EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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Board of Directors
East Smoky Hill Metropolitan District No. 1
Arapahoe County, Colorado

Independent Auditor's Report

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East Smoky Hill Metropolitan District No. 1 as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

Responsibilities of Management for the Financial Statements

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 (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

Denver, Colorado
June 18, 2026

BASIC FINANCIAL STATEMENTS

EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	$ 432,056
Cash and Investments - Restricted	505,072
Receivable from County Treasurer	2,002
Prepaid Insurance	5,533
Property Tax Receivable	429,063
Capital Assets:	
Capital Assets, Net of Depreciation	285,452
Total Assets	1,659,178
LIABILITIES	
Accounts Payable	45,430
Accrued Interest	6,550
Noncurrent Liabilities:	
Due Within One Year	173,794
Due in More Than One Year	2,155,587
Total Liabilities	2,381,361
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	429,063
Total Deferred Inflows of Resources	429,063
NET POSITION	
Net Investment in Capital Assets	285,452
Restricted for:	
Emergency Reserve	7,500
Debt Service Reserve	472,052
Conservation Trust Fund Reserve	18,970
Net Position - Unrestricted	(1,935,220)
Total Net Position	$ (1,151,246)

See accompanying Notes to Basic Financial Statements.

EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 279,740	$ -	$ 25,000	$ 5,677	$ (249,063)
Interest on Long-Term Debt and Related Costs	72,217	-	-	-	(72,217)
Total Governmental Activities	$ 351,957	$ -	$ 25,000	$ 5,677	(321,280)
General Revenues:					
Property Taxes					425,537
Specific Ownership Taxes					23,135
Interest Income					44,122
Total General Revenues					492,794
CHANGES IN NET POSITION					171,514
Net Position - Beginning of Year					(1,322,760)
NET POSITION - END OF YEAR					$ (1,151,246)

See accompanying Notes to Basic Financial Statements.

EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Conservation Trust	Total Governmental Funds
ASSETS				
Cash and Investments	$ 432,056	$ -	$ -	$ 432,056
Cash and Investments - Restricted	7,500	478,602	18,970	505,072
Receivable from County Treasurer	2,002	-	-	2,002
Prepaid Insurance	5,533	-	-	5,533
Property Tax Receivable	134,608	294,455	-	429,063
Total Assets	$ 581,699	$ 773,057	$ 18,970	$ 1,373,726
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 45,430	$ -	$ -	$ 45,430
Total Liabilities	45,430	-	-	45,430
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	134,608	294,455	-	429,063
Total Deferred Inflows of Resources	134,608	294,455	-	429,063
FUND BALANCES				
Nonspendable:				
Prepaid Expense	5,533	-	-	5,533
Restricted for:				
Emergency Reserves	7,500	-	-	7,500
Debt Service	-	478,602	-	478,602
Conservation Trust	-	-	18,970	18,970
Unassigned	388,628	-	-	388,628
Total Fund Balances	401,661	478,602	18,970	899,233
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 581,699	$ 773,057	$ 18,970	

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.	285,452
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds Payable	(2,235,000)
Accrued Bond Interest	(6,550)
Unamortized Bond Premium	(94,381)
Net Position of Governmental Activities	$ (1,151,246)

See accompanying Notes to Basic Financial Statements.

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

	General	Debt Service	Conservation Trust	Total Governmental Funds
REVENUES				
Property Taxes	$ 181,376	$ 244,161	$ -	$ 425,537
Specific Ownership Taxes	23,135	-	-	23,135
Interest Income	19,425	24,315	382	44,122
Conservation Trust Fund Proceeds	-	-	5,677	5,677
Grant Revenue	25,000	-	-	25,000
Total Revenues	248,936	268,476	6,059	523,471
EXPENDITURES				
Current:				
Accounting	28,800	-	-	28,800
Auditing	6,996	-	-	6,996
County Treasurer's Fee	2,723	3,665	-	6,388
Directors' Fees	2,300	-	-	2,300
Dues and Membership	525	-	-	525
Election	2,615	-	-	2,615
Insurance	4,922	-	-	4,922
Legal	18,341	-	-	18,341
Payroll Taxes	176	-	-	176
Electricity	6,280	-	-	6,280
Irrigation	29,252	-	-	29,252
Landscaping	82,036	-	-	82,036
Snow Removal	8,232	-	-	8,232
Special Projects	74,238	-	-	74,238
Debt Service:				
Bond Interest	-	83,250	-	83,250
Bond Principal	-	155,000	-	155,000
Paying Agent Fees	-	300	-	300
Total Expenditures	267,436	242,215	-	509,651
NET CHANGE IN FUND BALANCES	(18,500)	26,261	6,059	13,820
Fund Balances - Beginning of Year	420,161	452,341	12,911	885,413
FUND BALANCES - END OF YEAR	$ 401,661	$ 478,602	$ 18,970	$ 899,233

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	$	13,820
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.		
Depreciation Expense		(12,304)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.		
Bond Principal		155,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued Interest Payable - Change in Liability		388
Amortization of Bond Premium		14,610
Changes in Net Position of Governmental Activities	$	171,514

See accompanying Notes to Basic Financial Statements.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 181,416	$ 181,376	$ (40)
Specific Ownership Taxes	25,538	23,135	(2,403)
Interest Income	20,000	19,425	(575)
Grant Revenue	25,000	25,000	-
Total Revenues	251,954	248,936	(3,018)
EXPENDITURES			
General and Administrative			
Accounting	28,800	28,800	-
Auditing	6,800	6,996	(196)
Banking Fees	60	-	60
Contingency	14,699	-	14,699
County Treasurer's Fee	2,721	2,723	(2)
Directors' Fees	3,000	2,300	700
Dues and Membership	600	525	75
Election	5,000	2,615	2,385
Insurance	5,000	4,922	78
Legal	24,000	18,341	5,659
Payroll Taxes	230	176	54
Operations and Maintenance			
Conservation Trust Fund Projects	5,200	-	5,200
Electricity	7,000	6,280	720
Irrigation	45,000	29,252	15,748
Landscaping	90,000	82,036	7,964
Snow Removal	27,500	8,232	19,268
Special Projects	25,000	74,238	(49,238)
Total Expenditures	290,610	267,436	23,174
OTHER FINANCING SOURCES			
Transfers from Other Funds	7,200	-	(7,200)
Total Other Financing Sources	7,200	-	(7,200)
NET CHANGE IN FUND BALANCE	(31,456)	(18,500)	12,956
Fund Balance - Beginning of Year	364,386	420,161	55,775
FUND BALANCE - END OF YEAR	$ 332,930	$ 401,661	$ 68,731

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

East Smoky Hill Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Arapahoe County on November 22, 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Arapahoe County, Colorado (the County). A portion of the District's boundaries lies within the city of Centennial. The District was established to provide financing for the construction and installation of sanitary sewer, water, streets, safety protection, and park and recreation improvements. The District has dedicated these improvements to the County and to East Cherry Creek Valley Water and Sanitation District (ECCV) for the use and benefit of the District taxpayers. The District currently exists to retire its outstanding debt obligation and to assist with the maintenance of the landscaped areas within the District.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are received within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

> The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
>
> The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.
>
> The Conservation Trust Fund (a Capital Projects Fund) is used to account for the lottery proceeds received from the state. This revenue is restricted for parks and recreational purposes under state statutes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

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

Pooled Cash and Investments

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

Property Taxes

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs 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 capital assets, as applicable.

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

Fencing	30 Years

Amortization

Original Discount/Premium

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred Inflow of Resources

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

Bond Premiums

Bond premiums are reported as an addition to the face amount of debt and are amortized over the life of the bonds using the effective interest method. The amortization of bond premiums is recorded as a reduction of interest expense over the term of the related debt. In governmental funds, bond premiums are recognized as an other financing source in the period the debt is issued.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

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

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:		
Cash and Investments	$	432,056
Cash and Investments - Restricted		505,072
Total Cash and Investments	$	937,128

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

Deposits with Financial Institutions	$	49,512
Investments		887,616
Total Cash and Investments	$	937,128

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 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.

As of December 31, 2025, the District's cash deposits had a book balance and a bank balance of $49,512.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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

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

CSAFE

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	$ 887,616
Total		$ 887,616

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

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

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

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Capital Assets, Being Depreciated:				
Fencing	$ 369,118	$ -	$ -	$ 369,118
Total Capital Assets, Being Depreciated	369,118	-	-	369,118
Less Accumulated Depreciation for:				
Fencing	71,362	12,304	-	83,666
Total Accumulated Depreciation	71,362	12,304	-	83,666
Governmental Activities Capital Assets, Net	$ 297,756	$ 12,304	$ -	$ 285,452

Depreciation expense for 2025 was $12,304.

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
General Obligation Bonds:					
Series 2016	$ 2,390,000	$ -	$ 155,000	$ 2,235,000	$ 160,000
Subtotal Bonds Payable	2,390,000	-	155,000	2,235,000	160,000
Bond Premium:					
Bond Premium - Series 2016	108,991	-	14,610	94,381	13,794
Subtotal Bond Premium	108,991	-	14,610	94,381	13,794
Total Long-Term Obligations	$ 2,498,991	$ -	$ 169,610	$ 2,329,381	$ 173,794

On April 29, 2016, the District issued $3,470,000 of General Obligation Refunding Bonds (2016 Bonds). The 2016 Bonds bear interest of between 2.00% and 4.00% per annum payable on June 1 and December 1, commencing on December 1, 2016. Mandatory principal payments are due on December 1, commencing on December 1, 2016, with final payment due on December 1, 2036. The 2016 Bonds cannot be prepaid prior to December 1, 2026.

To the extent principal on the 2016 Bonds is not paid when due, principal shall remain outstanding until paid, subject to discharge on December 1, 2036. To the extent interest on the 2016 Bonds is not paid when due, such unpaid interest shall compound on each interest payment date, at the rate then borne by the 2016 Bonds.

The 2016 Bonds are not subject to early termination. The 2016 Bonds are not subject to acceleration. The 2016 Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the 2016 Bonds.

Events of Default of the Bonds

Events of default occur if the District fails to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

The Series 2016 Bonds have an average yield of 2.452%.

The Series 2016 Bonds are general obligations of the District, secured by a pledge of the full faith and credit of the District and payable from general ad valorem taxes which may be levied without limitation of rate and in an amount necessary to pay the bonds when due against all taxable property within the District.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term bonded general obligation debt matures as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 160,000	$ 78,600	$ 238,600
2027	170,000	73,800	243,800
2028	175,000	68,700	243,700
2029	180,000	63,450	243,450
2030	195,000	58,050	253,050
2031-2035	1,100,000	185,000	1,285,000
2036	255,000	10,200	265,200
Total	$ 2,235,000	$ 537,800	$ 2,772,800

Authorized Debt

On November 8, 1994, the District's electors authorized the incurrence of general obligation debt totaling $12,000,000 in principal at a rate not to exceed 18%. The issuance of the Series 2016 Bonds refunded the Series 2006 Bonds and did not use any debt authorization. As of December 31, 2025, the authorized debt from November 8, 1994, has expired.

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2025, the District has net investment in capital assets of $285,452.

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other government 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
Restricted Net Position:	
Emergency Reserve	$ 7,500
Debt Service Reserve	472,052
Conservation Trust Fund Reserve	18,970
Total Restricted Net Position	$ 498,522

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position or net investment in capital assets.

NOTE 6 NET POSITION (CONTINUED)

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

NOTE 7 AGREEMENTS

Real Estate Leases

The District desires to improve the common area fencing within the District. In 2009, the District entered into three 99-year real estate leases, each at a rent of $10 per year, with (1) Stanford Hills Master HOA, (2) Stanford Hills Paired Units HOA, and (3) Highland Pointe HOA, all located within the District's boundaries. The leased property includes fencing, landscaping and other public improvements. On March 16, 2013, the District and both Stanford Hills HOAs terminated their 2009 leases in order to eliminate the provision that allowed those HOAs to unilaterally terminate the leases and entered into new 99-year leases. On January 3, 2014, Stanford Hills Master HOA conveyed fencing along S. Riviera Way and E. Powers Avenue to the District. On November 1, 2021, the District purchased fencing located on leased property from Highland Pointe HOA. On July 20, 2022, the District purchased fencing located on leased property from Stanford Hills Master HOA. In the future, the District may purchase additional property from the HOAs.

Maintenance Improvements

During 2009, the District entered into maintenance improvements agreements with the homeowners' associations within the District whereby, beginning in 2010, the District will reimburse each association an annual amount for common property maintenance, to be paid in quarterly installments. The total amount of annual contractual reimbursements paid by the District was originally capped at $90,106, with the ability to increase the amount upon consent by the District's Board of Directors. The actual amount paid in 2025 was $102,406.

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

NOTE 8 RISK MANAGEMENT (CONTINUED)

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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.

On November 8, 1994, a majority of the District's electors authorized an annual $300,000 increase in property tax collections for operations and maintenance and the collection annually of $200,000 of systems development fees without regard to TABOR or other state statutes. The District believes it has taken such steps as are appropriate in light of current interpretations of TABOR to comply with its terms. However, TABOR is complex and subject to multiple interpretations. Many of the provisions, including but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado. Annual operating revenue is limited to a 5.25% increase; such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues. The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

SUPPLEMENTARY INFORMATION

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

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 244,214	$ 244,161	$ 244,161	$ -
Interest Income	20,000	24,317	24,315	(2)
Total Revenues	264,214	268,478	268,476	(2)
EXPENDITURES				
Bond Interest	83,250	83,250	83,250	-
Bond Principal	155,000	155,000	155,000	-
County Treasurer's Fee	3,663	3,666	3,665	1
Paying Agent Fees	300	300	300	-
Total Expenditures	242,213	242,216	242,215	1
NET CHANGE IN FUND BALANCE	22,001	26,262	26,261	(1)
Fund Balance - Beginning of Year	449,767	452,340	452,341	1
FUND BALANCE - END OF YEAR	$ 471,768	$ 478,602	$ 478,602	$ -

EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
CONSERVATION TRUST FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Conservation Trust Fund Proceeds	$ 7,000	$ 5,677	$ (1,323)
Interest Income	200	382	182
Total Revenues	7,200	6,059	(1,141)
OTHER FINANCING (USES)			
Transfers to Other Fund	(7,200)	-	7,200
Total Other Financing (Uses)	(7,200)	-	7,200
NET CHANGE IN FUND BALANCE	-	6,059	6,059
Fund Balance - Beginning of Year	-	12,911	12,911
FUND BALANCE - END OF YEAR	$ -	$ 18,970	$ 18,970

EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

Bonds/Loans and Interest Maturing in the Year Ending December 31,	$3,470,000 General Obligation Refunding Bonds Interest Rate from 2.00% to 4.00% Series 2016 Dated April 29, 2016 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2026	$ 160,000	$ 78,600	$ 238,600
2027	170,000	73,800	243,800
2028	175,000	68,700	243,700
2029	180,000	63,450	243,450
2030	195,000	58,050	253,050
2031	200,000	52,200	252,200
2032	210,000	46,200	256,200
2033	220,000	37,800	257,800
2034	230,000	29,000	259,000
2035	240,000	19,800	259,800
2036	255,000	10,200	265,200
Total	$ 2,235,000	$ 537,800	$ 2,772,800

EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

		Total Mills Levied		Total Property Taxes		Percent
Year Ending December 31,	Assessed Valuation	General Operations	Debt Service	Levied	Collected	Collected to Levied
2021	$ 16,499,319	8.000	17.500	$ 420,733	$ 420,730	100.00 %
2022	17,185,187	8.000	17.500	438,222	437,956	99.94
2023	16,745,218	8.000	17.500	427,003	427,305	100.07
2024	20,857,800	6.400	14.000	425,499	425,499	100.00
2025	20,864,245	6.400	14.000	425,630	425,537	99.98
Estimated for Year Ending December 31, 2026	$ 21,032,527	6.400	14.000	$ 429,063		

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

Source: Arapahoe County Assessor and Treasurer.