

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

Weld County, Colorado

Financial Statements

December 31, 2025

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Erie Highlands Metropolitan District No. 1
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Erie Highlands 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025, and the respective changes in financial position and the 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. 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, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dazio & Associates, P.C.

July 1, 2026

BASIC FINANCIAL STATEMENTS

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

December 31, 2025

	Governmental Activities
Assets	
Cash and Investments	\$ 377,451
Cash and Investments - Restricted	373,009
Accounts Receivable - Service Fees	44,595
Due from District No. 2	2,260
Property Taxes Receivable	887,577
Prepaid Expense	22,616
Prepaid Bond Insurance	113,019
Capital Assets Not Being Depreciated	259,059
Capital Assets, Net	<u>1,378,898</u>
Total Assets	<u>3,458,484</u>
Deferred Outflows of Resources	
Cost of Refunding	<u>201,083</u>
Liabilities	
Accounts Payable	34,045
Unearned Revenue	35,580
Accrued Interest Payable	16,463
Noncurrent Liabilities	
Due Within One Year	265,000
Due In More Than One Year	<u>7,655,472</u>
Total Liabilities	<u>8,006,560</u>
Deferred Inflows of Resources	
Unearned Property Taxes	<u>887,577</u>
Net Position	
Net Investment In Capital Assets	1,288,374
Restricted:	
Emergencies	15,200
Debt Service	78,446
Unrestricted	<u>(6,616,590)</u>
Total Net Position	<u><u>\$ (5,234,570)</u></u>

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

Function/Program Activities	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
General Government	\$ 568,988	\$ 53,685	\$ -	\$ -	\$ (515,303)
Interest and Related Costs on Long-term Debt	228,471	-	-	-	(228,471)
Total Governmental Activities	<u>\$ 797,459</u>	<u>\$ 53,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(743,774)</u>
General Revenues:					
					822,783
					33,896
					44,368
					3,132
					1,422,328
					<u>2,326,507</u>
					1,582,733
					(6,817,303)
					<u>\$ (5,234,570)</u>

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2025

	General	Debt Service	Total
Assets			
Cash and Investments	\$ 377,451	\$ -	\$ 377,451
Cash and Investments - Restricted	-	373,009	373,009
Accounts Receivable - Service Fees	44,595	-	44,595
Due from District No. 2	2,260	-	2,260
Property Taxes Receivable	437,268	450,309	887,577
Prepaid Expenditures	22,616	-	22,616
Total Assets	\$ 884,190	\$ 823,318	\$ 1,707,508
Liabilities			
Accounts Payable	\$ 34,045	\$ -	\$ 34,045
Unearned Revenue	35,580	-	35,580
Total Liabilities	69,625	-	69,625
Deferred Inflows of Resources			
Unearned Property Taxes	437,268	450,309	887,577
Fund Balances			
Nonspendable			
Prepaid Expenses	22,616	-	22,616
Restricted			
Emergencies	15,200	-	15,200
Debt Service	-	373,009	373,009
Assigned for Subsequent			
Year's Expenditures	323,857	-	323,857
Unassigned	15,624	-	15,624
Total Fund Balances	377,297	373,009	750,306
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 884,190	\$ 823,318	\$ 1,707,508

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

December 31, 2025

Total Fund Balances - Governmental Funds \$ 750,306

Total net position reported for governmental activities in the
statement of net position is different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Those assets consist of:

Capital Assets Not Being Depreciated	259,059
Capital Assets, Net	1,378,898

Long-term liabilities applicable to the District's governmental
activities are not due and payable in the current period and
accordingly are not reported as fund liabilities. Interest on
long-term debt is not accrued in governmental funds, but rather
is recognized as an expenditure when due. All liabilities - both
current and long-term - are reported in the statement of net
position.

Balances at year end are:

General Obligation Bonds Payable	(7,780,000)
Bond Premium	(140,472)
Accrued Interest Payable	(16,463)
Cost of Refunding	201,083
Prepaid Bond Insurance	113,019
Net Position - Governmental Activities	<u><u>\$ (5,234,570)</u></u>

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2025

	General	Debt Service	Total
Revenues			
Property Taxes	\$ 415,368	\$ 407,415	\$ 822,783
Specific Ownership Tax	17,387	16,509	33,896
Net Investment Income	18,980	25,388	44,368
Services & Facilities Fee	52,710	-	52,710
Clubhouse Rentals	750	-	750
Pool Key Income	225	-	225
Miscellaneous Income	2,500	632	3,132
Total Revenues	507,920	449,944	957,864
Expenditures			
Current			
General and Administrative	340,391	6,116	346,507
Operations and Maintenance	68,832	-	68,832
Clubhouse Operations	24,136	-	24,136
Pool Operations	60,361		60,361
Debt Service			
Bond Principal	-	250,000	250,000
Bond Interest	-	202,550	202,550
Paying Agent/Trustee Fees	-	5,461	5,461
Total Expenditures	493,720	464,127	957,847
Net Change in Fund Balances	14,200	(14,183)	17
Fund Balances - Beginning	363,097	387,192	750,289
Fund Balances - Ending	\$ 377,297	\$ 373,009	\$ 750,306

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**RECONCILIATION OF THE STATEMENT 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 - Total Governmental Funds	\$ 17
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.	
Depreciation expense	(75,268)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and transfers) is to increase net position. In the statement of activities, only the gain on the disposition of capital assets is reported. However, in the governmental funds, the proceeds from the disposition, if any, increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the asset disposed.	
Contributed assets	1,422,328
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal Paid on Long Term Debt	250,000
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:	
Change in accrued interest on bonds payable	416
Amortization of bond premium	11,942
Cost of Refunding Amortization	(17,094)
Bond Insurance Amortization	(9,608)
Change in Net Position - Governmental Activities	<u>\$ 1,582,733</u>

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	2024 Actual
Revenues					
Property Taxes	\$ 415,468	\$ 415,468	\$ 415,368	\$ (100)	\$ 417,725
Specific Ownership Tax	16,618	16,618	17,387	769	15,106
Net investment income	2,500	2,500	18,980	16,480	5,957
Services & Facilities Fee	-	-	52,710	52,710	-
Design Review Fees	2,500	2,500	-	(2,500)	-
Clubhouse Rentals	2,500	2,500	750	(1,750)	-
Pool Key Income	-	-	225	225	-
Settlement Funds	-	-	-	-	242,433
Miscellaneous Income	100	2,100	2,500	400	28,193
Total Revenues	439,686	441,686	507,920	66,234	709,414
Expenditures					
General and Administrative					
Accounting	17,000	17,000	42,340	(25,340)	12,066
Auditing	5,500	5,500	6,000	(500)	-
County Treasurer Fee	6,232	6,232	6,236	(4)	6,693
Election	3,000	3,000	7,746	(4,746)	101
District Management	17,000	17,000	83,814	(66,814)	10,459
Insurance	24,000	24,000	16,442	7,558	-
Dues and Subscriptions	1,000	1,000	-	1,000	-
Legal	60,000	60,000	132,573	(72,573)	102,822
Christmas Lights	-	-	2,650	(2,650)	-
Miscellaneous	4,500	4,500	9,666	(5,166)	1,398
Operations Management	17,625	17,625	32,924	(15,299)	583
Transfer to District 4	-	-	-	-	200,672
Contingency	20,000	83,677	-	83,677	-
Emergency Reserve	12,464	12,464	-	12,464	-
Subtotal	188,321	251,998	340,391	(88,393)	334,794
Operations and Maintenance					
Landscaping	70,000	70,000	33,301	36,699	4,510
Irrigation Repairs	10,000	10,000	13,738	(3,738)	-
Snow Removal	25,000	25,000	842	24,158	7,013
Repairs and Maintenance	3,000	3,000	505	2,495	-
Playground Equipment Maintenance	1,500	1,500	-	1,500	-
Native Area Maintenance	1,500	1,500	-	1,500	-
Monument Maintenance	700	700	-	700	-
Concrete Repairs	500	500	-	500	-
Landscape Repairs	700	700	-	700	-
Fence Repairs	500	500	-	500	-
Utilities	15,000	15,000	20,446	(5,446)	-
Subtotal	128,400	128,400	68,832	59,568	11,523

(Continued)

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

(Continued)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	2024 Actual
Clubhouse Operations					
Clubhouse Management	8,000	8,000	-	8,000	-
Clubhouse Operations and Maintenance	9,375	9,375	1,987	7,388	-
Security	2,062	2,062	660	1,402	-
Work Order Repairs and Maintenance	4,500	4,500	-	4,500	-
Clubhouse Rentals/Events	2,500	2,500	-	2,500	-
Cleaning and Supplies	3,500	3,500	5,250	(1,750)	-
Clubhouse General Repairs	1,500	1,500	657	843	-
Clubhouse Electric Repairs	800	800	-	800	-
Clubhouse Plumbing Repairs	800	800	264	536	-
Mechanical Systems Repairs	600	600	-	600	-
Fencing Repairs-Clubhouse	250	250	-	250	-
Grounds Maintenance	3,900	3,900	735	3,165	-
Plant Material Replacements	1,313	1,313	-	1,313	-
Irrigation Repairs	750	750	-	750	-
Snow Removal	3,750	3,750	-	3,750	-
Utilities	20,000	20,000	14,583	5,417	-
Subtotal	63,600	63,600	24,136	39,464	-
Pool Operations					
Lifeguards	23,877	23,877	32,042	(8,165)	-
Pool Maintenance	13,125	13,125	27,514	(14,389)	-
Pool Chemicals	6,500	6,500	-	6,500	-
Pool Repairs	3,750	3,750	805	2,945	-
Hot Tub Maintenance	3,750	3,750	-	3,750	-
Subtotal	51,002	51,002	60,361	(9,359)	-
Total Expenditures	431,323	495,000	493,720	1,280	346,317
Net Change in Fund Balance	8,363	(53,314)	14,200	67,514	363,097
Fund Balance - Beginning	53,728	53,728	363,097	309,369	-
Fund Balance - Ending	\$ 62,091	\$ 414	\$ 377,297	\$ 376,883	\$ 363,097

The notes to the financial statements are an integral part of this statement.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 – DEFINITION OF REPORTING ENTITY

Erie Highlands Metropolitan District No. 1 (the “**District**”), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by court order and decree and recorded with the Weld County Clerk and Recorder on December 2, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is located entirely within the Town of Erie (the “**Town**”), in Weld County (the “**County**”), Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment and financing of water, sanitation, solid waste disposal, streets, safety, parks and recreation, transportation, fire protection, mosquito control, television relay and translation, and services within and without its boundaries.

The District was organized in conjunction with Erie Highlands Metropolitan District Nos. 2, 3, 4, and 5 (each District Nos. 2, 3, 4, and 5, respectively, and together with the District, the “**Districts**”) and operates under a Consolidated Service Plan approved by the Town on September 24, 2013. The Districts entered into an Intergovernmental Agreement Concerning District Operations (the District IGA) on September 10, 2018, which set forth the respective roles, responsibilities and obligations of each district with respect to the provision of administrative services, ownership, operation and maintenance of public improvements serving the property within the Districts. The District IGA acknowledges that the District previously funded certain improvements with bonds issued in 2015. It additionally acknowledges that District No. 2 funded certain public improvements with bonds issued in 2018. The Districts further agree to assist each other with offsetting the costs of public improvements serving the Districts pursuant to the Consolidated Service Plan.

The District IGA provides that the District will own and operate any public improvements not dedicated to the Town or another governmental entity that were financed with its previous bond issue, and that District No. 4 will own and operate the remaining such improvements. The Districts engaged District No. 4 as the operator of the District-Owned Improvements and the District No. 4-Owned Improvements. The Districts not owning and operating any public improvements agree to provide funds for the operation of such improvements. District No. 4 agrees to act as the district responsible for overall administrative services, and the remaining districts agree to compensate District No. 4 for those services.

The District IGA was terminated on August 4, 2024. At such time, the District and District No. 2 assumed administrative and operational responsibility for their respective public improvements.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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, including the other Erie Highlands Metropolitan Districts Nos. 2-5.

The District has no employees, and contracts for all of its management and professional services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* 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

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

segment. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in 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*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation, if any, is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual are developer advances. 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:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District 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

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS December 31, 2025

requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 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 and investments.

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

Restricted Assets

Certain assets whose use is restricted for bonded debt service by debt indentures are segregated on the government-wide statement of net position and the fund balance sheet.

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 certified by the Board of Directors by December 15 of each year. The County Commissioners 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 property tax revenues are recorded as revenue in the year they are available or collected.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Capital Assets

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

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 estimated economic useful lives:

Pool and Clubhouse	30 years
Entryways	20 years
Playground	20 years
Playground Equipment	10 years
Picnic Shelter	20 years
Fencing	20 years
Mailboxes	10 years

Service and Facility Fees

The District and District No. 2 charges a monthly Service and Facility Fee of \$25 to all homeowners to be used to fund ongoing operations and maintenance of shared public amenities, including landscaping, the pool and the clubhouse facilities.

Pursuant to the Service and Facility Fee Resolution, the Districts are authorized to increase or decrease the amount of the monthly Service and Facility Fee and terms for collection, so long as the Service and Facility Fee is not imposed for more than five years (2025 through 2029). Additionally, the fee is not allowed to exceed \$636 annually.

Effective January 1, 2026, the service and facility fee was increased to \$35 per month per residence.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Amortization

Original Issue Premium

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

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

Cost of Bond Refunding

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position/balance sheet 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 has one item that qualifies for reporting in this category. Accordingly, the unamortized deferred cost of bond refunding is reflected as a deferred outflow of resources.

In addition to liabilities, the statement of financial position/balance sheet 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 has one item that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Net Position and Fund Equity

Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position represents assets that do not have any third-party limitations on their use.

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 Balances

Generally, the fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned and unassigned. Due to circumstances which 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 legally or contractually required to be maintained intact.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

Restricted fund balance – The portion of fund balances that is constrained to be 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 policy to use the most restrictive classification first.

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	\$ 377,451
Cash and Investments - Restricted	373,009
Total Cash and Investments	<u>\$ 750,460</u>

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

Deposits with Financial Institutions	\$ 16,615
Investments	733,845
Total Cash and Investments	<u>\$ 750,460</u>

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act ("PDPA") governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District's cash deposits had a bank balance of \$16,724 and carrying balance of \$16,615.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, 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 disclosure requirements or subject to investment custodial credit risk 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.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Colorado Revised 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 US 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

At December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average under 60 Days	<u>\$ 733,845</u>

CSAFE

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.

CSAFE CASH FUND operations 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 Section 24-75-601, C.R.S.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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 Section 24-75-601, C.R.S., 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 Section 24-75-601, C.R.S.

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 AAmmf by Fitch Ratings and CSAFE CORE is rated AAaf/S1 by FitchRatings. 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.

Restricted Cash and Investments

At December 31, 2025, cash and investments in the amount of \$373,009 are restricted. This includes cash and investments held by the Debt Service Fund, pursuant to applicable debt requirements (see Note 5).

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025**

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ 75,601	\$ -	\$ 75,601
Landscape Improvements	183,458	-	-	183,458
	<u>183,458</u>	<u>75,601</u>	<u>-</u>	<u>259,059</u>
Capital Assets Being Depreciated:				
Pool and Clubhouse	-	1,314,543		1,314,543
Entryways	11,607	4,391	-	15,998
Playground	56,540	-	-	56,540
Playground Equipment	65,189	-	-	65,189
Picnic Shelter	60,808	-	-	60,808
Fencing	54,536	25,346	-	79,882
Mailboxes	-	2,447	-	2,447
Total Capital Assets Being Depreciated	<u>248,680</u>	<u>1,346,727</u>	<u>-</u>	<u>1,595,407</u>
Accumulated Depreciation:				
Pool and Clubhouse	-	56,674	-	56,674
Entryways	5,223	905	-	6,128
Playground	25,443	2,827	-	28,270
Playground Equipment	58,670	6,519	-	65,189
Picnic Shelter	27,364	3,040	-	30,404
Fencing	24,541	4,604	-	29,145
Mailboxes	-	699	-	699
Total Accumulated Depreciation	<u>141,241</u>	<u>75,268</u>	<u>-</u>	<u>216,509</u>
Total Capital Assets Being Depreciated, Net	<u>107,439</u>	<u>1,421,995</u>	<u>-</u>	<u>1,378,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 290,897</u>	<u>\$ 1,497,596</u>	<u>\$ -</u>	<u>\$ 1,637,957</u>

In April 2025, in accordance with the Settlement Agreement (see Note 7), assets consisting of the pool and clubhouse as well as certain other assets were transferred equally to the District and District No. 2.

Depreciation expense was charged to the general government function of the District in the amount of \$75,268 for the year ended December 31, 2025.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

NOTE 5 – LONG-TERM OBLIGATIONS

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

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Limited Tax Refunding Bonds, Series 2020	\$ 8,030,000	\$ -	\$ 250,000	\$ 7,780,000	\$ 265,000
2016 Bond Premium	152,414	-	11,942	140,472	-
	<u>\$ 8,182,414</u>	<u>\$ -</u>	<u>\$ 261,942</u>	<u>\$ 7,920,472</u>	<u>\$ 265,000</u>

General Obligation Bonds

\$8,930,000 General Obligation Limited Tax Refunding Bonds, Series 2020, dated November 17, 2020 (the Bonds).

Use of Proceeds

Proceeds from the sale of the Bonds were used to:

- refund the outstanding Series 2015 Bonds;
- purchase a municipal bond insurance policy for the Bonds;
- purchase a Reserve Policy to be issued by the Bond Insurer in the amount of 50% of the Required Reserve and fund the remaining 50% of the Reserve Fund, and
- pay the costs of issuing the Bonds and refunding the Series 2015 Bonds.

Bond Details

The Bonds bear interest at rates ranging from 2.0% to 3.0%, payable semi-annually to the extent of Pledged Revenue available on June 1 and December 1, beginning on June 1, 2021. The Bonds consist of serial bonds in the original amount of \$2,590,000 due annually in varying amounts through beginning on December 1, 2021 through December 1, 2030, term bonds in the original amount of \$1,760,000 due on December 1, 2035, term bonds in the original amount of \$2,080,000 due on December 1, 2040 and term bonds in the original amount of \$2,500,000 due on December 1, 2045. The term bonds maturing on December 1, 2035 are subject to mandatory sinking fund redemption commencing on December 1, 2031. The term bonds maturing on December 1, 2040 are subject to mandatory sinking fund redemption commencing on December 1, 2036. The term bonds maturing on December 1, 2045 are subject to mandatory sinking fund redemption commencing on December 1, 2041.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Repayment of both principal and interest on the bonds are insured by Build America Mutual Assurance Company. The bonds are assigned an insured rating of “AA” by Standard and Poor’s. All of the Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 2, 2055 (the Termination Date), regardless of the amount of principal and interest paid on the Bonds prior to the Termination Date.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2030, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Pledged Revenue

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue, generally consisting of:

- a. the Required Mill Levy;
- b. the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and
- c. any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

The Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal and interest on the Bonds as they become due and, if necessary, to replenish the Reserve Fund to the amount of the Required Reserve, but not in excess of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation on or after January 1, 2014). The Required Mill Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County. The current maximum mill levy, as adjusted, is 63.511.

Reserve Fund

The Bonds are further secured by the Reserve Fund in the Required Reserve Amount of \$556,200, which is funded through the issuance of the Reserve Policy and a portion of the Bonds’ proceeds of \$278,100. The Reserve Policy and proceeds of the Bonds are each in the amount of 50% of the Required Reserve. The Reserve Fund is to be maintained in the amount of the Required Reserve for so long as the Bonds are outstanding.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS **December 31, 2025**

The District's long-term obligations on the Bonds mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 265,000	\$ 197,550	\$ 462,550
2027	275,000	192,250	467,250
2028	285,000	184,000	469,000
2029	295,000	175,450	470,450
2030	320,000	166,600	486,600
2031-2035	1,760,000	717,100	2,477,100
2036-2040	2,080,000	518,551	2,598,551
2041-2045	2,500,000	231,150	2,731,150
	<u>\$ 7,780,000</u>	<u>\$ 2,382,651</u>	<u>\$ 10,162,651</u>

Authorized Debt

On November 5, 2013, District voters approved debt authorization in the amount of \$540,000,000 for the construction of capital improvements. The voters also authorized debt of \$60,000,000 for the cost of operating and maintaining the District's systems, \$60,000,000 for management agreements, and \$60,000,000 for mortgages. At December 31, 2025, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 5, 2013 Election</u>	<u>Series 2015A Authorization Used</u>	<u>Series 2015B Authorization Used</u>	<u>Series 2020 Authorization Used⁽¹⁾</u>	<u>Remaining at December 31, 2025</u>
Streets	\$ 60,000,000	\$ 3,640,658	\$ 666,043	\$ -	\$ 55,693,299
Water	60,000,000	881,138	161,200	-	58,957,662
Sanitation/Storm	60,000,000	1,599,157	292,559	-	58,108,284
Parks and Recreation	60,000,000	1,619,047	296,198	-	58,084,755
Traffic and Safety	60,000,000	-	-	-	60,000,000
Mosquito Control	60,000,000	-	-	-	60,000,000
Public Transportation	60,000,000	-	-	-	60,000,000
Television Relay and Translation	60,000,000	-	-	-	60,000,000
Operations and Maintenance	60,000,000	-	-	-	60,000,000
Debt Refunding	60,000,000	-	-	-	60,000,000
Mortgages	60,000,000	-	-	-	60,000,000
Management Services Related to District Facilities	60,000,000	-	-	-	60,000,000
	<u>\$720,000,000</u>	<u>\$ 7,740,000</u>	<u>\$ 1,416,000</u>	<u>\$ -</u>	<u>\$710,844,000</u>

⁽¹⁾ Because the Series 2020 Bonds were issued for the purpose of refinancing the Series 2015 Bonds at a lower interest rate, in accordance with the Article X, Section 20 of the Colorado Constitution, no portion of the District's electoral authorization is required to be allocated to the portion of the Bonds that does not exceed the outstanding principal amount of the Series 2015 Bonds (\$9,156,000). Because the par amount of the Bonds (\$8,930,000) does not exceed the outstanding principal amount of the Series 2015 Bonds, the District is not required to allocate any of its electoral authorization for debt refunding to the Bonds.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Pursuant to the Consolidated Service Plan, each District shall not issue debt in an aggregate amount in excess of \$60,000,000. Additionally, the maximum debt mill levy is 50 mills as adjusted, which shall not be imposed for longer than 40 years after the year of the initial imposition of such debt mill levy.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements within the District's service area.

NOTE 6 – NET POSITION

The District's net position consists 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 that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets calculated as follows:

Capital Assets, Net	\$ 1,637,957
Noncurrent Portion of Long-Term Obligations	(349,583)
Net Investment in Capital Assets	<u>\$ 1,288,374</u>

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

Restricted Net Position:	
Emergencies	\$ 15,200
Debt Service	<u>78,446</u>
Total Restricted Net Position:	<u>\$ 93,646</u>

In the government-wide financial statements, the District has an unrestricted net position deficit of as a result of capital improvements that were funded with long-term debt that were dedicated to other entities, while the long-term debt remains an obligation of the District.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

NOTE 7 – DISTRICT AGREEMENTS

Advance and Reimbursement Agreement

The District entered into an Advance and Reimbursement Agreement (the “**Agreement**”) with Oakwood Homes LLC (the “**Developer**”) on December 2, 2015. The Agreement was assigned to Clayton Properties Group II, Inc. (“**Clayton**”) pursuant to a Bill of Sale and Assignment and Assumption Agreement between Oakwood Homes and Clayton dated July 3, 2017. Pursuant to the Agreement, the Developer was to provide advances to the District for operations and maintenance.

Under the Agreement, the District will reimburse the Developer for the advances, together with interest at the rate of 8% per annum. The District will make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Payments by the District are applied first to interest on, then to principal of the advances.

The Agreement shall be in effect until the end of the next fiscal year after the date of execution and shall automatically renew, each fiscal year until terminated. The Agreement was terminated as part of the Settlement Agreement and Release (Note 7) and no funds are owed to the Developer by the District for operations and maintenance.

Advance and Reimbursement and Facilities Acquisition Agreement

The District and the Developer entered into an Advance and Reimbursement and Facilities Acquisition Agreement dated as of October 30, 2015 (the “**AR Agreement**”). The AR Agreement was assigned to Clayton pursuant to a Bill of Sale and Assignment and Assumption Agreement between Oakwood Homes and Clayton dated July 3, 2017. The District and Clayton entered into a First Amendment to the AR Agreement on November 14, 2017 and a Second Amendment on September 10, 2018, both concerning and recognizing the advances made by Clayton, or its predecessors, the reimbursement of the advances by the District, and providing for a current accounting of the amounts owed at the time.

Pursuant to the AR Agreement, the Developer agreed to advance funds to or on behalf of the District to be used for capital construction of certain Public Improvements (the “**Advances**”). In return, the District agreed to reimburse the Developer for the Advances, together with an interest rate of 3% per annum accruing from the date that the Advances were made, subject to annual appropriation and available funds of the District, and acquire any Public Improvements constructed by the Developer.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS December 31, 2025

The AR Agreement was terminated as part of the Settlement Agreement and Release (Note 7) and no funds are owed to the Developer by the District for public improvements.

Settlement Agreement and Release

On December 31, 2024, the Districts entered into a Settlement Agreement and Release (the “**Settlement Agreement**”) with the Developer. The terms of the Settlement Agreement provide for the following:

- Imposition by the District and District No. 2 of a Service and Facility Fee on all Lots within the District and District No. 2, as defined in the Settlement Agreement, subject to Town approval, of up to \$636 per year for up to five years from 2025 - 2029. The amount of the Service and Facility Fee is ultimately set by the Board of Directors of the District and District No. 2.
- Imposition by District No. 1 and District No. 2 of the maximum operating mill levy for fiscal years 2025 through 2027.
- Cash payment to the District in the amount of \$242,433 to fund landscaping needs on public property and pool/clubhouse repairs.
- Acknowledgement that there are no funds owed under the Agreement and AR Agreement described above and, to the extent any funds may be owed, District No. 1 and District No. 2 are released and discharged and have no repayment obligation related to any such amounts, and terminating both Agreements.
- Within 90 days of the effective date of the Settlement Agreement, the Developer and the Districts will each convey or cause to be conveyed to the indicated Districts any interest they each may have in tracts and Public Improvements located within such tracts as set forth in the Settlement Agreement.
- Independent operation of District No. 1 and District No. 2 from District Nos. 3, 4 and 5.
- Exclusion and inclusion of certain parcels of property from and into District No. 1 and District No. 2.
- Return of covenant enforcement authority to District No. 2.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Intergovernmental Cost Sharing Agreement

On March 5, 2025, the District entered into an Intergovernmental Cost Sharing Agreement with District No. 2. Pursuant to the Cost Sharing Agreement, the District and District No. 2 will share in the operations of the following areas within the District and District No. 2 (the “**Community Amenities**”):

- Any tracts owned by either district and within their boundaries, including, but not limited to, landscaping, parks, entry monuments, native areas, and stormwater facilities.
- The Clubhouse and Pool located at 185 Highlands Circle, Erie, CO 80516.

The costs to be shared by the District and District No. 2 related to the Community Amenities are:

- All operation, maintenance and repair costs.
- All capital repair and improvement costs.
- Reserve amounts needed and as determined in sole discretion of the District and District No. 2.

For 2025, the costs for the Community Amenities are to be funded by the District and District No. 2 with revenue from the Service and Facility Fee and property taxes contributed by both districts, into a fund called the Community Amenities Fund. For 2025, the districts determined not to create the Community Amenities Fund as described in the Cost Sharing Agreement, but nevertheless shared in the costs for the Community Amenities.

NOTE 8 – RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property and public officials’ liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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.

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

On November 5, 2013, the District voters passed an election question to increase property taxes \$2,000,000 annually, with a maximum mill levy of 20 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation), to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue annually, other than ad valorem taxes, without regard to limitations under TABOR.

Sections 29-1-301 and -1702, C.R.S. contain limitations on revenues generated from property taxes that apply to certain local governments within the State of Colorado.

Section 29-1-301 generally restricts the amount of total property tax revenue that a local government may collect each year to the previous year's total property tax revenue plus 5.5% plus allowances for growth. On November 5, 2013, the District voters authorized the waiver of the growth limit contained in 29-1-301.

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Section 29-1-1702 generally limits annual operating revenue growth to 5.25% annually (or 10.5% per reassessment cycle) for applicable local governments who are not subject to the growth limits in TABOR or 29-1-301. Such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exceptions 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

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	2024 Actual
Revenues					
Property Taxes	\$ 407,513	\$ 407,513	\$ 407,415	\$ (98)	\$ 409,256
Specific Ownership Tax	16,301	16,301	16,509	208	14,817
Net Investment Income	21,000	21,000	25,388	4,388	32,296
Miscellaneous Income	-	-	632	632	-
Total Revenues	444,814	444,814	449,944	5,130	456,369
Expenditures					
Debt Service					
Bond Principal	250,000	250,000	250,000	-	245,000
Bond Interest	202,550	202,550	202,550	-	209,900
Treasurer's Fees	6,113	6,113	6,116	(3)	6,143
Paying Agent Fees	4,000	4,000	4,000	-	4,000
Trustee Bank Fees	-	-	1,461	(1,461)	1,434
Contingency	-	2,337	-	2,337	-
Total Expenditures	462,663	465,000	464,127	873	466,477
Net Change in Fund Balance	(17,849)	(20,186)	(14,183)	6,003	(10,108)
Fund Balance - Beginning	383,174	383,174	387,192	4,018	397,300
Fund Balance - Ending	\$ 365,325	\$ 362,988	\$ 373,009	\$ 10,021	\$ 387,192

See the Accompanying Independent Auditor's Report

OTHER INFORMATION

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2025**

\$8,930,000

General Obligation Limited Tax Bonds, Series 2020

Dated November 17, 2020

Interest Payable June 1, December 1

Principal Due December 1

<u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	2.000	\$ 265,000	\$ 197,550	\$ 462,550
2027	3.000	275,000	192,250	467,250
2028	3.000	285,000	184,000	469,000
2029	3.000	295,000	175,450	470,450
2030	3.000	320,000	166,600	486,600
2031	2.000	325,000	157,000	482,000
2032	2.000	345,000	150,500	495,500
2033	2.000	345,000	143,600	488,600
2034	2.000	370,000	136,700	506,700
2035	2.000	375,000	129,300	504,300
2036	2.250	390,000	121,800	511,800
2037	2.250	400,000	113,025	513,025
2038	2.250	415,000	104,025	519,025
2039	2.250	430,000	94,688	524,688
2040	2.250	445,000	85,013	530,013
2041	3.000	455,000	75,000	530,000
2042	3.000	485,000	61,350	546,350
2043	3.000	500,000	46,800	546,800
2044	3.000	520,000	31,800	551,800
2045	3.000	540,000	16,200	556,200
		<u>\$ 7,780,000</u>	<u>\$ 2,382,651</u>	<u>\$ 10,162,651</u>

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

**SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED**

Levy Year	Collection Year	Assessed Valuation	Percent Change	Mill Levy			Total Levy	Current Collection	Collection Rate
				General	Debt	Total			
2018	2019	\$ 9,410,490	45.47%	22.111	55.277	77.388	\$ 728,259	\$ 724,871	99.53%
2019	2020	11,964,470	27.14%	22.111	55.663	77.774	930,525	932,333	100.19%
2020	2021	12,483,300	4.34%	22.265	33.832	56.097	700,276	697,784	99.64%
2021	2022	14,717,260	17.90%	22.265	33.832	56.097	825,594	824,955	99.92%
2022	2023	14,509,480	-1.41%	22.827	30.000	52.827	766,492	766,039	99.94%
2023	2024	16,371,130	12.83%	25.488	25.000	50.488	826,546	826,981	100.05%
2024	2025	16,300,520	-0.43%	25.488	25.000	50.488	822,981	822,783	99.98%
Estimated for year ending December 31, 2026		\$ 18,012,350	10.50%	24.276	25.000	49.276	\$ 887,577		

Note:

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

ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1

2025 Assessed and "Actual" Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Vacant Land	\$ 1,230	0.01%	\$ 4,585	0.00%
Residential	17,707,840	98.31%	283,326,190	99.60%
Commercial	2,600	0.01%	9,603	0.00%
Oil and Gas	71,950	0.40%	266,446	0.09%
State Assessed	228,730	1.27%	847,129	0.31%
Total	\$ 18,012,350	100.00%	\$ 284,453,953	100.00%

Source: Weld County Assessor's Office