



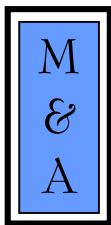
Cornerstone Metropolitan District No. 1

**Financial Statements
December 31, 2025**

**Cornerstone Metropolitan District No. 1
Financial Report
December 31, 2025**

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MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Cornerstone Metropolitan District No. 1**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Cornerstone Metropolitan District No. 1, 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 Opinions

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

Responsibilities of Management for the Financial Statements

The Cornerstone Metropolitan District No. 1's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Member: American Institute of Certified Public Accountants

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Cornerstone Metropolitan District No. 1**

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Cornerstone Metropolitan District No. 1**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cornerstone Metropolitan District No. 1's basic financial statements. The individual fund budgetary comparison information listed in the accompanying table of contents in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in Section F 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 in Section F is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C." in a cursive script.

**McMahan and Associates, L.L.C.
Avon, Colorado
April 30, 2026**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cornerstone Metropolitan District No. 1

Management's Discussion and Analysis

December 31, 2025

As management of Cornerstone Metropolitan District No.1 (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional supplementary information in addition to the basic financial statements and notes.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District’s assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position.

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 flows in future fiscal periods.

The governmental activity of the District is the installation of the roadway, sewer, and water systems in the District, as well as the ongoing operation and maintenance of the roadway system. The business-type activities of the District include the operations and maintenance of the domestic water distribution and sewer treatment systems.

The government-wide financial statements can be found on pages C1-C2 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has a General Fund, which is a governmental fund and the Water and Sewer Fund which is a proprietary fund.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds financial statements are located on pages C3-C6 of this report. The District also presents a budgetary comparison for its General fund on page E1.

Proprietary funds

The District maintains a proprietary fund commonly known as an enterprise fund. An Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C7-C9 of this report. The District also presents a budgetary comparison for its proprietary fund on page F1.

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 beginning on pages D1-D13 of this report.

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Government-wide Financial Analysis

The following tables show condensed financial information derived from the government-wide financial statements comparing the current year to the prior year.

Cornerstone Metropolitan District No. 1 Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current assets	954,358	1,082,747	588,399	337,717	1,542,757	1,420,464
Capital and other non-current assets	899,411	683,031	7,317,797	7,869,135	8,217,208	8,552,166
Total Assets	1,853,769	1,765,778	7,906,196	8,206,852	9,759,965	9,972,630
Liabilities:						
Current liabilities	20,061	258,841	-	-	20,061	258,841
Long-term and other non-current liabilities	16,209,240	15,652,966	647,053	626,653	16,856,293	16,279,619
Total Liabilities	16,229,301	15,911,807	647,053	626,653	16,876,354	16,538,460
Net Position:						
Net Investment in capital assets	357,480	235,336	1,758,488	1,962,566	2,115,968	2,197,902
Restricted for emergencies	20,942	21,604	-	-	20,942	21,604
Unrestricted	(14,753,954)	(14,402,969)	5,500,655	5,617,633	(9,253,299)	(8,785,336)
Total Net Position	(14,375,532)	(14,146,029)	7,259,143	7,580,199	(7,116,389)	(6,565,830)

Cornerstone Metropolitan District No. 1 Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	-	-	923,376	613,638	923,376	613,638
Operating grants and contributions	632,677	626,351	-	-	632,677	626,351
Capital grants and contributions	10,000	10,000	30,000	30,000	40,000	40,000
General revenues:						
Interest and other revenue	55,399	68,794	-	2,000	55,399	70,794
Total Revenues	698,076	705,145	953,376	645,638	1,651,452	1,350,783
Expenses:						
General government	84,017	84,406	-	-	84,017	84,406
Public works	160,305	243,371	-	-	160,305	243,371
Public Safety	5,983	2,646	-	-	5,983	2,646
Interest on long-term debt	556,274	558,519	-	-	556,274	558,519
Water and Sewer	-	-	1,395,432	1,104,499	1,395,432	1,104,499
Total Expenses	806,579	888,942	1,395,432	1,104,499	2,202,011	1,993,441
Change in Net Position Before Transfers & Sale of Assets	-	-	-	-	(550,559)	(642,658)
Transfers	(121,000)	(297,000)	121,000	297,000	-	-
Change in Net Position	(229,503)	(480,797)	(321,056)	(161,861)	(550,559)	(642,658)
Net Position - Beginning	(14,146,029)	(13,665,232)	7,580,199	7,742,060	(6,565,830)	(5,923,172)
Net Position - Ending	(14,375,532)	(14,146,029)	7,259,143	7,580,199	(7,116,389)	(6,565,830)

The District is in a dual district structure whereby the District has and will continue to construct and operate the infrastructure for the Cornerstone development. The District has entered into a District Facilities Construction and Service Agreement with Cornerstone Metropolitan District No. 2 (District No. 2). Under the agreement, District No. 1 is responsible for managing the construction of all facilities and improvements and for the operation and maintenance of all improvements not conveyed to another public entity. District No. 2 is responsible for providing the funding for all infrastructure improvements and the revenue needed to support the ongoing operation and maintenance of the improvements and public facilities. District No. 2 is required, to the extent financially possible, to ultimately pay off the “capital obligation” for construction costs as well as the “service obligation” for the costs of operating and maintaining the facilities. If received, the District will use the funds received from District No. 2 to pay off the District’s debt. However, based on both the current and anticipated financial condition of District No. 2, it is currently not anticipated that District No. 2 will be able to provide the funding needed for the District to be able to pay off the debts it owes to the Developer, and as such the District has recorded an allowance for doubtful accounts from District No. 2 in the full amount of the receivable of \$16,856,293.

The District’s overall financial position, as measured by net position decreased by a total of \$550,559 because of the District’s inability to meet its’ debt service obligations for Developer Advances as well as investments in and depreciation on capital assets. The District’s revenues consisted primarily of intergovernmental agreement revenues received from District No. 2, and water and sewer fees received from District constituents. The primary expenses of the District are interest accruals on the District’s debt and operating and depreciation costs related to the District’s infrastructure.

Financial Analysis of the District’s Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, assigned, and unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$934,297 which is an increase of \$110,391. Of this fund balance, \$40,297 is non-spendable as it was used to prepay subsequent year expenditures, \$20,942 is restricted for emergencies, \$645,000 is assigned for future road and public works costs, and \$228,058 is unassigned, meaning that is available for spending at the District’s discretion.

Proprietary funds

The District’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the District’s proprietary fund reported an ending net position of \$7,259,143 of which \$1,758,488 is shown as Net Investment in Capital Assets and \$5,500,655 as unrestricted.

Budget variances

The District finished the year with a positive variance in the change of fund balance for the governmental fund primarily because of less than budgeted expenditures, transfer to the Water and Sewer Fund, and not needing to use contingency funds. The change from a budgeted transfer to the Water and Sewer Fund compared to an actual transfer from the Water and Sewer Fund is the result of savings in capital and operating costs. Details of the budgets can be seen on page E1 of this report for governmental funds and page F1 for the Water and Sewer Fund.

Capital assets

The District's investment in capital assets government-wide, net of accumulated depreciation decreased by \$334,958 as a result of depreciation exceeding capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page D10 of this report.

Long-term debts

There was no change to the District's long-term debt balance. There were no decreases in debt in 2025 as there was no funding available to make any payments. Additional information can be found in the Notes to the Financial Statements beginning on page D11 of this report.

Request for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 2nd Street, Unit 213, Edwards, CO 81632, or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Cornerstone Metropolitan District No. 1
Statement of Net Position
December 31, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	906,130	507,654	1,413,784
Due from Cornerstone Metropolitan District No. 2	7,931	-	7,931
Service fees receivable, net	-	80,745	80,745
Prepaid expenses	40,297	-	40,297
Capital and service obligation, net	-	-	-
Capital assets, net of accumulated depreciation	899,411	7,317,797	8,217,208
Total Assets	<u>1,853,769</u>	<u>7,906,196</u>	<u>9,759,965</u>
Liabilities:			
Accounts payable and accrued expenses	20,061	-	20,061
Accrued interest payable	9,202,742	307,053	9,509,795
Non-current liabilities:			
Developer advances	7,006,498	340,000	7,346,498
Total Liabilities	<u>16,229,301</u>	<u>647,053</u>	<u>16,876,354</u>
Net Position:			
Net investment in capital assets	357,480	1,758,488	2,115,968
Restricted for emergencies	20,942	-	20,942
Unrestricted	(14,753,954)	5,500,655	(9,253,299)
Total Net Position	<u>(14,375,532)</u>	<u>7,259,143</u>	<u>(7,116,389)</u>

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

Cornerstone Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:						
Governmental Activities:						
General government	84,017	632,677	-	548,660	-	548,660
Public safety	5,983	-	-	(5,983)	-	(5,983)
Public works	160,305	-	10,000	(150,305)	-	(150,305)
Interest on long-term debt	556,274	-	-	(556,274)	-	(556,274)
Total Governmental Activities	<u>806,579</u>	<u>632,677</u>	<u>10,000</u>	<u>(163,902)</u>	<u>-</u>	<u>(163,902)</u>
Business-type Activities:						
Water and sewer	1,395,432	-	30,000	-	(442,056)	(442,056)
Total Business-Type Activities	<u>1,395,432</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>(442,056)</u>	<u>(442,056)</u>
Total	<u>2,202,011</u>	<u>632,677</u>	<u>40,000</u>	<u>(163,902)</u>	<u>(442,056)</u>	<u>(605,958)</u>
General Revenues:						
Unrestricted investment earnings				52,507	-	52,507
Other				2,892	-	2,892
Transfers				(121,000)	121,000	-
Total General Revenues and Transfers				<u>(65,601)</u>	<u>121,000</u>	<u>55,399</u>
Change in Net Position				(229,503)	(321,056)	(550,559)
Net Position (Deficit) - Beginning				(14,146,029)	7,580,199	(6,565,830)
Net Position (Deficit) - Ending				<u>(14,375,532)</u>	<u>7,259,143</u>	<u>(7,116,389)</u>

The accompanying notes are an integral part of these financial statements.
C2

FUND FINANCIAL STATEMENTS

Cornerstone Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund
Assets:	
Equity in pooled cash and investments	906,130
Due from Cornerstone Metropolitan District No. 2	7,931
Prepaid expenses	40,297
Total Assets	954,358
 Liabilities:	
Accounts payable and accrued liabilities	20,061
Total Liabilities	20,061
 Fund Balances:	
Non-spendable	40,297
Restricted for emergencies	20,942
Assigned for capital expenditures	645,000
Unassigned	228,058
Total Fund Balances	934,297
Total Liabilities and Fund Balance	954,358

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

**Cornerstone Metropolitan District No. 1
Reconciliation of the Statement of Fund Balances
to Net Position of Governmental Activities
Governmental Funds
December 31, 2025**

Net Fund Balance of Governmental Funds		934,297
<p>Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in governmental funds.</p>		
Capital assets	1,801,539	
Accumulated depreciation	<u>(902,128)</u>	899,411
<p>Receivables owed to the District are not available to cover current costs:</p>		
Capital and service obligation	16,209,240	
Less: allowance for uncollectible accounts	<u>(16,209,240)</u>	-
<p>Long-term liabilities and not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities and related items include:</p>		
Developer advance payable	(7,006,498)	
Accrued interest payable	<u>(9,202,742)</u>	<u>(16,209,240)</u>
Net Position of Governmental Activities		<u><u>(14,375,532)</u></u>

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

Cornerstone Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Funds
For the Year Ended December 31, 2025

	General Fund
Revenues:	
Intergovernmental	632,677
Road fees	10,000
Interest	52,507
Miscellaneous income	2,892
Total Revenues	698,076
Expenditures:	
General government	84,017
Public safety	5,983
Public works	376,685
Total Expenditures	466,685
Excess of Revenues Over Expenditures	231,391
Other Financing Sources (Uses):	
Transfers (out)	(121,000)
Total Other Financing Sources (Uses)	(121,000)
Net Change in Fund Balance	110,391
Fund Balance - Beginning	823,906
Fund Balance - Ending	934,297

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

Cornerstone Metropolitan District No. 1
Reconciliation of Revenues, Expenditures and changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net Change in Fund Balances of Governmental Funds 110,391

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expenses for the current year:

Depreciation of capital assets	(53,202)	
Capital outlay	<u>269,582</u>	216,380

The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (556,274)

Change in Net Position of Governmental Activities (229,503)

Cornerstone Metropolitan District No. 1
Statement of Net Position
Proprietary Funds
December 31, 2025

	Water and Sewer Fund
Assets:	
Current Assets:	
Equity in pooled cash and investments	507,654
Service fees receivable, net	80,745
Capital and service obligation, net	-
Total Current Assets	588,399
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	7,317,797
Total Non-Current Assets	7,317,797
Total Assets	7,906,196
Liabilities:	
Current Liabilities:	
Accrued interest payable	307,053
Total Current Liabilities	307,053
Noncurrent Liabilities:	
Due to developer - Water operations	340,000
Total Long-Term Liabilities	340,000
Total Liabilities	647,053
Net Position:	
Net investment in capital assets	1,758,488
Unrestricted	5,500,655
Total Net Position	7,259,143

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

Cornerstone Metropolitan District No. 1
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Water and Sewer Fund
Operating Revenues:	
Water service fees	891,251
Sewer service fees	30,625
Miscellaneous income	1,500
Total Operating Revenues	923,376
Operating Expenses:	
Water operations	683,346
Sewer operations	56,090
Depreciation	635,596
Total Operating Expenses	1,375,032
Operating Income (Loss):	(451,656)
Non-Operating Revenues (Expenses):	
Interest expense	(20,400)
Total Non-Operating Revenues (Expenses)	(20,400)
Income (Loss) Before Contributions and Transfers	(472,056)
Contributions and Transfers:	
Tap fees	30,000
Transfers in	121,000
	151,000
Change in Net Position	(321,056)
Total Net Position - Beginning	7,580,199
Total Net Position - Ending	7,259,143

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

Cornerstone Metropolitan District No. 1
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2025

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers and others	853,427
Cash payments for goods and services	(739,436)
Cash received for miscellaneous items	1,500
Net Cash (Used) by Operating Activities	115,491
 Cash Flows from Non-Capital Financing Activities:	
Cash transfers from other funds	121,000
Net Cash Provided by Non-Capital Financing Activities	121,000
 Cash Flows from Capital and Related Financing Activities:	
Cash paid for capital additions	(84,258)
Tap fees received	30,000
Net Cash Provided by Capital and Related Financing Activities	(54,258)
 Net Change in Cash	182,233
Cash and Investments - Beginning	325,421
Cash and Investments - Ending	507,654
 Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:	
 Operating Income (loss)	(451,656)
 Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	635,596
(Increase) decrease in accounts receivable	(68,449)
Total Adjustments	567,147
 Net Cash (Used) by Operating Activities	115,491

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

NOTES TO THE FINANCIAL STATEMENTS

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025

I. Summary of Significant Accounting Policies

Cornerstone Metropolitan District No. 1 (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized concurrently with Cornerstone Metropolitan District No. 2 ("District No. 2" and collectively the "Districts") by District Court Order on November 15, 2004, as amended December 22, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The Districts' service area is located in both Montrose County and in Ouray County. The Districts operate under a Consolidated Service Plan, as amended, to provide financing for the design, acquisition, construction and installation of essential public purpose facilities including streets, water, storm drainage, sanitary sewer, parks and recreation, transportation, television relay, mosquito control and fire protection, and the operation and maintenance of the Districts.

The District has one employee for water and sewer operations, and contracts for all of other management and professional services.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. 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 primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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. Other items not properly included among program revenues are reported instead as *general revenues*.

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The *Water and Sewer Fund* accounts for the operation and maintenance of the community's water and sewer systems.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. 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 producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Water and Sewer Fund are charges for water and sewer fees. The principal operating revenues of the District's Infrastructure / Recreation Fund are charges for infrastructure fees. Operating expenses for enterprise funds include the 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.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District. The District has a policy of central cash management for all funds.

Investments are stated at net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables and Long-term Capital and Service Obligations

Receivables are reported net of an allowance for uncollectible accounts. All service revenues become a lien on property if not paid. Allowances of \$16,209,240 and \$647,053 for governmental activities and business-type activities related to capital and service obligations is recorded at December 31, 2025. An allowance of \$0 and \$0 for uncollectible other receivables in the general fund and water and sewer service payments in the water and sewer fund are also recorded at December 31, 2025. All other accounts are considered to be collectible.

District No. 2 is obligated under the Master Intergovernmental Agreement between the Districts to provide funding for all public infrastructure improvements (capital obligation) and to provide the revenue needed to support the ongoing operation and maintenance of the improvements and public facilities (service obligation). During 2013 property values in Montrose and Ouray counties were re-assessed and lowered thus decreasing the property taxes to be collected by District No. 2 in 2014. Although property valuations have partially rebounded, the decrease has diminished the ability for District No. 2 to pay its bonds and in turn to pay its capital and service obligation to District No. 1.

3. Prepaid Expense

Prepaid expenses are amounts paid in the current year for expenses related to the next year.

4. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items to report under this category.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets

Capital assets, including infrastructure assets (e.g. road, water, sewer improvements and similar items), are reported 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or 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, by the straight-line method.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Building and improvements	30 years
Roads	15 - 30 years
Water infrastructure	30 years
Sewer infrastructure	30 years
Equipment and machinery	5 years

6. Accrued Liabilities and Long-term Debt

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligation of the funds. Long-term obligations are recognized as a liability on the governmental fund financial statements when due. Long-term debt and other long-term obligations are reports as liabilities in the Statement of Net Position. Issuance costs are expensed as incurred.

7. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis on the budget to actual statements and as presented on the supplementary information.

As required by Colorado Statutes, the District followed this timetable in approving and enacting a budget for 2025:

- (1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent the District the certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2024, only once by a single notification to the District.
- (2) On or before October 15, 2024, the Budget Director would have submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (3) Prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of “Notice of Proposed Budget” and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: a) transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2025, year-end fund balances for emergencies in the amount of \$21,604 which is the approximate required reserve at December 31, 2025.

On November 2, 2004, the District's voters authorized the District to increase property taxes up to \$60,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. The election also allows the District to collect, spend and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado constitution.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as "Equity in pooled cash".

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. At December 31, 2025, the District's carrying amount of demand deposits was \$112,046 at year end. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At year end, the District had the following deposits and investments with the following maturities:

	<u>Standard & Poors Rating</u>	<u>Carrying Amounts</u>	<u>Term to Maturity</u>	
			<u>Less than one year</u>	<u>More than one year</u>
<i>Deposits:</i>				
Checking	Not rated	112,046	112,046	-
<i>Investments:</i>				
Investment pool	AAAm	<u>1,301,738</u>	<u>1,301,738</u>	<u>-</u>
		<u>1,413,784</u>	<u>1,413,784</u>	<u>-</u>

At December 31, 2025, the District had the following recurring fair value measurements:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
ColoTrust	1,301,738

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District had invested \$1,301,738 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is 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, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

B. Receivables

Receivables as of December 31, 2025 for the District's funds, including applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Water and Sewer Fund	Total
Service obligations	16,209,240	647,053	16,856,293
Service fees	-	80,745	80,745
Gross Receivables	16,209,240	727,798	16,937,038
Less: Allowance for uncollectibles	(16,209,240)	(647,053)	(16,856,293)
Net Receivables	-	80,745	80,745

C. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Balance at 12/31/24	Increases	Decreases	Balance at 12/31/25
Governmental Activities:				
Capital assets not being depreciated:				
Land	11,990	-	-	11,990
Total capital assets not being depreciated	11,990	-	-	11,990
Capital assets, being depreciated				
Equipment	193,479	-	-	193,479
Roads	1,326,488	269,582	-	1,596,070
Total capital assets, being depreciated	1,519,967	269,582	-	1,789,549
Less accumulated depreciation for:				
Equipment	(193,479)	-	-	(193,479)
Roads	(655,447)	(53,202)	-	(708,649)
Total accumulated depreciation	(848,926)	(53,202)	-	(902,128)
Capital Asset, Net	683,031	216,380	-	899,411

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets

	<u>Balance at 12/31/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/25</u>
Business-type Activities:				
Capital assets being depreciated:				
Water and Sewer	16,466,600	84,258	-	16,550,858
Equipment	95,860	-	-	95,860
Total capital assets, being depreciated	<u>16,562,460</u>	<u>84,258</u>	<u>-</u>	<u>16,646,718</u>
Less accumulated depreciation for:				
Water and Sewer	(8,667,539)	(620,024)	-	(9,287,563)
Equipment	(25,786)	(15,572)	-	(41,358)
Total accumulated depreciation	<u>(8,693,325)</u>	<u>(635,596)</u>	<u>-</u>	<u>(9,328,921)</u>
Capital Asset, Net	<u><u>7,869,135</u></u>	<u><u>(551,338)</u></u>	<u><u>-</u></u>	<u><u>7,317,797</u></u>

Depreciation and amortization expense charged in 2025 to the public works, and water and sewer functions of the District were \$53,202 and \$635,596 respectively.

D. Long-term Debt

The District had the following long-term debt outstanding during the fiscal year:

1. Developer Advances

The District entered into an Advance and Reimbursement Agreements with the Original Developer, Cornerstone Montrose, LLC, where the Original Developer was to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. Pursuant to these agreements, the Original Developer agreed to advance amounts not to exceed the aggregate of \$7,000,000 for capital improvement costs and \$500,000 for operating and maintenance costs. The Advance and Reimbursement Agreement for capital improvement costs was amended in November 2010 to \$7,800,000 and the Advance and Reimbursement Agreement for operating and maintenance costs was amended in March 2009 to \$1,000,000. The District agreed to repay the Original Developer, along with accrued interest, at a rate of 6% simple interest. The before-mentioned agreements do not constitute a multiple-fiscal year obligation. Due to the sale of the remaining property of the Original Developer, the before-mentioned agreements were not renewed for 2012 or subsequent years; however, the District continues to report the amounts owed that had previously been advanced. As of December 31, 2025 outstanding advances totaled \$552,260 for operations and \$0 for capital, plus accrued interest of \$519,237.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

1. Developer Advances (continued)

Pursuant to an Amended and Restated Infrastructure Acquisition Agreement, entered into on November 18, 2008 with the Original Developer, the District has agreed to purchase, using the proceeds of available funds, certain public improvements the Original Developer has provided on the District's behalf with the understanding that the District would acquire such improvements from the Original Developer at some future point in time. Advances made to the District will accrue interest at a rate of 8% until paid. This agreement does not constitute a multi-year fiscal obligation. Any infrastructure acquisitions which cannot be immediately reimbursed to the Original Developer shall be added to the balance owed to the Original Developer. However, pursuant to the Service Plan of the Districts, the Districts are limited to a total debt limit of \$30,000,000. Acquisitions which would cause the total debt of the District to exceed this cap will therefore be a contribution to the District from the Original Developer and will not be shown as a liability due to the Original Developer.

This agreement was also not renewed for 2012 or subsequent years; however, the District continues to report the amounts owed from previous acceptances from which funds were not available to reimburse the Original Developer. As of December 31, 2025, outstanding advances total \$6,794,238 and accrued interest totals \$8,990,558. Although District No. 2 does not currently, nor does it ever expect to have the ability to repay these amounts, the District is required to report the balances owed.

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

	<u>Balance at 12/31/24</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/25</u>	<u>Due Within One Year</u>
Governmental Activities:					
Developer Advances:					
General fund operations	212,260	-	-	212,260	-
Capital	6,794,238	-	-	6,794,238	-
Total Governmental Activities	<u>7,006,498</u>	<u>-</u>	<u>-</u>	<u>7,006,498</u>	<u>-</u>
Business-type Activities:					
Water and sewer funding	340,000	-	-	340,000	-
Total Business-type Activities	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>-</u>

2. Authorized but Unissued Debt and Obligations to Issue Future Bonds

On November 2, 2004, the District electors authorized the issuance of indebtedness totaling \$787,500,000 at an interest rate not to exceed 12%. However, pursuant to the Service Plan, the District will not issue more than \$30,000,000 in indebtedness.

Under C.R.S. 32-1-1101(2) voter authorization of debt expires twenty years after the date of the election when voters authorized the debt. The District's debt authorization expired November 2024, per statute.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found here: <https://www.csdpool.org/financials>

B. Related Parties

Some of the members of the Board of Directors for the District are also the members of the Board of Directors for District No. 2. Some of the members on the Board of Directors for the District are also affiliated with the Developer RRE24 Cornerstone, LLC.

V. Intergovernmental Agreements

A. District Facilities Construction and Service Agreement

On December 16, 2004, the Districts entered into a Districts Facilities Construction and Service Agreement (the "Master IGA"). The Master IGA provides that District No. 2 is to finance the construction, maintenance and operations of the facilities constructed and operated by the District as provided by the Consolidated Service Plan. District No. 2 is to finance such activities from their annual certification of a mill levy, specific ownership taxes and development fees. The mill levy of District No. 2 is limited by the Service Plan as amended in 2013, wherein the maximum operations mill levy was removed, and the maximum debt mill levy is not to exceed 40 mills.

Per the Service Plan if there is a change in method of calculating assessed value or if any constitutionally mandated tax credit, cut or abatement occurs, the mills may be adjusted to maintain revenue levels that are neither enhanced nor diminished by these changes.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2025
(continued)

V. Intergovernmental Agreements (continued)

B. District Water Agreements

Pursuant to an Agreement for Construction of Water Delivery Infrastructure dated December 16, 2004 between the Original Developer and the Tri- County Water Conservancy District, the Original Developer is to design, install and warranty the water delivery infrastructure necessary to serve the Development, together with necessary system enhancements in accordance with the terms of the agreement. The Original Developer has assigned all of its interest in the Agreements for Construction of Water Delivery Infrastructure to the District pursuant to an Assignment Agreement dated February 21, 2006 and its addendum dated April 18, 2006, between the Original Developer and the District (as amended, the "Assignment Agreement"). Additionally, pursuant to a Potable Water Service Agreement dated August 18, 2004, as amended, between the Original Developer and the Tri- County Water Conservancy District, the Original Developer is responsible for the purchase and delivery of potable water to the Development. The Original Developer has assigned all of its interests in and to the Potable Water Service Agreement to the District pursuant to the Assignment Agreement.

C. Dave Wood Road Agreement

On July 10, 2008, the District entered into an agreement with Ouray County for additional access to the subdivision through Dave Wood Road. The agreement provides a mechanism for joint funding of maintenance costs related to Dave Wood Road whereby the District shall make an annual contribution to Ouray County of 10% of the budgeted amount established by the DWR Maintenance Plan and Budget for the upcoming year. During 2025, \$0 was paid by the District pursuant to the agreement.

D. Government Springs Road Maintenance Agreement

On May 1, 2006, the District entered into an agreement with Ouray County and the Original Developer which provides a mechanism for joint funding of maintenance costs related to Government Springs Road. Government Springs Road is the primary access to the subdivision and per the agreement, the District shall make an annual contribution to Ouray County of 80% of the budgeted amount established by the GSR Maintenance Plan and Budget for the upcoming year. During 2025, \$0 was paid by the District pursuant to the agreement.

E. Montrose Fire Protection District Agreement

On June 23, 2009, the District entered into an agreement with Montrose Fire Protection District to provide joint support in the event of an emergency at the Cornerstone subdivision. Per the agreement, the Fire District agrees to provide, when available, fire protection and emergency medical services within the subdivision. The District will supplement the Fire District's efforts using a reserve of volunteers and equipment supplied by Horsefly Volunteer Fire District, which the District is a member of, and all costs associated with a response by the Fire District to an event at Cornerstone shall reimbursed to the Fire District by Cornerstone.

The District may then seek reimbursement from the owner of the property involved in the incident. In the event of a medical response, the Fire District shall assess any related fees directly to the patient receiving the emergency medical services. During 2025, \$0 was paid by the District pursuant to the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Cornerstone Metropolitan District No. 1
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended 2023)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Intergovernmental	628,149	628,149	632,677	4,528	626,351
Road fees	5,000	5,000	10,000	5,000	25,000
Interest	41,000	41,000	52,507	11,507	68,794
Miscellaneous income	200	200	2,892	2,692	-
Total Revenues	674,349	674,349	698,076	23,727	720,145
Expenditures:					
General government:					
Accounting	84,400	84,400	69,977	14,423	72,836
Legal	25,000	25,000	9,863	15,137	15,406
Insurance	26,500	26,500	24,823	1,677	23,212
Other general expenses	17,900	17,900	16,639	1,261	14,856
Treasurer fee's	5,750	5,750	3,440	2,310	4,330
Facilities	8,100	8,100	7,029	1,071	8,103
Contingencies	50,000	50,000	-	50,000	-
Allocated overhead	(68,055)	(68,055)	(47,754)	(20,301)	(54,337)
Public safety:					
Fire and emergency medical	5,500	5,500	3,500	2,000	2,000
Welcome center	3,000	3,000	2,483	517	646
Public works:					
Contracted services	115,000	115,000	26,577	88,423	52,694
Road repair and maintenance	289,275	405,275	350,108	55,167	144,612
Debt service:					
Principal	-	-	-	-	39,060
Interest	-	-	-	-	870
Total Expenditures	562,370	678,370	466,685	211,685	324,288
Excess (Deficiency) of Revenues Over Expenditures	111,979	(4,021)	231,391	235,412	395,857
Other Financing Sources (Uses):					
Transfers (out)	(90,000)	(170,000)	(121,000)	49,000	(297,000)
Total Other Financing Sources (Uses)	(90,000)	(170,000)	(121,000)	49,000	(297,000)
Net Change in Fund Balance	21,979	(174,021)	110,391	284,412	98,857
Fund Balance - Beginning	607,704	823,906	823,906	-	725,049
Fund Balance - Ending	629,683	649,885	934,297	284,412	823,906

SUPPLEMENTARY INFORMATION

Cornerstone Metropolitan District No. 1
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Enterprise Fund - Water and Sewer Fund
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended 2024)

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual		Actual
Operating Revenues:					
Water service fees	518,636	874,423	891,251	16,828	585,689
Sewer service fees	35,240	35,240	30,625	(4,615)	27,349
Miscellaneous income	400	400	1,500	1,100	600
Total Operating Revenues	<u>554,276</u>	<u>910,063</u>	<u>923,376</u>	<u>13,313</u>	<u>613,638</u>
Operating Expenses					
Water operations:					
Water purchases and pumping	294,926	545,018	518,402	26,616	281,441
Payroll	86,296	89,964	89,708	256	87,172
Professional services	2,400	2,400	3,427	(1,027)	1,793
Repairs and maintenance	45,000	96,000	101,869	(5,869)	52,333
Other expense	4,500	4,500	9,164	(4,664)	7,185
Allocated overhead from general fund	31,410	31,410	22,040	9,370	25,079
Capital outlay	5,500	23,000	22,994	6	825,456
Contingency	20,000	20,000	-	20,000	-
Sewer operations:					
Repairs and maintenance	9,820	9,820	18,841	(9,021)	10,956
Allocated overhead from water operations	28,766	28,766	29,902	(1,136)	29,057
Allocated overhead from general fund	10,470	10,470	7,347	3,123	8,359
Contingency	2,500	2,500	-	2,500	-
Total Operating Expenses	<u>541,588</u>	<u>863,848</u>	<u>823,694</u>	<u>40,154</u>	<u>1,328,831</u>
Operating Income (Loss) - Budget Basis	12,688	46,215	99,682	53,467	(715,193)
Non-operating Revenues (Expenses):					
Sale of assets	-	-	-	-	2,000
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Income (Loss) before Contributions and Transfers	<u>12,688</u>	<u>46,215</u>	<u>99,682</u>	<u>53,467</u>	<u>(713,193)</u>
Tap fees	15,000	30,000	30,000	-	75,000
Transfers in	90,000	170,000	121,000	(49,000)	297,000
Change in Net Position - Budget Basis	<u>117,688</u>	<u>246,215</u>	250,682	<u>4,467</u>	(341,193)
Reconciliation to GAAP Basis:					
Capitalized assets			84,258		826,269
Change in accrued interest			(20,400)		(20,456)
Change in allowance for delayed receipts			-		(45,000)
Depreciation expense			(635,596)		(581,481)
Total Adjustments			<u>(571,738)</u>		<u>179,332</u>
Change in Net Position - GAAP Basis			(321,056)		(161,861)
Net Position - Beginning of Year			<u>7,580,199</u>		<u>7,742,060</u>
Net Position - End of Year			<u>7,259,143</u>		<u>7,580,199</u>