

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
City of Aurora, Arapahoe County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southlands Metropolitan District No. 1
City of Aurora, Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southlands Metropolitan District No. 1 (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the General Operations Fee Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Duggio & Associates, P.C.

June 25, 2026

BASIC FINANCIAL STATEMENTS

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,809,345
Cash and Investments - Restricted	2,370,818
Prepaid Insurance	65,393
Receivable from County Treasurer	16,335
Accounts Receivable	4,341
General Operations Fees Receivable	134,092
Property Tax Receivable	3,616,468
Capital Assets:	
Capital Assets, Not Being Depreciated	168,133
Capital Assets, Net of Depreciation	<u>4,799,434</u>
Total Assets	<u>13,984,359</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net	<u>1,123,894</u>
Total Deferred Outflows of Resources	<u>1,123,894</u>
LIABILITIES	
Accounts Payable	300,486
Unearned General Operations Fee	46,027
Retainage Payable	38,627
Payroll Liabilities Payable	861
Accrued Interest	180,081
Noncurrent Liabilities:	
Due Within One Year	992,122
Due in More Than One Year	<u>44,745,025</u>
Total Liabilities	<u>46,303,229</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>3,616,468</u>
Total Deferred Inflows of Resources	<u>3,616,468</u>
NET POSITION	
Net Investment in Capital Assets	(23,255,799)
Restricted for:	
Emergency Reserve	106,900
Debt Service	232,858
Unrestricted	<u>(11,895,403)</u>
Total Net Position	<u><u>\$ (34,811,444)</u></u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 4,016,514	\$ 2,177,372	\$ 4,341	\$ 16,888	\$ (1,817,913)
Interest on Long-Term Debt and Related Costs	<u>2,288,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,288,700)</u>
Total Governmental Activities	<u>\$ 6,305,214</u>	<u>\$ 2,177,372</u>	<u>\$ 4,341</u>	<u>\$ 16,888</u>	(4,106,613)
GENERAL REVENUES					
Property Taxes					3,437,560
Specific Ownership Taxes					186,633
Interest Income					<u>229,651</u>
Total General Revenues					<u>3,853,844</u>
CHANGES IN NET POSITION					(252,769)
Net Position - Beginning of Year					<u>(34,558,675)</u>
NET POSITION - END OF YEAR					<u>\$ (34,811,444)</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	General Operations Fee	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,876,687	\$ 778,338	\$ -	\$ 154,320	\$ 2,809,345
Cash and Investments - Restricted	40,900	66,000	2,263,918	-	2,370,818
Receivable from County Treasurer	5,701	-	10,634	-	16,335
Accounts Receivable	-	4,341	-	-	4,341
General Operations Fees Receivable	-	134,092	-	-	134,092
Due from Other Funds	24,238	-	-	-	24,238
Prepaid Insurance	65,393	-	-	-	65,393
Property Tax Receivable	669,296	-	2,947,172	-	3,616,468
Total Assets	<u>\$ 2,682,215</u>	<u>\$ 982,771</u>	<u>\$ 5,221,724</u>	<u>\$ 154,320</u>	<u>\$ 9,041,030</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 27,266	\$ 157,527	\$ -	\$ 115,693	\$ 300,486
Unearned General Operations Fee	-	46,027	-	-	46,027
Retainage Payable	-	-	-	38,627	38,627
Due to Other Funds	-	-	24,238	-	24,238
Payroll Liabilities Payable	861	-	-	-	861
Total Liabilities	<u>28,127</u>	<u>203,554</u>	<u>24,238</u>	<u>154,320</u>	<u>410,239</u>
DEFERRED INFLOWS OF RESOURCES					
Property Tax Revenue	669,296	-	2,947,172	-	3,616,468
Total Deferred Inflows of Resources	<u>669,296</u>	<u>-</u>	<u>2,947,172</u>	<u>-</u>	<u>3,616,468</u>
FUND BALANCES					
Nonspendable:					
Prepaid Expense	65,393	-	-	-	65,393
Restricted for:					
Emergency Reserves	40,900	66,000	-	-	106,900
Debt Service	-	-	2,250,314	-	2,250,314
Committed:					
Operations	-	713,217	-	-	713,217
Assigned to:					
Subsequent Year's Expenditures	833,893	-	-	-	833,893
Unassigned	1,044,606	-	-	-	1,044,606
Total Fund Balances	<u>1,984,792</u>	<u>779,217</u>	<u>2,250,314</u>	<u>-</u>	<u>5,014,323</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,682,215</u>	<u>\$ 982,771</u>	<u>\$ 5,221,724</u>	<u>\$ 154,320</u>	

Amounts reported for governmental activities in the statement of net position are different because:

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

4,967,567

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Cost of Refunding, Net

1,123,894

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest

(180,081)

Bonds Payable and Bond Premium

(45,737,147)

Net Position of Governmental Activities

\$ (34,811,444)

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	General Operations Fee	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,199,450	\$ -	\$ 2,238,110	\$ -	\$ 3,437,560
Specific Ownership Taxes	65,116	-	121,517	-	186,633
General Operations Fee	-	2,103,000	-	-	2,103,000
General Operations Fee - Vacant Lots	-	34,439	-	-	34,439
General Operations Fee - Penalty And Other	-	34,933	-	-	34,933
Interest Income	76,756	22,962	129,933	-	229,651
Facilities Fees	16,888	-	-	-	16,888
Permits And Fees	5,000	-	-	-	5,000
Reimbursed Expenditures	-	4,341	-	-	4,341
Total Revenues	1,363,210	2,199,675	2,489,560	-	6,052,445
EXPENDITURES					
General and Administrative:					
Accounting	82,236	-	-	-	82,236
Auditing	6,500	-	-	-	6,500
County Treasurer's Fee	17,997	-	33,580	-	51,577
Directors' Fees	3,000	-	-	-	3,000
District Management	52,851	-	-	-	52,851
Dues And Membership	610	-	-	-	610
Election	14,156	-	-	-	14,156
Billing Services	32,415	-	-	-	32,415
Insurance	54,504	-	-	-	54,504
Legal	40,757	-	-	-	40,757
Miscellaneous	697	-	-	-	697
Payroll Taxes	230	-	-	-	230
Public Events	66,008	-	-	-	66,008
Operations And Maintenance:					
Banners	-	31,517	-	-	31,517
Detention Pond	-	935	-	-	935
Floral	-	362,145	-	-	362,145
Fountains/Chemicals	-	30,891	-	-	30,891
Holiday Decor	-	231,740	-	-	231,740
Landscape Maintenance & Irrigation Repair	-	326,971	-	-	326,971
Locates	-	2,536	-	-	2,536
Monthly Cleaning	-	246,325	-	-	246,325
Pest Control	-	4,535	-	-	4,535
Property Maintenance	-	118,860	-	-	118,860
Playground Inspections/Repairs	-	48,690	-	-	48,690
Security	-	147,533	-	-	147,533
Signage	-	1,759	-	-	1,759
Site Lighting	-	153,682	-	-	153,682
Snow Removal	-	223,136	-	-	223,136
Street Repairs/Sidewalk	-	28,557	-	-	28,557
Street Sweeping	-	16,620	-	-	16,620
Traffic Signals Maintenance	-	1,943	-	-	1,943
Tree Replacement/Removal/Care	-	195,060	-	-	195,060
Utilities	-	194,357	-	-	194,357
Contingency/Other	-	5,843	-	-	5,843
Debt Service:					
Paying Agent Fees	-	-	6,000	-	6,000
Bond Interest - Series 2017 A-1	-	-	2,010,175	-	2,010,175
Bond Interest - Series 2017 A-2	-	-	177,750	-	177,750
Bond Principal - Series 2017 A-1	-	-	705,000	-	705,000
Bond Principal - Series 2017 A-2	-	-	65,000	-	65,000
Capital Projects:					
Shade Sail	-	-	-	8,325	8,325
Paving	-	-	-	168,133	168,133
Total Expenditures	371,961	2,373,635	2,997,505	176,458	5,919,559
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	991,249	(173,960)	(507,945)	(176,458)	132,886
OTHER FINANCING SOURCES (USES)					
Transfer (To) From Other Funds	(176,458)	-	-	176,458	-
Total Other Financing Sources (Uses)	(176,458)	-	-	176,458	-
NET CHANGE IN FUND BALANCES	814,791	(173,960)	(507,945)	-	132,886
Fund Balances - Beginning of Year	1,170,001	953,177	2,758,259	-	4,881,437
FUND BALANCES - END OF YEAR	<u>\$ 1,984,792</u>	<u>\$ 779,217</u>	<u>\$ 2,250,314</u>	<u>\$ -</u>	<u>\$ 5,014,323</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 132,886
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay	216,594
Depreciation Expense	(1,311,054)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Bond Principal Payments	770,000
Amortization of Bond Premium	138,832
Amortization of Cost of Bond Refunding	(202,274)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable - Change in Liability	2,247
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Changes in Net Position of Governmental Activities	\$ <u>(252,769)</u>
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SOUTHLANDS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,198,031	\$ 1,199,450	\$ 1,419
Specific Ownership Taxes	71,882	65,116	(6,766)
Interest Income	35,000	76,756	41,756
Permits And Fees	1,000	5,000	4,000
Facilities Fees	-	16,888	16,888
Total Revenues	<u>1,305,913</u>	<u>1,363,210</u>	<u>57,297</u>
EXPENDITURES			
Accounting	84,000	82,236	1,764
Auditing	6,500	6,500	-
Contingency	11,330	-	11,330
County Treasurer's Fee	17,970	17,997	(27)
Directors' Fees	3,000	3,000	-
District Management	80,000	52,851	27,149
Dues And Membership	1,200	610	590
Election	10,000	14,156	(4,156)
Insurance	65,000	54,504	10,496
Legal	70,000	40,757	29,243
Miscellaneous	5,000	697	4,303
Payroll Taxes	-	230	(230)
Billing Services	21,000	32,415	(11,415)
Public Events	60,000	66,008	(6,008)
Total Expenditures	<u>435,000</u>	<u>371,961</u>	<u>63,039</u>
EXCESS OF REVENUES OVER EXPENDITURES	870,913	991,249	120,336
OTHER FINANCING SOURCES (USES)			
Transfers To Other Fund	(1,100,000)	(176,458)	923,542
Total Other Financing Sources (Uses)	<u>(1,100,000)</u>	<u>(176,458)</u>	<u>923,542</u>
NET CHANGE IN FUND BALANCE	(229,087)	814,791	1,043,878
Fund Balance - Beginning of Year	<u>1,119,422</u>	<u>1,170,001</u>	<u>50,579</u>
FUND BALANCE - END OF YEAR	<u>\$ 890,335</u>	<u>\$ 1,984,792</u>	<u>\$ 1,094,457</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
GENERAL OPERATIONS FEE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 60,000	\$ 22,962	\$ (37,038)
General Operations Fee	2,103,000	2,103,000	-
General Operations Fee - Vacant Lots	34,500	34,439	(61)
General Operations Fee - Penalty And Other	20,000	34,933	14,933
Reimbursed Expenditures	20,000	4,341	(15,659)
Total Revenues	2,237,500	2,199,675	(37,825)
EXPENDITURES			
Floral	380,000	362,145	17,855
Holiday Decor	220,000	231,740	(11,740)
Landscape Maintenance & Irrigation Repair	400,000	326,971	73,029
Monthly Cleaning	260,000	246,325	13,675
Pest Control	10,000	4,535	5,465
Property Maintenance	140,000	118,860	21,140
Security	225,000	147,533	77,467
Signage	25,000	1,759	23,241
Site Lighting	130,000	153,682	(23,682)
Snow Removal	400,000	223,136	176,864
Street Repairs/Sidewalk	75,000	28,557	46,443
Street Sweeping	20,000	16,620	3,380
Traffic Signals Maintenance	5,000	1,943	3,057
Tree Replacement/Removal/Care	200,000	195,060	4,940
Utilities	150,000	194,357	(44,357)
Repairs and Maintenance:			
Banners	40,000	31,517	8,483
Contingency/Other	20,000	5,843	14,157
Detention Pond	20,000	935	19,065
Fountains/Chemicals	20,000	30,891	(10,891)
Irrigation System Upgrade	25,000	-	25,000
Locates	10,000	2,536	7,464
Playground Inspections/Repairs	25,000	48,690	(23,690)
Retaining Wall Repairs/Replace Caps	100,000	-	100,000
Total Expenditures	2,900,000	2,373,635	526,365
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(662,500)	(173,960)	488,540
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	300,000	-	(300,000)
Total Other Financing Sources (Uses)	300,000	-	(300,000)
NET CHANGE IN FUND BALANCE	(362,500)	(173,960)	188,540
Fund Balance - Beginning of Year	872,831	953,177	80,346
FUND BALANCE - END OF YEAR	<u>\$ 510,331</u>	<u>\$ 779,217</u>	<u>\$ 268,886</u>

See accompanying Notes to Basic Financial Statements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Southlands Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 18, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City of Aurora, Arapahoe County, Colorado. The District was established to provide financing for the design, acquisition, construction, and installation of public facilities such as water, streets, traffic and safety controls, parks, open space and recreation, sewer and drainage facilities, and the operations and maintenance of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees, and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as a functional expense on the statement of activities. Expenditures for property, plant, and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The General Operations Fee Fund accounts for general operations fees collected from property owners and payments for operations and maintenance expenses.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Streets	20 Years
Park and Recreation Improvements	20 Years
Equipment and Vehicles	5 Years
Landscape, Medians, and Monument	20 Years

Accounts Receivable

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Resolutions Concerning the Imposition of a General Operations Fee

On August 4, 2011, the District adopted the Resolution Concerning the Imposition of a General Operations Fee whereby the District fixed and imposed fees, rates, tolls, charges, and penalties for services or facilities provided by the District. On March 13, 2014, the District amended this resolution to clarify the funding of an operations reserve and capital reserve, capital replacement costs, as well as costs associated with providing the services, in order that the public facilities may be properly provided and maintained and that the health, safety, and welfare of the District and its inhabitants may be safeguarded. Excess fees at year-end are reflected as committed fund balance.

On November 16, 2021, the District adopted the Resolution Concerning the Imposition of a General Operations Fee for Vacant Lots. The fee, to be charged against each vacant lot, shall be due and payable each year within 45 days of the invoice date.

Any fee from the above resolutions that is not paid in full within 15 days after the scheduled due date is assessed a late fee of \$15 or up to 5% per month, or a fraction thereof, not to exceed a total of 25% of the amount due. Interest accrues on any outstanding fee, exclusive of assessed late fees and interest, at the rate of 18% per year.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Bond Premium

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Cost of Bond Refunding

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,809,345
Cash and Investments - Restricted	<u>2,370,818</u>
Total Cash and Investments	<u>\$ 5,180,163</u>

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

Deposits with Financial Institutions	\$ 417,903
Investments	<u>4,762,260</u>
Total Cash and Investments	<u>\$ 5,180,163</u>

Deposits with Financial Institutions

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District's cash deposits had a bank balance of \$417,303 and a carrying balance of \$417,903.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted-Average Under 60 Days	\$ 2,498,342
Fidelity Treasury Fund - Class III	Weighted-Average Under 60 Days	2,263,918
		<u>\$ 4,762,260</u>

COLOTRUST

The District 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both 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 CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

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 PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

Fidelity Investments

Debt service monies included in the trust accounts at UMB were invested in the Fidelity Treasury Fund Class III (the Fund). This portfolio is a money market mutual fund which invests in U.S. government securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 60 days or less and repurchase agreements collateralized by U.S. government securities. The Fund is rated AAA-mf by Moody's and AAAm by Standard & Poor's. The Fund records its investments at amortized cost and the District records its investments in the Fund using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 168,133	\$ -	\$ 168,133
Total Capital Assets, Not Being Depreciated	-	168,133	-	168,133
Capital Assets, Being Depreciated:				
Streets	22,218,636	-	-	22,218,636
Parks and Recreation	8,523,542	48,461	-	8,572,003
Equipment and Vehicles	12,993	-	-	12,993
Landscape, Medians and Monument	1,649,572	-	-	1,649,572
Total Capital Assets, Being Depreciated	32,404,743	48,461	-	32,453,204
Less Accumulated Depreciation for:				
Streets	18,587,273	812,709	-	19,399,982
Parks and Rec	7,556,409	413,267	-	7,969,676
Equipment and Vehicles	4,331	2,599	-	6,930
Landscape, Medians and Monument	194,703	82,479	-	277,182
Total Accumulated Depreciation	26,342,716	1,311,054	-	27,653,770
Total Capital Assets, Being Depreciated, Net	6,062,027	(1,262,593)	-	4,799,434
Governmental Activities Capital Assets, Net	<u>\$ 6,062,027</u>	<u>\$ (1,094,460)</u>	<u>\$ -</u>	<u>\$ 4,967,567</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	<u>\$ 1,311,054</u>
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SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
G.O. Refunding Bonds - Series 2017 A-1	\$ 40,895,000	\$ -	\$ 705,000	\$ 40,190,000	\$ 785,000
G.O. Refunding Bonds - Series 2017 A-2	3,615,000	-	65,000	3,550,000	70,000
Subtotal Bonds Payable	44,510,000	-	770,000	43,740,000	855,000
Bond Premium/Discount:					
Unamortized Bond Premium Series 2017 A-1	1,962,290	-	127,544	1,834,746	125,978
Unamortized Bond Premium Series 2017 A-2	173,689	-	11,288	162,401	11,144
Subtotal Bond Premium / Discount	2,135,979	-	138,832	1,997,147	137,122
Total Long-Term Obligations	<u>\$ 46,645,979</u>	<u>\$ -</u>	<u>\$ 908,832</u>	<u>\$ 45,737,147</u>	<u>\$ 992,122</u>

The details of the District's long-term obligations are as follows:

General Obligation Bonds – Series 2017

On December 1, 2017, the District refunded its General Obligation Refunding and Improvement Bonds, Series 2007 (the 2007 Bonds) and General Obligation Loan, Series 2016 (the 2016 Loan) by the issuance of \$44,690,000 General Obligation Refunding Bonds, Series 2017A-1, and \$3,945,000 General Obligation Refunding Bonds, Series 2017A-2, respectively (the 2017 Bonds). The proceeds were used for the purposes of (i) refunding the 2007 Bonds and 2016 Loan, (ii) funding the debt service reserve requirement (the 2017A-1 Reserve Fund in the amount of \$1,687,625 and the 2017A-2 Reserve Fund in the amount of \$149,750); and (iii) paying costs of issuance of the 2017 Bonds.

The 2017 Bonds, maturing on December 1, 2047 with interest rates of 3.000% - 5.000%, are payable semi-annually on June 1 and December 1. The 2017 Bonds maturing on or after December 1, 2037 are subject to redemption prior to maturity, at the option of the District, as whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2027 and on any date thereafter, at a redemption price equal to the par amount thereof plus accrued interest to the redemption date.

The 2017 Bonds are general obligations of the District secured by and payable from the Pledged Revenue consisting of moneys derived by the District from the following sources, net of any costs of collection: (i) the Unlimited Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Unlimited Mill Levy; and (iii) any other legally available moneys of the District deposited in the Bond Fund or the Reserve Fund.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds – Series 2017 (Continued)

Approximately 11.5 acres, generally encompassing the Lowe's Home Improvement Warehouse, were excluded from the boundaries of the District on November 7, 2007 (the Excluded Property). Accordingly, the Excluded Property is subject to ad valorem taxes by the District to pay the Series 2017A-1 Bonds but will not be subject to ad valorem taxes to pay the Series 2017A-2 Bonds.

For the purposes of paying the principal and interest on the Bonds, the Board is to annually determine and certify to the County each year in which the 2017 Bonds remain outstanding, in addition to all other taxes, the Unlimited Mill Levy. The 2017 Bonds are not secured by property lying within the District, but rather by, among other things, the District's obligation to annually determine and certify a rate of levy for ad valorem property taxes in an amount sufficient to pay, along with other legally available revenues, the principal and interest on the 2017 Bonds.

Unused Lines of Credit

The Series 2017 Bonds do not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the Series 2017 Bonds.

Events of Default

Events of default occur if:

- (a) The District fails to pay the principal of or interest on the Series 2017 Bonds when due;
- (b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the Indenture; or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2017 Bonds.

Termination Events

The Series 2017 Bonds are not subject to early termination.

Acceleration

The series 2017 Bonds are not subject to acceleration.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds – Series 2017 (Continued)

The District's Series 2017A-1 Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 785,000	\$ 1,985,500	\$ 2,770,500
2027	815,000	1,958,025	2,773,025
2028	895,000	1,929,500	2,824,500
2029	940,000	1,884,750	2,824,750
2030	1,045,000	1,837,750	2,882,750
2031-2035	6,430,000	8,329,500	14,759,500
2036-2040	9,070,000	6,472,250	15,542,250
2041-2045	12,405,000	3,888,250	16,293,250
2046-2047	7,805,000	631,250	8,436,250
Total	<u>\$ 40,190,000</u>	<u>\$ 28,916,775</u>	<u>\$ 69,106,775</u>

The District's Series 2017A-2 Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 70,000	\$ 175,475	\$ 245,475
2027	65,000	173,025	238,025
2028	80,000	170,750	250,750
2029	85,000	166,750	251,750
2030	95,000	162,500	257,500
2031-2035	565,000	736,750	1,301,750
2036-2040	805,000	572,500	1,377,500
2041-2045	1,095,000	343,750	1,438,750
2046-2047	690,000	55,750	745,750
Total	<u>\$ 3,550,000</u>	<u>\$ 2,557,250</u>	<u>\$ 6,107,250</u>

Debt Authorization

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$125,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Service Plan.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer, or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 4, 2008, and November 4, 2025 a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$560,000,000, and \$771,000,000 respectively at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of \$1,263,865,000.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NET POSITION

The District has net position consisting of three components - net investment in capital assets, restricted, and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 4,967,567
Current Portion of Long-Term Obligations	(654,600)
Noncurrent Portion of Long-Term Obligations	(29,522,654)
Portion of Debt Related to Restricted Cash and Investments	1,953,888
Net Investment in Capital Assets	<u>\$ (23,255,799)</u>

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

	Governmental Activities
Restricted Net Position:	
Emergency Reserve	\$ 106,900
Debt Service	232,858
Total Restricted Net Position	<u>\$ 339,758</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 INTERFUND TRANSFERS

The transfers from the General Fund to the Capital Projects Fund was the result of amounts due to the Capital Projects Fund to pay for capital expenditures and projects.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 RELATED PARTY

M & J Wilkow Properties, LLC, is contracted to provide property management service to the District. Four members of the Board of Directors are employees or contractors directly hired by M & J Wilkow Properties, LLC. M & J Wilkow Properties, LLC owns property at Southlands under the following entities: Southlands TC, LLC and Southlands PC, LLC. These entities and their affiliates may have conflicts of interest in dealing with the District.

NOTE 9 AGREEMENTS

District IGA

The District and Southlands Metropolitan District No. 2 (District No. 2) entered into an Intergovernmental Agreement dated June 30, 2004, and amended pursuant to a first amendment dated December 7, 2004, and second amendment dated August 24, 2007 (the District IGA), concerning the manner in which the Districts are to coordinate the financing, construction, operation and maintenance of certain Regional Improvements contemplated in the Service Plans. The District IGA sets forth the agreement of the Districts with respect to the equitable allocation of costs associated with certain regional improvements, including improvements to Aurora Parkway, Smoky Hill Road, and certain bridge widening and landscape improvements (Regional Improvements). The District IGA indicates that the District and District No. 2 (collectively, the Districts) made a determination that, because development had not yet commenced in District No. 2, the District shall undertake the construction of the Regional Improvements and it is District No. 2's intent to reimburse the District for District No. 2's equitable share of the costs associated with the Regional Improvements upon District No. 2's issuance of bonds in an amount sufficient to reimburse the District, and the Districts agree that it is appropriate to utilize all or a portion of net bond proceeds for reimbursement.

NOTE 10 RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, workers compensation, and property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

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

In November 2002, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitation under TABOR. At the November 2008 election, the District's electors authorized the District to collect, retain, and spend the full amount of taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fees collected or received by the District prior to, through and during 2008 and each fiscal year thereafter, without regard to any limitation under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado.

On November 4, 2025, the qualified electors of the District approved an election question to waive the 5.25% property tax limit established under Section 29-1-1702, C.R.S. for 2026 and all future budget years.

SUPPLEMENTARY INFORMATION

**SOUTHLANDS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 2,235,616	\$ 2,238,110	\$ 2,494
Specific Ownership Taxes	134,137	121,517	(12,620)
Interest Income	120,000	129,933	9,933
Total Revenues	<u>2,489,753</u>	<u>2,489,560</u>	<u>(193)</u>
EXPENDITURES			
County Treasurer's Fee	33,534	33,580	(46)
Paying Agent Fees	6,000	6,000	-
Bond Interest - Series 2017 A-1	2,010,175	2,010,175	-
Bond Interest - Series 2017 A-2	177,750	177,750	-
Bond Principal - Series 2017 A-1	705,000	705,000	-
Bond Principal - Series 2017 A-2	65,000	65,000	-
Contingency	7,541	-	7,541
Total Expenditures	<u>3,005,000</u>	<u>2,997,505</u>	<u>7,495</u>
NET CHANGE IN FUND BALANCE	(515,247)	(507,945)	7,302
Fund Balance - Beginning of Year	<u>2,764,931</u>	<u>2,758,259</u>	<u>(6,672)</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,249,684</u>	<u>\$ 2,250,314</u>	<u>\$ 630</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Other Projects	800,000	-	800,000
Shade Sail	-	8,325	(8,325)
Paving	-	168,133	(168,133)
Total Expenditures	<u>800,000</u>	<u>176,458</u>	<u>623,542</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(800,000)	(176,458)	623,542
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	800,000	176,458	(623,542)
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>176,458</u>	<u>(623,542)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

Bonds/Loans and Interest Maturing in the Year Ending December 31.	\$44,690,000 General Obligation Refunding Bonds Series 2017 A-1, Dated December 1, 2017 Interest at 3.000%-5.000% Interest Payable June 1 and December 1 Principal Payable December 1			\$3,945,000 General Obligation Refunding Bonds Series 2017 A-2, Dated December 1, 2017 Interest at 3.000%-5.000% Interest Payable June 1 and December 1 Principal Payable December 1			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 785,000	\$ 1,985,500	\$ 2,770,500	\$ 70,000	\$ 175,475	\$ 245,475	\$ 855,000	\$ 2,160,975	\$ 3,015,975
2027	815,000	1,958,025	2,773,025	65,000	173,025	238,025	880,000	2,131,050	3,011,050
2028	895,000	1,929,500	2,824,500	80,000	170,750	250,750	975,000	2,100,250	3,075,250
2029	940,000	1,884,750	2,824,750	85,000	166,750	251,750	1,025,000	2,051,500	3,076,500
2030	1,045,000	1,837,750	2,882,750	95,000	162,500	257,500	1,140,000	2,000,250	3,140,250
2031	1,100,000	1,785,500	2,885,500	95,000	157,750	252,750	1,195,000	1,943,250	3,138,250
2032	1,210,000	1,730,500	2,940,500	105,000	153,000	258,000	1,315,000	1,883,500	3,198,500
2033	1,270,000	1,670,000	2,940,000	110,000	147,750	257,750	1,380,000	1,817,750	3,197,750
2034	1,390,000	1,606,500	2,996,500	125,000	142,250	267,250	1,515,000	1,748,750	3,263,750
2035	1,460,000	1,537,000	2,997,000	130,000	136,000	266,000	1,590,000	1,673,000	3,263,000
2036	1,595,000	1,464,000	3,059,000	140,000	129,500	269,500	1,735,000	1,593,500	3,328,500
2037	1,675,000	1,384,250	3,059,250	150,000	122,500	272,500	1,825,000	1,506,750	3,331,750
2038	1,820,000	1,300,500	3,120,500	160,000	115,000	275,000	1,980,000	1,415,500	3,395,500
2039	1,910,000	1,209,500	3,119,500	170,000	107,000	277,000	2,080,000	1,316,500	3,396,500
2040	2,070,000	1,114,000	3,184,000	185,000	98,500	283,500	2,255,000	1,212,500	3,467,500
2041	2,170,000	1,010,500	3,180,500	190,000	89,250	279,250	2,360,000	1,099,750	3,459,750
2042	2,345,000	902,000	3,247,000	205,000	79,750	284,750	2,550,000	981,750	3,531,750
2043	2,460,000	784,750	3,244,750	220,000	69,500	289,500	2,680,000	854,250	3,534,250
2044	2,650,000	661,750	3,311,750	235,000	58,500	293,500	2,885,000	720,250	3,605,250
2045	2,780,000	529,250	3,309,250	245,000	46,750	291,750	3,025,000	576,000	3,601,000
2046	2,985,000	390,250	3,375,250	265,000	34,500	299,500	3,250,000	424,750	3,674,750
2047	4,820,000	241,000	5,061,000	425,000	21,250	446,250	5,245,000	262,250	5,507,250
Total	<u>\$ 40,190,000</u>	<u>\$ 28,916,775</u>	<u>\$ 69,106,775</u>	<u>\$ 3,550,000</u>	<u>\$ 2,557,250</u>	<u>\$ 6,107,250</u>	<u>\$ 43,740,000</u>	<u>\$ 31,474,025</u>	<u>\$ 75,214,025</u>

**SOUTHLANDS METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy			Total Mills Levied		Total Property Taxes		Percent Collected to Levied	Collected Less Abatement	Collected Less Abatements	Percent Collected Less Abatements to Levied				
				General	Debt	Levied	Collected								
				Operations	Service										
2021	\$	79,041,336	(a)	6.500	35.500	\$	3,287,045	\$	3,272,883	99.57 %	\$	-	\$	3,272,883	99.57 %
2022		81,244,362	(b)	6.500	35.500		3,381,245		3,339,380	98.76 %		(118,430)		3,220,950	95.26 %
2023		78,720,879	(c)	6.500	35.500		3,274,979		3,212,677	98.10 %		-		3,212,677	98.10 %
2024		79,531,302	(d)	8.000	34.000		3,301,782		3,530,734	106.93 %		(98,822)		3,431,912	103.94 %
2025		83,237,246	(e)	15.000	27.000		3,433,647		3,437,560	100.11 %		-		3,437,560	100.11 %
Estimated for Year Ending December 31, 2026	\$	86,870,259	(f)	8.000	34.000	\$	3,616,468								

Note:

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

- (a) - Certified Assessed Value of \$3,269,181 is for Arapahoe County debt only.
- (b) - Certified Assessed Value of \$3,101,819 is for Arapahoe County debt only.
- (c) - Certified Assessed Value of \$3,129,799 is for Arapahoe County debt only.
- (d) - Certified Assessed Value of \$3,350,710 is for Arapahoe County debt only.
- (e) - Certified Assessed Value of \$3,368,486 is for Arapahoe County debt only.
- (f) - Certified Assessed Value of \$3,208,222 is for Arapahoe County debt only.

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
ASSESSED VALUATION OF CLASSES OF PROPERTY OF THE DISTRICT
DECEMBER 31, 2025
(UNAUDITED)

<u>Class</u>	<u>Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Commercial	\$ 78,571,606	90.45 %
Personal Property	7,470,270	8.60
Vacant Land	825,373	0.95
State Assessed	<u>3,010</u>	<u>0.00</u>
Total	<u><u>\$ 86,870,259</u></u>	<u><u>100.00 %</u></u>

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
TAXPAYERS IN THE DISTRICT
DECEMBER 31, 2025
(UNAUDITED)

Taxpayers Within The District

<u>Taxpayer Name</u>	<u>2025 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (1)</u>
SOUTHLANDS TC LLC	\$ 27,215,460	32.53 %
SOUTHLANDS PC LLC	5,589,810	6.68
WAL-MART REAL ESTATE BUSINESS	5,001,393	5.98
SAM'S CLUB REAL ESTATE	3,496,704	4.18
SAFARI HOTEL FUND DEN-2018 LLC	2,310,390	2.76
LUCKY STRIKE SOUTHLANDS	945,252	1.13
QWEST CORPORATION	376,700	0.45
NORDSTROM RACK	370,024	0.44
AMERICAN MULTI - CINEMA	245,821	0.29
BALLER DENTAL & ORTHODONTICS	226,711	0.27
Total	<u>\$ 45,778,265</u>	<u>54.71%</u>

(1) Based on a 2025 certified assessed valuation of \$83,662,037

Taxpayers Within The Excluded Property

<u>Taxpayer Name</u>	<u>2025 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (1)</u>
LOWES HOME IMPROVEMENT WAREHOUSE	\$ 3,171,094	98.84 %
PUBLIC SERVICES OF COLORADO	9,600	0.30
LEVOLOR INC	12,230	0.38
VERDANT COMMERCIAL CAPITAL LLC	10,793	0.34
HILLMAN GROUP INC	1,904	0.06
DE LAGE LANDEN FINANCIAL SERVICES, INC.	939	0.03
READY ICE LLC	618	0.02
QWEST CORPORATION	600	0.02
GRAYHAWK LEASING LLC	444	0.01
Total	<u>\$ 3,208,222</u>	<u>100.00 %</u>

(1) Based on a 2025 certified assessed valuation of \$3,208,222

SOUTHLANDS METROPOLITAN DISTRICT NO. 1
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT
DECEMBER 31, 2025
(UNAUDITED)

Entity	2025 Assessed Valuation	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributed to the District	
			Percent	Debt
Cherry Creek School District #5	\$ 9,525,023,544	\$ 789,735,000	0.91%	\$ 7,202,553
				<u>\$ 7,202,553</u>

Exclusion Adjusted Taxing Area Historical Debt Ratios

	Years Ended December 31				
	2021	2022	2023	2024	2025
General Obligation Debt Outstanding	\$ 42,780,000	\$ 42,190,000	\$ 41,580,000	\$ 40,895,000	\$ 40,190,000
Assessed Value - Exclusion					
Adjusted Taxing Area	\$ 81,244,362	\$ 78,720,879	\$ 79,531,302	\$ 83,237,246	\$ 86,870,259
Ratio of Debt to Assessed Value	52.66%	53.59%	52.28%	49.13%	46.26%