

Elbert & Highway 86 Metropolitan District

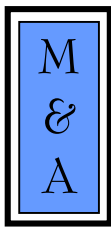
Financial Statements

December 31, 2025

**Elbert & Highway 86 Metropolitan District
Financial Statements
December 31, 2025**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Elbert and Highway 86 Metropolitan District
Elbert County, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Elbert and Highway 86 Metropolitan District (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Elbert and Highway 86 Metropolitan District

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 U.S. 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 U.S. 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.

Required Supplementary Information

Management has omitted the 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.

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

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Elbert and Highway 86 Metropolitan District

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 individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was derived from and relate 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

McMahan and Associates, L.L.C.
Avon, Colorado
May 22, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Elbert & Highway 86 Metropolitan District
Statement of Net Position
December 31, 2025

Assets:

Cash and investments	1,342,586
Cash and investments - Restricted	378,729
Due from Treasurer	5,214
Prepaid expenses	4,609
Property taxes receivable	526,672
Capital assets, net	116,859
Total Assets	<u>2,374,669</u>

Liabilities:

Accounts payable	2,721
Accrued interest payable	21,289
Non-current liabilities due in less than one year:	
Bonds payable	115,000
Non-current liabilities due in excess of one year:	
Bonds payable	4,724,699
Total Liabilities	<u>4,863,709</u>

Deferred Inflows of Resources:

Property tax revenue	526,672
Total Deferred Inflows of Resources	<u>526,672</u>

Net Position:

Net investment in capital assets	(86,578)
Restricted for debt service	979,225
Restricted for emergencies	4,832
Unrestricted	(3,913,191)
Total Net Position	<u>(3,015,712)</u>

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

**Elbert & Highway 86 Metropolitan District
Statement of Activities
For the Year Ended December 31, 2025**

Functions/Programs:	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities:					
General government	77,922	28,000	-	-	(49,922)
Interest on long-term debt	245,353	-	-	-	(245,353)
Total primary government	323,275	28,000	-	-	(295,275)
General revenues:					
Taxes:					
Property tax					506,003
Specific ownership tax					66,112
Interest income					77,716
Total General Revenues					649,831
Change in Net Position					354,556
Net Position - Beginning					(3,370,268)
Net Position - Ending					(3,015,712)

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

FUND FINANCIAL STATEMENTS

**Elbert & Highway 86 Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2025**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	742,090	600,496	1,342,586
Cash and investments - Restricted	-	378,729	378,729
Due from Treasurer	5,214	-	5,214
Prepaid expenses	4,609	-	4,609
Property taxes receivable	122,482	404,190	526,672
Total Assets	<u>874,395</u>	<u>1,383,415</u>	<u>2,257,810</u>
Liabilities:			
Accounts payable	2,721	-	2,721
Total Liabilities	<u>2,721</u>	<u>-</u>	<u>2,721</u>
Deferred Inflows of Resources:			
Unavailable property tax revenue	122,482	404,190	526,672
Total Deferred Inflows of Resources	<u>122,482</u>	<u>404,190</u>	<u>526,672</u>
Fund Balances:			
Nonspendable	4,609	-	4,609
Restricted for debt service	-	979,225	979,225
Restricted for emergencies	4,832	-	4,832
Unassigned	739,751	-	739,751
Total Fund Balances	<u>749,192</u>	<u>979,225</u>	<u>1,728,417</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>874,395</u>	<u>1,383,415</u>	<u>2,257,810</u>

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

**Elbert & Highway 86 Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025**

Governmental Funds Total Fund Balance 1,728,417

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

Details of these amounts are as follows:

Capital assets	208,684	
Accumulated depreciation	<u>(91,825)</u>	
		116,859

Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Bonds payable	(4,839,699)	
Accrued interest payable	<u>(21,289)</u>	
		<u>(4,860,988)</u>

Net Position of Governmental Activities (3,015,712)

Elbert & Highway 86 Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	117,675	388,328	506,003
Specific ownership taxes	15,375	50,737	66,112
Interest income	-	77,716	77,716
Facility fees	28,000	-	28,000
Total Revenues	<u>161,050</u>	<u>516,781</u>	<u>677,831</u>
Expenditures:			
General government	59,350	12,755	72,105
Debt service			
Principal	-	110,000	110,000
Interest	-	259,863	259,863
Paying agent fees	-	3,000	3,000
Total Expenditures	<u>59,350</u>	<u>385,618</u>	<u>444,968</u>
Net Change in Fund Balances	101,700	131,163	232,863
Fund Balances - Beginning	<u>647,492</u>	<u>848,062</u>	<u>1,495,554</u>
Fund Balances - Ending	<u><u>749,192</u></u>	<u><u>979,225</u></u>	<u><u>1,728,417</u></u>

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

**Elbert & Highway 86 Metropolitan District
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 for total governmental funds 232,863

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital additions	-	
Depreciation expense	(5,817)	
	(5,817)	(5,817)

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt repayments.

Principal repayments - Bonds payable	110,000	
Amortization of premium on bonds payable	17,144	
	127,144	127,144

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

		366
Change in Net Position of Governmental Activities		354,556

NOTES TO THE FINANCIAL STATEMENTS

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025

I. Summary of Significant Accounting Policies

Elbert and Highway 86 Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the Elbert County District Court on November 26, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Elbert County, Colorado ("County"). In accordance with its service plan, which was approved in October 2002 by the board of county commissioners of the County, the District was formed to provide financing for the construction of improvements for streets and safety control, landscaping, storm drainage, water, sewer, television relay, and park and recreation facilities in its service area within the County. The District's water services are provided by Elbert and Highway 86 Commercial Metropolitan District ("Commercial District").

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

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

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025.

3. Prepaid Expenses

Prepaid expenses represent costs incurred in advance for goods or services that will be consumed or utilized in future periods. These amounts are recorded as assets at the time of payment and are subsequently expensed over the period in which the related benefits are received.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

5. Capital Assets

Capital assets, which include construction in progress, equipment, property, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets (continued)

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred. Infrastructure, buildings, and equipment are depreciated using the straight-line method over useful lives between 20 and 50 years.

6. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Long-term Obligations

The District's long-term obligations consist of outstanding bonds and developer advances. These obligations are recorded in the government-wide financial statements, at their principal amounts, net of any applicable bond discounts or premiums, which are amortized over the life of the related debt using the effective interest method.

Bonds payable – represent limited tax general obligation bonds issued to finance infrastructure and capital improvements. Interest on bonds is recognized as an expense when incurred, and principal payments are made in accordance with the debt service schedule.

Debt issuance costs, excluding prepaid bond insurance, are expensed as incurred in accordance with applicable accounting standards. In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

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

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

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

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

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

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

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

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

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

- (1) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (2) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (3) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

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

For the year ended December 31, 2025, the Debt Service Fund expenditures exceeded appropriations by \$1,110, which may be a violation of Colorado Revises Statutes.

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

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

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

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$4,832, which is the approximate required reserve, at December 31, 2025.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

On November 5, 2002, the District's voters authorized the District to increase property taxes \$60,000 annually for general operations and maintenance. The election also allows the District to collect, spend, and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution.

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

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

II. Stewardship, Compliance, and Accountability (continued)

C. Authorized But Unissued Debt

Pursuant to C.R.S. 32-1-1101(2) a District is only authorized to issue bonds for a period up to twenty years following the date of the election at which such bonds were authorized by the District's voters. Accordingly, the District's authorization from November 5, 2002 has expired.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$11,664 at year end.

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

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

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

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

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

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

	<u>Standard & Poors Rating</u>	<u>Carrying Amounts</u>	<u>Term to Maturity</u>	
			<u>Less than one year</u>	<u>More than one year</u>
<i>Deposits:</i>				
Checking and savings	Not rated	11,664	11,664	-
<i>Investments:</i>				
Investment pool - Colotrust	AAAm/AAAf	1,330,919	1,330,919	-
Investment pool - CSAFE	AAAm	<u>378,732</u>	<u>378,732</u>	-
		<u>1,721,315</u>	<u>1,721,315</u>	-

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

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust Plus+	98
Colotrust Prime	15,049
Colotrust Edge	<u>1,315,772</u>
	<u>1,315,772</u>

<u>Investments Measured at Amortized Cost</u>	<u>Total</u>
CSAFE	<u>378,732</u>
	<u>378,732</u>

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

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

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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

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

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2025, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

At December 31, 2025, District had invested \$758,409 in the Colorado Local Government Liquid Asset Trust (the "Trust") an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper.

COLOTRUST EDGE, a variable net asset value local government investment pool, offers weekly liquidity and is managed to approximate a \$10 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, and highest rated commercial paper

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

CSAFE CASH FUND, which operates similarly to a money market fund in which each share is equal in value to \$1, offers daily liquidity. CSAFE may invest in US Treasury securities, repurchase agreements collateralized by US Treasury securities, certain money market funds, highest rated commercial paper, and 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 transactional share price. CSAFE CORE may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities, certain obligations of US government agencies, and highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

The District had the following restricted cash and equivalents as of December 31, 2025:

Bond Fund	4,488
Bond Reserve Fund	374,226
Bond Revenue Fund	15
	<u>378,729</u>

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

B. 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:				
Landscape improvements	5,247	-	-	5,247
Capital assets, being depreciated:				
Fish pond	16,594	-	-	16,594
Gazebo	34,791	-	-	34,791
Entry monuments	146,287	-	-	146,287
Water cistern	5,765	-	-	5,765
Total capital assets	<u>208,684</u>	<u>-</u>	<u>-</u>	<u>208,684</u>
Less accumulated depreciation for:				
Fish pond	(12,452)	(830)	-	(13,282)
Gazebo	(26,108)	(1,740)	-	(27,848)
Entry monuments	(43,910)	(2,926)	-	(46,836)
Water cistern	(3,538)	(321)	-	(3,859)
Total accumulated depreciation	<u>(86,008)</u>	<u>(5,817)</u>	<u>-</u>	<u>(91,825)</u>
Net Capital Assets	<u>122,676</u>	<u>(5,817)</u>	<u>-</u>	<u>116,859</u>

C. Long-term Obligations

1. Limited Tax General Obligation Bonds, Series 2016

On September 30, 2016, the District issued Series 2016 General Obligation Limited Tax Convertible to Unlimited Tax Refunding Bonds ("Series 2016 Bonds") for the purpose of: (i) refunding the previously issued bonds and other debt obligations; (ii) funding the reserve fund; and (iii) paying other costs incurred in connection with the issuance of the Series 2016 Bonds. The Series 2016 Bonds were issued in the amount of \$5,370,000, plus an original issue premium of \$400,296. The bonds bear interest from 3.00% to 5.75%, payable to the extent of pledged revenues available on each June 1 and December 1, and mature on December 1, 2046.

The District is required to maintain a bond payment, reserve, rebate, and revenue cash account with a minimum reserve fund requirement of \$372,863. The purpose of this reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding.

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

1. Limited Tax General Obligation Bonds, Series 2016 (continued)

The Series 2016 Bonds are secured by and payable from the pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (a) required mill levy; (b) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy; and (c) any other legally available monies which the District determines to be treated as pledged revenues. The Series 2016 Bonds are also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property within the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due, and payable, and to make up any deficiencies in the reserve fund. The mill levy is adjusted for changes in the ratio of actual value to assessed value of property within the District.

The Series 2016 Bonds maturing on December 1, 2033, and thereafter are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2031, and on any date thereafter, upon payment of par and accrued interest.

The District had the following changes in long-term obligations for the year ended December 31, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
G.O. Bonds, Series 2016	4,715,000	-	(110,000)	4,605,000	115,000
G.O. Bonds, Series 2016 Premium	251,843	-	(17,144)	234,699	-
Total bonds payable:	<u>4,966,843</u>	<u>-</u>	<u>(127,144)</u>	<u>4,839,699</u>	<u>115,000</u>
Total	<u>4,966,843</u>	<u>-</u>	<u>(127,144)</u>	<u>4,839,699</u>	<u>115,000</u>

Annual debt service requirements to maturity for the Series 2016 Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	115,000	255,463	370,463
2027	120,000	250,863	370,863
2028	125,000	244,863	369,863
2029	130,000	238,613	368,613
2030	140,000	232,113	372,113
2031 - 2035	810,000	1,047,538	1,857,538
2036 - 2040	1,060,000	794,650	1,854,650
2041 - 2045	1,400,000	452,813	1,852,813
2046	705,000	40,538	745,538
Total	<u>4,605,000</u>	<u>3,557,454</u>	<u>8,162,454</u>

Elbert and Highway 86 Metropolitan District
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds

D. Agreements

1. Intergovernmental agreement with Elbert and Highway 86 Commercial Metropolitan District

On August 31, 2021, the District entered into an intergovernmental agreement with the Commercial District for the purpose of completing the performance obligation under the compromise, settlement, and release agreement and allocating responsibility for the installation of traffic signals that the Colorado Department of Transportation may mandate at the access points from State Highway 86 to their respective properties. The District and the Commercial District have satisfied the terms of this agreement and the Commercial District is now solely responsible for traffic signal expenses.

2. Second Amended and Restated Facility Fee Resolution

On December 12, 2015, the District amended and restated a resolution for the imposition of a facility fee of \$14,000 per any lot located within the Wild Pointe subdivision and/or the District, which are due and payable upon the issuance of a building permit.

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

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

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

B. Related Parties

The developer of the property within the District is Wild Pointe Investments, LLC. The members of the board of directors are officers, employees, or associated with the developer and may have conflicts of interest in dealing with the District.

REQUIRED SUPPLEMENTARY INFORMATION

Elbert & Highway 86 Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2025

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:			
Property taxes	117,635	117,675	40
Specific ownership taxes	8,234	15,375	7,141
Interest income	500	-	(500)
Facility fees	-	28,000	28,000
Total Revenues	<u>126,369</u>	<u>161,050</u>	<u>34,681</u>
Expenditures:			
General government:			
Accounting and auditing	10,100	9,600	500
Bank charges	-	30	(30)
Treasurer fees	3,529	3,530	(1)
Dues and subscriptions	750	636	114
Elections	2,500	371	2,129
Management and accounting fees	30,000	30,000	-
Postage	200	520	(320)
Repairs and maintenance	20,000	5,853	14,147
Utilities	3,000	2,086	914
Insurance	9,000	4,867	4,133
Legal fees	7,500	1,857	5,643
Contingency	10,000	-	10,000
Total Expenditures	<u>96,579</u>	<u>59,350</u>	<u>37,229</u>
Net Change in Fund Balance	29,790	101,700	71,910
Fund Balance - Beginning	<u>598,449</u>	<u>647,492</u>	<u>49,043</u>
Fund Balance - Ending	<u><u>628,239</u></u>	<u><u>749,192</u></u>	<u><u>120,953</u></u>

SUPPLEMENTARY INFORMATION

Elbert & Highway 86 Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2025

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:			
Property taxes	388,196	388,328	132
Specific ownership taxes	27,174	50,737	23,563
Interest income	50,000	77,716	27,716
Total Revenues	<u>465,370</u>	<u>516,781</u>	<u>51,411</u>
Expenditures:			
General government:			
Bank charges	-	1,105	(1,105)
Treasurer fees	11,646	11,650	(4)
Debt service:			
Principal payments	110,000	110,000	-
Interest payments	259,862	259,863	(1)
Paying agent fees	3,000	3,000	-
Total Expenditures	<u>384,508</u>	<u>385,618</u>	<u>(1,110)</u>
Net Change in Fund Balance	80,862	131,163	50,301
Fund Balance - Beginning	<u>841,574</u>	<u>848,062</u>	<u>6,488</u>
Fund Balance - Ending	<u><u>922,436</u></u>	<u><u>979,225</u></u>	<u><u>56,789</u></u>