

**Sage Pointe Metropolitan District
Sterling, Colorado**

FINANCIAL STATEMENTS

For the Period November 1, 2025 through December 31, 2025

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Sage Pointe Metropolitan District
Sterling, Colorado

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Sage Pointe Metropolitan District, as of and for the period November 1, 2025 through December 31, 2025, and the related notes to the financial statements, which collectively comprise the Sage Pointe Metropolitan District’s basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Sage Pointe Metropolitan District, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the period November 1, 2025 through December 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Sage Pointe Metropolitan District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Sage Pointe Metropolitan 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

My 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 my 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, I:

- 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 Sage Pointe Metropolitan 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sage Pointe Metropolitan District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental 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. My opinion is not affected by this missing information.

Lance McMahon, CPA

Lance McMahon, CPA

Divide, Colorado
September 7, 2026

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Basic Financial Statements

Sage Pointe Metropolitan District
Statement of Net Position
December 31, 2025

	Governmental Activities	Business Type Activities	Totals
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 100	\$ 97,975	\$ 98,075
User Accounts Receivable	-	36,565	36,565
Internal Balances	(26,208)	26,208	-
Property Taxes Receivable	174,546	-	174,546
Prepaid Expenses	14,262	1,749	16,011
Total Current Assets	<u>162,700</u>	<u>162,497</u>	<u>325,197</u>
Noncurrent Assets			
Capital Assets			
Nondepreciable	-	24,896	24,896
Depreciable	677,560	5,669,956	6,347,516
Total Capital Assets	<u>677,560</u>	<u>5,694,852</u>	<u>6,372,412</u>
Less accumulated depreciation	<u>(655,203)</u>	<u>(3,088,180)</u>	<u>(3,743,383)</u>
Net Capital Assets	<u>22,357</u>	<u>2,606,672</u>	<u>2,629,029</u>
Lease Deposit	-	16,750	16,750
Total Noncurrent Assets	<u>22,357</u>	<u>2,623,422</u>	<u>2,645,779</u>
Total Assets	<u><u>\$ 185,057</u></u>	<u><u>\$ 2,785,919</u></u>	<u><u>\$ 2,970,976</u></u>
Liabilities			
Current Liabilities			
Accounts Payable	63,622	77,493	141,115
Accrued Expenses	-	1,297	1,297
Due to SPHOA	-	14,802	14,802
Customer Prepayments	-	7,020	7,020
Total Current Liabilities	<u>63,622</u>	<u>100,612</u>	<u>164,234</u>
Noncurrent Liabilities			
Lease Deferred Contract Value	-	32,854	32,854
Total Long Term Liabilities	<u>-</u>	<u>32,854</u>	<u>32,854</u>
Total Liabilities	<u>63,622</u>	<u>133,466</u>	<u>197,088</u>
Deferred Inflows of Resources			
Deferred Property Tax Revenues	174,546	-	174,546
Total Deferred Inflows of Resources	<u>174,546</u>	<u>-</u>	<u>174,546</u>
Net Position			
Net Investment in capital assets	22,357	2,606,672	2,629,029
Restricted	2,700	-	2,700
Unrestricted	<u>(78,168)</u>	<u>45,781</u>	<u>(32,387)</u>
Total Net Position	<u><u>\$ (53,111)</u></u>	<u><u>\$ 2,652,453</u></u>	<u><u>\$ 2,599,342</u></u>

The accompanying notes are an integral part of these financial statements

Sage Pointe Metropolitan District
Statement of Activities
For the Period November 1, 2025 through December 31, 2025

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
Functions / Programs						
Primary government						
Governmental activities:						
General government	\$ 75,568	\$ -	\$ -	\$ (75,568)	\$ -	\$ (75,568)
Total Governmental Activities	75,568	-	-	(75,568)	-	(75,568)
Business-type activities:						
Water and Sanitation Operations	168,936	142,120	-	-	(26,816)	(26,816)
Total Business-Type Activities	168,936	142,120	-	-	(26,816)	(26,816)
TOTAL PRIMARY GOVERNMENT	\$ 244,504	\$ 142,120	\$ -	(75,568)	(26,816)	(102,384)
General Revenues				-	-	-
Change in Net Position				(75,568)	(26,816)	(102,384)
Net Position - Beginning				22,457	2,679,269	2,701,726
Net Position - Ending				<u>\$ (53,111)</u>	<u>\$ 2,652,453</u>	<u>\$ 2,599,342</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Sage Pointe Metropolitan District
Balance Sheet
Governmental Fund
December 31, 2025**

	General Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 100
Property Taxes Receivable	174,546
Prepaid Expenses	14,262
Total Assets	<u>\$ 188,908</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 63,622
Due to Proprietary Fund	26,208
Total Current Liabilities	<u>89,830</u>
Deferred Inflows of Resources	
Deferred Property Tax Revenues	174,546
Total Deferred Inflows of Resources	<u>174,546</u>
Fund Balance	
Restricted	2,700
Unrestricted	(78,168)
Total Fund Balance	<u>(75,468)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 188,908</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	\$ (75,468)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	
Capital assets	\$ 677,560
Accumulated depreciation	\$ (655,203)
Net position of governmental activities	<u>\$ (53,111)</u>

The accompanying notes are an integral part of these financial statements

Sage Pointe Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Period November 1, 2025 through December 31, 2025

	General Fund
Revenues	
Property Taxes	\$ -
Total Revenues	<u>-</u>
Expenditures	
Accounting and Audit	\$ 1,000
Legal - General Counsel	67,622
Insurance	6,894
Office and Postage	52
Total Expenditures	<u>75,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(75,568)</u>
Net Position, beginning of year established through transfer of operations from SPHOA	<u>22,457</u>
Fund Balance, end of year	<u><u>\$ (53,111)</u></u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	
Net Change in Fund Balances - Total Governmental Funds	<u><u>\$ (75,568)</u></u>

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. (Note: no governmental-activities capital asset additions, disposals, or depreciation occurred during the period; capital assets were unchanged at \$677,560, net of \$655,203 accumulated depreciation, throughout 11/1/25-12/31/25.)

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

Sage Pointe Metropolitan District
Statement of Net Position
Proprietary Fund
December 31, 2025

Assets

Current Assets

Cash and Cash Equivalents	\$ 97,975
User Accounts Receivable	36,565
Due from General Fund	26,208
Prepaid Expenses	1,749
Total Current Assets	<u>162,497</u>

Noncurrent Assets

Capital Assets	
Nondepreciable	24,896
Depreciable	5,669,956
Total Capital Assets	<u>5,694,852</u>
Less accumulated depreciation	<u>(3,088,180)</u>
Net Capital Assets	<u>2,606,672</u>
Lease Deposit	<u>16,750</u>
Total Noncurrent Assets	<u>2,623,422</u>
Total Assets	<u>2,785,919</u>

Liabilities

Current Liabilities

Accounts Payable	77,493
Accrued Expenses	1,297
Due to SPHOA	14,802
Customer Prepayments	7,020
Total Current Liabilities	<u>100,612</u>

Noncurrent Liabilities

Lease Deferred Contract Value	<u>32,854</u>
Total Noncurrent Liabilities	<u>32,854</u>
Total Liabilities	<u>133,466</u>

Net Position

Net Investment in capital assets	2,606,672
Unrestricted	<u>45,781</u>

Total Net Position	<u><u>\$ 2,652,453</u></u>
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The accompanying notes are an integral part of these financial statements

Sage Pointe Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Period November 1, 2025 through December 31, 2025

Operating Revenues

User Fees and Surcharges	\$ 142,120
Total Operating Revenues	<u>142,120</u>

Operating Expenses

Water Fund	11,618
Sanitation Fund	138,488
Depreciation	18,830
Total Operating Expenses	<u>168,936</u>

Operating Loss	(26,816)
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Net Position, beginning of year established through transfer of operations from SPHOA	2,679,269
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Net Position, end of year	<u>\$ 2,652,453</u>
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The accompanying notes are an integral part of these financial statements

Sage Pointe Metropolitan District
Statement of Cash Flows
Proprietary Fund
For the Period November 1, 2025 through December 31, 2025

Cash Flows from Operating Activities

Cash received from customers	\$ 174,495
Cash paid to suppliers and employees	(85,710)
Net Cash Provided by Operating Activities	<u>88,785</u>

Cash Flows from Capital and Related Financing Activities

Net Cash Provided by Capital and Related Financing Activities	<u>-</u>
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Cash Flows from Investing Activities

Net Cash Provided by (Used in) Investing Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	<u>88,785</u>

Cash and Cash Equivalents, Beginning of Period (11/1/25)	9,190
Cash and Cash Equivalents, End of Period (12/31/25)	<u><u>\$ 97,975</u></u>

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating Loss	\$ (26,816)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	18,830
Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	25,355
(Increase) in prepaid expenses	(1,749)
Increase in accounts payable	(2,122)
Increase in accrued expenses	1,297
Increase in customer prepayments	7,020
Increase in due from General Fund	19,314
Increase in deferred lease contract value	32,854
Increase in due to SPHOA	14,802
Net Cash Provided by Operating Activities	<u><u>\$ 88,785</u></u>

Supplemental Disclosure of Noncash Investing, Capital, and Related Financing Activities

Capital assets contributed by SPHOA, net of accumulated depreciation (11/1/2025)	\$ 2,647,859
Lease deposit (Cloacina lease) assumed from SPHOA	\$ 16,750

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

Note 1 – Summary of Significant Accounting Policies

The Sage Pointe Metropolitan District (The “District”) operates under the regulations pursuant to the Colorado Revised Statutes that designate a Board of Directors to act as the governing authority. The District's primary function is the operation and maintenance of the water and sanitation systems, which operation and maintenance shall be carried out in a sound and economical manner in accordance with the District's rules and regulations. The District is responsible for operating the community system to comply with the Colorado Department of Public Health and Environment drinking water regulations. The District provides documentation to the North East Colorado Health Department about all surveys, inspections and other required information concerning the water and sanitation systems. The majority of the District's operations and administrative functions are provided through contract service arrangements.

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental and business type activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the primary government activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the District, with certain limited exceptions. The comparison of program expenses with program revenue identifies the extent to which each function is self- financing or draws from the general revenue of the District.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Accounting

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds.

General Fund - The General Fund is the general operating fund of the district. It is used to account for all financial activities except those required to be accounted for in another fund. The primary purpose of the fund is to account for the property taxes received and payment of general fund expenditures.

Water and Sanitation Proprietary Fund - The Water and Sanitation Proprietary Fund is used to account for operations that are financed in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public be recovered primarily through user charges.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Change in Fund Balances.

The Statement of Revenues, Expenditures, and Change in Fund Balances reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government wide statements and the statements for governmental funds.

Proprietary funds, which include enterprise funds, are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets.

Note 1 – Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable consists primarily of water and sanitation user charges and property taxes receivable. Delinquent utility accounts may be certified to the County Treasurer for collection and may become liens against the related properties in accordance with Colorado law. Management evaluates outstanding receivables for collectability at each year-end. Based on that evaluation, management determined that no material allowance for uncollectible accounts was required at December 31, 2025.

Prepaid Items

Certain payments to vendors represent costs applicable to future reporting periods and are recorded as prepaid items.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities. Capital assets acquired in the ordinary course of operations are recorded at historical cost or estimated historical cost when actual historical cost is unavailable.

Capital assets transferred to the District as part of the transfer of operations from the Sage Pointe Homeowners Association (SPHOA) are recorded at carrying value in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Because historical carrying-value records were unavailable, carrying values were estimated using the best available information. Capital assets with an individual cost of \$5,000 or more and an estimated useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset	Useful Life –
Water System	15 - 60 years
Sanitation System	20 - 60 years
Storage Tank	50 years
Office and Field Equipment	5 - 15 years

Routine maintenance and repairs are charged to expenses as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized.

Revenue Recognition

Revenues are recognized when earned. Water and Sanitation accounts are billed once a month on 30 day cycles.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB #63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Property Tax Revenue Recognition

Property taxes are levied in one year for collection in the following year. Property taxes are recognized as receivable when levied and are reported as deferred inflows of resources in the governmental fund financial statements until they become available. Property taxes become an enforceable lien on January 1 of the year for which they are levied.

The District's first mill levy was certified in December 2025 for collection in 2026. Accordingly, no property tax revenue was recognized for the period ended December 31, 2025. The related receivable of \$174,546 is reported as a deferred inflow of resources on the governmental funds balance sheet at December 31, 2025, and will be recognized as revenue in the fiscal year ending December 31, 2026, the period for which the levy was made.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant estimates used in preparing the accompanying financial statements include the estimated useful lives of capital assets, depreciation expense, the collectability of accounts receivable, and the valuation of capital assets.

Net Position

Net position is reported in three categories:

Net investment in capital assets

Restricted net position

Unrestricted net position

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. The District's General Fund reports a restricted fund balance for TABOR emergency reserves. Any remaining fund balance is reported as unrestricted. When expenditures are incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are considered to have been spent first.

Note 2 – Budgetary Information

The District adopts an annual budget in accordance with the Colorado Local Government Budget Law. On or before October 15, management submits a proposed budget to the Board of Directors for the fiscal year beginning the following January 1. The proposed budget includes estimated revenues, expenditures, and other financing sources and uses. After providing public notice and conducting a public hearing, the Board of Directors adopts the budget, appropriates expenditures, and certifies the property tax mill levy, if applicable, on or before December 15. The budget may be amended during the year by formal action of the Board. Expenditures may not legally exceed appropriations at the fund level. Budgeted amounts presented in the accompanying financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year-end.

Note 3 – Cash Deposits

At December 31, 2025, the District's carrying amount of deposits was \$98,075.

Colorado law requires local governments to deposit public funds only in eligible public depositories insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of FDIC insurance limits must be collateralized in accordance with the Colorado Public Deposit Protection Act (PDPA). Under PDPA, eligible collateral is pledged by each financial institution and maintained in a single collateral pool to protect all uninsured public deposits. The market value of the collateral pool must equal at least 102 percent of uninsured public deposits. The District believes its deposits were either insured by the FDIC or protected by collateral pledged under PDPA.

Note 4 – Capital Assets

Capital Assets for the Period November 1, 2025 through December 31, 2025, are summarized below.

	Balance at 11/1/2025	Additions	Deletions	Balance at 12/31/2025
<u>General Fund</u>				
Depreciable				
Culverts and Signs	\$ 677,560	\$ -	\$ -	\$ 677,560
Less - Accumulated Depreciation	(655,203)	-	-	(655,203)
Total General Fund - Net	22,357	-	-	22,357
<u>Proprietary Fund</u>				
Nondepreciable				
Land and Land Improvements	24,896	-	-	24,896
Depreciable				
Water System	2,191,100	-	-	2,191,100
Sanitation System	3,419,724	-	-	3,419,724
Tools and Equipment	58,532	-	-	58,532
Furniture and Fixtures	600	-	-	600
Total Enterprise Fund	5,694,852	-	-	5,694,852
Less - Accumulated Depreciation	(3,069,350)	(18,830)	-	(3,088,180)
Total Enterprise Fund - Net	2,625,502	(18,830)	-	2,606,672
Net Capital Assets - Total	\$ 2,647,859	\$ (18,830)	\$ -	\$ 2,629,029

Note 5 – Operations and Maintenance Agreement

The District entered into a Professional Services Agreement with KV Water Engineering LLC for certified operator and operations and maintenance services for the District's water treatment, distribution, sanitation treatment, and collection systems. This Agreement and any applicable Task Orders will be effective from the Effective Date of the Agreement through December 31, 2025. This Agreement and any then-outstanding Task Orders shall automatically renew for additional one-year terms beginning January 1, 2026, unless earlier terminated by either party pursuant to the terms herein. Any renewals and Tasks Orders shall be subject to the Owner's annual budgeting and appropriations of funds necessary for the Engineer's services. Task Order No.1 of the Agreement provides for General Engineering Services to be provided at an hourly rate of \$200 per hour, not to exceed \$50,000, which includes routine operations, travel, mileage, and regulatory compliance services. Additional services, laboratory analyses, chemicals, materials, and other reimbursable expenses are billed separately in accordance with the contract rate schedule. Separately, the District has designated an employee to serve as its Operator in Responsible Charge (ORC) in accordance with Colorado Department of Public Health and Environment regulations.

Note 6 – Transfer of Operations

Effective October 8, 2025, Sage Pointe Homeowners Association (SPHOA) transferred its water, sanitation and related operations to Sage Pointe Metropolitan District (the "District"). The transfer included the capital assets and other assets and certain liabilities

associated with those operations. The transaction was accounted for as a transfer of operations in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Accordingly, assets and liabilities transferred to the District were recognized at their carrying values as of the date of transfer.

SPHOA did not maintain capital asset records sufficient to establish the historical cost, accumulated depreciation, and carrying values of the individual capital assets transferred to the District. Accordingly, the District developed estimated historical costs and carrying values using the best information reasonably available. Detailed current replacement-cost information developed by the District's engineer for property insurance purposes was used as the starting point for the estimation process. The replacement-cost amounts were deflated based on the estimated original acquisition or construction periods of the respective assets to develop estimated historical costs. The age and estimated useful lives of the assets were then considered in determining estimated accumulated depreciation and net carrying values as of the transfer date.

The estimated historical costs of the capital assets transferred to the District were as follows:

<u>Capital Assets</u>	<u>Estimated Historical Cost</u>
Culverts and signs	\$ 677,560
Land and Land Improvements	24,896
Water system	2,191,100
Sanitation system	3,419,724
Tools, equipment, furniture and fixtures	59,132
Total	<u>\$ 6,372,412</u>

Note 7 – Compensated absences

At December 31, 2025, management determined that any liability for accumulated compensated absences was not material to the financial statements. Accordingly, no liability for compensated absences has been recorded.

Note 8 – Tax, Spending, and Debt Limitation

Article X, section 20 of the Colorado Constitution, the Taxpayers Bill of Rights (TABOR) contains several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is following the requirements of TABOR. The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

Note 9 – Long-Term Debt

The District had no long-term debt outstanding on December 31, 2025.

As described in Note 12, Subsequent Events, in February 2026 the District entered into an Advance and Reimbursement Agreement with Sage Pointe Homeowners Association, Inc. under which a loan facility obtained by the Association prior to the District's formation (the First Farm Bank Loan Facility, with an outstanding principal balance of \$575,655) is expressly not an obligation of the District. Accordingly, that balance is not reported as long-term debt in these financial statements.

Note 10 – Transactions with Sage Pointe Homeowner's Association

As described in Note 6, Transfer of Operations, the District was formed through a transfer of SPHOA's water, sanitation and related operations, effective October 8, 2025, including capital assets and other assets and certain liabilities associated with those operations.

At December 31, 2025, the District reported a payable to SPHOA of \$14,802 for trade payables related to shared administrative and operational services, included within accounts payable and accrued liabilities of the business-type activities.

As described in Note 12, Subsequent Events, in February 2026 the District entered into an Advance and Reimbursement Agreement with SPHOA under which the District acknowledged \$50,200 of organizational costs incurred by SPHOA on the District's behalf, together with other advances benefiting the District, and under which a loan facility obtained by SPHOA prior to the District's formation as described in Note 9, remains an obligation of SPHOA and is not reported as debt of the District. The District's reimbursement obligation under that agreement is subject to annual appropriation and is not a District debt or multiple-fiscal-year obligation.

Note 11 – Lease and Rental Commitments

MEMPAC R Equipment Rental Agreement

During November and December 2025, the District used sanitation treatment equipment under a rental agreement originally entered into by Sage Pointe Homeowners Association (SPHOA) on February 15, 2024. Following the initial rental term, the agreement continued on a month-to-month basis. After the transfer of water and sanitation operations to the District on October 8, 2025, the District assumed responsibility for the leased equipment and made payments directly to Cloacina Rental and Leasing LLC. The lease agreement and related invoices remained in the name of SPHOA.

As of December 31, 2025, the agreement qualified as a short-term lease under GASB Statement No. 87, *Leases*. Accordingly, the District did not recognize a right-to-use lease asset or lease liability and recognized rental expense in accordance with the payment provisions of the agreement.

The original agreement provided for monthly rent of \$27,900 and further provided that early termination did not relieve the renter of its obligation to pay the full contractual amount. During November and December 2025, the lessor invoiced a portion of the contractual monthly rent and identified the unpaid portion as deferred contract value. For the two months ended December 31, 2025, the District recognized rental expense of \$55,800, consisting of \$22,946 currently invoiced and \$32,854 of deferred contract value. The \$32,854 deferred amount is reported as an accrued liability at December 31, 2025.

Note 12 – Subsequent Events

MEMPAC R Equipment Rental Agreement Subsequent Amendment

On June 12, 2026, the rental agreement was amended to establish a new 24-month lease. Under the amended agreement, the District is required to make monthly payments of \$16,137.47, or approximately \$387,299 over the 24-month term. Immediately prior to the amendment, the accumulated deferred contract value reflected in the lessor's invoices was approximately \$123,200.

Under the amended agreement, monthly payments are applied in accordance with the contractual formula to the base rental amount and the remaining residual or deferred contract value of the equipment. The agreement also provides for a remaining residual value at the conclusion of the 24-month term, the amount of which will be based on whether agreement is completed at full term or an earlier point of cessation, and as determined in accordance with the contractual provisions.

The June 2026 amendment did not change the short-term lease classification applied to the agreement as of December 31, 2025. The District will recognize and measure the amended 24-month lease in accordance with GASB Statement No. 87 in its 2026 financial statements.

Advance and Reimbursement Agreement – First Farm Bank Loan Facility

In February 2026, Sage Pointe Metropolitan District (the “District”) entered into an Advance and Reimbursement Agreement with Sage Pointe Homeowners Association, Inc. (the “Association”). Prior to formation of the District, the Association on September 13, 2024, had obtained a loan facility from First Farm Bank consisting of three loans, Loan Nos. 92903, 92907 and 92911 (the “Loan Facility”). Proceeds from the Loan Facility were used by the Association for organizational costs associated with the creation of the District and for advances related to infrastructure and other costs benefiting the District.

Under the Agreement, the District acknowledged that the Association had incurred organizational costs on behalf of the District totaling \$50,200 and had made other advances benefiting the District. The Agreement also acknowledges that the outstanding principal balance of the Loan Facility was \$575,655. The Agreement provides for reimbursement by the District to the Association for qualifying organizational costs and advances, together with interest as provided in the Agreement. The Association agreed to use reimbursements received from the District to service the Loan Facility in accordance with the terms of the loan agreements.

The District's obligation to reimburse the Association is subject to annual appropriation of funds by the District and a determination by the Board of Directors that funds are available and are not needed or pledged for other District obligations. The Agreement further provides that the District's reimbursement obligation is not a debt or multiple-fiscal-year obligation. Unless terminated earlier by mutual agreement, the District's repayment obligations under the Agreement expire 20 years from the date of the Agreement, at which time all obligations are deemed satisfied whether or not paid in full.

For informational purposes -- The scheduled principal and interest payments associated with the Loan Facility, which remains an obligation of the Association and is not reported as debt of the District, are as follows:

Year ending December 31,	Principal	Interest	Total
2026	\$ 30,728	\$ 29,429	\$ 60,157
2027	44,291	35,918	80,209
2028	47,322	32,887	80,209
2029	50,761	29,448	80,209
2030	54,347	25,863	80,210
2031-2036	348,206	66,207	414,413
Total	<u>\$ 575,655</u>	<u>\$ 219,752</u>	<u>\$ 795,407</u>

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for all risks of loss.

Note 14 – Reclassifications

Certain balances and amounts have been reclassified to conform with the presentation of the current years financial statements.

Required Supplementary Information

**Sage Pointe Metropolitan District
Schedule of Revenues and Expenditures
Budgetary Comparison Schedule
General Fund
For the Period November 1, 2025 through December 31, 2025**

	Original and Final Adopted Budget	Actual	Variance
Revenues			
Advances from Sage Pointe HOA	\$ 300,000	\$ -	\$ (300,000)
Total Revenues	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Operating Expenses			
District's Organization, Operations and Capital Expenditures	\$ 300,000	\$ -	\$ 300,000
Accounting and Audit	-	1,000	\$ (1,000)
Legal - General Counsel	-	67,622	\$ (67,622)
Insurance	-	6,894	\$ (6,894)
Office and Postage	-	52	\$ (52)
Total Operating Expenses	<u>300,000</u>	<u>75,568</u>	<u>224,432</u>
Revenues Over/(Under) Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ (75,568)</u>	<u>\$ (75,568)</u>

See the accompanying Independent Auditor's Report

Supplementary Information

Sage Pointe Metropolitan District
Schedule of Revenues and Expenses
Budgetary Comparison Schedule
Proprietary Fund
For the Period November 1, 2025 through December 31, 2025

	Adopted Budget		Actual	Variance
	Original	Final		
Operating Revenues				
User Fees and Surcharges	\$ -	\$ 151,000	\$ 142,120	\$ (8,880)
Total Operating Revenues	-	151,000	142,120	(8,880)
Operating Expenses				
Water Fund				
Salaries and Benefits	-	2,800	2,768	32
Office Expense	-	850	810	40
Maintenance and Repairs	-	4,350	4,345	5
Chemical and Testing	-	3,790	3,786	4
Utilities	-	220	(1,091)	1,311
Engineering	-	500	1,000	(500)
Total General and Administrative	-	12,510	11,618	892
Sewer Fund				
Salaries and Benefits	-	2,500	2,500	-
Engineering	-	75,990	75,988	2
Hauling	-	4,200	4,200	-
Cloacina - Rental	-	55,800	55,800	-
Total Operations and Maintenance	-	138,490	138,488	2
Total Operating Expenses	-	151,000	150,106	894
Revenues Over/(Under) Expenses	\$ -	\$ -	\$ (7,986)	\$ (7,986)
Depreciation Expense			(18,830)	
Change in Net Position			\$ (26,816)	

See the accompanying Independent Auditor's Report