,332)	(2,592)	(5,325,924)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	2,219,403	-	2,219,403
Net Cash Provided by Investing Activities	2,219,403	-	2,219,403
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,759,485	(140,316)	2,619,169
Cash and Cash Equivalents - Beginning of Year	54,337,552	1,225,996	55,563,548
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 57,097,037	$ 1,085,680	$ 58,182,717
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	$ 1,203,030	$ 412,430	$ 1,615,460
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	4,548,405	169,532	4,717,937
(Increase) Decrease in:			
Accounts Receivable	2,915	5,139	8,054
Prepaid Expense	15,869	(8,946)	6,923
Inventory	-	(39,232)	(39,232)
Increase (Decrease) in:			
Accounts Payable	(328,637)	11,344	(317,293)
Customer Deposit	28,950	-	28,950
Unearned Revenue	(78,300)	-	(78,300)
Accrued Expenses	(30,569)	-	(30,569)
Retainage Payable	(19,412)	-	(19,412)
Net Cash Provided by Operating Activities	$ 5,342,251	$ 550,267	$ 5,892,518

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Fees	$ 143,400	$ 143,400	$ 147,509	$ 4,109
Total Revenues	143,400	143,400	147,509	4,109
EXPENDITURES				
Lighting	141,100	160,000	169,420	(9,420)
Total Expenditures	141,100	160,000	169,420	(9,420)
NET CHANGE IN FUND BALANCE	2,300	(16,600)	(21,911)	(5,311)
Fund Balance - Beginning of Year	181,930	181,930	184,499	2,569
FUND BALANCE - END OF YEAR	$ 184,230	$ 165,330	$ 162,588	$ (2,742)

See accompanying Notes to Basic Financial Statements.

CHEROKEE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
PARKS FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Fees	$ 219,800	$ 230,465	$ 10,665
Conservation Trust Funds	150,000	184,475	34,475
Interest And Miscellaneous Income	15,200	26,969	11,769
Total Revenues	385,000	441,909	56,909
EXPENDITURES			
Parks, Landscape And Open Space	334,400	350,188	(15,788)
Capital Outlay	153,000	41,122	111,878
Total Expenditures	487,400	391,310	96,090
NET CHANGE IN FUND BALANCE	(102,400)	50,599	152,999
Fund Balance - Beginning of Year	404,871	373,060	(31,811)
FUND BALANCE - END OF YEAR	$ 302,471	$ 423,659	$ 121,188

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Cherokee Metropolitan District (District), was established in January 2007 by the City Council of Colorado Springs, Colorado (the City). The District converted from Cherokee Water and Sanitation District on May 11, 1992. On May 11, 1992, Cimarron Hills Street Improvement District merged into Cherokee Metropolitan District. The District provides water and wastewater services and parks to residents of the District.

The District financial statements are prepared in accordance with the U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of those financial statements follows.

The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

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 (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the District. Governmental actives are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of activity demonstrates the degree to which 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from the 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The 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 period or soon enough thereafter to pay liabilities of the current fiscal 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financial sources.

Those revenues susceptible to accrual are interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental funds:

General Fund – 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Parks Fund – The Parks Fund is accounted for as a special revenue fund. It is used to account for monies received by the District for the purpose of making necessary repairs and improvements to the District's parks.

The District reports the following major proprietary funds:

Water and Wastewater Enterprise Fund – The Water and Wastewater Enterprise Fund is used for activities of providing and processing water and wastewater.

Golf Course Enterprise Fund – The Golf Course Enterprise Fund is used to account for the operations of the golf course.

An Enterprise Fund is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds - the Water and Wastewater Fund and the Golf Course Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as the program revenue include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for service. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Deposits and Investments

Cash and cash equivalents include cash on hand and cash in the bank, money market funds are short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and investments. Investments are stated at fair value.

Receivables

All receivables are reported to their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payables are classified as “due from other funds” or “due to other funds”. In the government-wide financial statements, all internal balances have been substantially eliminated.

Restricted Cash and Investments

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is restricted by third party agreements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. street lights, signs and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax- exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, improvements, vehicles, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

Street Lights	5 to 10 Years
Park Improvement	10 Years
Improvements	5 to 40 Years
Buildings	40 Years
Equipment	5 to 20 Years
Transmission	5 to 50 Years
Water Rights	50 Years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and change in net position.

Deferred Inflow/Outflow of Resources

Deferred outflow and inflow of resources are a consumption or acquisition of net assets that is applicable to a future reporting period. The District does not have any of these items.

Compensated Absences

Employees earn 80 hours of sick leave per year. Employees hired before January 1, 2015 may accumulate up to 480 hours. Upon retirement or voluntary termination, an employee is paid for up to 320 hours at the employee’s current salary rate. Employees hired after January 1, 2015 may accumulate 80 hours of sick leave and are not paid for sick leave upon retirement or termination of service.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Employees earn vacation time in varying amounts based upon length of service. Employees are paid for unused vacation time upon termination.

The District has recorded a liability for compensated absences in the proprietary funds.

Accounting Standards

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

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

Long-Term Liabilities

In the government-wide financial statements, proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable premium or discount. Issue costs are reported as expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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

Estimates

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	$ 44,520,034
Cash and Investments - Restricted	14,404,004
Total Cash and Investments	$ 58,924,038

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

Deposits with Financial Institutions	$ 41,073,040
Investments	17,850,998
Total Cash and Investments	$ 58,924,038

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, 2025, the District’s cash deposits had a bank balance of $40,895,975 and a carrying balance of $41,073,040

Restricted cash included Emergency Reserves as required by Article X, Section 20 of the Constitution of the state of Colorado (see Note 13) of $17,700 at December 31, 2025.

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 17,850,998
Total		$ 17,850,998

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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. 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.

COLOTRUST EDGE, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. COLOTRUST records its 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 or weekly, and there is no redemption notice period.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2025 consisted of the following:

Accounts Receivable:	
User Fees	$ 2,375,301
IGA	399,212
Other	28,447
Total	$ 2,802,960

NOTE 5 INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund receivable and payables are created in conjunction with the District's pooled cash and are paid back within a reasonable time. As of December 31, 2025, inter-fund receivables and payable were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 175,641	$ -
Parks Fund	-	326,553
Golf Course Fund	748,124	-
Water and Wastewater Fund	-	597,212
Total	$ 923,765	$ 923,765

NOTE 6 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Capital Assets, Not Being Depreciated:				
CIP - Parks & Recreation	$ -	$ 1,200	$ -	$ 1,200
Total Capital Assets, Not Being Depreciated	-	1,200	-	1,200
Capital Assets, Being Depreciated:				
Parks & Recreation	1,371,530	39,922	-	1,411,452
Street Lights	55,960	-	-	55,960
Total Capital Assets, Being Depreciated	1,427,490	39,922	-	1,467,412
Less Accumulated Depreciation for:				
Accumulated Depreciation - Parks & Rec	859,742	85,948	-	945,690
Accumulated Depreciation - Street Lights	55,960	-	-	55,960
Total Accumulated Depreciation	915,702	85,948	-	1,001,650
Total Capital Assets, Being Depreciated, Net	511,788	(46,026)	-	465,762
Governmental Activities Capital Assets, Net	$ 511,788	$ (44,826)	$ -	$ 466,962

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

	Balance at December 31, 2024	Increases	Decreases	CIP Transfer	Balance at December 31, 2025
Capital Assets, Not Being Depreciated:					
Land	$ 4,180,920	$ -	$ -	$ -	$ 4,180,920
Water Rights	41,227,983	57,715	-	-	41,285,698
Construction in Progress	14,331,629	5,346,729	-	(1,193,405)	18,484,953
Total Capital Assets, Not Being Depreciated	59,740,532	5,404,444	-	(1,193,405)	63,951,571
Capital Assets, Being Depreciated:					
Land Improvements	1,111,773	-	-	-	1,111,773
Buildings	24,329,973	12,448	-	9,607	24,352,028
Equipment	13,489,262	317,361	-	477,387	14,284,010
TDS Improvements	44,691,270	-	-	-	44,691,270
Transmission and Distribution	59,032,783	592,889	-	706,411	60,332,083
Total Capital Assets, Being Depreciated	142,655,061	922,698	-	1,193,405	144,771,164
Less Accumulated Depreciation	47,296,712	4,717,937	-	-	52,014,649
Less Allowance for Impaired Assets	565,000	-	565,000	-	-
Total Accumulated Depreciation	47,861,712	4,717,937	565,000	-	52,014,649
Total Capital Assets, Being Depreciated, Net	94,793,349	(3,795,239)	(565,000)	1,193,405	92,756,515
General Enterprise Fund Capital Assets, Net	$ 154,533,881	$ 1,609,205	$ (565,000)	$ -	$ 156,708,086

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General Government	$ 85,948
Total Depreciation Expense - Governmental Activities	$ 85,948
Business-Type Activities:	
Water and Wastewater	$ 4,548,405
Golf Course	169,532
Total Depreciation Expense - Business-Type Activities	$ 4,717,937

NOTE 7 LONG-TERM LIABILITIES

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Business-Type Activities:					
Notes from Direct Borrowings and Placements:					
2006 Note Payable	$ 2,787,809	$ -	$ 870,183	$ 1,917,626	$ 923,898
2012 Note Payable	1,254,915	-	128,596	1,126,319	131,181
2006 Note Issuance Discount	(2,388)	-	(1,160)	(1,228)	-
Total Notes Payable	4,040,336	-	997,619	3,042,717	1,055,079
Bonds Payable:					
2020 Revenue Bonds Payable	38,755,000	-	-	38,755,000	-
2021A Revenue Bonds Payable	6,385,000	-	315,000	6,070,000	315,000
2021B Revenue Bonds Payable	6,825,000	-	415,000	6,410,000	430,000
Bond Issuance Premium	4,755,598	-	251,163	4,504,435	-
Bond Issuance Premium - 2021 A&B Bonds	(351,385)	-	(57,300)	(294,085)	-
Total Long-Term Obligations	56,369,213	-	923,863	55,445,350	745,000
Total Long-Term Obligations	$ 60,409,549	$ -	$ 1,921,482	$ 58,488,067	$ 1,800,079

Colorado Water Resources and Power Development Authority Loans

On November 8, 2006, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for $15,249,690 collateralized by pledge of net revenues from the Water and Wastewater Fund (revenues after deducting operation and maintenance expenses).

The 2006 loan is payable semiannually, with principal and interest payments of $381,209 to $526,461, including interest at 3.5% with the final payment due August 1, 2027. CWRPDA restructured the loan in May 2016 which reduced the District's debt service costs over the remainder of the term of the loan.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Colorado Water Resources and Power Development Authority Loans (Continued)

On May 13, 2016 CWRPDA refinanced the bonds that support the 2006 loan that they have issued to the District. As a result of this refinancing CWRPDA has agreed to provide interest credits which reduce the effective interest rate to approximately 3.0% on future payments on the 2006 note. No other payment terms were changed. The present value of this savings is $745,046. The future minimum payments as noted below have been adjusted for the new interest payments.

On September 11, 2012, the District entered into a loan agreement with the CWRPDA for $2,000,000, collateralized by a pledge of net revenues from the Water and Wastewater Fund (revenues after deducting operation and maintenance expenses). The 2012 loan requires principal and interest payments of $22,500 to $76,528, including interest at 2.0%. The loan is scheduled to mature August 1, 2033.

Annual debt service requirements to maturity for the loans are as follows:

December 31,	Principal	Interest	Total
2026	$ 1,055,079	$ 76,112	$ 1,131,191
2027	1,127,546	2,750	1,130,296
2028	136,508	16,547	153,055
2029	139,252	13,804	153,056
2030	142,050	11,005	153,055
2031-2033	443,510	15,651	459,161
Total	$ 3,043,945	$ 135,869	$ 3,179,814

Revenue Bonds

The District issued Series 2012 revenue bonds ($9,415,000 original issue) to provide funds for the purchase of water rights, well field development, water treatment and water conveyance infrastructure. The bond principal and interest are payable from the District’s net pledged revenue, which includes all revenues of the water and wastewater system, and less operation and maintenance expenses. The bonds have an interest rate varying annually from two to four percent, interest payable semi-annually on February 1 and August 1 of each year.

Principal is payable annually on August 1 and mature no later than December 31, 2037. The District sought a level aggregate annual debt service level that takes into account prior financing with the CWRPDA (detailed above), both financing for wastewater infrastructure.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds (Continued)

The District issued Series 2013 revenue bonds ($9,660,000 original issue) to provide funds for the purchase of water rights, well field development, water treatment and water conveyance infrastructure. The bond principal and interest are payable from the District's net pledged revenue, which includes all water and wastewater system less operation and maintenance expenses. The bonds have an interest rate varying annually from two to four percent, interest payable semi-annually, principal payable annually on August 1 of each year and mature no later than December 31, 2033. The District sought a level aggregate annual debt service level that takes into account prior financing with the CWRPDA (detailed above), both financing for wastewater infrastructure.

On April 29, 2021, the District issued Series 2021A and 2021B revenue refunding bonds to provide funds for the partial redemption of the Series 2012 and 2013 revenue bonds. The issuance of these bonds will provide the District an interest savings of over $1.1 million dollars while retaining the same maturity dates as the original Series 2012 and Series 2013 revenue bonds. The revenue refunding bonds have an interest rate varying annually from 2.21% and 2.31% interest payable semi-annually on February 1 and August 1, principal payable annually on August 1 of each year and mature no later than December 31, 2033.

The partially refunded Series 2012 revenue bonds matured on August 1, 2022. Annual debt service requirements to maturity for the partially refunded Series 2013 revenue bonds and the 2022A and 2022B revenue refunding bonds are as follows:

December 31,	Principal	Interest	Total
2026	$ 745,000	$ 226,024	$ 971,024
2027	760,000	212,494	972,494
2028	1,755,000	198,682	1,953,682
2029	1,780,000	166,447	1,946,447
2030	1,810,000	134,520	1,944,520
2031-2033	5,630,000	206,544	5,836,544
Total	$ 12,480,000	$ 1,144,711	$ 13,624,711

On October 22, 2020, the District issued Series 2020 revenue bonds in the amount of $38,755,000 to provide funds for the construction of a reverse osmosis wastewater treatment plant to meet the TDS (Totally Dissolved Solids) level mandated by the State of Colorado. The bond principal and interest are payable from the District's net pledged revenue, which includes all revenue of the water and wastewater system less operation and maintenance expenses. The bonds have an interest rate of four percent, interest payable semi-annually on February 1 and August 1 of each year. Principal is payable annually starting on August 1, 2030 and mature no later than December 31, 2050.

The bonds are subject to redemption prior to maturity at the option of the District and are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption dates are August I of each year.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds (Continued)

Annual debt service requirements to maturity for the Series 2020 revenue bonds are as follows:

December 31,	Principal	Interest	Total
2026	$ -	$ 1,550,200	$ 1,550,200
2027	-	1,550,200	1,550,200
2028	-	1,550,200	1,550,200
2029	-	1,550,200	1,550,200
2030	-	1,550,200	1,550,200
2031-2035	3,335,000	7,685,600	11,020,600
2036-2040	9,585,000	6,347,200	15,932,200
2041-2045	11,650,000	4,271,400	15,921,400
2046-2050	14,185,000	1,746,600	15,931,600
Total	$ 38,755,000	$ 27,801,800	$ 66,556,800

NOTE 8 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 balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets:		
Capital Assets, Net	$ 466,962	$ 156,708,086
Less: Related Debt	-	(58,488,067)
Net Investment in Capital Assets	$ 466,962	$ 98,220,019

NOTE 8 NET POSITION (CONTINUED)

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

	Governmental Activities	Business-Type Activities
Restricted Net Position:		
TABOR	$ 17,700	$ -
Parks	738,206	-
Customer Deposits	-	183,926
Capital Projects, Bond Reserve	-	13,662,683
Total Restricted Net Position	$ 755,906	$ 13,846,609

The District's unrestricted net position as of December 31, 2025 is $45,021,572.

NOTE 9 PENSIONS

The District provides pension benefits through a 457b retirement plan. All full-time employees participate in the Plan. Employees are vested immediately. The District contributes 8% of an employee's wages to the Plan. The employee can choose to contribute but is not required to do so. Contributions for 2025 totaled $302,257.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years. Further, the District practices water supply planning and short term contracting to ensure adequate supplies for the community.

NOTE 11 INTERGOVERNMENTAL AGREEMENTS

The District has entered into several agreements with other governmental entities to provide water and wastewater treatment. These agreements stipulate various means to obtain, trade or provide water and wastewater services. These agreements are a normal part of the operations of the District and management believes that these agreements do not constitute significant long-term commitments of the District which would require additional disclosures. Specific information concerning the summaries of certain intergovernmental agreements can be obtained from the District.

Meridian Service Metropolitan District – Arbitration Settlement

On April 26, 2022, an arbitration judge ruled that Meridian Service Metropolitan District (Meridian) is responsible for 45.8% of the cost of the reverse osmosis plant that the District is building to lower its TDS level as mandated by the State of Colorado. In addition, Meridian was required to pay the District for 45.8% of the TDS-related costs that the District had occurred since 2015.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Litigation

The District has resolved all outstanding claims against the District. The District is aware of a few potential lawsuits under which the District and its legal counsel estimate that the potential claims against the District not covered by insurance or accrued for, resulting in such litigation, would not materially affect the financial statements of the District.

Ellicott Pipeline Condemnation

In late 2026, the District intends to begin formal condemnation actions against multiple property owners, over a phased timeline, to obtain easement interests for its Ellicott Pipeline Project. The Project consists of designing and constructing approximately 17 miles of pipeline along State Hwy 94 to replace the existing line delivering water from the District's wellfield in eastern El Paso County to District facilities.

Environmental Violations

The District is operating under a Compliance on Consent (CoC) order issued by the Colorado Department of Public Health and Environment (CDPHE) regarding the amount of Total Dissolved Solids (TDS) contained in treated effluent leaving the District's Water Reclamation Facility (WRF) and being reintroduced into the groundwater in the Upper Black Squirrel Creek Basin. Based on this order Cherokee must comply with the State's TDS limits no later than September 2024. The Cherokee's Board of Directors approved a project to comply with the CoC and the Reverse Osmosis plant was operating by the deadline.

NOTE 13 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.

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

SUPPLEMENTARY INFORMATION

CHEROKEE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL
WATER AND WATERWASTE ENTERPRISE FUND
DECEMBER 31, 2025

	Budget Original	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Water Sales	$ 8,281,500	$ 8,281,500	$ 9,165,171	$ 883,671
Sewer Sales	6,320,000	6,320,000	6,460,457	140,457
Water And Wastewater Tap Fees	1,852,400	1,852,400	1,355,170	(497,230)
Miscellaneous	4,465,240	4,465,240	2,365,456	(2,099,784)
Interest Income	1,000,000	1,000,000	2,101,007	1,101,007
Total Revenues	21,919,140	21,919,140	21,447,261	(471,879)
EXPENDITURES				
Water System:				
Purchased Water	25,000	25,000	19,236	5,764
Pumping	968,500	968,500	1,003,099	(34,599)
Treatment	210,850	210,850	211,844	(994)
Transmission and Distribution	561,000	561,000	328,661	232,339
Employee Wages, Benefits and Training	1,663,600	1,663,600	2,082,202	(418,602)
Total Water System	3,428,950	3,428,950	3,645,042	(216,092)
Wastewater System:				
Treatment	2,722,700	2,722,700	2,718,047	4,653
Collections	996,343	996,343	754,091	242,252
Total Wastewater System	3,719,043	3,719,043	3,472,138	246,905
Support Services:				
Engineering And Pretreatment	31,000	31,000	27,381	3,619
Safety And Technical Services	220,000	220,000	207,890	12,110
Employee Wages, Benefits And Training	792,040	792,040	806,000	(13,960)
Total Support Services	1,043,040	1,043,040	1,041,271	1,769
Other:				
General And Administrative	2,310,000	2,310,000	1,786,347	523,653
Lawsuit Settlement	-	-	1,104,585	(1,104,585)
Capital Outlay	14,259,000	14,259,000	6,249,837	8,009,163
Debt Principal Payments	1,767,525	1,767,525	1,728,779	38,746
Interest Expense And Bond Fees	2,528,880	2,528,880	407,906	2,120,974
Total Other	20,865,405	20,865,405	11,277,454	9,587,951
Total Expenditures	29,056,438	29,056,438	19,435,905	9,620,533
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,137,298)	(7,137,298)	2,011,356	9,148,654
OTHER FINANCING SOURCES (USES)				
TDS Surcharge	-	-	1,175,190	1,175,190
Lawsuit Settlement	-	-	720,642	720,642
Meridian-TDS Capital/DS Contribution	-	-	703,240	703,240
Interest-2020 TDS Bonds	-	-	(1,299,037)	(1,299,037)
Total Other Financing Sources	-	-	1,300,035	1,300,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (7,137,298)	$ (7,137,298)	3,311,391	$ 10,448,689
GAAP Adjustments				
Capital Expenditures			6,249,837	
Principal Payments on Bonds			1,728,779	
Depreciation			(4,548,405)	
CHANGE IN NET POSITION			$ 6,741,602	

CHEROKEE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – BUDGET AND ACTUAL
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Golf Revenue	$ 1,365,000	$ 1,634,184	$ 269,184
Resale	377,000	437,239	60,239
Interest And Miscellaneous Income	29,200	74,710	45,510
Total Revenues	1,771,200	2,146,133	374,933
EXPENDITURES			
Operating Expense	1,005,950	946,090	59,860
Resale Expense	246,000	256,958	(10,958)
General And Administrative	263,650	286,413	(22,763)
Capital Outlay	265,000	77,305	187,695
Total Expenditures	1,780,600	1,566,766	213,834
NET CHANGE IN FUND BALANCE	$ (9,400)	579,367	$ 588,767
GAAP Adjustments			
Capital Expenditures		77,305	
Depreciation		(169,532)	
CHANGE IN NET POSITION		$ 487,140	

CHEROKEE METROPOLITAN DISTRICT
DEBT SERVICE COVERAGE AND RESERVE REQUIREMENTS
YEAR ENDED DECEMBER 31, 2025

REVENUES	
Water Sales	$ 9,165,171
Sewer Charges	6,460,457
Tap Fees	1,355,170
TDS Surcharge	1,175,190
Interest Income	2,101,007
Miscellaneous Income	2,365,456
Total Revenues	22,622,451
Operating Expenses	15,597,788
Less: Lawsuit Settlement	(1,104,585)
Less: Depreciation	(4,548,405)
NET EXPENSES	9,944,798
NET REVENUES (PLEDGED PROPERTY)	$ 12,677,653
Maximum Debt Service Requirement	$ 3,653,683
DEBT SERVICE COVERAGE FACTOR	346.98%