Reserve Metropolitan District No. 1

Financial Statements

December 31, 2025

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Financial Statements
December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reserve Metropolitan District No. 1
Gunnison County, Colorado

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general 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.

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.

Required Supplementary Information (continued)

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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
July 27, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Assets:	
Cash and equivalents - Unrestricted	76,839
Prepaid expenses	14,659
Capital assets, net	5,192,710
Total Assets	5,284,208
Liabilities:	
Current liabilities due in less than one year:	
Accounts payable	18,214
Total Liabilities	18,214
Net Position:	
Net investment in capital assets	5,192,710
Restricted for emergencies	50,899
Unrestricted	22,385
Total Net Position	5,265,994

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs:					
Governmental activities:					
General government	313,850	-	-	-	(313,850)
Intergovernmental agreement	1,635,000	-	-	-	(1,635,000)
Total primary government	1,948,850	-	-	-	(1,948,850)
General revenues:					
RETA funds					121,355
Interest income					62,707
Total General Revenues					184,062
Change in Net Position					(1,764,788)
Net Position - Beginning					7,030,782
Net Position - Ending					5,265,994

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

FUND FINANCIAL STATEMENTS

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

	General Fund
Assets:	
Cash and equivalents - Unrestricted	76,839
Prepaid expenditures	14,659
Total Assets	91,498
Liabilities:	
Accounts payable	18,214
Total Liabilities	18,214
Fund Balances:	
Nonspendable	14,659
Restricted for emergencies	50,899
Unassigned	7,726
Total Fund Balances	73,284
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	91,498

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

Reserve Metropolitan District No. 1
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

Governmental Funds Total Fund Balance		73,284
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	10,159,689	
Accumulated depreciation	(4,966,979)	
		5,192,710
Net Position of Governmental Activities		5,265,994

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

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

	General Fund
Revenues:	
RETA funds	121,355
Interest income	62,707
Total Revenues	184,062
Expenditures:	
General government	61,631
Intergovernmental agreement	1,635,000
Total Expenditures	1,696,631
Net Change in Fund Balance	(1,512,569)
Fund Balances - Beginning	1,585,853
Fund Balances - Ending	73,284

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

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

Net change in fund balances for total governmental funds		(1,512,569)
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:		
Depreciation expense	(252,219)	
		(252,219)
Change in Net Position of Governmental Activities		(1,764,788)

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

Reserve Metropolitan District No. 1 (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was established on December 10, 2002, pursuant to the Colorado Special District Act. The District's service area is located in Gunnison County, Colorado. The District was established as part of a dual-district structure with Reserve Metropolitan District No. 2 (the "Financing District"). The District and the Financing District operate under a consolidated Service Plan approved by the Town Council of the Town of Mt. Crested Butte on August 21, 2001. The District serves as the service district and is responsible for the construction, operation, and maintenance of public improvements, while the Financing District provides funding for such improvements through property taxes and debt issuance.

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 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.

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.

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.

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

2. Receivables

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, land, buildings, equipment, vehicles, 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 five years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

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 the following estimated useful lives:

Assets	Years
Roads	40
Parks and recreation	25
Wetlands mitigations	5-40

6. 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

I. Summary of Significant Accounting Policies (continued)

E. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations 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 this timetable in approving and enacting a budget for the ensuing year.

(1) For the 2025 budget, prior to August 25, 2024, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2024, only once by a single notification to the District.

(2) On or before October 15, 2024, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

(3) Prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

(4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.

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

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

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

B. TABOR Amendment

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

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year 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 $50,899, 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.

The electorate of the District has authorized property taxes to be increased up to $1,500,000 in 2001 and each year thereafter to pay the District's operations, maintenance, and other expenses, such amounts to increase annually in an amount not to exceed the applicable limitations of Article X, Section 20 of the Colorado Constitution and Colorado Law.

The electorate of the District also approved that for purposes other than enterprises, the District be permitted to maintain fiscal year spending and annual District revenues from sources not excluded from fiscal year spending in an amount not to exceed $1,700,000 in 2001 and each year thereafter, such amount to increase annually in each year after 2001 in an amount not to exceed the applicable limitations of Article X, Section 20 of the Colorado Constitution and Colorado law.

The District's electorate further approved that the District's taxes be increased $2,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's general costs, bonds or other evidences of indebtedness. Such taxes may consist of an ad valorem property tax mill levy imposed without limitation of rate and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary.

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

The revenue from such taxes and any other monies used to pay such general costs, bonds or other evidences of indebtedness, and investment income thereon, may be collected and spent by the District without regard to any expenditure, revenue raising, or other limitation 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.

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 $1,340 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 pool

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.

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.

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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

	Standard & Poors Rating	Carrying Amounts	Term to Maturity: Less than one year	Term to Maturity: More than one year
Deposits:				
Checking and savings	Not rated	1,340	1,340	-
Investments:				
Certificates of deposit	Not rated	-	-	-
Investment pool	AAAm	75,499	75,499	-
		76,839	76,839	-

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

Investments Measured at Net Asset Value	Total
Colotrust Plus+	75,499
	75,499

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 investment in COLOTRUST was 100% of the District's investment portfolio.

At December 31, 2025, District had invested $75,499 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. 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.

III. Detailed Notes on all Funds (continued)

B. Capital Asset

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated and amortized:				
Roads	9,817,930	-	-	9,817,930
Parks and recreation	270,835	-	-	270,835
Wetlands mitigations	70,924	-	-	70,924
Total capital assets	10,159,689	-	-	10,159,689
Less accumulated depreciation & amortization for:				
Roads	(4,599,595)	(245,448)	-	(4,845,043)
Parks and recreation	(115,165)	(6,771)	-	(121,936)
Wetlands mitigations	-	-	-	-
Total accumulated depreciation & amortization	(4,714,760)	(252,219)	-	(4,966,979)
Net Capital Assets	5,444,929	(252,219)	-	5,192,710

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

IV. Other Information (continued)

B. Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2025.

C. Intergovernmental Agreement

The Reserve Metropolitan District No. 1 (the "District") and Reserve Metropolitan District No. 2 (the "Financing District") are governed by an Intergovernmental Agreement (the "Agreement") dated November 13, 2025. The Agreement outlines the responsibilities of each district related to the operation, maintenance, and funding of street and roadway improvements, with specific focus on the use of Real Estate Transfer Assessment (RETA) funds.

- Under the terms of the Agreement:
- The Financing District provides funding for capital improvements, including the construction, repair, and maintenance of roadway infrastructure within the boundaries of the District.
- As of November 21, 2025, $1,635,000 in RETA funds were transferred to the Financing District for use on road improvements, a road improvement study, and other public improvements within the boundaries of the Financing District, as permitted by the Service Plan and applicable laws.
- The District retains a portion of the RETA funds ($65,000) for future lawful public use, and the Financing District is required to report on the usage of the funds annually.

The Agreement is binding until the transfer of all RETA funds is expended or until terminated by mutual written consent of both districts.

D. Reserve Metropolitan District No. 2 Settlement/Service Agreement

In February, 2002, the District and the North Mt. Crested Butte Property Owner's Association ("Association") entered into a Memorandum of Understanding, that pertains to the collection, transfer, and use of Real Estate Transfer Assessment ("RETA") Funds ("RETA MOU"). The RETA is imposed by the Declaration of Covenants, Conditions and Restrictions for North Mt. Crested Butte ("Covenants"), and is a 2% assessment on the fair market value of all real estate transfers within the property that the Covenants are recorded against. In December, 2005 the District, the Association, and Reserve Metropolitan District No. 2 ("District No. 2") entered into a Real Estate Transfer Agreement, which clarified all obligations of the parties as they pertain to the use of the RETA ("RETA Agreement"). The RETA Agreement was amended and restated in conjunction with the issuance of District No. 2's 2008 loan.

As a result of a litigation between the District and District No. 2, the RETA Agreement was further amended on April 5, 2016, which was executed and in conjunction with a settlement agreement ("Settlement Agreement"), which concluded the litigation.

IV. Other Information (continued)

D. Reserve Metropolitan District No. 2 Settlement/Service Agreement (continued)

Per the terms of the Settlement Agreement, all claims by the District, District No. 2, and the Town of Mt. Crested Butte were released. As of December 31, 2025 all obligations under the Settlement Agreement have been paid in full. Since all payment obligations under the Settlement Agreement are paid in full, per the Settlement Agreement, all future RETA payments, less costs of collection and administrative costs and expenses are now payable by the Association to the District.

The Settlement Agreement also states that all roads within the boundaries of the District No. 2 shall remain in the District's Ownership, and pursuant to a separate Service Agreement, District No. 2 is responsible for the maintenance, operation, and repair of all roads within its boundaries. Further, District No. 2 may not charge a toll, charge, or other fee for use of the roads. In the event District No. 2 fails to perform its operation, maintenance, and repair obligations, the District may assume these obligations and provide for the operation, maintenance, and repair of the roads. In the event the District assumes these obligations, the District may assess a mill levy to District No. 2 remains financially responsible for the purpose of financing the operation, maintenance, and repair of the roads. If the District resumes these obligations, they may also impose fees, rates, tolls, and charges on property within the District No. 2.

REQUIRED SUPPLEMENTARY INFORMATION

Reserve Metropolitan District No. 1
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	2025 Actual	Final Budget Variance Positive (Negative)
Revenues:				
RETA funds	100,000	121,355	121,355	-
Other income	-	100,000	-	(100,000)
Interest income	56,000	56,000	62,707	6,707
Total Revenues	156,000	277,355	184,062	(93,293)
Expenditures:				
General government:				
Insurance	8,775	8,775	9,621	(846)
Accounting and auditing	10,000	10,000	17,833	(7,833)
Legal	20,000	20,000	23,794	(3,794)
Dues and memberships	1,100	1,100	303	797
Elections	5,000	5,000	2,171	2,829
Website	1,500	1,500	1,128	372
Open space maitaince	5,000	5,000	6,010	(1,010)
Administration - Other	-	-	75	(75)
Miscellaneous	1,300	1,300	696	604
Intergoverment agreement				
Contribution	-	1,635,000	1,635,000	-
Contingency	1,250,000	110,000	-	110,000
Total Expenditures	1,302,675	1,797,675	1,696,631	101,044
Net Change in Fund Balance	(1,146,675)	(1,520,320)	(1,512,569)	7,751
Fund Balance - Beginning	1,388,762	1,585,853	1,585,853	-
Fund Balance - Ending	242,087	65,533	73,284	7,751