

SMOKY HILL METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
December 31, 2025

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	7
Statement of Activities	8
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	10
Notes to Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund	21
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Conservation Trust Fund	22



Independent Auditors' Report

To the Board of Directors
Smoky Hill Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Smoky Hill 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 Smoky Hill Metropolitan District, as of December 31, 2025 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Smoky Hill Metropolitan 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Smoky Hill 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of '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 Smoky Hill Metropolitan 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6, and 21-22 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, 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. We 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. We 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.



Littleton, Colorado
April 28, 2026

Management's Discussion and Analysis

Smoky Hill Metropolitan District

Management's Discussion and Analysis

Introduction:

Management's Discussion and Analysis is intended to provide the reader and user of our financial statements with a narrative overview of the District's financial activities. Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements and notes to the financial statements, beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
- Notes to the Financial Statements

The financial statements of the District are presented as a special purpose government entity engaged in government-type activities. These financial statements distinguish between the functions of the District that will be principally supported by taxes. The functions of the District include the provision of park and recreation services and the maintenance and operation of the community swimming pool.

The **Statement of Net Position** is prepared using the full accrual basis of accounting, provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Activities** provides information about the components – Program Expenses, Program Revenue, General Revenue – of the District's annual operating activities and how those activities affected net position.

The **Balance Sheet – Governmental Funds** presents the financial position of the District's funds using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The **Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds** presents the activities of the District's funds using the modified accrual method of accounting which includes expenditures for capital assets and debt service obligations. This method approximates the reporting on a cash basis and closely follows the budgetary method.

The two reconciliations, which accompany these governmental funds statements, provide explanations of the specific differences in these statements as compared to the Statement of Net Position and the Statement of Activities.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

Required Supplemental Information

The District reports the following information that is required by the Governmental Accounting Standards Board (GASB) in order to provide additional information. The following information is not audited.

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – This is prepared for both the General Fund and the Conservation Trust Fund and provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

Statement of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Current Assets			
Cash and cash equivalents	\$ 934,411	\$ 819,898	\$ 114,513
Other current assets	1,006,647	1,068,025	(61,378)
	<u>1,941,058</u>	<u>1,887,923</u>	<u>53,135</u>
Non Current Assets			
Capital assets – net	2,371,798	2,469,910	(98,112)
Total Assets	<u>4,312,856</u>	<u>4,357,833</u>	<u>(44,977)</u>
Current Liabilities	<u>24,640</u>	<u>88,354</u>	<u>(63,714)</u>
Total Liabilities	<u>24,640</u>	<u>88,354</u>	<u>(63,714)</u>
Deferred Inflows of Resources			
Deferred property taxes	975,952	1,037,782	(61,830)
Total Deferred Inflows of resources	<u>975,952</u>	<u>1,037,782</u>	<u>(61,830)</u>
Net Position			
Net investment in capital assets	2,371,798	2,469,910	(98,112)
Restricted	35,743	41,513	(5,770)
Unrestricted	904,723	720,274	184,449
Total Net Position	<u>\$ 3,312,264</u>	<u>\$ 3,231,697</u>	<u>\$ 80,567</u>

Statement of Activities

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Program Expenses	\$ (1,110,880)	\$ (1,023,054)	\$ (87,826)
Operating and capital grants	33,815	184,375	(150,560)
Program Revenues	17,194	14,436	2,758
Net Program Revenue (Expense)	<u>(1,059,871)</u>	<u>(824,243)</u>	<u>(235,628)</u>
General Revenues	1,140,438	1,187,390	(46,952)
Change in Net Position	80,567	363,147	(282,580)
Net Position, Beginning of Year	3,231,697	2,868,550	363,147
Net Position, End of Year	<u>\$ 3,312,264</u>	<u>\$ 3,231,697</u>	<u>\$ 80,567</u>

This foregoing information is a summary of the financial information contained in the District’s financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Discussion of Financial Position and Operating Activities

The District restricted three percent (3%) of its fiscal year spending for emergencies in accordance with TABOR requirements. The District’s total assets are comprised primarily of property taxes to be received in 2026, capital assets, and cash.

The District’s total liabilities are comprised primarily of its accounts payable and accrued liabilities which relate primarily to the timing of payments. The District has no long-term liabilities.

In 2025, program expenses exceeded program revenues by \$1,059,871. Net general revenues were \$1,140,438. Net position at the end of December 2025 was \$3,312,264. This is from revenues that exceeded expenses by \$80,567 primarily due to lower maintenance costs than expected. The primary revenues of the District are property and specific ownership taxes. See page 8 of the accompanying Financial Statements for details of these revenues and expenses. Revenues were higher than expected due to higher interest rates and the receipt of grants.

Fund Discussion

The General Fund balance increased from \$761,787 in 2024 to \$940,466 in 2025. The fund balance includes \$35,743 restricted for emergencies in accordance with TABOR requirements, \$24,315 that is classified as Nonspendable and \$528,012 that is assigned for use in future periods. The assets are comprised primarily of property tax revenues to be realized in 2026, and cash and cash equivalents.

Total General revenues exceeded expenditures by \$178,679. See page 10 of the accompanying financial statements for the details of the revenues and expenditures. The Conservation Trust Fund expenditures were consistent with revenues resulting in a fund balance of \$0.

The Conservation Trust fund balance remained at zero in 2025 as the District’s policy is to spend the restricted funds first on parks maintenance. The revenues and expenditures for this fund are consistent with prior years.

General Fund Budgetary Discussion

Actual revenues for the General Fund were \$41,210 more than the final budget. This is due to higher than anticipated interest income, and grants. The General Fund budget was not amended in 2025.

Actual expenditures for 2025 were \$511,064 less than the final budgeted expenditures primarily due lower than budgeted capital outlay. See the accompanying financial statements for more detail.

Conservation Trust Fund Budgetary Discussion

Actual revenues for the Conservation Trust Fund were \$6,185 less than the final budget. This is due to lower than anticipated grants. The General Fund budget was not amended in 2025.

Actual expenditures for 2025 were \$6,185 less than the final budgeted expenditures primarily due lower than budgeted parks maintenance. The expenditures were reduced during the year due to decreased revenues. See the accompanying financial statements for more detail.

Capital Assets and Long-term Obligations

Capital Assets. The District's primary capital assets are the swimming pool, clubhouse, parks, and improvements. There were additions of \$179,467 during the year ended. The District did not dispose of any capital assets during the year. See Note 3 of the Notes to the Financial Statements on page 19.

Long-term Debt. The District does not have any long-term debt.

Economic Factors and Next Year's Budget

Property tax revenues are expected to be consistent in the upcoming year. The mill levy remained unchanged. Operating expenditures are expected to remain relatively the same, as administrative and legal efforts and management service costs are not expected to increase. There will be ongoing costs for construction in the upcoming years that relate primarily to replacement of old equipment in the parks.

Requests for Information. This financial report is designed to provide a general overview of Smoky Hill Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the District's accountant, Green & Associates LLC at PO Box 1576, Fort Collins, CO 80522.

Basic Financial Statements

**Smoky Hill Metropolitan District
Statement of Net Position
December 31, 2025**

Assets

Current Assets

Cash and cash equivalents	\$	934,411
Amounts due from Arapahoe County		4,880
Prepaid expenses		24,315
Property taxes receivable		975,952
Deposits		1,500
Total Current Assets		1,941,058

Noncurrent Assets

Capital assets		
Depreciable		4,075,139
Less: Accumulated depreciation		(1,703,341)
Net Capital Assets		2,371,798
Total Noncurrent Assets		2,371,798
Total Assets		4,312,856

Liabilities

Current Liabilities

Accounts payable		23,982
Accrued liabilities		658
Total Liabilities		24,640

Deferred Inflows of Resources

Deferred property tax revenue		975,952
Total Deferred Inflows of Resources		975,952

Net Position

Net investment in capital assets		2,371,798
Restricted for emergencies		35,743
Unrestricted		904,723
Total Net Position		3,312,264
Total Liabilities, Deferred Inflows of Resources and Net Position	\$	4,312,856

The accompanying notes are an integral part of these financial statements

**Smoky Hill Metropolitan District
Statement of Activities
For the Year Ended December 31, 2025**

	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Governmental Activities
Primary Government				
Parks and Recreation	\$ 1,110,880	\$ 17,194	\$ 33,815	\$ (1,059,871)
Total Primary Government	<u>\$ 1,110,880</u>	<u>\$ 17,194</u>	<u>\$ 33,815</u>	<u>(1,059,871)</u>
General Revenues				
Property taxes				1,036,568
Specific ownership taxes				56,412
Earnings on investments				44,855
Insurance proceeds				1,920
Other				683
Total Revenues				<u>1,140,438</u>
Change in Net Position				80,567
Net Position - Beginning of Year				3,231,697
Net Position - End of Year				<u>\$ 3,312,264</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Smoky Hill Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2025**

	General	Conservation Trust	Total Governmental Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 934,411	\$ -	\$ 934,411
Amounts due from Arapahoe County	4,880	-	4,880
Prepaid expenses	24,315	-	24,315
Deposits	1,500	-	1,500
Property taxes receivable	975,952	-	975,952
Total Assets	\$ 1,941,058	\$ -	\$ 1,941,058
Liabilities			
Current Liabilities			
Accounts payable	\$ 23,982	\$ -	\$ 23,982
Accrued liabilities	658	-	658
Total Liabilities	24,640	-	24,640
Deferred Inflows of Resources			
Deferred property tax revenue	975,952	-	975,952
Total Deferred Inflows of Resources	975,952	-	975,952
Equity			
Fund Balances			
Nonspendable	24,315	-	24,315
Restricted	35,743	-	35,743
Assigned	528,012	-	528,012
Unassigned	352,396	-	352,396
Total Fund Balances	940,466	-	940,466
Total Liabilities, Equity and Deferred Inflows of Resources	\$ 1,941,058	\$ -	\$ 1,941,058

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balances	\$ 940,466
Amounts reported for governmental funds in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	2,371,798
Total Net Position	\$ 3,312,264

The accompanying notes are an integral part of these financial statements

Smoky Hill Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General	Conservation Trust	Total Governmental Funds
Revenues			
Property taxes	\$ 1,036,568	\$ -	\$ 1,036,568
Specific ownership taxes	56,412	-	56,412
Interest income	44,855	-	44,855
Clubhouse rent and pool receipts	17,194	-	17,194
Miscellaneous	683	-	683
Grant proceeds	10,000	-	10,000
Insurance proceeds	1,920	-	1,920
Lottery proceeds	-	23,815	23,815
Total Revenues	1,167,632	23,815	1,191,447
Expenditures			
Operations and Administrative:			
Directors' fees	9,200	-	9,200
Insurance	22,877	-	22,877
Professional services	76,955	-	76,955
Parks and clubhouse repairs and maintenance	131,971	23,815	155,786
Salaries, wages and benefits	79,796	-	79,796
Landscaping and snow removal contract	116,033	-	116,033
Office expenses	13,163	-	13,163
Elections	9,311	-	9,311
Utilities	188,509	-	188,509
Swimming pool	146,106	-	146,106
Treasurer's fees	15,565	-	15,565
Capital Outlay	179,467	-	179,467
Total Expenditures	988,953	23,815	1,012,768
Net Change in Fund Balance	178,679	-	178,679
Fund Balances, beginning of year	761,787	-	761,787
Fund Balances, end of year	\$ 940,466	\$ -	\$ 940,466

Total Change in Fund Balances Governmental Funds \$ 178,679

Depreciation expense reported in the Statement of Activities does not require the use of current financial resources therefore is excluded from the fund statements. (277,579)

The purchase of capital assets is an expenditure in the fund statements but increases capital assets in the Statement of Net Position. 179,467

Change in Net Position of Governmental Activities \$ 80,567

The accompanying notes are an integral part of these financial statements

Smoky Hill Metropolitan District
Notes to Financial Statements
December 31, 2025

Note 1 Summary of Significant Accounting Policies

The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District was established primarily to provide for the financing and acquisition of certain recreational improvements for the use and benefit of all residents, taxpayers, and owners of real property within its boundaries. Specifically, the activities of the District are construction and maintenance of the swimming pool and the parks within the District.

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of information.

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 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 District's governmental 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 governmental function is self-financing or draws from the general revenue of the District.

During the year ended December 31, 2025, the District elected to utilize the early implementation option of GASB Statement No. 103 Financial Reporting Model Improvements.

Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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.

Fund Accounting

The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. Fund types used by the District are described below.

Governmental Fund Type

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

Conservation Trust Fund – is a special revenue fund that accounts for the monies received from the State lottery program. The District has elected to treat this fund as a major fund.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities 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. 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 Changes in Fund Balances. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenues, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows, where applicable. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Revenues

Revenues resulting from exchange transactions, in which each party gives and receives essentially the same value, are recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Deferred revenues are recorded in the year the taxes are levied. Revenues from property tax are recognized in the fiscal year in which the taxes are collected or available. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Program revenues consist of revenues that are associated with the rental of the clubhouse and the swimming pool receipts.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

**Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

Interfund Activity

Interfund balances are eliminated in the conversion from fund balance sheets to the statement of net position.

Assets and Liabilities

Cash and cash equivalents- The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of 90 days or less at the date of their acquisition. The District utilizes the pooling of cash of all funds to maximize investment return. Net investment income is allocated periodically to the participating funds based upon each fund's average equity balance and the total cash and investments.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – All capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. In accordance with the provisions of GASB 34, the cost of general infrastructure assets purchased before January 1, 2004 have been excluded from property and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives are:

Equipment	5-13 years
Parks, pool, tennis court and improvements	10-20 years
Irrigation system	10-40 years

Accrued Liabilities and Long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Compensated absences are recorded as current salary when paid. It is the policy that compensated absences do not accumulate.

Deferred Inflows of Resources

The District implemented the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). 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 outflows) or the acquisition of net position that applies to future periods (deferred inflows).

**Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable- consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$24,315 related to prepaid expenses as of December 31, 2025.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 4). A reservation of \$35,743 of the General Fund balance has been made in compliance with this requirement.

Committed- General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2025.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2025, the assigned fund balance was \$528,012 related to expenditures budgeted in the next fiscal year of \$318,514 and capital reserves designated for future fence replacement of \$209,498.

Unassigned- consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

**Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025**

Note 1 Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2025, the District's cash deposits had a carrying balance of \$40,252 and a corresponding bank balance of \$58,347, which is all federally insured. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District had \$0 collateralized under PDPA.

Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025

Note 2 Cash and Investments (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2025, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

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

As of December 31, 2025 the Board had not adopted a formal investment policy.

At December 31, 2025, the District had \$894,159 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner 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 \$1.00. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST EDGE, and COLOTRUST PLUS+. All portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under section 24-75-601, C.R.S., as amended. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as 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.

COLOTRUST measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72. COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is 'AAAm.' COLOTRUST EDGE is rated by Fitch Ratings. The current rating is 'AAAf/S1.

**Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025**

Note 2 Cash and Investments (Continued)

COLOTRUST PLUS+ and PRIME

PRIME is presently allowed by the Trust's investment policies to maintain a portion of its assets in U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities. It may also invest assets in securities of a Federal Farm Credit Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, and other federal instrumentality or agency security permitted by the Legal Investments Act, repurchase agreements collateralized by those securities, collateralized bank deposits, and 'AAAm' rated government money market funds. The PRIME portfolio may be invested in securities with a maximum maturity of 397 days for fixed rate debt and 762 days for sovereign government floating-rate debt. The PRIME portfolio is limited to an average weighted maturity not to exceed 60 days to reset and 120 days to final. PRIME seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share.

COLOTRUST EDGE

COLOTRUST EDGE is a variable net asset value (NAV) local government investment pool that offers weekly liquidity to participants. EDGE is suitable for a local government's strategic reserves / non-operating funds and has a NAV that is managed to approximate a \$10.00 transactional share price.

Summary of cash and cash equivalents

Cash deposits	\$ 40,252
COLOTRUST Plus+	<u>894,159</u>
Total cash and cash equivalents	<u><u>\$ 934,411</u></u>

Note 3 Capital Assets

A summary of changes to capital assets for 2025 is as follows:

	Balance at 12/31/2024	Additions	Deletions	Balance at 12/31/2025
Depreciable				
Parks and recreation	\$ 3,895,672	\$ 179,467	\$ -	\$ 4,075,139
Total Depreciable	<u>3,895,672</u>	<u>179,467</u>	<u>-</u>	<u>4,075,139</u>
Total Capital Assets	<u>3,895,672</u>	<u>179,467</u>	<u>-</u>	<u>4,075,139</u>
Less Accumulated Depreciation	<u>(1,425,762)</u>	<u>(277,579)</u>	<u>-</u>	<u>(1,703,341)</u>
Net Capital Assets	<u><u>\$ 2,469,910</u></u>	<u><u>\$ (98,112)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,371,798</u></u>

Smoky Hill Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2025

Note 4 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's 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 in compliance with the requirements of TABOR.

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

TABOR requires local governments to establish emergency reserves, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. This District had an emergency reserve of \$35,743 as of December 31, 2025.

Note 5 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 is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded the District's commercial coverage in the last three years.

Required Supplementary Information

Smoky Hill Metropolitan District
Schedule of Revenues and Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2025

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 1,037,782	\$ 1,036,568	\$ (1,214)
Specific ownership taxes	60,000	56,412	(3,588)
Interest income	20,000	44,855	24,855
Clubhouse rent and pool receipts	8,500	17,194	8,694
Miscellaneous	140	683	543
Grant Proceeds	-	10,000	10,000
Insurance proceeds	-	1,920	1,920
Total Revenue	1,126,422	1,167,632	41,210
Expenditures			
Operations and Administrative:			
Directors' fees	6,000	9,200	(3,200)
Insurance	23,000	22,877	123
Professional services	49,900	76,955	(27,055)
Parks and clubhouse repairs and maintenance	190,000	131,971	58,029
Salaries, wages and benefits	80,550	79,796	754
Landscaping and snow removal contract	125,000	116,033	8,967
Office expenses	15,000	13,163	1,837
Elections	15,000	9,311	5,689
Utilities	170,000	188,509	(18,509)
Swimming pool	160,000	146,106	13,894
Treasurer's fees	15,567	15,565	2
Capital Outlay	650,000	179,467	470,533
Total Expenditures	1,500,017	988,953	511,064
Net Change in Fund Balance	\$ (373,595)	178,679	\$ 552,274
Fund Balances, beginning of year		761,787	
Fund Balances, end of year		\$ 940,466	

The accompanying notes are an integral part of these financial statements

Smoky Hill Metropolitan District
Schedule of Revenues and Expenditures and Change in Fund Balance
Budget and Actual - Conservation Trust Fund
For the Year Ended December 31, 2025

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Lottery proceeds	\$ 30,000	\$ 23,815	\$ (6,185)
Total Revenue	<u>30,000</u>	<u>23,815</u>	<u>(6,185)</u>
Expenditures			
Parks repairs and maintenance	30,000	23,815	6,185
Total Expenditures	<u>30,000</u>	<u>23,815</u>	<u>6,185</u>
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balances, beginning of year		<u>-</u>	
Fund Balances, end of year		<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements